The Ontario Securities Commission

OSC Bulletin

February 25, 2011

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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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Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

February 25, 2011

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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Vern Krishna	—	VK
Christopher Portner	—	CP
Charles Wesley Moore (Wes) Scott	—	CWMS

SCHEDULED OSC HEARINGS

February 28, 2011 11:00 a.m.	**North American Financial Group Inc., North American Capital Inc., Alexander Flavio Arconti, and Luigino Arconti** s. 127 M. Britton in attendance for Staff Panel: EPK
March 1, 2011 2:00 p.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: PJL/SA
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: CP
March 7-11, March 21-28, 2011 10:00 a.m. March 29, 2011 2:00 p.m.	**Paul Donald** s. 127 C. Price in attendance for Staff Panel: CP/PLK

March 8, 2011 10:00 a.m.	**Global Consulting and Financial Services, Crown Capital Management Corporation, Canadian Private Audit Service, Executive Asset Management, Michael Chomica, Peter Siklos (Also Known As Peter Kuti), Jan Chomica, and Lorne Banks** s. 127 H. Craig/C. Rossi in attendance for Staff Panel: MGC
March 8, 2011 12:00 p.m.	**QuantFX Asset Management Inc., Vadim Tsatskin, Lucien Shtromvaser and Rostislav Zemlinsky** s. 127 H. Craig in attendance for Staff Panel: MGC
March 10, 2011 10:00 a.m.	**Alexander Christ Doulis (aka Alexander Christos Doulis, aka Alexandros Christodoulidis) and Liberty Consulting Ltd.** s. 127 S. Horgan in attendance for Staff Panel: CP/PLK
March 11, 2011 10:00 a.m.	**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: CP
March 16, 2011 10:00 a.m.	**Rezwealth Financial Services Inc., Pamela Ramoutar, Justin Ramoutar, Tiffin Financial Corporation, Daniel Tiffin, 2150129 Ontario Inc., Sylvan Blackett, 1778445 Ontario Inc. and Willoughby Smith** s. 127(1) and (5) A. Heydon in attendance for Staff Panel: CP
March 21 and March 23-31, 2011 May 2-9 and May 11-13, 2011 10:00 a.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/C. Rossi in attendance for Staff Panel: VK/EPK
March 24, 2011 10:00 a.m.	**Simply Wealth Financial Group Inc., Naida Allarde, Bernardo Giangrosso, K&S Global Wealth Creative Strategies Inc., Kevin Persaud, Maxine Lobban and Wayne Lobban** s. 127 and 127.1 C. Johnson in attendance for Staff Panel: JDC
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: JDC
April 4-7, April 11, April 13-18 and April 20, 2011 10:00 a.m.	**Uranium308 Resources Inc., Michael Friedman, George Schwartz, Peter Robinson, and Shafi Khan** s. 127 H. Craig/C.Rossi in attendance for Staff Panel: TBA

April 4-11 and April 13-15, 2011 10:00 a.m.	**L. Jeffrey Pogachar, Paola Lombardi, Alan S. Price, New Life Capital Corp., New Life Capital Investments Inc., New Life Capital Advantage Inc., New Life Capital Strategies Inc., 1660690 Ontario Ltd., 2126375 Ontario Inc., 2108375 Ontario Inc., 2126533 Ontario Inc., 2152042 Ontario Inc., 2100228 Ontario Inc., and 2173817 Ontario Inc.** s. 127 M. Britton in attendance for Staff Panel: EPK/SOA
April 5, 2011 2:30 p.m.	**Lehman Brothers & Associates Corp., Greg Marks, Kent Emerson Lounds and Gregory William Higgins** s. 127 H. Craig in attendance for Staff Panel: TBA
April 11, April 13-21, and April 27-29, 2011 10:00 a.m.	**Axcess Automation LLC, Axcess Fund Management, LLC, Axcess Fund, L.P., Gordon Alan Driver, David Rutledge, 6845941 Canada Inc. carrying on business as Anesis Investments, Steven M. Taylor, Berkshire Management Services Inc. carrying on business as International Communication Strategies, 1303066 Ontario Ltd. carrying on business as ACG Graphic Communications, Montecassino Management Corporation, Reynold Mainse, World Class Communications Inc. and Ronald Mainse** s. 127 Y. Chisholm in attendance for Staff Panel: CP/PLK
April 18 and April 20, 2011 10:00 a.m.	**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: JDC/MCH
May 2-9, May 11-16, 2011 10:00 a.m.	**Innovative Gifting Inc., Terence Lushington, Z2A Corp., and Christine Hewitt** s. 127 C. Rossi in attendance for Staff Panel: TBA
May 4-5, 2011 10:00 a.m.	**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: JEAT/PLK/MGC
May 10, 2011 2:30 p.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 M. Vaillancourt in attendance for Staff Panel: TBA
May 16-20 and May 25-31, 2011 10:00 a.m.	**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: EPK/MCH

May 19, 2011 10:00 a.m.	**Andrew Rankin** s. 144 S. Fenton/K. Manarin in attendance for Staff Panel: JEAT/PLK/CP
May 24, 2011 2:30 p.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) H. Craig in attendance for Staff Panel: TBA
May 25-31, 2011 10:00 a.m.	**Sunil Tulsiani, Tulsiani Investments Inc., Private Investment Club Inc., and Gulfland Holdings LLC** s. 127 C. Rossi in attendance for Staff Panel: JDC/CWMS
June 1-2, 2011 10:00 a.m.	**Hector Wong** s. 21.7 A. Heydon in attendance for Staff Panel: EPK/PLK
June 6 and June 8-9, 2011 10:00 a.m.	**Lehman Brothers & Associates Corp., Greg Marks, Kent Emerson Lounds and Gregory William Higgins** s. 127 H. Craig in attendance for Staff Panel: JDC/CWMS
July 26, 2011 11:00 a.m.	**Marlon Gary Hibbert, Ashanti Corporate Services Inc., Dominion International Resource Management Inc., Kabash Resource Management, Power to Create Wealth Inc. and Power to Create Wealth Inc. (Panama)** s. 127 S. Chandra in attendance for Staff Panel: TBA
September 6-12, September 14-26 and September 28, 2011 10:00 a.m.	**Anthony Ianno and Saverio Manzo** s. 127 and 127.1 A. Clark in attendance for Staff Panel: EPK/PLK
September 12, 14-26 and September 28-30, 2011 10:00 a.m.	**FactorCorp Inc., FactorCorp Financial Inc. and Mark Twerdun** s. 127 C. Price in attendance for Staff Panel: TBA
September 14-23, September 28 – October 4, 2011 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
October 12-24 and October 26-27, 2011 10:00 a.m.	**Helen Kuszper and Paul Kuszper** s. 127 and 127.1 U. Sheikh 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

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

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

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

s. 127

C. Johnson 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) and (5)

J. Feasby/C. Rossi 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

Shane Suman and Monie Rahman

s. 127 and 127(1)

C. Price in attendance for Staff

Panel: JEAT/PLK

TBA

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

s. 127

H. Craig in attendance for Staff

Panel: JEAT/CSP/SA

TBA

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: TBA

TBA

Abel Da Silva

s. 127

M. Boswell in attendance for Staff

Panel: TBA

TBA **Richvale Resource Corp., Marvin Winick, Howard Blumenfeld, John Colonna, Pasquale Schiavone, and Shafi Khan**

s. 127(7) and 127(8)

H. Craig in attendance for Staff

Panel: TBA

TBA **Sextant Capital Management Inc., Sextant Capital GP Inc., Otto Spork, Robert Levack and Natalie Spork**

s. 127

T. Center in attendance for Staff

Panel: TBA

TBA **Ameron Oil and Gas Ltd., MX-IV Ltd., Gaye Knowles, Giorgio Knowles, Anthony Howorth, Vadim Tsatskin, Mark Grinshpun, Oded Pasternak, and Allan Walker**

s. 37, 127 and 127.1

H. Craig/C. Rossi in attendance for Staff

Panel: TBA

TBA **David M. O'Brien**

s. 37, 127 and 127.1

B. Shulman in attendance for Staff

Panel: TBA

TBA **Paul Azeff, Korin Bobrow, Mitchell Finkelstein, Howard Jeffrey Miller and Man Kin Cheng (a.k.a. Francis Cheng)**

s. 127

T. Center/D. Campbell in attendance for Staff

Panel: TBA

TBA **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

A. Perschy/C. Rossi in attendance for Staff

Panel: CP/PLK

TBA **Shaun Gerard McErlean and Securus Capital Inc.**

s. 127

M. Britton in attendance for Staff

Panel: TBA

TBA **Majestic Supply Co. Inc., Suncastle Developments Corporation, Herbert Adams, Steve Bishop, Mary Kricfalusi, Kevin Loman and CBK Enterprises Inc.**

s. 37, 127 and 127.1

D. Ferris in attendance for Staff

Panel: TBA

TBA **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

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

Global Energy Group, Ltd., New Gold Limited Partnerships, 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 Shiff

s. 127

H. Craig in attendance for Staff

Panel: TBA

TBA

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: TBA

TBA

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

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Global Privacy Management Trust and Robert Cranston

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 CSA Staff Notice 31-323 – Guidance Relating to the Registration Obligations of Mortgage Investment Entities

CSA STAFF NOTICE 31-323
GUIDANCE RELATING TO THE REGISTRATION OBLIGATIONS OF MORTGAGE INVESTMENT ENTITIES

On August 20, 2010, each of the members of the Canadian Securities Administrators (the CSA or we) issued parallel orders providing exemptive relief for mortgage investment entities (MIEs) from the investment fund manager registration requirement and the adviser registration requirement under securities legislation until December 31, 2010. This relief was granted to allow each of the CSA members to review the requirement for MIEs to register as investment fund managers and advisers.

On December 3, 2010, all jurisdictions except British Columbia extended the relief until March 31, 2011. British Columbia extended the relief until June 30, 2011.

This Notice is to clarify the registration requirements that apply to MIEs in each of the CSA jurisdictions pursuant to the requirements of National Instrument 31-103 *Registration Requirements and Exemptions* (NI 31-103).

Definition of MIE

In this guidance, the term MIE refers to a person or company whose purpose is to directly or indirectly invest substantially all of its assets in debts owing to it that are secured by mortgages, hypothecs or in any other manner on real property (collectively, "mortgages" for purposes of this guidance), and whose other assets are limited to:

- deposits with a bank or other financial institution
- cash
- debt securities referenced in section 8.21 [*Specified debt*] of NI 31-103
- real property which is directly or indirectly held on a temporary basis as a result of action taken to enforce its rights as a secured lender
- instruments intended solely to hedge specific risks relating to the debts owing to it that are secured by mortgages, hypothecs or in any other manner on real property

Mortgage syndications

A MIE holding an interest in a single mortgage will not typically be subject to the investment fund manager registration requirement where that MIE or a related entity had a role in the creation or syndication of that mortgage (such MIEs are commonly referred to as "mortgage syndications").

Pooled MIEs

Investment Fund Manager registration

The applicability of the investment fund manager registration requirement to a MIE managing a portfolio of mortgages (Pooled MIE) varies in different CSA jurisdictions. Pooled MIEs commonly include "mortgage investment corporations" as defined in the *Income Tax Act* (Canada).

(a) In jurisdictions other than Alberta

In all CSA jurisdictions other than Alberta, a Pooled MIE may or may not be subject to the investment fund manager registration requirement based on the criteria below.

A Pooled MIE will be considered to be an *investment fund* if its primary activity is managing an investment portfolio that includes mortgages. Factors that we would consider relevant to this determination include:

- the Pooled MIE does not take an active role in originating the mortgages that become part of the investment portfolio, and
- the Pooled MIE buys or sells mortgages in accordance with a stated portfolio investment strategy.

A Pooled MIE that is an investment fund must ensure that the person or company that directs its business, operations or affairs is registered as an investment fund manager.

A Pooled MIE will not be considered to be an *investment fund* if its primary activity is mortgage lending, that is, by operating a business that creates and manages mortgages. Factors that we would consider relevant to this determination include:

- the Pooled MIE originates the mortgages in the name of the Pooled MIE directly or through an agent retained by the Pooled MIE and acting on its behalf
- the Pooled MIE funds the mortgages
- the Pooled MIE enters into the mortgage agreements as the mortgagee, and
- the Pooled MIE administers the mortgages, either directly or through an agent acting on its behalf

The investment fund manager registration requirement will not typically apply in respect of a Pooled MIE that is not an investment fund.

(b) In Alberta

For a Pooled MIE whose principal jurisdiction is Alberta, the above stated analysis with respect to determining whether a Pooled MIE is subject to the investment fund registration requirement does not apply. Instead, a Pooled MIE that has the power to direct and exercises the responsibility of directing the affairs of an "investment fund" as defined in the *Securities Act* (Alberta) will be required to register as an investment fund manager. A Pooled MIE that does not have the power to direct and does not exercise the responsibility of directing the affairs of an investment fund will not be subject to the investment fund manager registration requirement.

If an entity is uncertain about whether it is subject to the investment fund manager registration requirement, it should consider whether the Pooled MIE is an "investment fund" for the purposes of securities legislation. Sections 7.3 of Companion Policy 31-103CP *Registration Requirements and Exemptions* (31-103CP) and 1.2 of Companion Policy 81-106CP *Investment Fund Continuous Disclosure* provide guidance on the general nature of investment funds.

Adviser registration

A person or company that advises a Pooled MIE that is an investment fund about investing in or buying or selling mortgages or other securities will be subject to the adviser registration requirement if it is in the business of advising in securities. A person or company that advises a Pooled MIE that is not an investment fund should consider whether it is in the business of advising in securities as outlined in the guidance in section 1.3 of 31-103CP and, on that basis, required to register.

We will consider applications from advisers to Pooled MIEs for discretionary exemptions from the prescribed portfolio manager proficiencies. If exempted, an adviser will typically be registered as a restricted portfolio manager, with terms and conditions limiting its registration to advising in respect of the Pooled MIE's activities.

In jurisdictions where mortgage broker legislation prescribes proficiency requirements for MIEs, we may consider those to be acceptable alternatives to the proficiency requirements in securities legislation. Such exemptions from the proficiency requirements will also be considered in jurisdictions that do not have mortgage broker legislation that prescribes proficiency requirements applicable to MIEs.

Dealer registration

In all CSA jurisdictions except British Columbia, a MIE or any other person or company trading its securities will be subject to the dealer registration requirement if it is in the business of trading in securities. If a MIE or any other person or company trading its securities is uncertain about whether it must register as a dealer, it should consider whether it is in the business of trading in securities as outlined in the guidance in section 1.3 of 31-103CP.

In British Columbia, a MIE will not be subject to dealer registration until BC Instrument 32-517 in British Columbia expires on June 30, 2011. The British Columbia Securities Commission will issue further guidance about the dealer registration requirement for MIEs in B.C. prior to June 30, 2011.

Ongoing Monitoring

The Ontario Securities Commission intends to monitor the application of registration requirements to MIEs operating in Ontario under different business models and structures and may review its position if investor protection concerns are identified.

Questions

If you have questions about this Notice please direct them to any of the following:

Michael Brady
Senior Legal Counsel, Capital Markets Regulation
British Columbia Securities Commission
Tel: 604-899-6561
1-800-373-6393
mbrady@bcsc.bc.ca

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February 25, 2011

1.1.3 CSA Staff Notice 81-321 – Early Use of the Fund Facts to Satisfy Prospectus Delivery Requirements

CANADIAN SECURITIES ADMINISTRATORS
STAFF NOTICE 81-321

EARLY USE OF THE FUND FACTS TO SATISFY
PROSPECTUS DELIVERY REQUIREMENTS

PURPOSE

The Canadian Securities Administrators (the CSA or we) anticipate that we may begin receiving applications for exemptive relief to allow the early use of the Fund Facts to satisfy the current prospectus delivery requirements. This Notice provides guidance on key terms and conditions that the CSA will look for when considering these types of applications.

BACKGROUND

On June 16, 2010, we published CSA Staff Notice 81-319 *Status Report on the Implementation of Point of Sale Disclosure for Mutual Funds* (the Staff Notice). The Staff Notice outlined the CSA's decision to implement the point of sale disclosure framework in three stages. The CSA has begun its work on stage 2 of the implementation.

The Staff Notice specified that while work on stage 2 is underway, the CSA would consider applications for exemptive relief to permit the early use of the Fund Facts to satisfy the current prospectus delivery requirements. It also stated that the CSA would publish a staff notice in early 2011 that sets out the key terms and conditions the CSA anticipates requiring as part of any exemption.

Stage 1 was completed on January 1, 2011 when amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (the Instrument) came into force. The Instrument, which was published on October 6, 2010, contains the requirements to produce and file the Fund Facts document and for it to be made available on the mutual fund's or mutual fund manager's website. The Fund Facts document must also be delivered or sent to investors free of charge upon request.

The Fund Facts document is a new summary disclosure document and is central to the point of sale disclosure framework. It highlights key information for investors, including fund performance, risk and the costs of buying and owning a fund, in a short, easy-to-read document that is no more than two pages, double-sided, in length.

Stage 2 involves publishing for comment proposed amendments to allow delivery of the Fund Facts to satisfy the current prospectus delivery requirements under securities legislation to deliver a prospectus within two days of buying a mutual fund. The CSA expects to publish the proposed amendments in mid-2011.

In stage 3, after completing our review and consideration of the issues related to point of sale delivery, we will publish for further comment any proposed requirements that would implement point of sale delivery for mutual funds. We will also be considering point of sale delivery for other types of publicly offered investment funds.

TERMS AND CONDITIONS FOR EXEMPTIVE RELIEF

Set out below are the key terms and conditions that the CSA anticipates requiring as part of an exemption to allow the early use of the Fund Facts to satisfy the current prospectus delivery requirements. The CSA may also consider other terms and conditions as part of its review of an application.

Filing requirements

- The mutual fund must file a Fund Facts in compliance with Form 81-101F3 *Contents of Fund Facts Document*.
- An amendment to the simplified prospectus (SP) must be filed to specify, under Item 3 of Part A of Form 81-101F1 *Contents of Simplified Prospectus*, that the Fund Facts is incorporated by reference into the SP.
- A mutual fund must continue to file the SP and annual information form (AIF), as required by securities legislation.

Availability of documents

- The Fund Facts must continue to be made available to investors on the mutual fund's or mutual fund manager's website and delivered or sent to investors free of charge upon request.
- A mutual fund's SP and AIF must continue to be delivered or sent to investors free of charge upon request.

Delivery requirements

- A Fund Facts must be delivered in accordance with the current prospectus delivery requirements under securities legislation.

- The current withdrawal and rescission rights under securities legislation that apply to delivery of, and failure to deliver, the prospectus will apply to delivery of, and failure to deliver, the Fund Facts. These rights must be disclosed in or with the Fund Facts.

- A Fund Facts may only be bound with other Fund Facts that are being delivered at the same time within the current prospectus delivery requirements for mutual funds purchased by the investor.

Expiry of exemptive relief

- Any exemptive relief granted will expire upon the coming into force of any legislation or rules relating to delivery of the Fund Facts to satisfy the prospectus delivery requirements under securities legislation. This is commonly referred to as a "sunset clause".

FOR MORE INFORMATION

Applicants and their counsel are encouraged to contact CSA staff at an early stage in the planning of an application for exemptive relief to discuss the terms and conditions set out in the Notice.

QUESTIONS

If you have any questions, please contact:

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February 25, 2011

1.1.4 OSC – 2010 Enforcement Activity Report

ONTARIO SECURITIES COMMISSION

2010 ENFORCEMENT ACTIVITY REPORT

Message from the Chair

The Ontario Securities Commission (OSC) is responsible for enforcing securities law in Ontario. We actively work to protect investors and the capital markets in Ontario by investigating and litigating many types of wrongdoing, including fraud, illegal distributions, misconduct by registrants, illegal insider trading, disclosure violations and market manipulation.

In this report, you will find a summary of our enforcement and oversight activities for the 2010 calendar year, including summaries of notable cases. Overall, 35 enforcement proceedings were commenced in 2010, involving 108 individuals and 69 companies. Twenty-seven proceedings were concluded, involving 45 individuals and 29 companies. These proceedings resulted in monetary sanctions and costs of $53,477,972. In two cases, jail terms were imposed by the courts.

The effects of the economic downturn continued to impact our enforcement activities in 2010. Previously hidden fraudulent investment schemes surfaced, exposing investor losses and producing a number of complex cases with multiple respondents and multiple offences. As a result, 22 of the 35 proceedings commenced involved illegal distributions, 17 of which also included an allegation of fraud. Fifteen of the 27 concluded proceedings involved illegal distributions, resulting in monetary sanctions and costs of $43,133,344. An illegal distribution includes selling securities without being registered or without a prospectus when one is required.

At December 31, 2010, 82 open case files were under assessment, 39 cases were under active investigation and 55 cases were in litigation. Forty-eight of the cases in litigation were before the Commission and seven were before the courts.

We take a strategic approach to cases, focusing on files that pose a higher risk to investors and the capital markets. We apply a number of criteria to determine whether to pursue a case in a proceeding before an adjudicative panel of the Commission, where the primary penalties are monetary sanctions and bans, or to bring the case to provincial court, which has the power to impose fines and jail terms.

In 2011, targeting market abuse, specifically market manipulation and insider trading, will be a priority. We will also continue to focus on misconduct that causes direct harm to investors, such as fraud and illegal distributions. The OSC intends to make more use of the Commission's powers to pursue cases in provincial court and will request that the courts impose jail terms to send a strong message to deter those who try to exploit investors.

Howard I. Wetston, Q.C.
Chair & CEO
Ontario Securities Commission

ENFORCEMENT PROCEEDINGS

Our Enforcement Branch uses an integrated, team-based approach to assess, investigate and litigate cases. Two of the six integrated teams focus on specific areas of wrongdoing: illegal insider trading and boiler rooms. A boiler room involves unregistered salespeople making illegal distributions of securities to investors and often includes fraudulent behaviour. Another team focuses on registrant misconduct and works closely with the Compliance and Registrant Regulation Branch. Three teams investigate and litigate all types of violations.

The Enforcement Branch receives information about possible illegal activity from its surveillance activities and referrals from other OSC Branches, other securities regulators, law enforcement agencies and the public. Staff may determine that a matter requires further investigation by the Enforcement Branch or recommend regulatory or compliance action through another OSC Branch. Where appropriate, matters are referred to another regulator or a law enforcement agency for investigation. Alleged criminal conduct in the capital markets is prosecuted through the criminal justice system.

The number of enforcement proceedings and the amount of sanctions can vary from year to year, depending on the allegations, number of respondents, size and scope of the investigation and litigation, and other factors.

COMBATING FRAUD

Until 2006, the OSC's ability to combat illegal sales of worthless securities was limited to using the provisions dealing with illegal distributions (unregistered sales and prospectus provisions) under the *Securities Act* (Ontario) (the Act). The addition of provisions dealing with fraud, market manipulation, and misleading or untrue statements, which came into effect on January 1, 2006, have given us more flexible tools. Most of our cases targeting the illegal sale of securities now include both an allegation of illegal distribution and an allegation of fraud. We have also made allegations of fraud along with allegations of misconduct by registrants and market manipulation.

Cases relating to fraud often involve intensive investigation and litigation over a period of several months or years. In 2010, the Commission released decisions relating to the first four proceedings concluded under the fraud provision: Al-tar Energy Corp., Chartcandle Investments Corp., Global Partners Capital and Lehman Cohort Global Group Inc. In its decisions, the Commission found that acts constituting fraud included non-disclosure of important facts in offering memoranda, use of investor funds for personal expenses, misrepresentation of background and experience in the securities industry, and unauthorized diversion of funds.

The OSC will continue to investigate allegations of fraud and where appropriate, bring matters before the Commission and/or the courts. By proactively investigating and initiating proceedings on allegations of fraud, staff help protect investors and seek to deter those who engage in fraudulent activity in the capital markets.

PROCEEDINGS COMMENCED

A total of 35 proceedings were commenced by the OSC in 2010, involving 108 individuals and 69 companies. Over half of the allegations also included allegations of fraud.

Alleged category of wrongdoing	Cases	Respondents	
		Individuals	**Companies**
Illegal distributions	22[(1)]	79	61
Misconduct by registrants	4[(2)]	14	5
Illegal insider trading	4	9	–
Disclosure violations	2	1	1
Market manipulation	1	2	–
Miscellaneous	2[(3)]	3	2
Total	35	**108**	**69**

(1) Fifteen cases also included an allegation of fraud.
(2) One case also included an allegation of fraud.
(3) One case also included an allegation of fraud.

CONCLUDED PROCEEDINGS

A proceeding is concluded when the Commission or the courts make a decision and any sanctions are ordered. In 2010, a total of 27 proceedings were concluded, involving 45 individuals and 29 companies.

Concluded proceedings – by category

Category of wrongdoing	Cases	Respondents	
		Individuals	Companies
Illegal distributions	15	29[1]	22[2]
Misconduct by registrants	4	8	3
Illegal insider trading	2	2	1
Disclosure violations	2	1	1
Market manipulation	–	–	–
Miscellaneous	4	5	2
Total	**27**	**45**	**29**

[1] There were findings of fraud against seven of these individuals.
[2] There were findings of fraud against six of these companies.

Concluded proceedings – by venue

Venue	Respondents
Proceedings before the Commission	
Contested hearing	34
Settlement agreement	38
Court proceeding under securities legislation	
Jail term	2
Total	**74**

SANCTIONS

The Commission can impose monetary sanctions and bans on individuals and companies for violations of securities law or conduct that is contrary to the public interest. The courts have the authority to impose fines and jail terms.

Monetary sanctions include penalties, settlements and disgorgement. Disgorgement requires the respondent to pay the OSC the amount the respondent obtained as a result of the illegal activity.

Category of wrongdoing	Respondents	Penalties and settlements	Disgorgement
Illegal distributions	51	$4,719,400	$37,807,470
Misconduct by registrants	11	$4,838,400	$1,492,366
Illegal insider trading	3	$48,862	–
Disclosure violations	2	$3,000,000	–
Market manipulation	–	–	–
Miscellaneous	7	$140,000	–
Total	**74**	**$12,746,662**	**$39,299,836**

In addition, the Commission can order the payment of some or all of the costs of the proceeding. In 2010, the Commission ordered respondents to pay costs of $1,431,474.

The Commission can impose bans on future activity, such as trading in securities (cease trade orders), acting as a director or officer of a public company, and acting as or becoming a registrant. The Commission can also remove prospectus and registration exemptions available under the Act.

In 2010, the Commission ordered:

- 59 cease trade orders
- 40 director and officer bans
- 55 exemption removals
- 31 registration restrictions

Jail terms imposed by Ontario courts

In 2010, the courts sentenced two individuals to jail terms as a result of proceedings initiated by the OSC.

In January 2010, Peter Robinson received a four-month jail sentence for contempt for failing to comply with an OSC summons that compelled him to produce certain documents and answer questions. This was the first time a jail sentence was imposed for failure to comply with an OSC summons.

In September 2010, Abel Da Silva was sentenced to 75 days in jail and two years of probation for breaching a seven-year cease trade order. This was the first time a jail sentence was imposed for a breach of a cease trade order.

NOTABLE CASES

The following are summaries of notable cases in 2010 for each category of wrongdoing. You can find more information about these cases under OSC Proceedings on the OSC website at www.osc.gov.on.ca.

Illegal distributions and fraud

Illegal distributions involve selling securities without being registered and without having an exemption, or offering securities without a prospectus when one is required. This category of wrongdoing often includes fraudulent behaviour, specifically making false representations to solicit the public to invest.

Steven Michael Chesnowitz, Charles Pauly (Chartcandle Investments Corp.)

The Commission found that Steven Michael Chesnowitz perpetuated a fraud on investors by making false representations, misappropriating investor funds for his personal use, and using funds from new investors to pay other investors.

Chesnowitz represented that he would invest the money raised using an established trading system that produced consistent returns over long periods of time. He further claimed that he had been mentored by several prominent traders. Chesnowitz had not developed a trading system and traded on behalf of investors with no trading strategy. He received about $4 million from 53 investors.

Charles Pauly created and maintained the Chartcandle Investments website. At the direction of Chesnowitz, Pauly posted false information about returns on investments. He knew that investors were relying on this information. Pauly entered into a settlement agreement with respect to his role in the Chartcandle scheme.

The respondents were also found to have traded securities without registration.

Michael Friedman, Peter Robinson (Uranium308 Resources Inc.)

Uranium308 Resources Inc., its director Michael Friedman and one of its salespersons, Peter Robinson, entered into a settlement agreement. Uranium308 Resources had its salespersons, including Robinson, make unsolicited telephone calls to residents of Ontario and elsewhere in Canada. The three respondents illegally distributed securities by trading in securities without being registered and by failing to meet prospectus requirements.

The company also maintained a website with numerous pieces of false, inaccurate and misleading information, including representations that the company owned properties in Zambia and New Mexico, and that investor funds were to be used for the exploration and development of these properties. Uranium308 Resources did not own properties in Zambia and New Mexico. Approximately 62% of the $2.3 million raised from investors was used to compensate individuals and companies who were involved in selling the Uranium308 Resources securities.

Gurdip Singh Gahunia (Shallow Oil & Gas Inc.)

Gurdip Singh Gahunia entered into a settlement agreement with respect to his role in the illegal distribution of shares of Shallow Oil & Gas Inc. He was hired as the supervisor of telemarketing staff and was responsible for ensuring that the staff followed established scripts and called individuals and companies on lead lists. He also contacted investors by phone using an alias. He did not advise investors that he would be receiving a commission of 30%.

Misconduct by registrants

Any individual or company in the business of selling securities, offering investment advice or managing the business operations of a mutual fund in Ontario must register with the OSC, unless they have an exemption. Misconduct by registrants occurs when a registered individual or company violates securities law. It is also misconduct to fail to register when required to do so, or to fail to comply with the conditions of a registration exemption.

Norshield Asset Management (Canada Ltd.)

The OSC imposed sanctions on a number of respondents in relation to various collapsed hedge funds managed by Norshield Asset Management (Canada Ltd.). The collapse of these funds resulted in the loss of a substantial portion of the $159 million invested by 1,900 Canadian retail investors.

Various respondents were found to have failed to deal fairly, honestly and in good faith with these investors. They failed to communicate the true nature of the investment scheme and to account for the funds that had been invested. They also communicated information to investors based on artificially inflated asset values. This matter is under appeal to the Divisional Court.

Illegal insider trading

Illegal insider trading involves buying or selling a security of an issuer while possessing material undisclosed information about the issuer. It includes related violations, such as an insider giving someone else material undisclosed information ("tipping") and trading by the person who is tipped.

Paul Donald

The OSC commenced a proceeding against Paul Donald, a former Vice President of Research in Motion (RIM), alleging that in August 2008 he traded with knowledge of material facts that had not been generally disclosed. Donald attended a golf and dinner function for officers of RIM where he was told that RIM had been in confidential discussions to acquire a target company and that the target company's current share price was dramatically undervalued. The following day, Donald allegedly began buying securities of the target company, something he had never done before. In December 2008, RIM launched a hostile take-over bid for the target company and bought all its shares in March 2009 under a plan of arrangement.

Mitchell Finkelstein et al

The OSC commenced proceedings against five individuals in connection with an alleged illegal insider tipping and trading scheme. Mitchell Finkelstein was a partner in the mergers and acquisitions area at a large Toronto law firm. The OSC alleged that he tipped his close personal friend, Paul Azeff, material undisclosed information related to four corporate transactions in which the law firm was involved. Azeff was a trading officer with an investment bank in Montreal.

Azeff allegedly tipped one of his clients and his business partner, Korin Bobrow. The client allegedly further passed on the information to Howard Miller, an investment advisor in Toronto, who in turn, is alleged to have tipped Man Kin Cheng, a fellow investment advisor. Miller and Cheng are alleged to have tipped certain of their clients.

Scott Edward Purkis

Scott Edward Purkis entered into a settlement agreement in relation to his trading in securities of reporting issuers with knowledge of material undisclosed facts. He also tipped others.

Purkis was a business development representative of Agoracom Investor Relations, an online investor relations firm. Agoracom's business includes moderating client discussion forums, posting information and news to the client forums, and assisting with editing and disseminating press releases. By virtue of his position with Agoracom, Purkis learned of material undisclosed information and traded before the information was made public.

Disclosure violations

The Enforcement Branch works closely with the Corporate Finance Branch and the Investment Funds Branch, both of which conduct formal reviews of disclosure filed by public companies or investment funds to ensure that they comply with securities law. Where appropriate, these Branches refer matters to the Enforcement Branch.

BMO Nesbitt Burns Inc.

BMO Nesbitt Burns entered into a settlement agreement in relation to its role as lead underwriter for an initial public offering by FMF Capital Group Ltd. (FMF). FMF was a wholesale subprime lender and originated subprime mortgage loans using a network of independent mortgage brokers. During its underwriting of FMF, BMO Nesbitt Burns conducted due diligence in a manner that did not comply with reasonable underwriting practices. If it had done so, BMO Nesbitt Burns would have completed additional due diligence before signing a certificate stating that to the best of its knowledge, the FMF prospectus constituted full, true and plain disclosure of all material facts.

Eugene Melnyk

The Commission found that Eugene Melnyk, former Chairman and CEO of Biovail Corporation, acted contrary to the public interest in connection with a number of misstatements and omissions by Biovail in certain press releases and in an analyst conference call. The misstatements and omissions related to a loss of part of a shipment of Biovail product in a truck accident and its impact on Biovail's 2003 third quarter financial results.

Biovail itself was not a party to this proceeding because it had already settled the allegations against it. The Commission nevertheless had to make determinations about the company's statements and omissions in order to assess Melnyk's conduct. It found that by making the statements about the truck accident and its impact on earnings in press releases and in an analyst conference call, Biovail made a statement that was misleading or untrue, in a material respect and at the time and in the light of the circumstances under which the statement was made. Biovail also omitted to state facts in a press release that were required to be stated or that were necessary to make the press release not misleading.

The Commission then found that Melnyk was responsible for the misstatements and omissions by Biovail and that his conduct was contrary to the public interest. As Chairman, CEO, founder and the driving force of Biovail at the relevant time, Melnyk authorized, permitted or acquiesced in the issuance of each of the press releases, in making the disclosure and statements contained in each release and in making the impugned statements on the analyst conference call. Melnyk had direct responsibility and involvement in Biovail's various disclosure decisions and had an obligation to exercise due care and diligence in carrying out that responsibility.

Market manipulation and fraud

Market manipulation involves activities whose sole purpose is to increase or decrease a company's share price. Examples include "pump and dump" schemes, creating a high volume of trading for a security and creating a high closing price for a security at the end of a day or month.

Sulja Bros. Building Supplies Limited

The Commission found that five individuals breached securities law in the Sulja Bros. Building Supplies Limited matter. This was a pump and dump scheme involving fraudulent behaviour by promoters who artificially inflated the stock's price by making false claims about the issuer.

Petar Vucicevich was found to have engaged in conduct that he knew or reasonably ought to have known would perpetuate a fraud on a person or company. His activity related to issuing a series of materially misleading statements in press releases. He in turn profited from selling shares into a market inflated by these false press releases.

Tracey Banumas, Pranab Shah and Sam Sulja traded heavily as nominees for Vucicevich and played a significant role in concealing Vucicevich's involvement in trading. Banumas and Shah also participated in the issuance of the misleading press releases. All three were found to have engaged in conduct that they knew or ought to have reasonably known would result in a misleading appearance of trading activity of a security.

Steven Sulja, as CEO of the company that issued the misleading press releases, ought to have taken steps to ascertain the accuracy of the press releases. He was found to have breached securities law by making a statement that he knew or ought to have known was misleading and would be expected to have a significant effect on the market price of a security.

PREVENTATIVE MEASURES

The OSC has broad powers and a variety of tools to disrupt potential illegal activity and protect investors from ongoing harm while an investigation is underway.

For example, the Commission has the authority to halt certain activities during an investigation. Temporary cease trade orders are used to prohibit individuals or companies from trading in securities or to halt the trading of specific securities. Freeze orders prevent assets from being liquidated or transferred out of our jurisdiction.

In 2010, the OSC obtained 12 temporary cease trade orders involving 42 individuals and 23 companies, and 12 freeze orders involving five individuals, six companies and almost $4 million in assets.

The OSC can also apply to the courts for a search warrant, which allows us to seize evidence during an investigation, such as computers, telephones, contact lists and other evidence used by perpetrators to conduct illegal investment schemes.

In 2010, the use of search warrants effectively shut down alleged boiler room activity in three cases. This ultimately led to proceedings against three companies and nine individuals for allegations that included unregistered trading, illegal distribution and fraud.

Alerting investors

The OSC alerts investors to potential harmful activity through various communications initiatives. In 2010, the OSC issued six Investor Alerts to warn the public about potential harmful activity in progress. Investor Alerts are sent to the media and are posted on the OSC website and Twitter to reach investors who may be affected.

The OSC also maintains an online Warning List of individuals and companies that appear to be engaging in unregistered activities that may pose a risk to investors. In 2010, we added one individual and 37 companies to the Warning List as part of our preventative enforcement strategy. Starting in January 2011, we also began posting these warnings on the International Organization of Securities Commissions (IOSCO) Investor Alert portal.

In addition, we published several articles related to fraud and investor protection in OSC Investor News, our online newsletter. We also redesigned the investor section of our website to provide more timely and relevant information, including links to tools and resources to help investors protect themselves against fraud and learn more about investing.

COLLABORATIVE ENFORCEMENT

As the globalization of the capital markets continues to evolve, effective enforcement requires the collaboration of securities regulators and law enforcement agencies across Canada and around the world. Where appropriate, the OSC works proactively with other securities regulators and law enforcement agencies to share intelligence and provide assistance in investigations of alleged cross-border misconduct.

Domestic collaboration

The OSC has entered into a number of memoranda of understanding with regulators in other Canadian jurisdictions to foster co-operation and information sharing on enforcement matters. At December 31, 2010, the OSC was acting on 15 requests for assistance from other securities regulators in Canada, including self-regulatory organizations (SROs).

To help protect investors across Canada, members of the Canadian Securities Administrators may issue reciprocal orders, which prohibit individuals and companies who have been sanctioned in one jurisdiction from carrying on inappropriate conduct in another jurisdiction. In 2010, the OSC issued three reciprocal orders involving six individuals and four companies.

The OSC and the RCMP are partners in the Joint Securities Intelligence Unit (JSIU), which targets criminal syndicates involved in illegal market activity and fraud by organized crime groups operating in Canada. The JSIU also handles requests for information from its internal intelligence databases. In 2010, the JSIU completed 58,606 information requests from OSC Branches and 15,211 information requests from Canadian and foreign regulators and law enforcement agencies.

International collaboration

The OSC receives and shares enforcement-related information from securities regulators around the world under the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (IOSCO MMOU). Signed by 72 IOSCO members representing approximately 90 per cent of the world's capital markets, the IOSCO MMOU is a key instrument in advancing international co-operation on enforcement matters. At December 31, 2010, the OSC

was acting on 36 requests for assistance from securities regulators in the United States, Europe and Asia under the IOSCO MMOU.

Staff of the Enforcement Branch are also members of two enforcement-related IOSCO committees: the Screening Group and Standing Committee 4. The Screening Group reviews applications from countries seeking to become signatories to the IOSCO MMOU. A regulator must meet high standards of information sharing, regulatory co-operation and enforcement in order to become a signatory to the IOSCO MMOU.

Standing Committee 4 develops recommendations on securities crime prevention, enforcement and cross-border information exchange among regulators. A key role is working with jurisdictions that have traditionally not co-operated with other regulators in information sharing or enforcement to meet the standards under the IOSCO MMOU.

Working with the SEC and CFTC: Axcess Automation LLC

This case is an example of OSC staff working closely with other regulators, specifically the U.S. Securities and Exchange Commission (SEC) and the U.S. Commodity Futures Trading Commission (CFTC). This matter involved activity both in the U.S. and Canada.

In August 2010, the OSC concluded settlement agreements with two Ontario residents who traded in securities and futures contracts without being registered. The trading related to an investment scheme operating out of the state of Nevada by Gordon Alan Driver through his companies, including Axcess Automation LLC.

The OSC, SEC and CFTC have outstanding proceedings against Driver and the Axcess companies. Driver allegedly raised more than US$15 million from approximately 200 Ontario investors. In addition, the OSC has an outstanding related proceeding against two other Ontario residents who are alleged to have also traded in securities and futures contracts in Ontario without being registered to do so.

REGULATORY OVERSIGHT

The OSC reviews and monitors compliance with securities law by the following market participants:

- registered firms, individuals and investment fund managers that are not members of an SRO, and
- public companies and investment funds that are reporting issuers in Ontario.

The OSC also reviews and monitors compliance with securities law relating to insider transactions, and mergers and acquisitions.

In addition, the OSC is responsible for monitoring how two SROs, the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA), regulate their members in Ontario.

Compliance reviews

The OSC assesses compliance with securities law by conducting reviews of registrants and disclosure filed by public companies and investment funds. Market participants are chosen for review according to risk-based criteria. We may also review a market participant as part of a “sweep” that focuses on a particular issue, or if we receive complaints about the market participant or a referral from another OSC Branch or regulator.

We work with market participants to take appropriate steps to address any areas of non-compliance. If we cannot resolve our concerns with a market participant, we can take remedial action. This may include suspending a registrant’s registration, imposing terms and conditions on a registrant, requiring an issuer to restate or refile its financial statements, or referring the matter to the Enforcement Branch.

Similarly, during an investigation, the Enforcement Branch may recommend that the activities of an individual or a company be reviewed for their compliance with securities law.

The following table highlights the results of compliance reviews conducted by the OSC in 2010. A significant number of these reviews resulted in either enhanced compliance by market participants or commitments to improve compliance in upcoming filings.

Results of compliance reviews

Reviews of public company disclosure	
Prospective disclosure enhancements	47%
Issuer outreach	36%
Refilings and other regulatory actions	16%
Other	1%
Reviews of investment fund disclosure	
Improved form compliance	41%
Refilings and disclosure changes	26%
No significant changes required	22%
Review of new fund product or feature	11%
Reviews of registrants	
Significantly enhanced compliance	49%
Enhanced compliance	45%
Referral to the Enforcement Branch	4%
Terms and conditions on registration	2%

In addition, the Director of the Compliance and Registrant Regulation Branch suspended the registration of Carter Securities Inc. as a result of a compliance review. This was the first time a registered firm's registration was suspended under powers granted to the Director under amendments to the Act, which came into force on September 28, 2009. Carter Securities Inc. has appealed the Director's decision to the Commission.

Mergers and acquisitions

Staff of the Mergers & Acquisitions team and the Director of Corporate Litigation (M&A staff), with assistance from litigation staff in the Enforcement Branch, participate in Commission hearings relating to M&A transactions. They also assist staff in other jurisdictions on M&A matters.

M&A staff can initiate proceedings to address potential violations of securities law or conduct contrary to the public interest. They are also involved in proceedings commenced by parties involved in an M&A transaction who allege non-compliance with M&A requirements or conduct contrary to the public interest. In addition, M&A staff participate in appeals of Toronto Stock Exchange decisions relating to M&A issues that are made to the Commission.

In 2010, M&A staff were involved in two public interest hearings, one relating to Magna International Inc. and the other to Baffinland Iron Mines Corporation. Staff sought an order from the Commission to cease trade the issuance of securities in connection with a proposal to unify the dual class structure of Magna so that procedural and disclosure deficiencies in respect of the transaction could be addressed. In its decision and initial reasons dated June 24, 2010, the Commission required amendments to the information circular delivered to the Magna shareholders to address the disclosure deficiencies.

In a public interest hearing commenced by Nunavut Iron Ore Inc., staff made submissions to cease trade a shareholder rights plan implemented by Baffinland that restricted the ability of Baffinland shareholders to tender into an unsolicited bid by Nunavut for Baffinland shares. The Commission cease traded the rights plan because Baffinland had committed itself to a friendly transaction in response to the Nunavut offer and there was no reasonable prospect of the rights plan encouraging competing bids or otherwise maximizing shareholder value.

Self-regulatory organizations

Enforcement Branch staff participate in hearings requested by affected parties to review a direction, decision, order or ruling made by a recognized stock exchange, SRO, quotation and trade reporting system, or clearing agency.

Enforcement Branch staff independently assess the merits of the application for review and consider what position to take, including whether to submit that the decision should be upheld, overturned or varied. They submit a written factum on the facts and law, and make an oral argument in support of their position. In 2010, the Commission received requests to review four IIROC decisions.

1.1.5 Notice of Correction – Mega-C Power Corporation et al.

NOTICE OF CORRECTION

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

AND

IN THE MATTER OF
MEGA-C POWER CORPORATION, RENE PARDO,
GARY USLING, LEWIS TAYLOR SR.,
LEWIS TAYLOR JR., JARED TAYLOR,
COLIN TAYLOR AND 1248136 ONTARIO LIMITED

(2010), 33 O.S.C.B. 11719. In paragraph 3, please delete “September 29th, 2010” and insert “September 29th, 2009”.

(2011), 34 O.S.C.B. 1279. In paragraph 35, please delete “September 29th, 2010” and insert “September 29th, 2009”.

1.1.6 OSC Notice 11-765 – 2011-2012 Statement of Priorities – Request for Comments Regarding Statement of Priorities for Fiscal Year Ending March 31, 2012

ONTARIO SECURITIES COMMISSION
NOTICE 11-765 – 2011-2012 STATEMENT OF PRIORITIES

REQUEST FOR COMMENTS
REGARDING STATEMENT OF PRIORITIES
FOR FISCAL YEAR ENDING MARCH 31, 2012

The *Securities Act* requires the Commission to deliver to the Minister and publish in its Bulletin each year a statement of the Chairman setting out the proposed priorities of the Commission for its current fiscal year in connection with the administration of the Act, the regulations and rules, together with a summary of the reasons for the adoption of the priorities.

In an effort to obtain feedback and specific advice on our proposed objectives and initiatives, the Commission is publishing a draft Statement of Priorities which follows this Request for Comments. The Commission will consider the feedback, and make any necessary revisions prior to finalizing and publishing its 2011/2012 Statement of Priorities. The Statement of Priorities, once approved by the Minister, will serve as the guide for the Commission's ongoing operations. Shortly after the conclusion of our 2010/2011 fiscal year we will publish a report on our progress against our 2010/2011 priorities on our website.

Comments

Interested parties are invited to make written submissions by April 27, 2011 to:

Robert Day
Manager, Business Planning
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario M5H 3S8
[416] 593-8179
rday@osc.gov.on.ca

February 25, 2011

ONTARIO SECURITIES COMMISSION
NOTICE 11-765 – 2011-2012 STATEMENT OF PRIORITIES

DRAFT FOR COMMENT

Introduction

The *Securities Act* (Ontario) requires the Ontario Securities Commission (OSC) to publish in its Bulletin and to deliver to the Minister by June 30 of each year a statement by the Chair setting out the proposed priorities for the Commission for the current financial year.

This Statement of Priorities sets out the OSC's strategic goals and specific initiatives that will be pursued in support of each of these goals in the fiscal year commencing April 1, 2011. It also discusses the environmental factors that the OSC considered in setting these goals.

The OSC fully supports the policy of the government of Ontario with respect to the establishment of a single national securities regulator for Canada. However, pending the establishment of a single national regulator, the OSC remains committed to delivering its regulatory services with effectiveness and accountability. Consequently, the OSC will continue to work closely with its colleagues within the Canadian Securities Administrators (CSA) and with market participants to ensure that the regulatory system continues to function efficiently and remains responsive to changing market circumstances.

Our Vision

To be an effective and responsive securities regulator – fostering a culture of integrity and compliance and instilling investor confidence in the capital markets.

Our Mandate

The OSC's mandate is to provide protection to investors from unfair, improper or fraudulent practices and to foster fair and efficient capital markets and confidence in capital markets. The mandate is established by statute.

Our Environment

Each year, the OSC develops its business plan and sets goals and priorities to promote the achievement of its vision and its mandate. The OSC does this against a backdrop of current and forecast economic conditions, evolving market practices, developing trends and issues, as well as changes in public expectations. The main factors influencing this year's planning are:

- *Developments in the overall investment marketplace:* This includes changes in products and market structures, and issues related to transactions and the activities of market intermediaries.

- *Developments in the domestic and international regulatory arena:* As the globalization of economies and capital markets continues to evolve, so has the need to consider changes to the way many aspects of financial services are regulated.

- *Developments in stakeholder perceptions of regulatory effectiveness:* Notwithstanding the extensive efforts of regulators, there is a clear need to properly assess and better demonstrate the effectiveness of regulatory programs in achieving regulatory objectives.

Market Developments/Evolution

The rapid pace of product and market innovation has led to the proliferation of complex exchange-traded funds (ETFs) and structured products, dark pools and algorithmic trading, portfolio account services that provide retail investors with access to the exempt market, greater importance of new trading platforms, developments in new order types, and evolving regulatory requirements for the clearing and reporting of over-the-counter (OTC) trades in derivatives.

The OSC must assess the full impact of these developments on market transparency, stability, and investor access and fairness in order to determine what changes need to be made to the regulatory framework. The OSC does this by constantly reviewing the regulatory capabilities and approaches used to assess the impacts and risks emerging in the areas it regulates. In some cases, existing tools may be insufficient to monitor and respond to new developments within the limits of current regulation, and the OSC must find new ways to respond effectively. Skilled staff, including specialists in market and product research and analysis, have become increasingly important resources that the OSC must consider using in these circumstances. In addition, developments in areas beyond the OSC's current regulatory reach may require an extension of the OSC's authority.

Evolving Global Regulatory Landscape

Recognizing the interconnectedness of Canadian financial markets domestically and internationally, and the importance of securities markets to broader financial activities, is fundamental to effective securities regulation. Increasingly, it is clear that the appropriate regulatory response to market developments must ensure that opportunities for regulatory arbitrage are minimized and that local investors and market participants are protected.

Securities regulators, with their traditional focus on transparency and business conduct oversight, have an important role to play in promoting Canada's financial stability. However, addressing systemic risk is a shared responsibility and securities regulators must partner with other Canadian organizations, including the Office of the Superintendent of Financial Institutions Canada (OSFI), the Bank of Canada, and the federal and provincial Finance Ministries.

The recent financial crisis has resulted in the development of recommendations and principles internationally relating to the conduct and reporting of short selling activities, approaches to the regulation of OTC derivatives trading and the role of securities regulators with respect systemic risk in the capital markets. Keeping pace with these developments, while paying close attention to issues that matter to Ontario's investors and markets, is an ongoing challenge.

The OSC will also need to consider G20 commitments, initiatives by other North American regulatory agencies, such as the U.S. Securities and Exchange Commission (SEC) and the U.S. Commodity Futures Trading Commission (CFTC). and developments at the International Organization of Securities Commission (IOSCO).

Expectations of Regulatory Effectiveness

Confidence in capital markets is predicated on meeting public expectations of regulatory effectiveness. Public expectations are affected by personal financial losses (and associated public perceptions), the overall level of stability of the markets, the visibility of appropriate and timely enforcement actions, and perceptions of fairness and access to the markets by investors. A regulatory focus on the "technical" correctness of a product must always be balanced against public interest considerations.

Significant structural changes in the markets have occurred over the last few years. Some of the challenges emerging as markets and products evolve, include the rise of alternative trading systems and new transaction types, increasingly complex financial engineering of new products, greater reliance on the exempt market for distribution, issues related to potential intermediary conflicts of interest in the distribution of products and differing rules for similar products.

Significant changes in products and market structures have raised questions regarding the adequacy of traditional securities regulation approaches to protect investors. The OSC must be sensitive to the elements of market activity that have more impact on investors rather than those that relate mostly to business activities such as high frequency or algorithmic trading. More effort is required to encourage input from investors, particularly retail investors, so that their views are represented as much as those of more formally organized market participants.

Traditional approaches to investor protection alone, such as setting disclosure requirements and business conduct rules, as well as enforcement, are not sufficient to achieve the desired outcomes. Another important aspect of investor protection is the development of an educated and informed investing public.

Disciplined approaches to collecting and analysing feedback and concerns from retail investors are needed to ensure the voice of the retail investor is heard. The OSC needs to examine alternative ways to reach retail investors through its investor communications, including a greater use of social media. The OSC will build on the facilities such as the Investor Education Fund and the recently established OSC Investor Advisory Panel to improve the awareness and financial literacy of Ontario investors and ensure that their views and concerns are considered effectively.

Though the OSC's compliance and enforcement regime is vigorous and active, it must be more visible and better understood by market participants and the public in order to provide a more effective deterrent to illegal or undesirable conduct. This may also require assuming a stronger investor education role.

Key Regulatory Priorities for 2011-12

In light of the environmental factors outlined above, the OSC has identified five broad priorities for 2011-12. These priorities are set out below. In addition, the OSC will carry out a number of other initiatives as well as ongoing operational programs in order to achieve its mandate.

1. Better demonstrate our commitment to investor protection

– *In undertaking policy and rule development as well as compliance and enforcement programs, a foremost priority of the OSC will be the protection of investors.*

The interests of investors are at the core of everything that the OSC does. The need to assist and protect investors is even more critical given the increased availability of complex products, greater reliance on the exempt market for distribution; and potential intermediary conflicts of interest in the distribution of products. The OSC will work with added vigour to help investors get a fair deal. The OSC will:

- Build confidence in the investment process and the integrity of our capital markets through requirements that investors be provided with information that is timely, clear and useful. Better information, and not just more information, will allow investors to make more informed choices.
- Identify and address investor protection issues to help retail investors get useful and un-conflicted advice in their interactions with market participants.
- Simplify its messaging and use a variety of tools (e.g. social media, focus groups, etc.) to communicate more effectively with retail investors.
- Address investor engagement and the role of shareholder activism through greater interaction with investors.
- Continue its focus on issues relevant to investors who own securities (shareholder rights).
- Continue to support investor education through the use of monies received through enforcement proceedings to support the Investor Education Fund.
- Investigate mechanisms to return recovered funds to investors who have suffered losses through frauds, scams, etc.

2. Intensify Operational, Compliance and Enforcement efforts *to be more effective in addressing not only breaches of the Securities Act but also by vigorously promoting public confidence in the markets by addressing issues that negatively affect market integrity*

The OSC's operational, compliance and enforcement regime is vigorous and active. However, it must be more visible and better understood by market participants and the public in order to achieve the desired deterrent effect. The OSC will step up its focus on compliance and enforcement by insisting on adherence to both the spirit and letter of regulatory requirements. To this end the OSC will:

- Strengthen the risk and outcomes-based focus of its compliance work through better use of data and the refinement of risk assessment criteria and processes.
- Strive to modify market behaviour by making use of the full set of regulatory tools available to take action against those who engage in activities that are adverse to investors' interests or raise market integrity concerns.
- Continue to refine processes to reduce timelines for completing investigations and bringing regulatory proceedings forward.
- Direct regulatory attention to the successful implementation of IFRS in our capital markets, specifically focusing compliance efforts at affected capital market participants.
- Focus on improving the timeliness of adjudicative processes.
- Focus compliance efforts on higher risk areas and potential abusive practices affecting investors.
- Identify through compliance efforts registrants and issuers whose operations or structure may pose risks to retail investors.
- Improve communication and collaboration among domestic and international enforcement agencies.

3. Modernize our Regulatory systems and approaches

- *Respond to emerging issues and trends in product development, distribution models, trading programs and market structures; and*
- *Monitor developments among international regulators while adapting their principles and programs as needed for Ontario and Canada's markets*

Market quality and investor confidence are key outcomes for the OSC. The OSC strives to identify the important issues and deal with them in a timely way. The OSC must continue to be proactive in pursuing regulatory standards that discourage or pre-empt regulatory arbitrage, maintain market confidence, reduce financial crime and safeguard investors.

The global financial environment is dynamic and will continue to evolve. There is a need to ensure that regulatory risks and consequences that arise as products and market structures change (e.g. new technology, new market participants), are appropriately assessed and effectively mitigated. Key steps in this process will include:

- Re-assessing current regulatory approaches to determine areas where change may be necessary to improve fairness and protection for investors.
- Continuing to work with international regulators to influence the development of an international regulatory agenda that works for Canada.
- Continuing to develop new regulatory approaches focussed on risk-based tools and measurable outcomes.
- Focusing efforts on systemic risk with greater participation in the international arena and more interaction with other Canadian financial services regulators in Canada, such as OSFI and the Bank of Canada.

Proactive regulatory responses that are "risk oriented" are needed to maintain confidence in the markets. As part of accomplishing this goal the OSC should:

- Implement a robust regulatory framework for OTC derivatives including new rules specifically designed to implement the G20 commitments. The framework also brings OTC derivatives within the scope of existing insider-trading offences.
- Develop rules to provide non-exempt investors with risk disclosures contained in a disclosure document.
- Review and develop an appropriate regulatory approach, through recognition or exemption, for OTC derivative clearing houses operating in Ontario.

4. Pursue a Coordinated Approach to Securities Regulation

- *By supporting the development of a Canadian Securities Regulator; and*
- *Collaborating in the ongoing harmonization and modernization of regulation in Canada through the CSA while representing the interests of Ontario investors.*

The evolution of the capital markets reinforces our belief that now, more than ever, the OSC must enhance its system of regulation by supporting the implementation of a Canadian Securities Regulator. Capital markets by their very nature extend across provincial boundaries and are important to the entire economy of Canada. Their effective regulation argues strongly for a national approach to dealing with issues that are important to the whole of Canada such as the regulation of derivatives and the coordination with other Canada-wide regulation in the broader financial services sector in addressing systemic risk. To reflect the reality of Canadian capital markets, the Canadian Securities Regulator should be based in Canada's financial capital, Toronto, ensuring a leading role that recognizes the importance of Ontario's markets in the context of Canada's capital markets and utilizes the deep expertise of OSC staff.

The OSC will continue to support the Ontario Government, the Canadian Securities Transition Office (CSTO) and participating provincial regulators to make this important goal a reality. The OSC expects the CSTO to request more of the OSC's resources to support this initiative as it proceeds. The OSC will remain committed to working with the CSA to promote the protection of retail investors and the quality and integrity of Canada's capital markets. The OSC will find a way to do this. In some instances this may mean encouraging its CSA colleagues to take on the development of initiatives that are not a priority for Ontario capital markets.

Through this transition period, the OSC will also coordinate with other Canadian financial services regulators to monitor and mitigate system-wide issues and ensure consistent regulatory coverage. The OSC will work with other sector regulators, such as OSFI and Bank of Canada, to create coordinated responses to effectively address regulatory issues as they emerge.

5. Demonstrate accountability for its performance as a leading securities regulator in Canada by:

- *identifying specific outcomes and related rationale;*
- *developing clear reporting on its progress in achieving the outcomes the OSC will pursue; and*
- *prudently managing its limited resources.*

As the CSTO works toward a national regulator the OSC will not stop delivering on its mandate and will continue efforts to improve its organizational performance. As a leading regulator, the OSC will continue to protect Ontario's investors and capital markets as it moves towards creation of a national regulator and beyond. Throughout this period the OSC will become a more capable organization. The OSC will:

- Communicate its agenda and the outcomes it expects to achieve more clearly.
- Improve its visibility by being more externally focused in its actions and communications.
- Increase its reliance on data and facts when developing policy and operational solutions to achieve measurable outcomes that clearly demonstrate its results and support its actions.
- Continuously monitor and improve the efficiency and effectiveness of its operations to provide cost-effective regulation.

1.2 Notices of Hearing

1.2.1 Simply Wealth Financial Group Inc. et al. – ss. 127, 127.1

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

AND

IN THE MATTER OF
SIMPLY WEALTH FINANCIAL GROUP INC.,
NAIDA ALLARDE, BERNARDO GIANGROSSO,
K&S GLOBAL WEALTH CREATIVE STRATEGIES INC.,
KEVIN PERSAUD, MAXINE LOBBAN and WAYNE LOBBAN

NOTICE OF HEARING
Sections 127 and 127.1

TAKE NOTICE THAT the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") at the offices of the Commission located at 20 Queen Street West, 17th Floor, on March 24, 2011 at 10:00 a.m., or as soon thereafter as the hearing can be held.

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

(i) pursuant to clause 2 of section 127(1) of the Act that trading in any securities by Simply Wealth Financial Group Inc., Naida Allarde ("Allarde"), Bernardo Giangrosso ("Giangrosso"), K&S Global Wealth Creative Strategies Inc., Kevin Persaud ("Persaud"), Maxine Lobban and Wayne Lobban (collectively, the "Respondents") cease permanently or for such period as is specified by the Commission;

(ii) pursuant to clause 2.1 of section 127(1) of the Act the acquisition of any securities by the Respondents is prohibited permanently or for such other period as is specified by the Commission;

(iii) pursuant to clause 3 of section 127(1) of the Act that any exemptions contained in Ontario securities law do not apply to the Respondents permanently or for such period as is specified by the Commission;

(iv) pursuant to clause 6 of section 127(1) of the Act that the Respondents be reprimanded;

(v) pursuant to clauses 7, 8.1 and 8.3 of section 127(1) of the Act that Allarde, Giangrosso, Persaud, Maxine Lobban and Wayne Lobban (collectively the "Individual Respondents") resign all positions that they hold as a director or officer of any issuer, registrant, or investment fund manager;

(vi) pursuant to clauses 8, 8.2 and 8.4 of section 127(1) of the Act that the Individual Respondents be prohibited from becoming or acting as a director or officer of any issuer, registrant, or investment fund manager;

(vii) pursuant to clause 8.5 of section 127(1) of the Act that the Respondents be prohibited from becoming or acting as a registrant, as an investment fund manager or as a promoter;

(viii) pursuant to clause 9 of section 127(1) of the Act that the Respondents each pay an administrative penalty of not more than $1 million for each failure by that Respondent to comply with Ontario securities law;

(ix) pursuant to clause 10 of section 127(1) of the Act that each Respondent disgorge to the Commission any amounts obtained as a result of non-compliance by that Respondent with Ontario securities law;

(x) pursuant to section 127.1 of the Act that the Respondents be ordered to pay the costs of the Commission investigation and the hearing; and

(xi) such further order as the Commission considers appropriate in the public interest.

BY REASON OF the allegations as set out in the Statement of Allegations of Staff of the Commission dated February 16, 2011 and such additional allegations 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 any further notice of the proceedings.

DATED at Toronto this 16th day of February, 2011.

"John Stevenson"
Secretary to the Commission

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

AND

IN THE MATTER OF
SIMPLY WEALTH FINANCIAL GROUP INC.,
NAIDA ALLARDE, BERNARDO GIANGROSSO,
K&S GLOBAL WEALTH CREATIVE STRATEGIES INC.,
KEVIN PERSAUD, MAXINE LOBBAN AND
WAYNE LOBBAN

STATEMENT OF ALLEGATIONS
OF STAFF OF THE ONTARIO SECURITIES COMMISSION

Staff of the Ontario Securities Commission ("Staff") make the following allegations:

I. THE RESPONDENTS

1. Simply Wealth Financial Group Inc. ("Simply Wealth") was incorporated in Ontario on January 14, 2003 and has its registered office in North York, Ontario. Simply Wealth has never been registered with the Ontario Securities Commission (the "Commission") in any capacity.

2. Naida Allarde ("Allarde") is a director and officer of Simply Wealth. She resides in Woodbridge, Ontario. Allarde was registered with the Commission as a salesperson in the category of Scholarship Plan Dealer from May 1, 2000 to November 27, 2000, from December 22, 2000 to December 31, 2002 and from March 5, 2003 to July 30, 2004.

3. Bernardo Giangrosso ("Giangrosso") is a director and officer of Simply Wealth. He resides in Woodbridge, Ontario. Giangrosso has never been registered with the Commission in any capacity.

4. K&S Global Wealth Creative Strategies Inc. ("K&S") was incorporated in Ontario on September 7, 2007 and has its registered office in Pickering, Ontario. K&S has never been registered with the Commission in any capacity.

5. Kevin Persaud ("Persaud") is the sole director of K&S and was at all material times the directing mind of K&S. He resides in Pickering, Ontario. Persaud has never been registered with the Commission in any capacity.

6. Maxine Lobban resides in Brampton, Ontario. She was registered with the Commission as a salesperson in the category of Scholarship Plan Dealer from April 5, 2000 to November 14, 2001, from November 28, 2001 to September 4, 2002, from September 27, 2002 to December 31, 2003 and from March 29, 2004 to December 31, 2006.

7. Wayne Lobban resides in Brampton, Ontario. He was registered with the Commission as a salesperson in the category of Scholarship Plan Dealer from February 28, 2003 to December 31, 2003.

II. TRADING IN SECURITIES OF GOLD-QUEST

(i) The Gold-Quest Pyramid Scheme

8. Gold-Quest International ("Gold-Quest") is a Panamanian corporation that was controlled by a number of individuals resident in the United States.

9. From June 2006 to May 2008 (the "Material Time"), Gold-Quest accepted approximately $29 million (U.S.) from investors, including investors in Ontario, through direct solicitations, an Internet website maintained by Gold-Quest and by referrals from existing investors.

10. On May 6, 2008, the Securities and Exchange Commission of the United States (the "SEC") filed a complaint in the United States District Court, District of Nevada, alleging that Gold-Quest was operating a pyramid or "Ponzi" scheme. Gold-Quest has never been registered in any capacity with the SEC. The SEC further alleged that Gold-Quest used very little of the money that it raised for legitimate investments, but rather that the vast majority of new investor funds were used by Gold-Quest to make payments to current investors and commissions to participants in the Ponzi scheme.

11. Investors entered into one-year investment contracts with Gold-Quest. Gold-Quest stated that investor funds would be invested in the foreign exchange or "forex" market. Gold-Quest informed investors that they would receive an annual

return on investment of 87.5 percent. However, in order to receive this 87.5 percent annual return, investors were required to leave their funds with Gold-Quest for a year.

12. Individuals who introduced an investor to Gold-Quest would receive the title "Administrative Manager" for the new investor. Administrative Managers would receive an up-front commission of ten percent of that investor's original investment and then a further four percent per month for a year (for a total commission of 58 percent of the principal invested). The individual who had introduced the Administrative Manager to Gold-Quest would receive the title "Managing Director" for the new investor and would receive a commission of 1.5 percent per month for a year (for a total of 18 percent of the principal invested). Lastly, the individual who introduced the Managing Director to Gold-Quest would receive the title "Supervisory Managing Director" for the new investor and would receive a commission of one percent per month for a year (for a total of 12 percent of the principal invested). In sum, when a new investor sent funds to Gold-Quest, 88 percent of the investor's funds were earmarked for commissions to be paid to the investor's Administrative Manager, Managing Director and Supervisory Managing Director over the course of a year.

13. During the Material Time, despite receiving no income from its investments or business operations, Gold-Quest disbursed approximately $20.3 million (U.S.) through distributions to investors and payment of commissions.

14. Gold-Quest has ceased to operate and has been put into receivership by order of the United States District Court. As of December 12, 2008, the receiver appointed by the United States District Court had only recovered $273,475.85 (U.S.).

15. On January 14, 2010, the Alberta Securities Commission (the "ASC") released its decision in the matter of Gold-Quest International Corp. et al. following a hearing on the merits. The ASC found that Gold-Quest illegally traded in and distributed its securities in Alberta and that Gold-Quest was "a sham investment scheme, a classic Ponzi scheme and a classic pyramid scheme."

(ii) Trading in Gold-Quest Securities in Ontario

16. Gold-Quest has never been registered in any capacity with the Commission. No preliminary prospectus or prospectus has ever been filed with the Commission to attempt to qualify the trading of Gold-Quest securities.

17. During the Material Time, Simply Wealth, Allarde, Giangrosso, K&S, Persaud, Maxine Lobban and Wayne Lobban (collectively, the "Respondents") promoted securities in Gold-Quest to Ontario residents.

18. The Respondents invested personally in Gold-Quest and were Administrative Managers, Managing Directors and/or Supervisory Managing Directors for other Ontario investors.

19. During the Material Time, approximately 94 Ontario residents invested at least $1.6 million (U.S.) with Gold-Quest as a result of promotional activities conducted by Allarde, Giangrosso and Simply Wealth (the "Allarde Investors"). These activities included recommending investment in Gold-Quest, providing information regarding the nature of the investment in Gold-Quest, facilitating the process of investing in Gold-Quest, and, in certain cases, facilitating the transfer of funds to Gold-Quest on behalf of investors.

20. Simply Wealth, Allarde and Giangrosso received payments from Gold-Quest for referring the Allarde Investors pursuant to the commission structure outlined in paragraph 12 above.

21. During the Material Time, approximately nine Ontario residents invested at least $69,000 (U.S.) with Gold-Quest as a result of promotional activities conducted by K&S and Persaud (the "Persaud Investors"). These activities included recommending investment in Gold-Quest, providing information regarding the nature of the investment in Gold-Quest and providing the documents required to invest in Gold-Quest.

22. Among the Persaud Investors was Donald Iain Buchanan ("Buchanan"). Buchanan, both personally and through 1725587 Ontario Inc., carrying on business as Health and Harmoney, subsequently promoted investment in Gold-Quest to Ontario residents, resulting in additional investments of approximately $1,800,000 (U.S.) with Gold-Quest (the "Buchanan Investors"). The Ontario Securities Commission issued its Reasons and Decision with respect to Buchanan's conduct on November 26, 2010.

23. K&S and Persaud received payments from Gold-Quest for referring the Persaud Investors pursuant to the commission structure outlined in paragraph 12 above. In particular, K&S and Persaud were the Managing Directors and/or Supervisory Managing Directors for the Buchanan Investors.

24. During the Material Time, approximately 65 Ontario residents invested at least $675,000 (U.S.) with Gold-Quest as a result of promotional activities conducted by Maxine Lobban and Wayne Lobban (the "Lobban Investors"). These

activities included recommending investment in Gold-Quest, providing information regarding the nature of the investment in Gold-Quest and facilitating the process of investing in Gold-Quest.

25. Maxine Lobban and Wayne Lobban received payments from Gold-Quest for referring the Lobban Investors pursuant to the commission structure outlined in paragraph 12 above.

26. The Respondents were aware of the nature of the investment contract entered into by the investors they referred to Gold-Quest, as well as the terms of the commission structure outlined in paragraph 12 above.

27. However, Simply Wealth, Allarde and Giangrosso did not inform the Allarde Investors of the commission structure outlined in paragraph 12 above, nor did Maxine Lobban and Wayne Lobban inform all of the Lobban Investors of this structure.

28. There were no exemptions under the Act which allowed the Respondents to trade Gold-Quest securities in Ontario.

III. VIOLATIONS OF THE SECURITIES ACT AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

29. The conduct of Simply Wealth, and its directors Allarde, and Giangrosso, was contrary to the public interest and constituted the following breaches of the Act:

    (i) trading without registration contrary to section 25 of the Act;

    (ii) an illegal distribution of securities contrary to section 53 of the Act; and

    (iii) as directors of Simply Wealth, Allarde and Giangrosso authorized, permitted or acquiesced in breaches of section 25 and 53 of the Act by Simply Wealth contrary to section 129.2 of the Act.

30. The conduct of K&S, and its director Persaud, was contrary to the public interest and constituted the following breaches of the Act:

    (i) trading without registration contrary to section 25 of the Act;

    (ii) an illegal distribution of securities contrary to section 53 of the Act; and

    (iii) as a director of K&S, Persaud authorized, permitted or acquiesced in breaches of sections 25 and 53 of the Act by K&S contrary to section 129.2 of the Act.

31. The conduct of Maxine Lobban and Wayne Lobban was contrary to the public interest and constituted the following breaches of the Act:

    (i) trading without registration contrary to section 25 of the Act; and

    (ii) an illegal distribution of securities contrary to section 53 of the Act.

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

DATED at Toronto this 16th day of February, 2011.

1.3 News Releases

1.3.1 Peter Robinson Sentenced to 30 Days in Jail for Breaching OSC Cease Trade Order

FOR IMMEDIATE RELEASE
February 18, 2010

PETER ROBINSON SENTENCED TO 30 DAYS IN JAIL
FOR BREACHING OSC CEASE TRADE ORDER

Toronto – Mr. Justice David P. Cole of the Ontario Court of Justice today sentenced Peter Robinson to 30 days in jail, 240 hours of community work service and two years probation for violating the terms of an Ontario Securities Commission cease trade order.

Mr. Robinson pled guilty to the offence in November 2010, after staff of the OSC charged Mr. Robinson in November 2009 with one count of violating Section 122 of the *Securities Act* (Ontario).

The cease trade order Mr. Robinson violated was made against him in February 2009 and remains in effect. Cease trade orders prohibit individuals or companies from trading in securities.

The mandate of the OSC is to provide protection to investors from unfair, improper or fraudulent practices and to foster fair and efficient capital markets and confidence in capital markets. Investors are urged to check the registration of any person or company offering an investment opportunity and to review the OSC investor materials available at www.osc.gov.on.ca.

For media inquiries: Wendy Dey
Director, Communications & Public Affairs
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Carolyn Shaw-Rimmington
Manager, Public Affairs
416-593-2361

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Senior Communications Specialist
416-593-8307

Dylan Rae
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416-595-8934

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

1.3.2 OSC Chair Howard Wetston Pledges Strong Investor Protection Through Effective, Active Enforcement

FOR IMMEDIATE RELEASE
February 23, 2011

OSC CHAIR HOWARD WETSTON PLEDGES STRONG INVESTOR PROTECTION THROUGH EFFECTIVE, ACTIVE ENFORCEMENT

TORONTO – Ontario Securities Commission Chair Howard Wetston, Q.C., announced today the OSC is examining new tools to deliver strong investor protection through an enhanced enforcement regime. Chair Wetston stated that the OSC is examining the use of immunity agreements, a new whistleblower program and the use of settlement agreements that do not include admissions of fact.

In his remarks to the Economic Club of Canada, Chair Wetston said the OSC would seek stiffer penalties by sending more proceedings to the Ontario Court of Justice. "Our goal is to bring forward meaningful cases that have a strong deterrent impact in order to protect investors and markets," he said. "We aim to maximize the deterrent effect of court-imposed sanctions, including jail terms."

Chair Wetston said recent high-profile cases involving insider trading and market manipulation are evidence that the Commission's focus on enforcement is producing results for the public. "We are investigating cases faster and commencing more prosecutions," Chair Wetston said. "The OSC's enforcement program is vigorous and effective – and active."

Chair Wetston also addressed the OSC's role in reviewing the proposed transaction between the TMX Group and London Stock Exchange, and indicated that the Commission would ensure a transparent and comprehensive public consultation process. "The OSC has a key role to play in reviewing the transaction in our capacity as the lead regulator of the TSX and TMX Group," he said. "We will review all aspects of the transaction – including the proposed structure – to ensure that we are satisfied that any changes are in the public interest."

For a complete text of "Strong Regulation, Strong Capital Markets" and copies of the *2010 OSC Enforcement Activity Report*, please refer to the OSC's website: www.osc.gov.on.ca.

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1.4 Notices from the Office of the Secretary

1.4.1 Marlon Gary Hibbert et al.

FOR IMMEDIATE RELEASE
February 16, 2011

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

AND

IN THE MATTER OF
MARLON GARY HIBBERT, ASHANTI CORPORATE SERVICES INC., DOMINION INTERNATIONAL RESOURCE MANAGEMENT INC., KABASH RESOURCE MANAGEMENT, POWER TO CREATE WEALTH INC. AND POWER TO CREATE WEALTH INC. (PANAMA)

TORONTO – The Commission issued an Order in the above named matter which provides that, pursuant to subsections 127(7) and 127(8) of the Act, the Temporary Order is extended to July 28, 2011; and the hearing is adjourned to Tuesday, July 26, 2011 at 11:00 a.m.

A copy of Order dated February 11, 2011 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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1.4.2 Shallow Oil & Gas Inc. et al.

FOR IMMEDIATE RELEASE
February 17, 2011

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

AND

IN THE MATTER OF
SHALLOW OIL & GAS INC., ERIC O'BRIEN, ABEL DA SILVA, GURDIP SINGH GAHUNIA ALSO KNOWN AS MICHAEL GAHUNIA, ABRAHAM HERBERT GROSSMAN ALSO KNOWN AS ALLEN GROSSMAN, MARCO DIADAMO, GORD MCQUARRIE, KEVIN WASH, AND WILLIAM MANKOFSKY

TORONTO – The Commission issued an Order in the above noted matter which provides that the hearing with respect to the Notice of Hearing dated June 11, 2008 and Staff's Statement of Allegations dated June 10, 2008 be adjourned to May 24, 2011 at 2:30 p.m., for the purpose of a status hearing and to consider setting dates for the hearing on the merits in this matter.

A copy of the Order dated February 11, 2011 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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1.4.3 Simply Wealth Financial Group Inc. et al.

FOR IMMEDIATE RELEASE
February 18, 2011

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

AND

IN THE MATTER OF
SIMPLY WEALTH FINANCIAL GROUP INC.,
NAIDA ALLARDE, BERNARDO GIANGROSSO,
K&S GLOBAL WEALTH CREATIVE STRATEGIES
INC., KEVIN PERSAUD, MAXINE LOBBAN AND
WAYNE LOBBAN

TORONTO – The Office of the Secretary issued a Notice of Hearing setting the matter down to be heard on March 24, 2011 at 10:00 a.m. or as soon thereafter as the hearing can be held in the above named matter.

A copy of the Notice of Hearing dated February 16, 2011 and Statement of Allegations of Staff of the Ontario Securities Commission dated February 16, 2011 are available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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1.4.4 Ameron Oil and Gas Ltd. et al.

FOR IMMEDIATE RELEASE
February 18, 2011

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

AND

IN THE MATTER OF
AMERON OIL AND GAS LTD., MX-IV LTD.,
GAYE KNOWLES, GIORGIO KNOWLES,
ANTHONY HOWORTH, VADIM TSATSKIN,
MARK GRINSHPUN, ODED PASTERNAK AND
ALLAN WALKER

TORONTO – The Commission issued an Order in the above named matter which provides that (1) pursuant to subsections 127(7) and (8) of the Act, the Temporary Order is extended to March 11, 2011; and (2) the hearing is adjourned to March 10, 2011 at 12:00 p.m. at which time a confidential pre-hearing conference will take place, or to such other date or time as agreed upon by the parties and fixed by the Secretary's Office.

A copy of the Order dated February 8, 2011 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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1.4.5 Paul Azeff et al.

FOR IMMEDIATE RELEASE
February 18, 2011

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

AND

IN THE MATTER OF
PAUL AZEFF, KORIN BOBROW,
MITCHELL FINKELSTEIN,
HOWARD JEFFREY MILLER AND
MAN KIN CHENG (a.k.a. FRANCIS CHENG)

TORONTO – The Commission issued an order which provides that the previous disclosure motion date of February 22, 2011 be vacated and, if necessary, a motion hearing regarding disclosure issues will take place on April 8, 2011 at 10:00 am.

A copy of the Order dated February 18, 2011 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 CIT Holdings, LLC

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Issuer deemed to no longer be a reporting issuer under securities legislation.

Applicable Legislative Provisions

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

February 16, 2011

CIT Holdings, LLC
1211 Avenue of the Americas
New York, New York
U.S.A. 10036

Dear Sirs/Mesdames:

Re: CIT Holdings, LLC (the Applicant) – application for a decision under the securities legislation of Ontario, Alberta, Saskatchewan and Nova Scotia (the Jurisdictions) that the Applicant is not a reporting issuer

The Applicant has applied to the local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions for a decision under the securities legislation (the Legislation) of the Jurisdictions that the Applicant is not a reporting issuer.

As the Applicant has represented to the Decision Makers that:

(a) the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 security holders in each of the jurisdictions in Canada and fewer than 51 security holders in total in Canada;

(b) no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 *Marketplace Operation*;

(c) the Applicant is applying for a decision that it is not a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and

(d) the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer,

each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met and orders that the Applicant is not a reporting issuer.

"Jo-Anne Matear"
Assistant Manager, Corporate Finance
Ontario Securities Commission

2.1.2 Potash Corporation of Saskatchewan Inc.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions–issuer granted exemptions from the prospectus requirement in connection with trades of Commercial Paper/Short-Term Debt-sufficient to obtain one credit rating at or above a prescribed standard from one approved credit rating agency, subject to conditions.

Applicable Legislative Provisions

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

February 15, 2011

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
SASKATCHEWAN AND ONTARIO
(THE JURISDICTIONS)

AND

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

AND
IN THE MATTER OF
POTASH CORPORATION
OF SASKATCHEWAN INC.
(THE FILER)

DECISION

Background

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**) that trades of negotiable promissory notes or commercial paper, maturing not more than one year from the date of issue, of the Filer (**Commercial Paper**) be exempt from the prospectus requirement of the Legislation (the **Requested Relief**).

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

(a) the Saskatchewan Financial Services Commission, Securities Division, 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 British Columbia, Alberta, Manitoba, Québec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador (the **Passport Jurisdictions**); and

(c) the 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 meanings in this decision, unless otherwise defined.

In this decision:

“Asset-backed Short-term Debt” means short-term debt that is backed, secured or serviced by or from, a discrete pool of mortgages, receivables or other financial assets or interests designed to ensure the servicing or timely distribution of proceeds to holders of that short-term debt;

"NI 31-103" means National Instrument 31-103 – *Registration Requirements and Exemptions*;

"NI 45-106" means National Instrument 45-106 – *Prospectus and Registration Exemptions*; and

"NI 81-102" means National Instrument 81-102 – *Mutual Funds*.

Representations

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

1. The Filer is a corporation organized under the *Canada Business Corporations Act*. The head office of the Filer is located at Suite 500, 122 – 1st Avenue South, Saskatoon, Saskatchewan S7K 7G3.

2. The Filer is a reporting issuer in the Jurisdictions and the Passport Jurisdictions. The Filer is also a foreign private issuer in the United States. The Filer is not (to its knowledge) in default of its reporting issuer obligations under the Legislation or the securities legislation of the Jurisdictions and the Passport Jurisdictions.

3. The Filer is also a registrant with the Securities and Exchange Commission (the SEC) in the United States and is subject to the requirements of the United States Securities Exchange Act of 1934 (the 1934 Act).

4. The Filer's securities are listed on the Toronto Stock Exchange (the TSX) and the New York Stock Exchange under the trading symbol "POT".

5. Subsection 2.35(b) of NI 45-106 provides that an exemption from the prospectus requirement of the Legislation for short-term debt (the Commercial Paper Exemption) is available only where such short-term debt "has an approved credit rating from an approved credit rating organization." NI 45-106 incorporates by reference the definitions for "approved credit rating" and "approved credit rating organization" that are used in NI 81-102.

6. The definition of "approved credit rating" in NI 81-102, requires, among other things, that (a) the rating assigned to such debt must be "at or above" certain prescribed short-term ratings, and (b) such debt must not have been assigned a rating by any "approved credit rating organization" that is not an "approved credit rating."

7. The Commercial Paper of the Filer currently has an "R-1 (low)" rating from DBRS Limited and an "A-1 (Low)" rating from Standard & Poor's both of which meet the prescribed threshold in NI 81-102; however, in light of the similar relief granted to other issuer's of commercial paper in Canada, it is appropriate that the Filer be granted the Requested Relief.

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 under the Legislation is that the Requested Relief is granted provided that:

1. The Commercial Paper:

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

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

   (c) is not Asset-backed Short-term Debt; and

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

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

2. Each trade of Commercial Paper to a resident in a jurisdiction in Canada by the Filer in reliance on this exemption is made: (i) through an agent who is a registered dealer, registered in a category that permits the trade; (ii) through a bank listed in Schedule I, II or III to the *Bank Act* (Canada) trading in reliance on an exemption from registration available in the circumstances in the jurisdiction or jurisdictions in which the trade occurs; or (iii) through a dealer permitted to rely on the "international dealer exemption" contained in section 8.18 of NI 31-103;

3. For each jurisdiction of Canada, the Requested Relief will terminate on the earlier of:

   (a) 90 days after the coming into force of any rule, other regulation or blanket order or ruling under the securities legislation of that jurisdiction of Canada that amends the conditions of the prospectus exemption contained in Section 2.35 of NI 45-106 or provides an alternate exemption; and

   (b) January 31, 2013.

"Barbara Shourounis"
Director, Securities Division
Saskatchewan Financial Services Commission

2.1.3 Skyberry Capital Corp.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – An issuer (a capital pool company) proposes to enter into a reverse take-over transaction with a target company – The proposed transaction, if completed, will serve as the issuer's qualifying transaction under Policy 2.4 Capital Pool Companies of the TSX Venture Exchange (TSXV) – The issuer applied for relief from the requirements in section 4.10(2)(a)(ii) of National Instrument 51-102 Continuous Disclosure Obligations (NI 51-102) and Item 5.2 of Form 51-102F3 Material Change Report to file, in respect of the proposed transaction, audited annual financial statements of the target company consisting of an income statement, a statement of retained earnings and a cash flow statement for the 12 months ended December 31, 2008 and December 31, 2007 and the related notes thereto – Target company is unable to provide the specified historical financial statements – Target company has made every reasonable effort to obtain copies of, or reconstruct, the historical accounting records necessary to prepare and audit the specified historical financial statements, but such efforts were unsuccessful – Auditors of target company have confirmed that even if the specified historical financial statements were prepared, an audit of those statements would be extremely difficult if not impossible to conduct – Issuer to provide alternative financial disclosure of target company in filing statement for qualifying transaction required under TSXV policies, including audited financial statements of target company for nine month period ended September 30, 2010 – Issuer to provide technical report under National Instrument 43-101 Standards of Disclosure for Mineral Projects in respect of target company – Technical report covers the only mining properties held by the target company and contains recent data and financial information of interest to investors – Relief granted, subject to condition that filing statement contains the alternative financial disclosure and that the filing statement and the technical report are filed on SEDAR following acceptance by TSXV.

Applicable Legislative Provisions

National Instrument 51-102 Continuous Disclosure Obligations, s. 4.10(2)(a)(ii).
Form 51-102F3 Material Change Report, Item 5.2.

February 17, 2011

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
SKYBERRY CAPITAL CORP.
(THE FILER)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) for an exemption (the **Exemption Sought**) from the requirements in section 4.10(2)(a)(ii) of National Instrument 51-102 *Continuous Disclosure Obligations* and Item 5.2 of Form 51-102F3 *Material Change Report* to file, in respect of the Proposed Transaction (as defined below), audited annual financial statements for Lipari Coal Holdings, Inc. (**Lipari**) consisting of an income statement, a statement of retained earnings and a cash flow statement for the 12 months ended December 31, 2008 and December 31, 2007 and the related notes thereto.

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

(a) the Ontario Securities Commission is the principal regulator for the 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 Alberta and British Columbia.

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:

The Proposed Transaction

1. The Filer has entered into a letter of intent with Lipari pursuant to which the Filer and Lipari propose to complete a transaction that will result in a reverse take-over of the Filer by the shareholders of Lipari and a corporation (**Lipari Finco**) incorporated to facilitate the business combination (the **Proposed Transaction**). Following completion of the Proposed Transaction, the name of the Filer will be changed to Lipari Energy, Inc.

2. Pursuant to the policies of the TSX Venture Exchange (**TSXV**), the Filer must file a Filing Statement in the prescribed form (TSXV Form 3B2 *Information Required in a Filing Statement for a Qualifying Transaction*), which includes disclosure

of financial statements of the Filer and Lipari prescribed by National Instrument 41-101 *General Prospectus Requirements*. In addition to applying to the principal regulator for the Exemption Sought, the Filer has also applied to TSXV for a waiver from the equivalent financial statement requirements in TSXV Form 3B2.

The Filer

3. The Filer is a corporation incorporated under the *Business Corporations Act* (Alberta). The head office of the Filer is located at 357 Bay Street, Suite 900, Toronto, Ontario. The Filer's financial year end is December 31.

4. The Filer is a capital pool company listed on the TSXV. The Proposed Transaction, if completed, is intended to serve as the Filer's qualifying transaction under TSXV Policy 2.4 *Capital Pool Companies*.

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

6. The Filer is not in default of any of the requirements of the applicable securities legislation in any jurisdiction.

Lipari

7. Lipari is a corporation organized under the laws of the State of Delaware as of August 27, 2008. Lipari's financial year end is December 31.

8. Lipari is not a reporting issuer or its equivalent in any jurisdiction of Canada.

9. Lipari is not in default of any of the requirements of the applicable securities legislation in any jurisdiction.

10. Lipari was organized to acquire B&W Resources, Inc. (**B&W**) of which Lipari is the sole shareholder.

11. B&W's principal business is the production and sale of coal produced from mineral properties it owns and leases in eastern Kentucky.

Technical Report

12. In connection with the Proposed Transaction and pursuant to the requirements of the TSXV, Lipari has submitted a technical report prepared by Norwest Corporation (**Norwest**) entitled "B&W Resources, Inc. Coal Properties: Clay, Leslie, Owsley, and Perry Counties, Kentucky, USA" dated October 29, 2010 (the **Technical Report**) to the TSXV. The Technical Report complies with the requirements in National Instrument 43-101 S*tandards of Disclosure in Mineral Projects*.

13. The Technical Report includes a summary of the coal properties of B&W located in Kentucky. Such properties represent all of Lipari's current coal properties and are the only mining properties held by Lipari. The information contained in the Technical Report is based on information and assumptions current as of the date of the Technical Report and provides projections of prices, costs, revenue and cash flow with respect to such properties on a going-forward basis.

14. The Technical Report contains certain information of particular interest to investors including B&W's history of coal production from 2001 until 2009 as well as current mineral resource and reserve estimates as of May 2010. The Technical Report also contains certain key projections including a mining production schedule, projected after-tax cash flow, annual capital expenditures and annual cash operating costs from 2011 to 2022 as well as sales commitments to customers from 2010 to 2013 and a net present value and sensitivity analysis for the coal properties that are the subject of the Technical Report.

15. The data used to prepare the mineral resource and reserves estimates disclosed in the Technical Report have a cut-off date of May 31, 2010. Since the date of the Technical Report, there have been no significant changes in the assumptions used to prepare the Technical Report.

16. The Filing Statement will contain certain information with respect to the Technical Report.

Financial Statements of B&W

17. Until April 2007, B&W was owned by three individuals. The assets and operations of B&W consisted of various assets, of which the coal assets subsequently acquired by Lipari represented approximately 40% of the total assets. In April 2007, two of the owners exited the business of B&W, with most of B&W's assets, other than its coal assets, distributed to the two departing owners. A short year income tax return was filed by B&W for the four-month period ended April 30, 2007.

18. In May 2007, the third individual who owned B&W formed Black Star Resources LLC (**Black Star**) to acquire B&W. At that time, B&W ceased to file tax returns as a separate entity and ceased to prepare financial statements at the B&W entity level. In addition to the coal assets of B&W, Black Star held other properties comprising its assets and operations. In August 2008, Lipari acquired all of the common stock of B&W. Lipari treated the transaction as an acquisition of the B&W coal assets and did not obtain separate financial statements for B&W.

19. Lipari has used August 1, 2008 as its initial reporting date as Lipari was inactive prior to the acquisition of B&W on that date.

20. The B&W coal assets constitute substantially all of Lipari's operations such that Lipari has consolidated the results of B&W's coal operations since the date of acquisition of B&W by Lipari.

21. B&W is considered a predecessor issuer of Lipari under Item 32.1(a) of Form 41-101F1.

22. At the time of the acquisition of B&W by Lipari, there did not exist B&W entity level financial statements, either audited or unaudited that were prepared in compliance with GAAP.

23. Since the acquisition of B&W, the relationship between Lipari and Black Star has deteriorated in a material manner such that the parties are currently involved in litigation proceedings commenced in Kentucky Circuit Court in a dispute regarding the B&W acquisition by Lipari.

24. Any attempt by Lipari to contact Black Star regarding the historical financial records of B&W could be prejudicial to Lipari's interests in the ongoing litigation proceedings.

25. Lipari has made every reasonable effort to obtain copies of, or reconstruct, the historical accounting records necessary to prepare and audit the financial statements of B&W for the period from January 1, 2007 to July 31, 2008, but such efforts have been unsuccessful. As such, to the extent they may exist, Lipari is not able to access the underlying financial records and source documents of B&W for the period prior to its acquisition by Lipari in sufficient detail to be able to prepare financial statements in accordance with GAAP.

26. The inability to prepare the prescribed financial statements for the period prior to the acquisition of B&W by Lipari is outside the Filer's control.

27. Further, the auditors of Lipari have confirmed that even if the historical financial statements of B&W were prepared, a combination of the following factors would render the audit of the Lipari annual financial statements, consisting of an income statement, a statement of retained earnings and a cash flow statement for the 12 months ended December 31, 2008 and December 31, 2007, extremely difficult if not impossible to conduct as:

    (a) prior to July 31, 2008, stand alone GAAP compliant financial statements were not prepared for the B&W entity;

    (b) for the 12 months ended December 31, 2007 and the seven months ended July 31, 2008, the auditors have confirmed that although basic source documents relating to Lipari for these periods may exist, it would be extremely difficult if not impossible to locate such in the degree necessary to conduct a "stand alone audit", and it is not possible to obtain detailed supporting analysis, including but not limited to, objective external evidence with respect to (i) B&W's asset retirement obligation and coal reserves and (ii) inventory figures as at December 31, 2006 and December 31, 2007;

    (c) management and staff of B&W involved with B&W during the 12 months ended December 31, 2007 and the seven months ended July 31, 2008 are not available to answer auditor questions or help reconstruct related supporting information.

The Filing Statement

28. The Filer is required to include in the Filing Statement, among other things, three years of historical income statements, statements of retained earnings and cash flow statements of Lipari.

29. The Filing Statement will contain the following disclosure regarding the Filer and Lipari (the **Proposed Financial Disclosure**):

    Filer Financial Statements

    (a) audited financial statements of the Filer for the period from incorporation (January 21, 2010) to December 31, 2010, including balance sheet, statement of loss, comprehensive loss and deficit, statement of retained earnings, statement of cash flow and notes to the financial statements;

    (b) unaudited interim financial statements of the Filer for the period ended September 30, 2010, including balance sheet, statement of loss, comprehensive loss and deficit, statement of retained earnings, statement of cash flow and notes to the financial statements;

    Lipari Financial Statements

    (c) audited financial statements of Lipari for the nine month period ended September 30, 2010, including balance sheet, income statement, statement of retained earnings, statement of cash flow and notes to the financial statements;

    (d) audited financial statements of Lipari for the year ended December 31, 2009,

including balance sheet, income statement, statement of retained earnings, statement of cash flow and notes to the financial statements;

(e) audited financial statements of Lipari for the five month period ended December 31, 2008, including balance sheet, income statement, statement of retained earnings, statement of cash flow and notes to the financial statement; and

Pro Forma Financial Statements after giving effect to the Proposed Transaction

(f) a pro forma balance sheet of the Filer (after giving effect to the Proposed Transaction) as at December 31, 2010 and notes thereto.

30. The Filer will be relying on the exception contained in Item 48.2 of TSXV Form 3B2 Information Required in a Filing Statement for a Qualifying Transaction and will not be including a pro forma income statement of the Filer in the Filing Statement

31. The Proposed Financial Disclosure will contain sufficient information to permit the public to make a reasoned assessment of the Filer's business following completion of the Proposed Transaction.

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 provided that:

1. the Filing Statement includes the Proposed Financial Disclosure; and

2. the Filing Statement and the Technical Report are filed on SEDAR following acceptance by the TSXV.

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

2.1.4 Cliffs Natural Resources Inc.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Application by U.S. issuer for a decision that it is not a reporting issuer – The issuer has *de minimis* market presence in Canada – Residents of Canada do not beneficially own more than 2% of each class or series of outstanding securities of the issuer worldwide and do not comprise more than 2% of the total number of securityholders of the issuer worldwide – In the preceding 12 months, the issuer has not taken any steps that indicate there is a market for its securities in Canada – The issuer's securities are not listed on any stock exchange or publicly traded on a marketplace – The issuer has no current intention to distribute any securities to the public – All of the issuer's security holders resident in Canada will continue to have immediate access to the same continuous disclosure documents provided in the U.S. – the issuer issued a press release announcing that it had applied for a decision to be released from public company reporting obligations in Canada – Requested relief granted.

Applicable Legislative Provisions

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

February 18, 2011

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

AND

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

AND

IN THE MATTER OF
CLIFFS NATURAL RESOURCES INC.
(the Filer)

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (**Decision Maker**) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the **Legislation**) that the Filer is not a reporting issuer (the **Exemptive Relief 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 decision is the decision of the principal regulator and evidences the decision of each other Decision Maker.

Interpretation

Terms defined in National Instrument 14-101 *Definitions* 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 is a multi-national corporation listed on the New York Stock Exchange and the Euronext Paris under the ticker symbol "CLF". The Filer was incorporated under the laws of the State of Ohio, U.S.A. on February 22, 1985. The principal office of the Filer is 200 Public Square, Suite 3300, Cleveland, Ohio, U.S.A., 44114-2544.

2. The Filer became a reporting issuer in each of the Jurisdictions following its acquisition, pursuant to a court-approved plan of arrangement (the **Arrangement**), of Freewest Resources Canada Inc. (**Freewest**) on January 27, 2010.

3. Under the Arrangement, the Filer issued 4,221,941 common shares of the Filer (the **Common Shares**) in exchange for common shares of Freewest and became a reporting issuer in the Jurisdictions.

4. The Filer is a Securities and Exchange Commission (**SEC)** foreign issuer that is subject to the reporting requirements of the *Securities Exchange Act of 1934*, as amended (the **U.S. Legislation**). The Filer qualifies as a "SEC foreign issuer" under National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*.

5. The Filer files all continuous disclosure reports required under U.S. securities laws with the SEC on Electronic Data-Gathering Analysis and Retrieval (**EDGAR**), where such information is publicly available. The Filer is not in default of any reporting or other requirement under the U.S. Legislation.

6. The Filer has never been a reporting issuer in any other Canadian jurisdiction apart from the Jurisdictions. The Filer has never issued any securities in Canada other than in connection with or pursuant to the Arrangement.

7. The Filer is applying for relief to not be a reporting issuer in the Jurisdictions pursuant to the modified approach for foreign issuers outlined in CSA Staff Notice 12-307 *Applications For A Decision That An Issuer Is Not A Reporting Issuer* (**CSA Notice 12-307**).

8. The Filer is not subject to the requirement to create an issuer profile supplement on SEDI by reason that it is a "foreign issuer (SEDAR)" as defined in National Instrument 13-101 *System for Electronic Document Analysis and Retrieval*. The Filer has never filed a notice of election to become an electronic filer on the System for Electronic Document Analysis and Retrieval.

9. The Common Shares are the only class of shares of the Filer that is currently outstanding.

10. Immediately prior to the Arrangement, the Filer had six registered shareholders resident in Canada, holding 823 Common Shares.

11. Under the Arrangement, the Filer issued a total of 4,221,941 Common Shares to the shareholders of Freewest, including 24,566 Common Shares that were issued to the Depositary Trust Company (**DTC**), a depositary for shareholders typically resident in the U.S.A.

12. Immediately after the Arrangement, assuming that all Common Shares issued to DTC were issued to shareholders resident in the United States and that all other Common Shares of the Filer issued under the Arrangement were issued to Canadian residents, residents of Canada held 4,198,198 Common Shares.

13. As of October 31, 2010, pursuant to a report provided by Computershare Investor Services Inc., the Filer's transfer agent, the Filer had 138,845,539 Common Shares outstanding, of which only 5,484 Common Shares were held by registered shareholders with registered addresses in Canada, representing less than 0.004% of the total Common Shares issued and outstanding.

14. The Filer expects that a number of former Freewest shareholders that received the Common Shares would have sold those Common Shares, at least in part on the basis that the receipt of those Common Shares would be a taxable transaction for shareholders taxable under Canadian income tax legislation, and a rollover that would defer the tax payable would not be available for such shareholders.

15. No securities of the Filer have ever been listed, traded, or quoted on a marketplace in Canada as defined in National Instrument 21-101 *Marketplace Operation*.

16. Based upon the foregoing, residents of Canada:

a. do not directly or indirectly beneficially own more than 2% of each class or series of outstanding securities of the Filer worldwide; and

b. do not directly or indirectly comprise more than 2% of the total number of securityholders of the Filer worldwide.

17. In the 12 months before applying for the decision, the Filer has not taken any steps that indicate there is a market for its securities in Canada. The Filer has no plans to seek a public offering of its securities in Canada and does not intend to have any of its securities listed or maintained on a Canadian marketplace or exchange.

18. The Filer has provided advance notice to Canadian resident securityholders in a press release that it has applied to the securities regulatory authorities for a decision that is not a reporting issuer in the Jurisdictions and, if that decision is made, the Filer will no longer be a reporting issuer in any jurisdiction in Canada.

19. The Filer is not eligible to file under the simplified procedure in CSA Notice 12-307 as the Filer is a reporting issuer whose outstanding securities at the date hereof are beneficially owned, directly or indirectly, by more than 50 persons and therefore not eligible to file a notice described in British Columbia Instrument 11-502 *Voluntary Surrender of Reporting Issuer Status*.

20. The Filer otherwise meets the conditions of CSA Notice 12-307 as they apply to foreign issuers.

21. The Filer is not in default of any of the requirements of the Legislation of the Jurisdictions.

22. The Filer is subject to the reporting requirements of the U.S. Legislation applicable to corporations.

23. All of the Filer's security holders resident in each of the Jurisdictions will continue to have immediate access to the same continuous disclosure documents through the EDGAR database maintained by the SEC that are currently being provided to the securities regulatory authorities in each of the Jurisdictions.

24. The Filer undertakes to concurrently deliver to its Canadian securityholders, all disclosure documents the Filer would be required under U.S. securities law or exchange requirements to deliver to U.S. resident securityholders.

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 under the Legislation is that the Filer is not a reporting issuer.

"Carol S. Perry"
Ontario Securities Commissioner

"Christopher Portner"
Ontario Securities Commissioner

2.1.5 ReMac Zinc Corp.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – An issuer wants relief from the requirement in section 2.1(b) of NI 54-101 to set the record date for a meeting no more than 60 days before the meeting date – Issuer is undertaking a significant transaction requiring shareholder approval; trading in the issuer's shares was halted at the time that the transaction was announced and trading remained halted between that date and a date less than 60 days before the meeting date; there have been very few changes in ownership of the issuer's shares between the record date and the date 60 days before the meeting; the issuer will permit a transferee of securities who establishes they acquired securities between the proposed record date and the date 60 days before the meeting to vote at the meeting; the issuer will comply with all other requirements of NI 54-101 in connection with the meeting.

Applicable Legislative Provisions

National Instrument 54-101 Communication with Beneficial Owners of Securities of a Reporting Issuer, s. 2.1(b).

December 20, 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
REMAC ZINC CORP.
(the Filer)

DECISION

Background

1 The securities regulatory authority or regulator in each of the Jurisdictions (the Decision Maker) has 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 subsection 2.1(b) of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (NI 54-101) that the record date for notice of a meeting of shareholders be no more than 60 days before the meeting date (the Exemption Sought).

Under the Process for Exemptive Relief Application 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 subsection 4.7(1) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in Alberta; and

(c) the decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in 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 governed by the *Business Corporations Act* (British Columbia) with its head office located in Vancouver, British Columbia;

2. the Filer is a reporting issuer in British Columbia, Alberta, and Ontario;

3. the common shares of the Filer are listed for trading on the TSX Venture Exchange (the TSXV) under the symbol "RMZ";

4. the Filer is not in default of securities legislation in any jurisdiction in Canada;

5. the Filer has entered into a share exchange agreement dated October 6, 2010 with 0887398 B.C. Ltd. (0887398), Corazón Exploraciones S.A. (Corazón) and 0887406 B.C. Ltd., pursuant to which the Filer will acquire all of the issued and outstanding shares of 0887398 and indirectly acquire all of the issued and outstanding shares of Corazón (the Transaction);

6. on June 14, 2010, the Filer issued a press release and filed a material change report with respect to the Transaction;

7. as a result of the proposed Transaction, trading in the shares of the Filer on the TSXV was halted on June 14, 2010 at the Filer's request;

8. no shares of the Filer traded on the TSXV between June 14, 2010, when trading in such

shares was halted, and December 6, 2010, when trading in such shares resumed;

9. on October 7, 2010, the Filer announced that it would be holding an annual and special meeting of shareholders of the Filer (the Meeting) on November 24, 2010, to approve, among other things, the Transaction, with the record date of the Meeting to be October 14, 2010;

10. in addition to requiring shareholder approval, the Transaction requires approval of the TSXV;

11. due to the complicated nature of the TSXV approval process, the associated disclosure requirements, and the current workload of the TSXV, the Filer was delayed in obtaining TSXV approval and providing the required materials to the Filer's shareholders in respect of the Meeting;

12. the Filer obtained conditional approval of the Transaction from the TSXV on December 2, 2010 and the Meeting is now scheduled to take place on December 31, 2010;

13. subsection 2.1(b) of NI 54-101 provides that the record date for shareholder meetings shall be no more than 60 days before the meeting date;

14. the current record date of October 14, 2010 precedes the proposed Meeting date of December 31, 2010 by 78 days;

15. to the Filer's knowledge, there has been no over-the-counter or private trading of its shares between October 14, 2010 and November 1, 2010, being 60 days before the Meeting, and to the extent that a transferee can establish that it acquired shares during this period, the Filer undertakes to provide such transferee with the Meeting materials and the opportunity to vote at the Meeting; and

16. the Filer has complied with, and will continue to comply with, all other provisions of the Legislation applicable to the Meeting.

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.

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

2.2 Orders

2.2.1 Marlon Gary Hibbert 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
MARLON GARY HIBBERT,
ASHANTI CORPORATE SERVICES INC.,
DOMINION INTERNATIONAL RESOURCE MANAGEMENT INC., KABASH RESOURCE MANAGEMENT, POWER TO CREATE WEALTH INC. AND POWER TO CREATE WEALTH INC. (PANAMA)**

**ORDER
(Subsections 127(1), 127(7) and 127(8))**

WHEREAS on January 28, 2011, the Ontario Securities Commission (the "Commission") issued a temporary cease trade 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:

1. that all trading by Ashanti Corporate Services Inc. ("Ashanti"), Power to Create Wealth Inc. ("PCW"), Dominion International Resource Management Inc. ("Dominion"), Kabash Resource Management ("Kabash"), Power to Create Wealth Inc. (Panama) ("PCWP") and Marlon Gary Hibbert ("Hibbert") shall cease;

2. that all trading in any securities of Ashanti, PCW, Dominion, Kabash, and PCWP shall cease; and

3. that the exemptions contained in Ontario securities law do not apply to Ashanti, PCW, Dominion, Kabash, PCWP and Hibbert.

AND WHEREAS on January 28, 2011 the Commission ordered that the Temporary Order shall expire on the 15th day after its making unless extended by the Commission;

AND WHEREAS on January 28, 2011 the Commission issued a Notice of Hearing to consider, among other things, the extension of the Temporary Order, to be held on February 11, 2011 at 11:00 a.m.;

AND WHEREAS Staff of the Commission ("Staff") have served Ashanti, PCW, Dominion, Kabash, PCWP and Hibbert with copies of the Temporary Order, the Notice of Hearing and the Hearing Brief as evidenced by the Affidavits of Service of Lee Crann sworn on February 8 and 9, 2011;

AND WHEREAS on February 11, 2011, the Commission held a hearing and Staff and Hibbert appeared before the Commission;

AND WHEREAS Staff requested an extension of the Temporary Order for six months and Hibbert opposed the extension of the Temporary Order;

AND WHEREAS the Commission reviewed the Affidavit of Jeffery Thomson sworn February 9, 2011;

AND WHEREAS the Commission heard submissions from counsel for Staff and from Hibbert;

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 Temporary Order is extended to July 28, 2011; and

IT IS FURTHER ORDERED that the hearing is adjourned to Tuesday, July 26, 2011 at 11:00 a.m.

DATED at Toronto this 11th day of February, 2011.

"Edward P. Kerwin"

2.2.2 Shallow Oil & Gas Inc. – 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
SHALLOW OIL & GAS INC., ERIC O'BRIEN, ABEL DA SILVA, GURDIP SINGH GAHUNIA ALSO KNOWN AS MICHAEL GAHUNIA, ABRAHAM HERBERT GROSSMAN ALSO KNOWN AS ALLEN GROSSMAN, MARCO DIADAMO, GORD MCQUARRIE, KEVIN WASH, AND WILLIAM MANKOFSKY

ORDER
(Subsections 127(1) & 127(8))

WHEREAS on January 16, 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: (i) all trading in securities by Shallow Oil & Gas Inc. ("Shallow Oil") shall cease and that all trading in Shallow Oil securities shall cease; and (ii) Eric O'Brien ("O'Brien"), Abel Da Silva ("Da Silva"), Gurdip Singh Gahunia, also known as Michael Gahunia ("Gahunia"), and Abraham Herbert Grossman, also known as Allen Grossman ("Grossman"), cease trading in all securities (the "Temporary Order");

AND WHEREAS on January 16, 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 January 18, 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 January 30, 2008 commencing at 2:00 p.m.;

AND WHEREAS hearings to extend the Temporary Order were held on January 30 and 31, and March 31, 2008. The Temporary Order was extended by the Commission on each date;

AND WHEREAS on June 11, 2008, the Commission issued a Notice of Hearing for June 18, 2008 to consider, among other things:

(a) the issuance of a temporary cease trade order against Diadamo, McQuarrie, Wash, and Mankofsky; and,

(b) the extension of the original Temporary Order dated January 16, 2008.

AND WHEREAS on June 18, 2008, a hearing was held commencing at 10:00 a.m. and Staff and Grossman appeared, presented evidence and made submissions, and

Diadamo, McQuarrie, and Mankofsky appeared before the panel of the Commission and made submissions as to the issuance of a temporary cease trade order against them;

AND WHEREAS on June 18, 2008, the panel of the Commission considered the evidence and submissions of Staff and Grossman, and the submissions of Diadamo, McQuarrie, and Mankofsky;

AND WHEREAS on June 19, 2008, a panel of the Commission ordered, pursuant to subsection 127(8) of the Act, that the Temporary Order as against Shallow Oil, O'Brien, Da Silva, and Grossman be extended until the conclusion of the hearing on the merits in this matter;

AND WHEREAS on June 19, 2008, a panel of the Commission ordered, pursuant to subsection 127(8) of the Act, that the Temporary Order as against Gahunia be extended until November 26, 2008;

AND WHEREAS on June 19, 2008, a panel of the Commission ordered, pursuant to subsection 127(5) of the Act, that Diadamo, McQuarrie, Wash, and Mankofsky cease trading in any securities (the "Second Temporary Order"), with the following exception:

> Diadamo shall be permitted to trade in securities that are listed on a public exchange recognized by the Commission and only in his own existing trading accounts. Furthermore, any such trading by Diadamo shall be for his sole benefit and only through a dealer registered with the Commission.

AND WHEREAS on June 19, 2008, a panel of the Commission ordered, pursuant to subsection 127(8) of the Act, that the Second Temporary Order be extended until November 26, 2008 and that the hearing with respect to the Second Temporary Order in this matter be adjourned to November 25, 2008, at 2:30 p.m.;

AND WHEREAS on November 25, 2008, a hearing was held and the panel of the Commission ordered, pursuant to subsection 127(8) of the Act, that:

- the Temporary Order is extended as against Gahunia until the conclusion of the hearing on the merits in this matter and the Second Temporary Order is extended as against Diadamo, McQuarrie, Wash, and Mankofsky until the conclusion of the hearing on the merits in this matter; and,
- the hearing with respect to the Notice of Hearing dated June 11, 2008 and Staff's Statement of Allegations dated June 10, 2008 is adjourned to June 4, 2009 at 10:00 a.m. for a status hearing.

AND WHEREAS on May 12, 2009, the Commission approved a settlement agreement between McQuarrie and Staff of the Commission, and on July 24, 2009, the Commission approved a settlement agreement between Mankofsky and Staff of the Commission;

AND WHEREAS on June 4th and September 10th, 2009, and January 12th, 2010 status hearings were held before the Commission and, on each date, a panel of the Commission ordered that the hearing with respect to the Notice of Hearing dated June 11, 2008 and Staff's Statement of Allegations dated June 10, 2008 be adjourned;

AND WHEREAS on June 28th, 2010, a status hearing was held commencing at 10:00 a.m. and Staff appeared before the panel of the Commission and provided the panel of the Commission with a status update with respect to this matter;

AND WHEREAS on June 28th, 2010, none of the respondents attended and a panel of the Commission considered the submissions of Staff;

AND WHEREAS on June 28th, 2010, the Commission ordered that the hearing with respect to the Notice of Hearing dated June 11, 2008 and Staff's Statement of Allegations dated June 10, 2008 be adjourned to February 11, 2011 at 10:00 a.m. for the purpose of a status hearing;

AND WHEREAS on February 11, 2011, a status hearing was held and Staff appeared before the panel of the Commission and provided the panel of the Commission with a status update with respect to this matter;

AND WHEREAS on February 11, 2011, none of the respondents attended and a panel of the Commission considered the submissions of Staff;

IT IS HEREBY ORDERED that the hearing with respect to the Notice of Hearing dated June 11, 2008 and Staff's Statement of Allegations dated June 10, 2008 be adjourned to May 24, 2011 at 2:30 p.m., for the purpose of a status hearing and to consider setting dates for the hearing on the merits in this matter.

DATED at Toronto this 11th day of February, 2011.

"Carol S. Perry"

2.2.3 SVL Holdings Inc. – s. 1(10)(b)

Headnote

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

Ontario Statutes

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

February 17, 2011

SVL Holdings Inc.
1624 Golden Beach Road
Bracebridge, Ontario
P1L 2T3

Dear Sirs/Mesdames:

Re: SVL Holdings Inc. (the "Applicant") – application for an order under clause 1(10)(b) of the *Securities Act* (Ontario) (the "Act") that the Applicant is not a reporting issuer

The Applicant has applied to the Ontario Securities Commission for an order under clause 1(10)(b) of the Act that the Applicant is not a reporting issuer.

As the Applicant has represented to the Ontario Securities Commission that:

(a) the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by less than 15 security holders in Ontario and less than 51 security holders in Canada;

(b) no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 – *Marketplace Operation*;

(c) the Applicant is not in default of its obligations under the Act as a reporting issuer; and

(d) the Applicant will not be a reporting issuer or the equivalent in any jurisdiction in Canada immediately following the Director granting the relief requested.

The Director is satisfied that it would not be prejudicial to the public interest to grant the requested relief and orders that the applicant is not a reporting issuer.

"Michael Brown"
Assistant Manager, Corporate Finance

2.2.4 Ameron Oil and Gas Ltd. 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
AMERON OIL AND GAS LTD., MX-IV LTD.,
GAYE KNOWLES, GIORGIO KNOWLES,
ANTHONY HOWORTH, VADIM TSATSKIN,
MARK GRINSHPUN, ODED PASTERNAK, AND
ALLAN WALKER**

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

WHEREAS on April 6, 2010, the Ontario Securities Commission (the "Commission") issued a temporary cease trade 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: that all trading in the securities of MX-IV Ltd. ("MX-IV") shall cease; that Ameron Oil and Gas Ltd. ("Ameron"), MX-IV and their representatives cease trading in all securities; and that any exemptions contained in Ontario securities law do not apply to Ameron and MX-IV (the "Temporary Order");

AND WHEREAS on April 6, 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 April 8, 2010, the Commission issued a Notice of Hearing to consider, among other things, the extension of the Temporary Order, to be held on April 20, 2010 at 2:00 p.m.;

AND WHEREAS on April 20, 2010, the Commission considered the evidence and submissions before it and the Commission was of the opinion that it was in the public interest to extend the Temporary Order to October 14, 2010 and to adjourn the hearing to October 13, 2010 at 10:00 a.m.;

AND WHEREAS on October 13, 2010, the Commission ordered, pursuant to subsections 127(7) and (8) of the Act, that the Temporary Order be extended to February 9, 2011 and that the hearing be adjourned to February 8, 2011 at 2:30 p.m.;

AND WHEREAS on December 13, 2010, Staff of the Commission ("Staff") issued a Statement of Allegations (the "Allegations") against Ameron, MX-IV, Gaye Knowles, Giorgio Knowles, Anthony Howorth ("Howorth"), Vadim Tsatskin ("Tsatskin"), Mark Grinshpun ("Grinshpun"), Oded Pasternak ("Pasternak"), and Allan Walker ("Walker") (collectively, the "Respondents");

AND WHEREAS on December 13, 2010, the Secretary of the Commission issued a Notice of Hearing,

pursuant to sections 37, 127 and 127.1 of the Act, to consider whether it is in the public interest to make certain orders against the Respondents by reason of the Allegations;

AND WHEREAS on December 20, 2010, the Commission ordered that the hearing be adjourned to February 8, 2011 at 2:30 p.m. for a confidential pre-hearing conference;

AND WHEREAS on February 8, 2011, Staff appeared and filed the Affidavit of Daniela De Chellis, sworn on January 27, 2011, evidencing service of the December 20, 2010 Order and notice of the hearing on the Respondents;

AND WHEREAS on February 8, 2011, none of the Respondents attended in person, but Staff advised the Commission that Cliff Lloyd ("Lloyd"), a lawyer licensed to practice law in the state of Massachusetts in the United States, had contacted Staff and advised that he had been retained as agent by Gaye Knowles, Giorgio Knowles and Howorth but would not be attending the hearing;

AND WHEREAS on February 8, 2011, the Commission was satisfied that Staff had served each of the Respondents with notice of the hearing;

AND WHEREAS on February 8, 2011, Staff made submissions to the Commission, including requesting that the matter be adjourned to March 10, 2011 at 12:00 p.m. for the purpose of conducting a confidential pre-hearing conference and that the Temporary Order be extended to March 11, 2011;

AND WHEREAS on February 8, 2011, Staff advised the Commission that Lloyd consented to the adjournment on behalf of Gaye Knowles, Giorgio Knowles and Howorth;

AND WHEREAS on February 8, 2011, Staff advised the Commission that Staff would contact the remaining Respondents to advise them of the March 10, 2011 pre-hearing conference, either directly or through their counsel, and that it would continue its efforts to determine the current representatives of Ameron and MX-IV;

AND WHEREAS on February 8, 2011, the Commission considered the evidence and submissions before it and the Commission was of the opinion that it was in the public interest to make this order;

IT IS HEREBY ORDERED pursuant to subsections 127(7) and (8) of the Act that the Temporary Order is extended to March 11, 2011; and

IT IS FURTHER ORDERED that the hearing is adjourned to March 10, 2011 at 12:00 p.m. at which time a confidential pre-hearing conference will take place, or to such other date or time as agreed upon by the parties and fixed by the Secretary's Office.

DATED at Toronto this 8th day of February, 2011.

"Mary G. Condon"

2.2.5 Waratah Capital Advisors Ltd. et al.

Headnote

Exemptions granted from the mutual fund conflict of interest investment restrictions of the Securities Act (Ontario) to permit pooled funds to invest with fund-on-fund structure in other pooled funds, including limited partnerships.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 111(2)(b), 111(2) (c) (i) and (ii) , 111(3), 113.

February 8, 2011

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

AND

IN THE MATTER OF
WARATAH CAPITAL ADVISORS LTD.
(the Filer)

AND

IN THE MATTER OF
WARATAH ONE TRUST,
WARATAH INCOME FUND TRUST AND
WARATAH PERFORMANCE TRUST
(the Initial Top Funds)

ORDER

Background

The Ontario Securities Commission (the **Commission**) has received an application from the Filer on behalf of the Initial Top Funds and any other mutual fund established by the Filer after the date hereof (the **Future Top Funds** and, together with the Initial Top Funds, the **Top Funds**) for an order under section 113 of the Act exempting the Top Funds and the Filer from the restriction that prohibits a mutual fund from knowingly making and holding an investment,

(a) in a person or company in which the mutual fund, alone or together with one or more related mutual funds, is a substantial security holder; or

(b) an issuer in which,

(i) an officer or director of the mutual fund, its management company or distribution company or an associate of any of them, or

(ii) any person or company who is a substantial security holder of the mutual fund, its management company or its distribution company,

has a significant interest (the **Related Issuer Relief**).

Each of the Top Funds and the Underlying Funds is not, nor will be, reporting issuers in any jurisdiction of Canada.

Interpretation

Terms defined in National Instrument 14-101 *Definitions* have the same meaning if used in this Order, unless otherwise defined.

Representations

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

Manager

1. The Filer is a corporation incorporated under the laws of the *Business Corporations Act* (Ontario) with its head office located in Toronto, Ontario.

2. The Filer is registered with the Commission as an adviser in the category of portfolio manager, as a dealer in the category of exempt market dealer and as an investment fund manager. The Filer is also registered as a dealer in the category of exempt market dealer with the securities regulatory authority of each of British Columbia, Alberta, Québec, New Brunswick and Nova Scotia.

3. The Filer is, or will be, responsible for managing the assets of the Top Funds and the Underlying Funds (collectively, the **Funds**), has complete discretion to invest and reinvest the Funds' assets, and is responsible for executing all portfolio transactions. Furthermore, the Filer assists, or will assist, in the marketing of the Funds and acts, or will act, as a distributor of securities of the Funds not otherwise sold through another registered dealer.

4. The Filer is, or will be, the investment fund manager of each Top Fund and of each Underlying Fund.

5. The Filer is not a reporting issuer in any jurisdiction of Canada and is not in default of securities legislation of any jurisdiction of Canada.

Underlying Funds

6. Each Underlying Fund is a limited partnership established under the laws of the Province of Ontario by a limited partnership agreement and is not or will not be in default of securities legislation of any jurisdiction of Canada.

7. Pursuant to separate management and advisory agreements the Filer is responsible for managing the day-to-day undertaking and business of each of the Initial Underlying Funds as well as the investment and trading activities of each of the Initial Underlying Funds.

8. Each of the Underlying Funds has, or will have, separate investment objectives, strategies and/or restrictions.

9. Securities of the Underlying Funds are, or will be, issued pursuant to prospectus exemptions in accordance with National Instrument 45-106 *Prospectus and Registration Exemptions* (**NI 45-106**).

10. The Underlying Funds are not, nor will be, reporting issuers in any jurisdiction of Canada.

Top Funds

11. The Top Funds will be sold pursuant to prospectus exemptions in accordance with NI 45-106.

12. Each Initial Top Fund will be an open-ended trust established under the laws of the Province of Ontario by a declaration of trust (a **Declaration of Trust**) and is not or will not be in default of securities legislation of any jurisdiction of Canada.

13. Each Top Fund is, or will be, a "mutual fund" as defined in the securities legislation of the jurisdictions in which the Top Fund is distributed.

14. Pursuant to each Declaration of Trust, the Filer will also act as the trustee of each of the Initial Top Funds, will have authority to manage the business and affairs of each of the Initial Top Funds and will have the authority to bind each Initial Top Fund.

15. The Declaration of Trust of each Top Fund will describe the investment objectives and investment restrictions applicable to the Top Fund and will also describe the fees, compensation and expenses payable by a Top Fund, the calculation of net asset value, distributions, the powers and duties of the investment fund manager and all other matters material to each Top Fund, including the fact that in pursuing its investment objectives, the Top Fund may invest in one or more Underlying Funds as an investment strategy.

Fund-on-Fund Structure

16. The Top Funds allow investors in the Top Funds to obtain exposure to the investment portfolios of the Underlying Funds and their investment strategies through, primarily, direct investments by the Top Funds in securities of the Underlying Funds (the **Fund-on-Fund Structure**). The Filer believes that the Fund-on-Fund Structure provides an

efficient and cost-effective manner of pursuing portfolio diversification on behalf of the Top Funds rather than through the direct purchase of securities.

17. Securities of an Underlying Fund will be acquired by a Top Fund under an exemption from the prospectus requirement in accordance with NI 45-106 and the Filer will act as the dealer in respect of the trade.

18. The amounts invested from time to time in an Underlying Fund by a Top Fund may exceed 20% of the outstanding voting securities of any single Underlying Fund. Accordingly, each Top Fund could, either along or together with the other Top Funds, become a substantial security holder of an Underlying Fund. The Top Funds are, or will be, related mutual funds by virtue of the common management by the Filer.

19. Each of the Top Funds will prepare annual audited financial statements and interim unaudited financial statements in accordance with National Instrument 81-106 *Investment Fund Continuous Disclosure* (**NI 81-106**) and will otherwise comply with the requirements of NI 81-106 applicable to them. Each of the Underlying Funds will prepared annual audited financial statements and interim unaudited financial statements in accordance with NI 81-106. The holdings by a Top Fund of securities of an Underlying Fund will be disclosed in the financial statements of the Top Fund.

20. For the purpose of implementing the Fund-on-Fund Structure, the Filer shall ensure that:

    (a) the arrangements between or in respect of each Top Fund and an Underlying Fund are such as to avoid the duplication of management fees or incentive fees;

    (b) no sales fees or redemption fees are payable by a Top Fund in relation to its purchases or redemptions of securities of an Underlying Fund;

    (c) the offering memorandum of each Top Fund will describe the Top Fund's intent, or ability, to invest in securities of the Underlying Funds and that the Underlying Funds are also managed by the Filer and, if no offering memorandum is prepared in respect of a Top Fund, purchasers will be provided with details about the Top Fund and given disclosure respecting relationships and potential conflicts of interest, and advised that a copy of the Declaration of Trust or other constating document is available on request;

    (d) the Filer will not vote the securities of an Underlying Fund held by a Top Funds at any meeting of holders of such securities, except that a Top Fund may, if the Filer so chooses, arrange for the securities it holds of an Underlying Fund to be voted by the beneficial holders of securities of the Top Fund;

    (e) security holders of a Top Fund will receive, on request, a copy of the offering memorandum of the Underlying Funds, if available, and the audited annual financial statements and interim unaudited financial statements of any Underlying Fund in which the Top Fund invests;

    (f) purchasers of securities of a Top Fund will be advised that the Fund-on-Fund structure may result in a situation where one or more officers and/or directors of the Filer (considered a **responsible person**) is may be an officer and/or director of the Underlying Fund, including, for greater certainty, an officer and/or director of the general partner of the Underlying Fund, and written consent of the purchasers of securities of a Top Fund will be obtained consenting to the purchase by a Top Fund of a security of an Underlying Fund in which the Filer or an associate of the Filer is an officer or a director; and

    (g) prior to the time of investment, unitholders of a Top Fund will be provided with disclosure regarding: (i) the relationships between the Filer, the Top Fund and the applicable Underlying Fund (including the Filer's role as Trustee/Adviser to the Top Fund and as Manager and Adviser to the Underlying Fund); (ii) the Filer and the General Partner of the Underlying Fund; and (iii) that each of the principals of the Filer have an indirect significant interest in the Underlying Fund through investments made in limited partnership units of such Underlying Fund. Investors in a Top Fund will also be advised of the potential conflicts of interest which may arise from such relationships. The foregoing disclosure will be contained in any offering memorandum prepared in connection with a distribution of units of the Top Fund or, if no offering memorandum is prepared, in the subscription agreement for units of the Top Fund.

Generally

21. In the absence of the Related Issuer Relief, the Top Fund would be precluded from implementing the Fund-on-Fund Structure due to certain investment restrictions contained in the Act.

22. The Fund-on-Fund Structure represents the business judgment of responsible persons uninfluenced by considerations other than the best interests of each Top Fund.

Decision

The Commission is satisfied that the test contained in section 113 of the Act has been met.

The Commission orders that the Related Issuer Relief is granted provided that;

(a) securities of a Top Fund are distributed in Canada solely pursuant to exemptions from the prospectus requirements in NI 45-106;

(b) the investment by a Top Fund in an Underlying Fund is compatible with the fundamental objectives of a Top Fund;

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

(d) no sales fee or redemption fees are payable by a Top Fund in relation to its purchases or redemptions of securities of an Underlying Fund;

(e) the Filer will not vote the securities of the Underlying Fund held by the Top Funds at any meeting of holders of such securities, except that a Top Fund may, if the Filer so chooses, arrange for the securities it holds of an Underlying Fund to be voted by the beneficial holders of securities of the Top Fund;

(f) the offering memorandum, if available, or similar document of a Top Fund will disclose:

1. that a Top Fund may purchase units of the Underlying Funds;

2. the fact that the Filer is the investment adviser to both the Top Funds and the Underlying Funds; and

3. that substantially all of the net assets (or the percentage of net assets) of the Top Funds will be invested in securities of the Underlying Funds; and

(g) prior to the time of investment, unitholders of a Top Fund will be provided with disclosure that each of the principals of the Filer have an indirect significant interest in the Underlying Fund through investments made in limited partnership units of such Underlying Fund. Investors in a Top Fund will also be advised of the potential conflicts of interest which may arise from such relationships. The foregoing disclosure will be contained in any offering memorandum prepared in connection with a distribution of units of the Top Fund or, if no offering memorandum is prepared, in the subscription agreement for units of the Top Fund.

“Carol S. Perry”
Commissioner
Ontario Securities Commission

“Charles Wesley Moore Scott”
Commissioner
Ontario Securities Commission

2.2.6 Paul Azeff et al.

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

AND

**IN THE MATTER OF
PAUL AZEFF, KORIN BOBROW,
MITCHELL FINKELSTEIN,
HOWARD JEFFREY MILLER AND
MAN KIN CHENG (a.k.a. FRANCIS CHENG)**

ORDER

WHEREAS on September 22, 2010, the Ontario Securities Commission ("Commission") issued a Notice of Hearing, pursuant to s.127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5 (the "*Securities Act*"), accompanied by a Statement of Allegations with respect to the Respondents Howard Jeffrey Miller and Man Kin Cheng for a hearing to commence on October 18, 2010;

AND WHEREAS the Respondents were served with the Notice of Hearing and Statement of Allegations dated September 22, 2010 on September 22, 2010;

AND WHEREAS at a hearing on October 18, 2010, counsel for Staff, counsel for the Respondent Man Kin Cheng, and Howard Jeffrey Miller, appearing on his own behalf, consented to the scheduling of a confidential pre-hearing conference on January 11, 2011 at 3:00 p.m.;

AND WHEREAS on November 11, 2010, the Commission issued a Notice of Hearing, pursuant to s. 127 and 127.1 of the *Securities Act*, accompanied by an Amended Statement of Allegations which added the Respondents Paul Azeff, Korin Bobrow and Mitchell Finkelstein, for a hearing to commence on January 11, 2011;

AND WHEREAS the Respondents were served with the Notice of Hearing and Statement of Allegations dated November 11, 2010 on November 11, 2010;

AND WHEREAS following a hearing on January 11, 2011, counsel for Staff, counsel for the Respondents Paul Azeff, Korin Bobrow, Mitchell Finkelstein, Man Kin Cheng, and Howard Jeffrey Miller, appearing on his own behalf, attended a confidential pre-hearing conference;

AND WHEREAS at the confidential pre-hearing conference on January 11, 2011 all parties made submissions regarding the disclosure made by Staff;

AND WHEREAS at the pre-hearing conference it was ordered by the Commission on the consent of all parties that Staff and the Respondents would exchange written proposals concerning outstanding disclosure issues and that a motion date would be set for February 22, 2011 regarding disclosure issues, if necessary;

AND WHEREAS in its written proposal of January 18, 2011, Staff undertook to provide a "relevant database" of documents on or before March 4, 2011;

AND WHEREAS it was the position of the Respondents that the delivery of the relevant database may affect the position of the parties on a disclosure motion, at the request of the Respondents and on the consent of Staff it was agreed that the motion date would be adjourned to April 8, 2011;

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

IT IS ORDERED, on consent of all parties, that:

1. The previous disclosure motion date of February 22, 2011 be vacated and, if necessary, a motion hearing regarding disclosure issues will take place on April 8, 2011 at 10:00am.

DATED at Toronto this 18th day of February, 2011.

"Mary G. Condon"

2.2.7 Canadian Derivatives Clearing Corporation – s. 147

Headnote

Application under section 147 of the Securities Act (Ontario) (OSA) to exempt on a temporary basis Canadian Derivatives Clearing Corporation from recognition as a clearing agency under subsection 21.2(0.1) of the OSA.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 21.2(0.1), 147.

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

AND

IN THE MATTER OF
THE CANADIAN DERIVATIVES
CLEARING CORPORATION

ORDER
(section 147 of the Act)

WHEREAS the Canadian Derivatives Clearing Corporation (the "**Corporation**") filed an application (the "**Application**"), pursuant to section 147 of the Act, for an order (the "**Temporary Exemption Order**") temporarily exempting the Corporation from the requirement to be recognized as a clearing agency under section 21.2 of the Act.

AND WHEREAS the Corporation has represented to the Commission as follows:

1. The Bourse de Montréal Inc. (the "**Bourse**"), the Corporation's sole shareholder, is a wholly-owned subsidiary of the TMX Group Inc., a widely held public company, the common shares of which are listed on the Toronto Stock Exchange.

2. The Corporation is currently recognized as a self-regulatory organization in Québec under section 169 of the *Securities Act* (Québec) which enables it to carry on the activities of a clearing house in Québec. As such, the Corporation is subject to the regulatory oversight of the Autorité des marches financiers ("**AMF**").

3. On March 16, 2004, the Commission granted the Bourse an exemption, pursuant to section 147 of the Act, from recognition as a stock exchange under section 21 of the Act and an exemption, pursuant to section 80 of the *Commodity Futures Act* (the "**CFA**"), from registration as a commodity futures exchange under section 15 of the CFA, subsequently amended on April 30, 2008 (the "**Bourse Exemption Order**").

4. The Bourse Exemption Order includes regulatory oversight terms and conditions applicable to the Corporation (the "**CDCC T&Cs**"), including a term and condition requiring the Corporation to concurrently provide to the Commission copies of all rules that it files for review and approval with the AMF.

5. Section 21.2 of the Act will, effective March 1, 2011, prohibit clearing agencies from carrying on business in Ontario unless they are recognized by the Commission as a clearing agency.

6. The Corporation's operations are undergoing major changes and are likely to evolve significantly in the near future. In this regard, the Corporation will be adding clearing for fixed income transactions (including both repurchase transactions and cash buy and sell trades) (the "**Fixed Income CCP Service**") and has recently responded to an industry-issued request for information by indicating its intention to operate as a central clearing counterparty for the Canadian OTC swap market (the "**OTC Swaps CCP Service**").

AND WHEREAS the Bank of Canada ("**BOC**") is undertaking a comprehensive assessment of the Corporation's operations, systems, rules, and risk management, primarily in the context of the Fixed Income CCP Service, for the purposes of designation and regulatory oversight by the BOC pursuant to the *Payment Clearing and Settlement Act* (Canada).

AND WHEREAS the Commission has determined that the Temporary Exemption Order will provide sufficient time for:

(i) the Corporation to finalize its new clearing functions, particularly the Fixed Income CCP Service, and

(ii) the Commission to assess the impact of the Corporation's new functions on Ontario's capital markets and consider an appropriate regulatory framework.

AND WHEREAS the CDCC T&Cs will terminate in the Bourse Exemption Order upon the Corporation being recognized by the Commission as a recognized clearing agency under the Act or recognized clearing house under the CFA or upon the Corporation being exempt from any requirement to be recognized.

AND WHEREAS based on the Application and the representations of the Corporation, the Commission is satisfied that granting the Corporation the Temporary Exemption Order pursuant to section 147 of the Act would not be prejudicial to the public interest.

IT IS HEREBY ORDERED by the Commission, pursuant to section 147 of the Act, that the Corporation be exempt from the requirement to be recognized as a clearing agency under section 21.2 of the Act;

Provided that:

A. the Corporation complies with the terms and conditions attached hereto as Schedule "A"; and

B. this Temporary Exemption Order shall terminate on the earlier of:

(i) the date that the Commission renders a subsequent order recognizing the Corporation as a clearing agency under subsection 21.2(0.1) of the Act or exempting it from the requirement to be recognized as a clearing agency under section 147 of the Act, and

(ii) March 1, 2012.

DATED at Toronto on February 15, 2011.

"Vern Krishna"

"Edward Philip Kerwin"

2.2.8 Stonecap Securities Inc. and SCS (USA) Inc. – s. 74(1)

Headnote

Trades by U.S. registered broker dealer, an affiliate of Ontario registered investment dealer whose shared head office is located in Ontario, exempted from requirements of paragraph 25(1) of the Act, for trades made to clients that are resident in the U.S.A., where the trade is made by the U.S. dealer (in its own right, or on behalf of clients that are resident in the U.S.) through individuals that are dealing representatives of both the U.S. dealer and the Ontario registrant – Individuals must be appropriately registered to make the trade on behalf of the Ontario registrant if instead the Ontario registrant were making the trade to an Ontario resident.

Statutes Cited

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

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

AND

IN THE MATTER OF
STONECAP SECURITIES INC. (Stonecap)
AND SCS (USA) INC. (SCS US)

ORDER
(Subsection 74(1) of the Act)

UPON the application of Stonecap and SCS US to the Ontario Securities Commission (the Commission) for an order, pursuant to subsection 74(1) of the Act, that SCS US and the individuals who are dealing representatives or the equivalent of SCS US and who are also registered under the Act to trade on behalf of Stonecap as dealing representatives of Stonecap (the **Dual Representatives**), shall not be subject to subsection 25(1) of the Act where SCS US and the Dual Representatives act on behalf of SCS US in respect of certain trades in Ontario with, or on behalf of, clients that are resident in the United States (U.S. Clients);

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

AND UPON representation to the Commission that:

1. Stonecap is incorporated under the laws of Ontario.

2. The head office of Stonecap is located in Toronto, Ontario.

3. Stonecap is registered under the Act as a dealer in the category of investment dealer and is a member of the Investment Industry Regulatory Organization of Canada.

4. Stonecap is not registered under applicable U.S. securities laws to carry on the business of a registered broker dealer in the United States.

5. Stonecap does not trade in securities with or on behalf of U.S. Clients.

6. SCS US is a wholly-owned subsidiary of Stonecap.

7. SCS US, incorporated pursuant to the laws of the State of Delaware, is not registered under the Act.

8. SCS US shares the same head office as Stonecap in Toronto, Ontario.

9. SCS US is registered as a broker-dealer with the Securities and Exchange Commission of the U.S.A. to carry on the business of a broker-dealer in the U.S.A pursuant to the *U.S. Securities Exchange Act of 1934*, as amended, and is a member of the Financial Industry Regulatory Authority.

10. SCS US was established as a vehicle to perform certain activities, being the provision of research, the solicitation of orders and acting as a sales agent, in Canadian securities with or on behalf of U.S. Clients, the majority of whom will be institutional investors. Without the discretionary relief provided for in this Order, SCS US and the Dual Representatives acting on its behalf would be, when trading with or on behalf of U.S. Clients, trading in securities in Ontario without being appropriately registered under the Act.

11. Stonecap expects that the amount of revenue derived from US Clients will only represent approximately 10% of the revenue generated by Canadian clients.

12. SCS US will not trade in securities with or on behalf of persons or entities who are resident in Canada.

13. Although Dual Representatives will primarily act on behalf of Stonecap, they may also act in Ontario on behalf of SCS US in respect of trades with or on behalf of U.S. Clients.

14. When acting on behalf of SCS US, the Dual Representatives will not be serving Canadian clients.

15. Where SCS US performs trades with or on behalf of U.S. Clients, SCS US and any Dual Representative who acts on behalf of SCS US in respect of such trade are subject to and will comply with all registration and other requirements of applicable securities legislation in the U.S.A.

16. SCS US will file with the Commission such reports as to its trading activities as the Commission may from time to time require.

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

IT IS RULED, pursuant to subsection 74(1) of the Act, that trades in securities to U.S. Clients, that are made by SCS US, for itself or on behalf of U.S. Clients, and on behalf of SCS US by Dual Representatives, shall not be subject to subsection 25(1) of the Act, provided that, at the time of the trade:

(A) Stonecap is registered under the Act as a dealer in a category that would permit Stonecap to make the trade, in compliance with subsection 25(1) of the Act, if the trade were instead being made by Stonecap;

(B) the registration under the Act of the Dual Representative as a dealing representative of Stonecap would permit the Dual Representative to act on behalf of Stonecap in respect of the trade, in compliance with subsection 25(1) of the Act, if the trade were instead being made by the Dual Representative on behalf of Stonecap; and

(C) SCS US and each of the Dual Representatives is in compliance with any applicable dealer licensing or registration requirements under applicable securities legislation of the United States.

DATED at Toronto this 18th day of February, 2011.

"Vern Krishna"
Commissioner
Ontario Securities Commission

"Edward P. Kerwin"
Commissioner
Ontario Securities Commission

SCHEDULE "A"
Terms and Conditions

1. The Corporation continues to be recognized as a self-regulatory organization under the *Securities Act* (Québec) or is and remains recognized as a clearing house under section 14 of the *Derivatives Act* (Québec).

2. The Corporation shall continue to comply with the CDCC T&Cs, namely that it will:

   a) provide to the Commission, concurrently with the AMF, copies of all Rules that it files for review and approval with the AMF and provide copies of all final Rules to the Commission in both English and French;

   b) provide to the Commission, concurrently with the AMF, copies of all audited financial statements and reports prepared by an independent auditor in respect of the Corporation's financial situation and operations;

   c) provide to the Commission, concurrently with the AMF, copies of all internal risk management reports intended for its members and any outside report, including any audit report prepared in accordance with the Canadian Institute of Chartered Accountants Handbook, on the results of an examination or review of the Corporation's risk management policies, controls and standards undertaken by an independent person;

   d) provide to the Commission, concurrently with the AMF, prompt notification of any material failures or changes to its systems;

   e) provide to the Commission, concurrently with the AMF, prompt notification of any material problems with the clearance and settlement of transactions in contracts traded on the Bourse, including any failure by a member of the Corporation to promptly fulfil its settlement obligations that could materially affect the operations or financial situation of the Corporation;

   f) promote fair access to the Corporation and will not unreasonably prohibit or limit access by a person or company to services offered by the Corporation; and

   g) promote within the Corporation a corporate governance structure that minimizes the potential for any conflict of interest between the Bourse and the Corporation that could adversely affect the clearance and settlement of trades in contracts or the effectiveness of the Corporation's risk management policies, controls and standards.

3. The Corporation shall, concurrently with the AMF and BOC or as soon as practicable, update Commission staff on a regular and timely basis on the progress of the development and implementation of the Fixed Income CCP Service and any OTC Swaps CCP Service.

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Chapter 4

Cease Trading Orders

4.1.1 Temporary, Permanent & Rescinding Issuer Cease Trading Orders

Company Name	Date of Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/Revoke
RoaDor Industries Ltd.	07 Feb 11	18 Feb 11	18 Feb 11	
LGC Skyrota Wind Energy Corp.	11 Feb 11	23 Feb 11	23 Feb 11	
Redline Communications Group Inc.	11 Jun 10	23 Jun 10	23 Jun 10	22 Feb 11
First Choice Products Inc.	22 Feb 11	07 Mar 11		

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

THERE ARE NO ITEMS FOR THIS WEEK.

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
Seprotech Systems Incorporated	04 Jan 11	17 Jan 11	17 Jan 11		

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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	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
01/24/2011	3	10 Lower Spadina LP - Units	3,181,549.16	3,181,548.16
01/26/2011	2	10001 Metropolitan East Boulevard LP - Units	4,136,537.64	4,136,537.64
01/26/2011	2	1155 Chomedey Boulevard LP - Units	2,511,141.43	2,511,141.43
06/30/2010 to 12/31/2010	26	360 Global Fund - Common Shares	6,226,913.74	769,720.69
12/15/2010	23	44170 Yukon Inc. - Receipts	30,099,550.04	44,925,373.00
01/24/2011	3	55 Northfolk Street South LP - Units	448,534.19	448,534.19
01/24/2011	2	6501-6523 Mississauga Road LP - Units	3,050,926.74	3,050,926.74
01/24/2011	2	6531-6559 Mississauga Road LP - Units	2,729,917.74	2,729,917.74
01/22/2010 to 11/30/2010	12	Act II New Media Fund - Common Shares	675,407.41	58,995.07
01/08/2010 to 12/31/2010	111	AFC Capital Fund - Common Shares	10,447,430.94	1,067,314.45
12/31/2010	6	AgriMarine Holdings Inc. - Common Shares	300,000.00	1,200,000.00
01/01/2011	1	Algonquin Power & Utilities Corp. - Common Shares	27,699,750.00	8,523,000.00
01/27/2010 to 12/29/2010	6	Alliance Bernstein Global Style Blend (CAD Half-Hedged) Fund - Units	115,847,178.80	6,601,070.76
01/01/2010	1	Alpha Macro Strategies Fund - Units	400,000.00	40,000.00
02/01/2010	6	Alpha Macro Strategies Fund - Units	705,430.00	73,223.72
03/01/2010	2	Alpha Macro Strategies Fund - Units	315,000.00	31,704.72
04/01/2010	1	Alpha Macro Strategies Fund - Units	1,220,000.00	119,542.21
06/01/2010	1	Alpha Macro Strategies Fund - Units	300,000.00	33,135.62
10/01/2010	2	Alpha Macro Strategies Fund - Units	75,000.00	6,747.94
11/01/2010	13	Alpha Macro Strategies Fund - Units	179,504.90	14,203.81
12/01/2010	9	Alpha Macro Strategies Fund - Units	118,000.00	9,139.71
03/02/2010	2	Alta Resources Inc. - Common Shares	50,000.00	500,000.00
12/21/2010	15	Alta Resources Inc. - Units	574,499.80	3,829,999.00
01/11/2011	56	Amazon Mining Holding PLC - Common Shares	10,000,077.00	2,398,100.00

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
01/01/2010 to 12/31/2010	4	AMI Money Market Pooled Fund - Units	13,185,957.32	1,319,340.27
12/31/2010	6	Anglo-Canadian Uranium Corp. - Units	2,500,000.00	2,500,000.00
12/10/2010	9	Angoss Software Corporation - Common Shares	500,004.00	1,176,480.00
01/10/2011	3	Applewood II Hotel Holdings Inc & Combo Construction Limited - Units	1,500,000.00	1,500,000.00
02/26/2010 to 05/31/2010	2	Arrow Advantage Fund - Common Shares	925,000.00	340,231.51
01/29/2010	2	Arrow Alt Long/Short Fund - Common Shares	648,000.00	102,742.98
01/29/2010 to 12/31/2010	3	Arrow Canadian Arbitrage Fund - Common Shares	2,410,000.00	162,211.18
01/29/2010	1	Arrow Debt Opportunities Fund - Common Shares	31,965.90	4,560.69
01/08/2010 to 12/31/2010	34	Arrow Diversified Fund - Common Shares	1,409,455.32	109,362.85
01/15/2010 to 11/30/2010	2	Arrow Enhanced Income Fund - Common Shares	84,223.21	10,443.08
04/30/2010 to 11/30/2010	2	Arrow European Long/Short Fund - Common Shares	2,446,538.58	243,729.47
07/30/2010	2	Arrow F Global Macro Fund - Common Shares	51,498.61	3,877.62
01/22/2010 to 12/17/2010	15	Arrow Focus Fund - Common Shares	510,942.81	48,439.76
01/08/2010 to 12/31/2010	390	Arrow High Yield Fund - Common Shares	32,222,713.22	4,007,831.93
12/31/2010	3	Arrow I Convertible Arbitrage Fund - Common Shares	1,020,000.00	75,527.58
01/29/2010 to 09/30/2010	3	Arrow Jet Capital Fund - Common Shares	6,663,388.80	924,146.35
01/29/2010 to 10/29/2010	1	Arrow L European Equity Fund - Common Shares	149,308.34	11,617.80
06/30/2010	1	Arrow LH Asian Fund - Common Shares	26,567.48	1,637.14
01/29/2010 to 12/17/2010	5	Arrow Macro Fund - Common Shares	357,407.27	52,619.07
01/22/2010 to 12/17/2010	13	Arrow Maple Leaf Canadian Fund - Common Shares	688,596.95	37,896.93
01/19/2010 to 12/31/2010	5	Arrow Pacific Macro Fund - Common Shares	6,028,782.45	627,441.99
01/29/2010 to 12/31/2010	2	Arrow RG Fund - Common Shares	306,847.35	24,845.75
01/29/2010 to 05/31/2010	3	Arrow Risk Arbitrage Fund - Common Shares	400,000.00	11,664.73

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
02/26/2010 to 10/29/2010	4	Arrow RR Fund - Common Shares	5,521,029.82	522,244.15
03/31/2010 to 08/31/2010	2	Arrow SG Fund - Common Shares	2,504,525.42	188,341.63
02/26/2010	1	Arrow Sub Arbitrage Fund - Common Shares	570,000.00	68,198.13
09/30/2010	1	Arrow V Relative Value Fund - Common Shares	153,877.72	22,915.52
01/15/2010 to 06/11/2010	2	Arrow WF Asia Fund - Common Shares	47,375.00	2,095.03
01/01/2010 to 12/31/2010	1	Arrow WF High Grade Fund - Common Shares	10,000.00	1,000.00
12/14/2010	14	Atocha Resources Inc. - Units	600,000.00	4,000,000.00
02/04/2011	1	BAC Canada Finance Company (Formerly Merrill Lynch Canada Finance Company) - Note	9,576,000.00	1.00
01/05/2010 to 12/31/2010	281	Barometer Equity Pool - Trust Units	23,134,141.90	2,088,498.90
01/05/2010 to 12/16/2010	43	Barometer Global Tactical Balanced Pool - Trust Units	2,079,987.32	198,969.62
01/01/2010 to 12/31/2010	616	Barometer High Income Pool - Trust Units	90,652,634.92	8,408,541.31
01/05/2010 to 12/27/2010	241	Barometer Long Short Equity Pool - Trust Units	12,732,487.16	1,381,339.56
08/11/2010 to 12/30/2010	160	Barometer Tactical Exchange Traded Fund Pool - Trust Units	8,566,832.69	801,266.44
12/23/2010 to 12/31/2010	7	Bison Gold Resources Inc. - Common Shares	825,000.00	3,300,000.00
06/01/2010 to 10/01/2010	24	BloombergSen Partners Bond Fund - Limited Partnership Units	2,036,550.26	199,517.72
01/01/2010 to 12/01/2010	64	BloombergSen Partners Fund - Limited Partnership Units	52,664,953.46	53,139.00
06/01/2010 to 12/01/2010	116	BloombergSen Partners RSP Fund - Trust Units	11,310,717.22	1,132,889.77
12/14/2010	8	Bolero Resources Corp. - Common Shares	280,000.00	280,000.00
07/30/2010 to 12/31/2010	16	Burlington Capital Fund - Common Shares	701,542.87	69,479.93
12/15/2010	5	Carrizo Oil & Gas, Inc. - Common Shares	8,092,000.00	280,000.00
06/08/2010	3	CC&L Private Fund I Limited Partnership - Trust Units	110,000.00	11,000,000.00
11/30/2010	5	Century Mining Corporation - Units	2,500,000.00	5,555,555.00
09/21/2010	13	Century Mining Corporation - Units	1,211,280.00	3,105,846.00
12/21/2010	4	Cloud Peak Energy Inc. - Common Shares	7,056,972.00	354,800.00

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
12/22/2010	16	Cobalt Coal Corp. - Units	270,000.00	5,400,000.00
12/31/2010	2	Continental Mining and Smelting Limited - Flow-Through Units	1,000,000.00	5,000,000.00
01/11/2011	1	Continental Mining and Smelting Limited - Units	200,000.00	1,500,000.00
01/08/2010 to 12/31/2010	33	COR US Equity Income Fund - Common Shares	1,981,348.54	611,821.84
01/08/2010 to 09/03/2010	6	Cumberland Opportunities Fund - Units	103,205.00	16,580.28
04/30/2010 to 12/24/2010	28	Curvature Market Neutral Fund - Common Shares	11,166,257.47	1,117,023.37
02/08/2011	1	CVR Energy, Inc. - Common Shares	248,700.00	15,000.00
01/27/2011	1	Detour Gold Corporation - Common Shares	911,400.00	35,000.00
01/01/2010 to 12/01/2010	2	DGAM Diversified Strategies Feeder Fund - Common Shares	36,318,850.00	34,764.75
12/07/2010	2	Digicel Group Limited - Notes	7,419,965.00	7,000,000.00
01/08/2010 to 08/27/2010	2	Distressed Securities Fund - Common Shares	47,500.00	4,893.17
01/15/2010 to 12/01/2010	48	DKAM Capital Ideas Fund LP - Limited Partnership Units	275,000.00	42,258.65
04/01/2010 to 08/01/2010	2	DKAM Financial Service Venture LP - Limited Partnership Units	200,000.00	2,041.26
12/08/2010	5	Dollar General Corporation - Common Shares	4,651,094.45	151,000.00
01/21/2011	2	Dycom Investments, Inc. - Notes	3,383,289.00	5.00
12/31/2010	9	East Coast Investment Grade Fund - Common Shares	1,291,459.76	127,147.98
02/04/2011	1	Edgeworth Mortgage Investment II Corporation - Preferred Shares	107,000.00	10,700.00
01/31/2011	9	Empire Industries Ltd. - Units	700,000.00	14,000,000.00
02/02/2011 to 02/08/2011	19	Energizer Resources Inc. - Units	12,402,745.00	27,561,655.00
01/29/2010 to 12/31/2010	25	Enso Global Fund - Common Shares	1,371,734.56	69,330.27
12/05/2010 to 01/06/2011	7	eSight Corp. - Common Shares	113,500.00	504,443.00
01/24/2011	15	Estrella International Energy Services Ltd. - Receipts	15,000,000.00	N/A
12/23/2010	53	Ethos Capital Corp - Units	3,306,400.50	3,306,401.00
12/15/2010	117	Evans Value Fund - Units	5,326,081.97	18,714.02
01/24/2011	5	Everton Resources Inc. - Common Shares	15,200.00	40,000.00
12/30/2010	14	Finlay Minerals Ltd. - Units	1,318,800.00	3,861,768.00

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
12/24/2010	16	Fogo Energy Corp. - Common Shares	1,246,750.00	997,400.00
12/13/2010	2	Foodsteps International Inc. - Units	26,335.00	175,567.00
12/10/2010	2	Foundation Group Capital Trust - Units	19,980.00	1,776.00
06/01/2010 to 11/01/2010	4	Fulcra Focused Yield Fund LP - Units	1,810,000.00	181,000.00
11/23/2010	14	F.D.G. Mining Inc. - Warrants	580,275.00	3,626,719.00
03/01/2010 to 12/31/2010	3	Garrison Hill Multi-Strategy LP I - Units	250,000.00	0.00
12/22/2010	14	Global Atomic Fuels Corporation - Units	283,000.00	188,668.00
01/01/2010 to 12/31/2010	36	Goodwood Fund - Units	840,394.79	81,272.81
01/15/2010 to 09/30/2010	6	Goodwood Value Fund - Common Shares	366,229.21	22,679.12
12/14/2010	4	Greenock Resources Inc - Units	650,000.00	2,600,000.00
12/21/2010	3	Highbank Resources Ltd. - Units	420,000.00	6,000,000.00
01/04/2010 to 12/30/2010	56	Highstreet Canadian Bond Fund - Units	26,868,354.28	2,484,366.97
01/11/2010 to 12/15/2010	12	Highstreet Canadian Growth Fund - Units	207,545.51	18,075.07
01/04/2010 to 12/29/2010	72	Highstreet Money Market Fund - Units	26,426,743.69	2,642,674.37
12/29/2010	15	Hinterland Metals Inc. - Units	400,000.00	3,200,000.00
12/29/2010	15	Hinterland Metals Inc. - Units	725,000.00	5,800,000.00
12/24/2010	1	Isabella Developments Inc. - Units	3,982,564.00	3,982,564.00
01/15/2010 to 12/17/2010	51	JC Clark Opportunities Fund - Common Shares	2,785,361.79	272,449.22
12/31/2010	4	Kingwest Avenue Portfolio - Units	395,000.00	13,506.91
12/31/2010	1	Kingwest Canadian Equity Portfolio - Units	27,551.25	2,359.95
12/31/2010	1	Kingwest High Income Fund - Units	100,000.00	17,881.09
12/31/2010	1	Kingwest U.S. Equity Portfolio - Units	17,898.56	1,215.47
02/11/2011	11	Kraton Polymers LLC and Kraton Polymers Capital Corporation - Notes	3,961,200.00	11.00
01/10/2011	2	Lake Shore Gold Corp. - Common Shares	1,500,000.00	426,136.00
12/10/2010	3	Lord Lansdowne Holdings Inc. - Units	750,003.00	780,000.00
01/04/2010 to 12/31/2010	403	Man AHL Diversified (Canada) Fund - Units	23,677,197.00	2,345,883.97
06/22/2010	1	Man Canada Alternative Strategies Fund - Units	6,855,317.69	687,726.24

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
01/27/2010 to 04/15/2010	114	Man Canada Investment Strategies Fund - Units	1,456,163.00	1,453,163.00
01/12/2010	1	Man Glenwood Focus (MC) Fund - Units	8,000.00	800.00
12/22/2010	1	Mariana Resources Limited - Common Shares	143,962.00	23,581.00
12/09/2010	3	Mariana Resources Limited - Options	1,652,248.00	2,600,000.00
01/01/2010 to 06/01/2010	11	Marret High Grade Hedge Limited Partnership - Limited Partnership Units	9,425,000.00	9,029.51
01/01/2010 to 12/01/2010	25	Marret High Yield Hedge Limited Partnership - Limited Partnership Units	12,020,000.00	1,020,072.37
03/09/2010 to 04/29/2010	2	Marret IGH Trust - Trust Units	26,624,174.55	2,653,735.33
01/29/2010	3	Marret Investment Grade Fund - Common Shares	2,925,000.00	243,810.95
03/09/2010 to 04/29/2010	292	Marret Investment Grade Hedge Fund - Trust Units	27,110,850.04	2,620,273.66
01/08/2010 to 12/31/2010	105	Marret Resource Yield Fund - Common Shares	15,486,491.84	2,118,930.25
01/15/2010 to 02/25/2010	2	Matrix Strategic Small Cap Fund - Units	19,229.17	4,826.79
01/01/2010 to 12/31/2010	13	MFS Global Equity Fund - Units	603,246,273.48	61,676,374.62
01/01/2010 to 12/31/2010	5	MFS International Equity Fund - Units	316,091,131.33	36,996,690.12
01/31/2011	1	Micromem Technologies Inc. - Units	65,000.00	3,250,000.00
01/25/2011	40	Mint Technology Corp. - Units	1,335,000.00	1,475,000.00
12/15/2010	19	Miraculins Inc. - Units	729,999.72	6,083,331.00
01/10/2011	3	MMS Investment Inc. - Units	6,000,000.00	6,000,000.00
12/23/2010	18	Mountain Boy Minerals Ltd. - Units	1,796,256.25	11,588,750.00
01/01/2010 to 12/31/2010	156	Nexus North American Balanced Fund - Units	15,543,153.23	1,139,218.71
01/01/2010 to 12/31/2010	206	Nexus North American Income Fund - Units	36,608,754.46	3,363,991.62
12/22/2010 to 12/24/2010	61	Northern Tiger Resources Inc. - Common Shares	3,589,275.00	9,696,000.00
12/20/2010	19	Ocean Park Ventures Corp. - Common Shares	2,086,399.70	3,793,454.00
01/14/2011	3	Otis Gold Corp. - Common Shares	547,500.00	750,000.00
11/30/2010	8	Pacific Iron Ore Corporation - Common Shares	2,150,000.00	5,847,367.00
12/30/2010 to 01/06/2011	14	Paget Minerals Corp. - Units	3,402,000.00	16,048,000.00
01/07/2011	7	Perfco International Energy Inc. - Units	305,000.00	405,000.00

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
12/14/2010	1	Pond BioFuels Inc. - Notes	300,000.00	300,000.00
12/16/2010	4	Rallyemont Energy Inc. - Common Shares	1,146,000.70	1,500,001.00
01/25/2011 to 01/28/2011	4	Razore Rock Resources Inc. - Units	63,500.00	1,200,000.00
04/30/2010 to 12/17/2010	21	RCM Opportunities Fund - Common Shares	3,390,296.50	344,745.74
12/10/2010	22	Realm Energy International Corporation - Units	15,000,000.00	20,000,000.00
12/10/2010	5	RealPage Inc. - Common Shares	5,330,000.00	205,000.00
12/21/2010	14	Redhawk Resources, Inc. - Units	20,000,250.00	26,667,000.00
12/16/2010	1	Regen Energy Inc. - Common Shares	150,000.00	230,769.00
09/30/2010 to 11/01/2010	13	Rio Plata Exploration Corp. - Common Shares	55,620.00	185,400.00
12/13/2010 to 12/15/2010	2	Rupert Peace Power Corp. - Common Shares	255,000.00	17,000.00
12/06/2010	17	Rupestris Mines Inc. - Common Shares	302,000.00	1,020,000.00
03/01/2010 to 12/03/2010	11	Sanford C. Bernstein Core Plus Bond Fund - Units	18,359,715.65	667,050.48
01/04/2010 to 12/23/2010	15	Sanford C. Bernstein Global Blend Equity Fund - Units	47,321,464.03	2,537,545.29
03/07/2010 to 12/08/2010	2	Sanford C. Bernstein Global Strategic Value Fund - Units	3,680,159.30	303,926.40
12/31/2010 to 01/06/2011	9	Sarissa Resources Inc. - Common Shares	310,190.00	9,673,000.00
03/09/2010	1	Schroder Alternative Solutions Commodity Fund - Common Shares	922,757.00	6,566.00
11/01/2010 to 12/01/2010	64	Seven Seas Capital Appreciation Fund - Trust Units	19,696,821.00	1,985,639.89
11/01/2010	2	Seven Seas Capital Appreciation Fund LP - Limited Partnership Units	1,199,985.00	119,999.00
01/08/2010 to 12/31/2010	26	SG US Market Neutral Fund - Common Shares	3,619,984.76	333,169.79
12/29/2010	1	Sheltered Oak Resources Corp. - Units	189,000.00	2,100,000.00
01/04/2010 to 12/01/2010	28	Silvercove Hard Asset Fund LP - Units	3,250,000.00	325,000.00
12/01/2010	36	Silvercove Hard Asset Fund Trust - Units	1,960,888.66	196,088.87
12/22/2010	16	Sona Resources Corp. - Units	3,205,290.00	2,622,900.00
01/01/2010 to 12/01/2010	75	Sprott Small Cap Hedge Fund - Trust Units	7,041,222.26	550,824.78
11/24/2010	1	Star Team, LLC - Units	12,480.00	12,480.00
12/13/2010	9	Stillwater Mining Company - Common Shares	31,200,000.00	1,600,000.00

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
12/14/2010	19	Stronghold Metals Inc. - Units	3,950,100.00	7,200,000.00
01/13/2011 to 01/14/2011	61	Takara Resources Inc. - Units	3,891,917.00	15,567,668.00
12/16/2010	101	Teranet Holdings LP - Bonds	1,569,572,756.00	1,575,000,000.00
01/17/2011	16	The Canadian Professionals Services Trust - Units	31,779.43	63,558.88
01/01/2010 to 12/01/2010	73	The K2 Principal Fund L.P. - Limited Partnership Units	55,930,248.33	5,257.84
01/29/2010 to 11/30/2010	161	The K2 Principal Trust - Trust Units	13,386,133.14	1,070,012.13
01/07/2011	1	Touchstone Exploration Inc. - Receipts	2,185,480.00	4,000,000.00
12/16/2010	2	UC Resources Ltd. - Units	255,000.00	2,318,181.00
12/23/2010	2	UC Resources Ltd. - Units	500,000.00	4,545,454.00
12/31/2010	2	Villamark Inc - Units	10,000.00	10,000,000.00
01/28/2011	2	Villamark Inc - Units	15,000,000.00	15,000,000.00
12/13/2010	15	Virgina Energy Resources Inc. - Common Shares	5,750,000.00	14,375,000.00
12/17/2010	3	Visible Inc. - Common Shares	225,000.00	23,428,780.00
12/23/2010	12	Vulcan Materials Company - Flow-Through Shares	901,000.00	2,002,222.00
12/22/2010 to 02/23/2011	39	White Tiger Gold Ltd. - Receipts	24,760,000.00	24,810,000.00
07/27/2010 to 12/15/2010	6	WMP Canada Long Bond Plus - Units	61,424,431.00	6,097,508.10
12/17/2010	16	Woodland Biofuels Inc. - Common Shares	3,765,150.00	3,765,150.00
01/12/2011	7	Z-Gold Exploration inc. - Units	195,500.00	977,500.00

Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Renegade Petroleum Ltd.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated February 22, 2011
NP 11-202 Receipt dated
Offering Price and Description:
$41,850,000.00 - 9,300,000 Common Shares Price: $4.50 per Common Share
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Canaccord Genuity Corp.
FirstEnergy Capital Corp.
Macquarie Capital Markets Canada Ltd.
Paradigm Capital Inc.
Dundee Securities Ltd.
Haywood Securities Inc.
Jenning Capital Inc.
Raymond James Ltd.
Promoter(s):
-
Project #1700382

Issuer Name:
WestFire Energy Ltd.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated February 22, 2011
NP 11-202 Receipt dated
Offering Price and Description:
$40,001,000.00 - 4,420,000 Common Shares Price: $9.05 per Common Share
Underwriter(s) or Distributor(s):
Raymond James Ltd.
Scotia Capital Inc.
Macquarie Capital Markets Canada Ltd.
CIBC World Markets Inc.
GMP Securities L.P.
Casimir Capital Ltd.
Desjardins Securities Inc.
Jennings Capital Inc.
Stifel Nicolaus Canada Inc.
Promoter(s):
-
Project #1700348

Issuer Name:
Amica Mature Lifestyles Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated February 18, 2011
NP 11-202 Receipt dated February 18, 2011
Offering Price and Description:
$23,550,000.00 - 3,000,000 Common Shares Price: $7.85 Per Common Share
Underwriter(s) or Distributor(s):
CANACCORD GENUITY CORP.
NATIONAL BANK FINANCIAL INC.
CIBC WORLD MARKETS INC.
TD SECURITIES INC.
DUNDEE SECURITIES LTD.
GMP SECURITIES L.P.
Promoter(s):
-
Project #1699408

Issuer Name:
Andor Mining Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary CPC Prospectus dated February 15, 2011
NP 11-202 Receipt dated February 16, 2011
Offering Price and Description:
Minimum Offering: $400,000.00 or 2,000,000 Common Shares; Maximum Offering: $600,000.00 or 3,000,000 Common Shares Price: $0.20 per Common Share
Underwriter(s) or Distributor(s):
Raymond James Ltd.
Promoter(s):
George Elliott
Project #1697929

Issuer Name:
Canadian Tire Corporation, Limited
Principal Regulator - Ontario
Type and Date:
Preliminary Base Shelf Prospectus dated February 18, 2011
NP 11-202 Receipt dated February 18, 2011
Offering Price and Description:
$750,000,000.00 - Medium Term Notes (unsecured)
Underwriter(s) or Distributor(s):
BMO NESBITT BURNS INC.
CIBC WORLD MARKETS INC.
HSBC SECURITIES (CANADA) INC.
NATIONAL BANK FINANCIAL INC.
RBC DOMINION SECURITIES INC.
SCOTIA CAPITAL INC.
TD SECURITIES INC.
Promoter(s):
-
Project #1699442

Issuer Name:
Fidelity Global Large Cap Currency Neutral Class
Fidelity Global Large Cap Class
Fidelity Global Small Cap Class
Fidelity NorthStar Currency Neutral Class
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated February 17, 2011
NP 11-202 Receipt dated February 18, 2011
Offering Price and Description:
Series A, B, F, T5, T8, S5 and S8 shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
FIDELITY INVESTMENTS CANADA ULC
Project #1699107

Issuer Name:
Fidelity Global Balanced Fund
Fidelity Global Large Cap Fund
Fidelity Global Small Cap Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated February 17, 2011
NP 11-202 Receipt dated February 18, 2011
Offering Price and Description:
Offering Series A, B, F, O, T5, T8, S5, S8, F5 and F8 units
Underwriter(s) or Distributor(s):
Fidelity Investments Canada Limited
Promoter(s):
FIDELITY INVESTMENTS CANADA ULC
Project #1699092

Issuer Name:
Innergex Renewable Energy Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated February 17, 2011
NP 11-202 Receipt dated February 18, 2011
Offering Price and Description:
$160,820,000.00 - 17,200,000 Subscription Receipts, each representing the right to receive one Common Share Price: $9.35 per Subscription Receipt
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
TD Securities Inc.
RBC Dominion Securities Inc.
CIBC World Markets Inc.
Scotia Capital Inc.
Desjardins Securities Inc.
Promoter(s):
-
Project #1699195

Issuer Name:
Key Venture Capital Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary CPC Prospectus dated February 18, 2011
NP 11-202 Receipt dated February 22, 2011
Offering Price and Description:
Minimum $300,000.00; Maximum $500,000.00 - Minimum 3,000,000 Common Shares; Maximum 5,000,000 Common Shares Price: $0.10 per Common Share
Underwriter(s) or Distributor(s):
Mackie Research Capital Corporation
Promoter(s):
Sophia Leung
Earl Drake
Project #1700080

Issuer Name:
Lone Pine Resources Inc.
Principal Regulator - Alberta
Type and Date:
Preliminary Long Form Prospectus dated February 22, 2011
NP 11-202 Receipt dated February 22, 2011
Offering Price and Description:
US $ - * Shares of Common Stock Price: US$ * per Share of Common Stock
Underwriter(s) or Distributor(s):
J. P. Morgan Securities Canada Inc.
Promoter(s):
Forest Oil Corporation
Project #1700328

Issuer Name:
Macusani Yellowcake Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated February 16, 2011
NP 11-202 Receipt dated February 16, 2011
Offering Price and Description:
Minimum: $10,000,000.00 - * Units; Maximum: $ * - * Units Each Unit comprised of One Common Share and One-Half of One Common Share Purchase Warrant Price: $ * per Unit
Underwriter(s) or Distributor(s):
M Partners Inc.
Raymond James Ltd.
Euro Pacific Canada Inc.
Promoter(s):
-
Project #1698392

Issuer Name:
Mira II Acquisition Corp.
Principal Regulator - Ontario
Type and Date:
Preliminary CPC Prospectus dated February 18, 2011
NP 11-202 Receipt dated February 18, 2011
Offering Price and Description:
$250,000.00 - 2,500,000 Common Shares Price: $0.10 per Common Share
Underwriter(s) or Distributor(s):
Macquarie Private Wealth Inc.
Promoter(s):
Ronald D. Schmeichel
Project #1699366

Issuer Name:
NUVISTA ENERGY LTD.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated February 18, 2011
NP 11-202 Receipt dated February 18, 2011
Offering Price and Description:
$33,250,000.00 - 3,500,000 Common Shares Price $9.50 per Common Share
Underwriter(s) or Distributor(s):
TD Securities Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Peters & Co. Limited
RBC Dominion Securities Inc.
Scotia Capital Inc.
FirstEnergy Capital Corp.
Cormark Securities Inc.
Promoter(s):
-
Project #1699549

Issuer Name:
Partners Real Estate Investment Trust
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated February 17, 2011
NP 11-202 Receipt dated February 17, 2011
Offering Price and Description:
25,000,000.00 - 8.0% Extendible Convertible Unsecured Subordinated Debentures Price: $1,000 per Debenture
Underwriter(s) or Distributor(s):
TD Securities Inc.
CIBC World Markets Inc.
Dundee Securities Ltd.
Macquarie Capital Markets Canada Ltd.
Scotia Capital Inc.
National Bank Financial Inc.
Canaccord Geunity Corp.
Raymond James Ltd.
Brookfield Financial Corp.
Promoter(s):
-
Project #1699154

Issuer Name:
Stonegate Agricom Ltd.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated February 22, 2011
NP 11-202 Receipt dated February 22, 2011
Offering Price and Description:
$43,750,000 - 25,000,000 Common Shares
Price: $1.75 per Offered Share
Underwriter(s) or Distributor(s):
GMP Securities L.P.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
Canaccord Genuity Corp.
Cormark Securities Inc.
Mackie Research Capital Corporation
National Bank Financial Inc.
Stonecap Securities Inc.
Northern Securities Inc.
Octagon Capital Corporation
Promoter(s):
-
Project #1700142

Issuer Name:
Theratechnologies Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated February 22, 2011
NP 11-202 Receipt dated February 22, 2011
Offering Price and Description:
US$ * - 11,000,000 Common Shares Price: US$ * per Common Share
Underwriter(s) or Distributor(s):
Stifel Nicolaus Canada Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
Desjardins Securities Inc.
National Bank Financial Inc.
Promoter(s):
-
Project #1700291

Issuer Name:
Triwood Capital Corp
Principal Regulator - Alberta
Type and Date:
Preliminary Long Form Prospectus dated February 17, 2011
NP 11-202 Receipt dated February 18, 2011
Offering Price and Description:
$5,000,000.00 - 25,000,000 Common Shares Price: $0.20 per Common Share
Underwriter(s) or Distributor(s):
Macquarie Private Wealth Inc.
Promoter(s):
Glen Galster
Andrew D. Ayers
Project #1699550

Issuer Name:
Yangarra Resources Ltd.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated February 17, 2011
NP 11-202 Receipt dated February 17, 2011
Offering Price and Description:
$15,001,500.00 - 20,550,000 COMMON SHARES PRICE: $0.73 PER COMMON SHARE
Underwriter(s) or Distributor(s):
Haywood Securities Inc.
GMP Securities L.P.
Acumen Capital Finance Partners Limited
Promoter(s):
-
Project #1699030

Issuer Name:
Progress Energy Resources Corp.
Principal Jurisdiction - Alberta
Type and Date:
Preliminary Short Form Prospectus dated February 17, 2011
NP 11-202 Receipt dated February 18, 2011
Offering Price and Description:
$200,160,000.00 -14,400,000 Common Shares and $200,000,000.00 - 5.75% Series B Convertible Unsecured Subordinated Debentures Due June 30, 2016 Price: $13.90 per Common Share and Price: $1,000.00 per Debenture
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Cormark Securities Inc.
Peters & Co. Limited
FirstEnergy Capital Corp.
National Bank Financial Inc.
Canaccord Genuity Corp.
Macquarie Capital Markets Canada Ltd.
Promoter(s):
-
Project #1699359

Issuer Name:
MINCO SILVER CORPORATION
Principal Jurisdiction - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated February 15, 2011
NP 11-202 Receipt dated February 15, 2011
Offering Price and Description:
$45,220,000.00 - 7,600,000 Common Shares Per Offered Share $5.95
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc
Haywood Securities Inc.
Raymond James Ltd.
Union Securities Corp.
Promoter(s):
-
Project #1698081

Issuer Name:
Alange Energy Corp.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated February 15, 2011
NP 11-202 Receipt dated February 16, 2011
Offering Price and Description:
$60,900,000.00 - 203,000,000 Units: Per Unit $0.30
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Canaccord Genuity Corp.
Jennings Capital Inc.
Raymond James Ltd.
Promoter(s):
-
Project #1690117

Issuer Name:
Allbanc Split Corp. II
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated February 18, 2011
NP 11-202 Receipt dated February 22, 2011
Offering Price and Description:
2,175,956 Class B Preferred Shares, Series 1 Price: $21.80 per Class B Preferred Share, Series 1
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
Promoter(s):
Scotia Managed Companies Administration Inc.
Project #1686974

Issuer Name:
Aurora Oil & Gas Limited
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated February 18, 2011
NP 11-202 Receipt dated February 18, 2011
Offering Price and Description:
C$9,884,800.00 - Up to 6,178,000 Ordinary Shares Issuable on Conversion of 6,178,000 Special Warrants
Underwriter(s) or Distributor(s):
TD Securities Inc.
GMP Securities L.P.
FirstEnergy Capital Corp.
Promoter(s):
-
Project #1688923

Issuer Name:
Castlerock Growth Portfolio (formerly Hartford Growth Portfolio)
(Series A, B, F, T(A) and T(B) Units)
Castlerock Balanced Growth Portfolio (formerly Hartford Balanced Growth Portfolio)
(Series A, B, F, T(A) and T(B) Units)
Castlerock Balanced Portfolio (formerly Hartford Balanced Portfolio)
(Series A, B, F, T(A) and T(B) Units)
Castlerock Conservative Portfolio (formerly Hartford Conservative Portfolio)
(Series A, B, F, T(A) and T(B) Units)
Castlerock Capital Appreciation Fund (formerly Hartford Capital Appreciation Fund)
(Series A, B, D, F, I, T(A) and T(B) Units)
Castlerock Global Leaders Fund (formerly Hartford Global Leaders Fund)
(Series A, B, D, F, I, T(A) and T(B) Units)
Castlerock International Equity Fund (formerly Hartford International Equity Fund)
(Series A, B, F, T(A) and T(B) Units)
Castlerock U.S. Dividend Growth Fund (formerly Hartford U.S. Dividend Growth Fund)
(Series A, B, D, F, I, T(A) and T(B) Units)
Castlerock Canadian Dividend Fund (formerly Hartford Canadian Dividend Fund)
(Series A, B, D, F, I, T(A) and T(B) Units)
Castlerock Canadian Dividend Growth Fund (formerly Hartford Canadian Dividend Growth Fund)
(Series A, B, D, F and I Units)
Castlerock Canadian Stock Fund (formerly Hartford Canadian Stock Fund)
(Series A, B, D, F, I, T(A) and T(B) Units)
Castlerock Canadian Value Fund (formerly Hartford Canadian Value Fund)
(Series A, B, D, F, I, T(A) and T(B) Units)
Castlerock Canadian Balanced Fund (formerly Hartford Canadian Balanced Fund)
(Series A, B, D, F, I, T(A) and T(B) Units)
Castlerock Global Balanced Fund (formerly Hartford Global Balanced Fund)
(Series A, B, D, F, I, T(A) and T(B) Units)
Castlerock Canadian Bond Fund (formerly Hartford Canadian Bond Fund)
(Series A, B, D, F and I Units)
Castlerock Global High Income Fund (formerly Hartford Global High Income Fund)
(Series A, B, D, F and I Units)
and
Castlerock Canadian Money Market Fund (formerly Hartford Canadian Money Market Fund)
(Series A, B, D, DCA Series A, DCA Series B, DCA Series D and DCA Series F Units)
Principal Regulator - Ontario
Type and Date:
Amendment #2 dated February 14, 2011 to the Simplified Prospectuses and Annual Information Form dated May 14, 2010
NP 11-202 Receipt dated February 18, 2011
Offering Price and Description:
Series A, B, D, F, I, T(A) and T(B) Units @ Net Asset Value

Underwriter(s) or Distributor(s):
-
Promoter(s):
Castlerock Investments Inc.
Project #1559761

Issuer Name:
Crocotta Energy Inc.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated February 16, 2011
NP 11-202 Receipt dated February 16, 2011
Offering Price and Description:
$32,200,000.00 - 14,000,000 Common Shares Price: $2.30 per Common Share
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Canaccord Genuity Corp.
Acumen Capital Finance Partners Limited
Cormark Securities Inc.
Macquarie Capital Markets Canada Ltd.
Raymond James Ltd.
National Bank Financial Inc.
Casimir Capital Ltd.
Promoter(s):
-
Project #1695683

Issuer Name:
Equity Financial Holdings Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated February 18, 2011
NP 11-202 Receipt dated February 18, 2011
Offering Price and Description:
$12,600,000.00 - 1,800,000 Common Shares Price: $7.00 per Offered Share
Underwriter(s) or Distributor(s):
Cormark Securities Inc.
Jennings Capital Inc.
National Bank Financial Inc.
Promoter(s):
-
Project #1696006

Issuer Name:
First Uranium Corporation
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated February 22, 2011
NP 11-202 Receipt dated February 22, 2011
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Raymond James Ltd.
BMO Nesbitt Burns Inc.
Macquarie Capital Markets Canada Ltd.
Paradigm Capital Inc.
Promoter(s):
-
Project #1693728

Issuer Name:
Horizons S&P/TSX 60 Index ETF
Horizons BetaPro GMP® Junior Oil and Gas Index ETF
Horizons S&P 500® Index (C$ Hedged) ETF
Principal Regulator - Ontario
Type and Date:
Amended and Restated Long Form Prospectus dated February 14, 2011, (the amended prospectus) amending and restating the Amended and Restated Long Form Prospectus dated November 24, 2010, amending and restating the Long Form Prospectus dated August 31, 2010
NP 11-202 Receipt dated February 17, 2011
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
BetaPro Management Inc.
Project #1577962/1681738/1637099

Issuer Name:
MBAC Fertilizer Corp.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated February 17, 2011
NP 11-202 Receipt dated February 17, 2011
Offering Price and Description:
$36,890,000.00 - 11,900,000 Common Shares Per Offered Share $3.10
Underwriter(s) or Distributor(s):
Canaccord Genuity Corp.
BMO Nesbitt Burns Inc.
Wellington West Capital Markets Inc.
GMP Securities L.P.
Promoter(s):
-
Project #1694729

Issuer Name:
Mega Precious Metals Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated February 17, 2011
NP 11-202 Receipt dated February 17, 2011
Offering Price and Description:
$10,000,000.00 - 12,500,000 Common Shares Price: $0.80 per Offered Share
Underwriter(s) or Distributor(s):
Stonecap Securities Inc.
Octagon Capital Corporation
Promoter(s):
-
Project #1690047

Issuer Name:
Orocobre Limited
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated February 18, 2011
NP 11-202 Receipt dated February 18, 2011
Offering Price and Description:
C$20,000,000.00 - 6,250,000 Ordinary Shares Price: C$3.20 per Ordinary Share
Underwriter(s) or Distributor(s):
Cormark Securities Inc.
Dundee Securities Ltd.
Canaccord Genuity Corp.
CIBC World Markets Inc.
Byron Securities limited
Promoter(s):
-
Project #1694994

Issuer Name:
Paladin Labs Inc.
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus dated February 16, 2011
NP 11-202 Receipt dated February 16, 2011
Offering Price and Description:
$35,000,000.00 - 1,000,000 Common Shares Price: $35.00 per Common Share
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Paradigm Capital Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
Versant Partners Inc.
Cormark Securities Inc.
Desjardins Securities Inc.
Promoter(s):
-
Project #1695424

Issuer Name:
Primary Petroleum Corporation
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated February 18, 2011
NP 11-202 Receipt dated February 18, 2011
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Macquarie Capital Markets Canada Ltd.
Casimir Capital Ltd.
Promoter(s):
-
Project #1696927

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Name Change	From: Wealhouse Partners To: Wealhouse Capital Limited Partnership	Portfolio Manager Exempt Market Dealer Investment Fund Manager	February 13, 2011
Change in Registration Category	Jomisc Investments Inc.	From: Exempt Market Dealer and Portfolio Manager To: Exempt Market Dealer and Portfolio Manager and Investment Fund Manager	February 16, 2011
Name Change	From: Byron Securities Limited To: Byron Capital Markets Ltd.	Investment Dealer	February 16, 2011
Change in Registration Category	Highstreet Asset Management Inc.	From: Exempt Market Dealer, Portfolio Manager and Commodity Trading Manager To: Exempt Market Dealer, Portfolio Manager Commodity Trading Manager and Investment Fund Manager	February 16, 2011
Suspended	Uvesco Securities Inc.	Exempt Market Dealer	February 17, 2011
Change in Registration Category	Mercer Global Investments Canada Limited	From: Exempt Market Dealer and Portfolio Manager To: Exempt Market Dealer, Portfolio Manager and Investment Fund Manager	February 17, 2011

Type	Company	Category of Registration	Effective Date
Change in Registration Category	Soutterham Investments Limited	From: Exempt Market Dealer and Portfolio Manager To: Exempt Market Dealer, Portfolio Manager and Investment Fund Manager	February 17, 2011
Change in Registration Category	Martin + Becker Financial Management Ltd.	From: Mutual Fund Dealer and Exempt Market Dealer To: Mutual Fund Dealer	February 18, 2011
Change in Registration Category	Tailwind Capital Inc.	From: Exempt Market Dealer and Portfolio Manager To: Exempt Market Dealer, Portfolio Manager and Investment Fund Manager	February 18, 2011
New Registration	QVO Vadis Investment Management Inc.	Portfolio Manager	February 18, 2011
New Registration	Avenue Capital Markets CPVC Inc.	Exempt Market Dealer	February 18, 2011
Change in Registration Category	Goldstein Financial Investments Inc.	From: Mutual Fund Dealer and Exempt Market Dealer To: Mutual Fund Dealer	February 22, 2011
Change in Registration Category	Polar Securities Inc.	From: Investment Dealer and Futures Commission Merchant To: Investment Dealer, Investment Fund Manager and Futures Commission Merchant	February 22, 2011
Change in Registration Category	Guardian Capital LP	From: Portfolio Manager, Commodity Trading Manager and Commodity Trading Counsel To: Portfolio Manager, Commodity Trading Manager, Commodity Trading Counsel, Exempt Market Dealer and Investment Fund Manager	February 22, 2011

Type	Company	Category of Registration	Effective Date
New Registration	Tutuila Asset Management Inc.	Exempt Market Dealer, Portfolio Manager and Investment Fund Manager	February 23, 2011

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Chapter 13

SROs, Marketplaces and Clearing Agencies

13.1 SROs

13.1.1 IIROC Rules Notice – Request for Comments – Provisions Respecting Regulation of Short Sales and Failed Trades

IIROC NOTICE

RULES NOTICE

REQUEST FOR COMMENTS

PROVISIONS RESPECTING REGULATION OF SHORT SALES AND FAILED TRADES

11-0075
February 25, 2011

Provisions Respecting Regulation of Short Sales and Failed Trades

Summary

This IIROC Notice provides notice that, on January 27, 2011, the Board of Directors ("Board") of the Investment Industry Regulatory Organization of Canada ("IIROC") approved the publication for comment of proposed amendments ("Proposed Amendments") to the Universal Market Integrity Rules ("UMIR") respecting the regulation of short sales and failed trades. In particular, the Proposed Amendments would:

- ***repeal the restrictions on the price at which a short sale may be made*;**
- require, subject to certain exceptions, that a Participant or Access Person to have made arrangements to borrow securities that would be necessary to settle any short sale prior to the entry of the order on a marketplace if:
    - the security has been designated by IIROC to be a "Pre-Borrow Security",
    - the client or non-client account on whose behalf the short sale order is being entered has previously executed an "Extended Failed Trade" (a "failed trade" that was not rectified within ten trading days following the date for settlement contemplated on the execution of that trade), or
    - the Participant had executed, as principal, an "Extended Failed Trade" in that particular security,
- require a sell order from a short position to continue to be marked "short sale" but introduce an exemption from the short sale marking requirements for orders from certain types of accounts;
- change the use of the "short exempt" order designation to provide that it be used in connection with orders for the ***purchase or sale*** of a security by an arbitrage account, an account of a person with market making, odd lot and other marketplace trading obligations ("Marketplace Trading Obligations")[1] or certain institutional accounts that adopt a "directionally neutral" strategy in the trading of securities; and
- make a number of administrative and editorial changes.

In addition, the Board authorized the withdrawal from further consideration an earlier proposal to repeal the requirements related to the preparation and filing of semi-monthly short position reports.

[1] IIROC has proposed to amend UMIR to define the term "Marketplace Trading Obligations" which would include various market making, odd lot and other marketplace trading obligations. See IIROC Notice 10-0113 – Rules Notice – Request for Comments – UMIR – *Provisions Respecting Market Maker, Odd Lot and Other Marketplace Trading Obligations* (April 23, 2010).

Rule-Making Process

IIROC has been recognized as a self-regulatory organization by each of the Canadian provincial securities regulatory authorities (the "Recognizing Regulators") and, as such, is authorized to be a regulation services provider for the purposes of National Instrument 21-101 ("Marketplace Operation Instrument") and National Instrument 23-101.

As a regulation services provider, IIROC administers and enforces trading rules for the marketplaces that retain the services of IIROC.[2] IIROC has adopted, and the Recognizing Regulators have approved, UMIR as the integrity trading rules that will apply in any marketplace that retains IIROC as its regulation services provider.

The Market Rules Advisory Committee of IIROC ("MRAC") reviewed the Proposed Amendments prior to their consideration by the Board. MRAC is an advisory committee comprised of representatives of each of: the marketplaces for which IIROC acts as a regulation services provider; Participants; institutional investors and subscribers; and the legal and compliance community.

The text of the Proposed Amendments is set out in Appendix "A". The Proposed Amendments are part of an overall strategy to monitor and regulate short sales and failed trades in the Canadian equity marketplaces which the Board has determined to be in the public interest. Comments are requested on all aspects of the Proposed Amendments, including any policy alternatives to the Proposed Amendments that commentators consider preferable and/or more effective to achieve the intended objectives. Comments should be in writing and delivered by ***May 26, 2011*** to:

James E. Twiss,
Vice President, Market Regulation Policy,
Investment Industry Regulatory Organization of Canada,
Suite 900,
145 King Street West,
Toronto, Ontario. M5H 1J8

Fax: 416.646.7265
e-mail: jtwiss@iiroc.ca

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

Susan Greenglass
Director, Market Regulation
Ontario Securities Commission
Suite 1903, Box 55,
20 Queen Street West
Toronto, Ontario. M5H 3S8

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

Commentators should be aware that a copy of their comment letter will be made publicly available on the IIROC website (www.iiroc.ca under the heading "Policy" and sub-heading "Market Proposals/Comments") upon receipt. A summary of the comments contained in each submission will also be included in a future IIROC Notice.

After considering the comments on the Proposed Amendments received in response to this Request for Comments together with any comments of the Recognizing Regulators, staff of IIROC may recommend that revisions be made to the Proposed Amendments. If the revisions are not of a material nature, the Board has authorized the President to approve the revisions on behalf of IIROC and the Proposed Amendments as revised will be subject to approval by the Recognizing Regulators. If the revisions are material, the Proposed Amendments as revised will be submitted to the Board for ratification and, if ratified, will be republished for further public comment.

[2] Presently, IIROC has been retained to be the regulation services provider for: the Toronto Stock Exchange ("TSX"), TSX Venture Exchange ("TSXV") and Canadian National Stock Exchange ("CNSX"), each as an "exchange" for the purposes of the Marketplace Operation Instrument ("Exchange"); and for Alpha Trading Systems ("Alpha"), Bloomberg Tradebook Canada Company, Chi-X Canada ATS Limited ("Chi-X"), Liquidnet Canada Inc. ("Liquidnet"), Omega ATS Limited ("Omega") and TriAct Canada Marketplace LP (the operator of "MATCH Now"), each as an alternative trading system ("ATS"). CNSX presently operates an "alternative market" known as "Pure Trading" that is entitled to trade securities that are listed on other Exchanges and that presently trades securities listed on the TSX and TSXV.

Development of Proposals for the Canadian Market

IIROC has undertaken a process of evaluating additional steps which might be taken in Canada to deal with issues related to short sales and failed trades. These possible steps include additional amendments to UMIR, changes in the procedures and monitoring systems of IIROC and co-operation in data collection and sharing with the Ontario Securities Commission ("OSC") and the CDS Clearing and Depository Services Inc. ("CDS").

Objectives of the Proposed Response

In developing the proposals for the further regulation of short sales, IIROC sought to ensure that any rules, guidance and monitoring regime:

- is supported by the empirical evidence regarding short sales and failed trades in the Canadian market;
- is part of a comprehensive monitoring of market integrity risks (e.g. restricting short sales may not be the appropriate response to all "rapid" price declines);
- is neutral, in that it treats "unusual" price movements of a security, whether up or down, as a reason for increased regulatory scrutiny;
- is focused, in that the burden for compliance is placed on those that have failed to comply with the requirements;
- is practical, in that marketplaces and dealers can comply with the requirements in a cost effective manner;
- is proportionate, in that the proposals do not invoke a regulatory response which results in a deterioration of market quality for all market participants; and
- is effective, in that the proposals do not impede the proper uses of short selling and the liquidity that such proper activity provides to the market.

Elements of the Proposed Response

Repeal of Price Restrictions on Short Sales

In the United States, the Securities and Exchange Commission ("SEC") adopted Rule 201 which will be implemented on February 28, 2011 and provides that there is no price restriction or "tick test" for short sales unless a circuit breaker has first been triggered by a 10% price decline in a particular security, in which case a short sale must be entered at a price that is one increment above the best bid price for the balance of that trading day and the next trading day.[3] In commentary before the SEC during the hearing that approved Rule 201, it was estimated that the circuit breaker would apply to only 1.7% of securities for a maximum period which is less than two trading days. Given the required price decline, coupled with the relatively short period of time during which price restrictions on short sales apply after imposition, the majority of US market activity is not subject to a tick test.

Studies by IIROC support the premise that the tick test has no appreciable impact on pricing and, in light of that, IIROC believes that there are better mechanisms to detect and address abusive short selling. Under the Proposed Amendments, IIROC would proceed with the outstanding proposal to repeal the tick test but will also continue to work with other Canadian regulators to enhance measures intended to identify and address incidents of "abusive" short selling.

Enhancement of Investor Confidence

While the SEC adopted Rule 201 ostensibly to enhance "investor confidence" in short selling activity, its adoption may have also served to reinforce the preconception that rapid price declines are generally the result of abusive short selling.[4] It is interesting to note that in response to the "Flash Crash" which saw significant price declines on US markets in a broad range of securities over a very short period of time on May 6, 2010, the SEC introduced "single-stock circuit breakers" which provided for a trading halt if the price of a security dropped more than 10% in a five minute period. While single-stock circuit breakers have been in effect in the United States since June 11, 2010, short selling activity has not been identified by the market centers as a factor in any of the incidents in which a single-stock circuit breaker was triggered.

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[3] See SEC Release 34-6159 – *Regulation SHO* (February 26, 2010) and SEC Release 34-63247 – *Regulation SHO* (November 4, 2010).

[4] In testimony before Congress concerning the severe market disruption on May 6, 2010, the Chair of the SEC did not list "short selling" as one of the causes of the precipitous decline in equity prices between 2:00 and 3:00 p.m. on May 6, 2010. There are reports that short selling actually declined during this period – a finding which would be consistent with the studies undertaken by IIROC.

The adoption of Rule 201 may have the unintended effect of encouraging retail investors to sell at the first opportunity following the triggering of a circuit breaker in order to avoid further downward price pressure, which in turn would inadvertently put more downward price pressure on the security. In the view of IIROC, investor confidence is best bolstered by:

- educating investors and, to a lesser extent, the industry as to the role of short selling in ordinary trading activity (including releasing existing empirical studies undertaken by IIROC and supporting future academic research, particularly on the impact of the repeal of the tick test);
- enhancing the transparency of short selling activities and the occurrence of failed trades in the trading of each security;
- transparency as to the monitoring by IIROC and the circumstances when IIROC would pursue "regulatory intervention"; and
- adherence to the general principles of short sale regulation enunciated by the International Organization of Securities Commissions ("IOSCO") taking into consideration the unique characteristics and practices of the Canadian market.

Transparency

In an effort to enhance the transparency of short selling activity in the Canadian market, the following steps will be taken:

- concurrent with the implementation of the Proposed Amendments, IIROC would expect to be in a position to produce, and to disseminate publicly, a semi-monthly report on the proportion of "short sales" in the total trading activity of each security across all marketplaces which should help establish a better appreciation for the "normal" levels of short selling for each security;
- IIROC, in cooperation with the OSC and CDS, is working to introduce a system that would produce information relating to trade failures for each listed security; and
- IIROC is withdrawing a proposal to repeal the requirements for the preparation of short position reports and, as a result, the Consolidated Short Position Report ("CSPR") will continue to be produced on a semi-monthly basis.

While Rule 10.10 of UMIR requires Participants and Access Persons to file short position reports, the CSPR is produced for securities listed on the TSX and TSXV by the TSX which makes certain of the information publicly available[5] and provides the full CSPR on a subscription basis. A separate CSPR is produced by CNSX for securities listed on that exchange.

In addition to the Proposed Amendments and other IIROC initiatives described in this IIROC Notice, the Canadian Securities Administrators ("CSA") and IIROC are proposing to publish a joint notice to solicit feedback on whether additional proposals to enhance disclosure of short sales and failed trades are required ("Joint Notice").

Limitation of Regulatory Arbitrage Opportunities

In a limited number of cases, securities which are inter-listed between an Exchange in Canada and an exchange in the United States may become subject to the U.S.'s Rule 201 short sale restriction if the "circuit breaker" has been triggered. When Rule 201 is implemented in the United States, regulatory arbitrage can be avoided even if Canada does not adopt the same circuit breaker system and alternative uptick rules. In part, this requires Canada being able to demonstrate that its regime effectively addresses "abusive" short selling through other mechanisms, including real-time alerts based on trading activity across all Canadian marketplaces.

IIROC is currently in the process of developing an alert for its surveillance system that will monitor for unusual levels of short selling activity, coupled with significant price movements. If unusual levels of short selling are detected which are disruptive to the market, IIROC also has the ability to intervene to vary or cancel the prices of any trade that is "unreasonable" or, in particularly egregious circumstances, to impose a halt on trading of a particular security across all marketplaces. In addition, IIROC has the ability to designate a security as a "Short Sale Ineligible Security" for a period of time.

[5] The TSX provides information on the 20 largest short positions and the 20 largest increases and decreases in positions from the previous report for securities listed on the TSX and for securities listed on the TSXV.

"Regulatory Intervention"

Currently, IIROC's policies and procedures for undertaking a regulatory intervention to halt trading in a security or to vary or cancel trades are not publicly disclosed. In a separate initiative, IIROC has published for public comment draft guidance that would provide greater transparency of IIROC's existing policies and procedures relating to the variation or cancellation of "unreasonable" trades and trades which are not in compliance with the requirements of UMIR.[6] In addition, IIROC has published for public comment draft guidance respecting the implementation of "Single-Stock Circuit Breakers" that would halt trading in a particular security for a short period of time if that security experienced rapid, significant and unexplained price movement.[7] IIROC believes that these approaches to monitoring significant, unexplained price movements may be preferable in the Canadian context to the U.S. restrictions on short selling following the triggering of a "circuit breaker" under Rule 201 for the reasons outlined later in this notice under the heading "Short Sale Circuit Breakers".

Enhanced Monitoring

As part of any response, IIROC should enhance its monitoring of short sales and failed trades. In particular:

- IIROC is introducing a web-based system which will facilitate Participants' reporting of "Extended Failed Trades", defined as trades which the client has failed to resolve within 10 business days following the regular settlement date. This reporting system will identify "problem" fails and allow IIROC to assess the reasons for the failure and monitor the steps being taken to resolve the problem.

- IIROC will employ a new trading alert which will look for declines in the price of a security associated with changes in the rate of short selling, based on a comparison to historical short selling patterns for the particular security. This will also allow IIROC to determine if short selling is becoming concentrated within particular dealers or clients.

- CDS is providing data to the OSC on daily trade failures for trades settling in the continuous net settlement facilities ("CNS") of CDS. Access to this database would allow IIROC to determine, from time to time, variations in trade failures from historic patterns for particular securities and Participants.

- As part of the Proposed Amendments, IIROC is proposing that purchase and sale orders from arbitrage accounts, accounts of persons with Marketplace Trading Obligations and certain institutional accounts that adopt a "directionally neutral" strategy in the trading of securities would carry a "short-marking exempt order" designation. The use of this order designation would permit the data on "short sales" to better reflect the activities of persons who may have adopted a "directional" trading strategy.

Pre-Borrow Requirements

Rule 2.2 of UMIR deals with those activities which are considered to be "manipulative and deceptive" and, as such, prohibited. The entering of an order for the sale of a security without, at the time of entering the order, having the reasonable expectation of settling any trade that would result from the execution of the order constitutes a violation of the prohibition on manipulative and deceptive activities. As such, "naked short selling", as that term is sometimes understood, is not permitted under UMIR.[8] The provisions of Rule 2.2 of UMIR do not require the Participant or Access Person that is entering a short sale to have made a "positive affirmation" prior to the entry of the order that it can borrow or otherwise obtain the securities that would be required to settle a short sale. However, once a Participant or Access Person is aware of difficulties in obtaining particular securities to make settlement of any short sale the Participant or Access Person would no longer have a "reasonable expectation" of being able to settle a resulting trade and therefore would not be able to enter further short sale orders. For trading in a particular security, certain Participants or Access Persons who do not have the ability to borrow that security may be precluded from entering short sales while other Participants or Access Persons with the ability to borrow that security may continue to undertake additional short sales.

Even when the person entering an order has "reasonable expectations" of being able to settle any resulting trade, there may be circumstances in which the person should be required to have made arrangements to "pre-borrow" the securities which are the subject of a short sale. These types of circumstances may include when:

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6 See IIROC Notice 10-0331 - Rules Notice – Request for Comments – UMIR – *Proposed Guidance on Regulatory Intervention for Variation or Cancellation of Trades* (December 15, 2010).

7 See IIROC Notice 10-0298 - Rules Notice – Request for Comments – UMIR – *Proposed Guidance Respecting the Implementation of Single-Stock Circuit Breakers* (November 18, 2010).

8 There is no universally accepted definition of "naked short selling". The most common usage is in connection with a short sale when the seller has not made arrangements to borrow any securities that may be required to settle the resulting trade. Some commentators use a more restrictive interpretation that describes any short sale when the seller has not pre-borrowed the securities necessary for settlement.

- the person making the short sale has previously executed trades which have failed to settle on the date scheduled for settlement and within a reasonable time after that date; and

- rates of settlement failure for a particular security have increased above historic levels and the increase is attributable to short selling activity.

Summary of the Proposed Amendments

Price Restrictions on Short Sales

Current Requirements

Rule 3.1 of UMIR provides that, subject to certain exemptions, neither a Participant nor an Access Person may make a short sale below the "last sale price". IIROC set out an administrative interpretation that would also allow a Participant or Access Person, as applicable, when determining the "last sale price" of a particular security to rely on trade information from:

- a consolidated market display that includes trade information received in a timely manner from all marketplaces;

- regular trading on the "principal market" for the trading of that security;

- regular trading on the Exchange on which the security is listed; or

- the marketplace on which the order will be entered provided such trade on that marketplace has been executed subsequent to the last sale on the principal market or the Exchange on which the security is listed.[9]

Proposed Repeal of Price Restrictions

The Proposed Amendments would repeal all restrictions on the price at which a short sale may be made. The Proposed Amendments would parallel action taken by the SEC to repeal price restrictions on short sales in the United States effective July 7, 2007.

While the restrictions on the price at which a short sale may be executed would be repealed under the Proposed Amendments, the requirement to mark an order as "short" would continue.

Pre-Borrow Requirements

Under the Proposed Amendments, a Participant or Access Person would be given specific direction as to the need, subject to certain exceptions, to have made arrangements to borrow securities when entering an order that on execution would be a short sale of:

- any listed security on behalf of a client or non-client[10] that previously had an Extended Failed Trade in any listed security; or

- a particular security by the Participant or Access Person acting as principal if the Participant or Access Person had previously had an Extended Failed Trade in respect of a principal trade in that particular security.

An Extended Failed Trade is one in respect of which notice of the failed trade was required to be provided to IIROC in accordance with Rule 7.10 of UMIR as the reason for the failure had not been rectified within ten trading days following the date for settlement contemplated on the execution of the failed trade.

If an Extended Failed Trade report has been filed previously at any time by a Participant with IIROC with respect to an Extended Failed Trade in the account of a client or non-client, that client or non-client would not be able to enter an order that on execution would be a short sale without having made arrangements to borrow the securities necessary to settle any resulting trade until:

- the Participant through which the order is to be entered on a marketplace is satisfied, after reasonable inquiry, that the reason for any prior failed trade was solely as a result of administrative error and not as a result of any intentional or negligent act of the client or non-client; or

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[9] Market Integrity Notice 2006-017 - *Guidance – Securities Trading on Multiple Marketplaces* (September 1, 2006) and IIROC Notice 10-0095 – Rules Notice – Guidance Note – UMIR – *Principal Market Determination for 2010* (April 6, 2010).

[10] A "non-client" is a person who is a partner, director, officer or employee of a Participant or a related entity of a Participant that holds an approval from an exchange or self-regulatory entity.

- IIROC has consented to the entry of such order or orders.

If a Participant or Access Person has filed previously at any time a report of an Extended Failed Trade in respect of a principal trade by that Participant or Access Person in a particular security, the Participant or Access Person would not be able to enter an order that on execution would be a short sale without having made arrangements to borrow the securities necessary to settle any resulting trade until IIROC has consented to the entry of the principal order that is a short sale of that particular security. In providing the consent, IIROC will be able to review with the Participant or Access Person the circumstances surrounding the previous Extended Failed Trade and the reasons why the Participant or Access Person believes that future short sales of that particular security are unlikely to fail to settle.

The restriction on future sales by clients and non-clients is broader than for Participants or Access Persons in that it covers short sales of any security and not just the security which was the subject of the Extended Failed Trade. While the Participant is ultimately responsible for the settlement of any failed trade, the Participant may not fully know the reason for the earlier trade failure or the current circumstances of the particular client or non-client. However, the Proposed Amendments provide the Participant with the ability to waive the pre-borrow requirement if the Participant is satisfied, after reasonable inquiry, that the reason for any prior failed trade by the client or non-client was solely as a result of administrative error. Until the Participant is able to complete such an inquiry (or IIROC otherwise consents), the client or non-client would be subject to the pre-borrow requirements on any intended short sale.

Under the Proposed Amendments, a Participant or Access Person who enters an order that would, on execution, be a short sale of a security that IIROC has designated as a "Pre-Borrow Security" would be required to have made arrangements to borrow the securities necessary for settlement of any trade prior to the entry of the order on a marketplace.

As a result of the Proposed Amendments, each Participant and Access Person would have to ensure that they have adequate policies and procedures to regulate the entry of short sales in circumstances when the Participant or Access Person has previously executed an "Extended Failed Trade"[11] or IIROC has designated a security as a "Pre-Borrow Security".

Change in Use of the "Short Exempt" Designation

Presently, the "short exempt" order designation is used to identify an order for the short sale of a security which is not subject to the tick test. If the tick test is repealed as contemplated in the Proposed Amendments, the use of the "short exempt" order designation will no longer be required for this purpose. Under the Proposed Amendments, the existing field on the order entry would be used to indicate an order that is exempt from being marked as "short" (i.e. "short-marking exempt"). Under this proposal, orders from particular accounts for the **purchase or sale** of a security would be designated as "short-marking exempt" upon entry on a marketplace. More specifically, orders would be marked as "short-marking exempt" if the order is from an account that is:

- an arbitrage account which makes a usual practice of buying and selling securities in different markets to take advantage of differences in prices;
- the account of a person with Marketplace Trading Obligations in respect of a security for which that person has obligations; or
- the account of an institutional customer:[12]

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[11] IIROC Notice 11-0080 – Rules Notice – Guidance Note – UMIR – *Implementation Date for the Reporting of Extended Failed Trades* (February 25, 2011) A report of an Extended Failed Trade will be required on or after June 1, 2011 for trades settling through the CNS facilities of CDS. A report for failures of trades settling through the Trade-for-Trade settlement facility of CDS will become effective at a later date once IIROC has completed the development and testing of system that would permit IIROC to receive the information directly from CDS.

[12] Rule 1.1 of the Dealer Member Rules of IIROC provides five broad categories of persons that would be considered "institutional customers" including:

(a) acceptable counterparties as defined in Form 1 - Joint Regulatory Financial Questionnaire and Report ("Form 1");

(b) acceptable institutions as defined in the Form 1;

(c) regulated entities as defined in the Form 1;

(d) registrants (other than individual registrants) under securities legislation; and

(e) a non-individual with total securities under administration or management exceeding $10 million.

In connection with these requirements, IIROC publishes annually a non-exhaustive list of entities which are "acceptable counterparties" and "acceptable institutions". For a link to the most recent listing, see IIROC Notice 10-0229 – Rules Notice – Technical – Dealer Member Rules – *Acceptable Institutions and Acceptable Counterparties Database* (August 25, 2010). See also IIROC Notice 10-0301 – Rules Notice – Technical – Dealer Member Rules – *List of Basle Accord Countries* (November 19, 2010) which identified the 20 countries that then qualified as "Basle Accord Countries" and IIROC Notice 10-0302 – Rules Notice – Technical – Dealer Member Rules – *List of*

- for which order generation and entry is fully-automated,
- which, in the ordinary course, executes both purchases and sales of a particular security on one or more marketplaces on each trading day, and
- which, in the ordinary course, does not have at the end of each trading day more than a nominal position, whether short or long, in the particular security.

IIROC expects that the institutional accounts which would be required to mark orders as "short-marking exempt" would include "high-frequency traders" whose trading strategy does not involve the holding of positions in particular securities.

Use of the "short-marking exempt" designation would relieve the account from having to mark the order as "short". Given the high volume and speed of orders generated by arbitrageurs, market makers and high-frequency traders coupled with the fact that these types of accounts may have orders on both sides of the market on various marketplaces at the same time, determining whether such orders are made from a "long" or "short" position at the time of the entry of additional sell orders is problematic. Use of the "short-marking exempt" designation in the manner proposed would allow IIROC to monitor separately the trading activities of those accounts which are actively buying and selling the same security without taking a directional position in that security and which have a finite time horizon of a trading day or less to effectively balance purchases and sales of the particular security. Further, this revised order marking requirement is intended to permit IIROC to focus monitoring of short sale activity on accounts that have adopted a "directional" position with respect to particular securities. Additionally, IIROC is in the process of introducing an alert in its surveillance system that will be triggered when there is an increase in the level of short selling of an individual security (based on historic levels of short selling activity for that particular security) combined with a significant price decline in the market price of the security. Removing much of the "noise" in the short sale data flowing from trades by persons who are not taking a directional position, regarding the security should permit the alert to operate more effectively.

Concurrent with the issuance of this Rules Notice, IIROC has issued for public comment draft guidance on the use of the "short sale" and "short-marking exempt" order designations that IIROC would intend to issue upon the Proposed Amendments becoming approved and effective.[13] In this Rules Notice, IIROC is also requesting comment on whether the basis for determining whether an order is marked "short" should be changed from the aggregate holdings of the "seller" (across multiple accounts which may in fact be held at multiple Participants or dealers) to the account level which is the level for determining disclosure for short position reports. With the proposed repeal of the tick test, one of the main reasons for using aggregate holdings is removed as there will no longer be a restriction on the price at which the trade may be executed. Changing the basis for determining whether an order is "short" to take into consideration only the holdings in the account entering the sell order at the time the order is entered may simplify the process of determining the appropriate marking while at the same time slightly increasing the proportion of trades which are marked "short".

As an alternative, IIROC had considered the introduction of a separate, new account identifier that would be required for the three types of accounts described above. However, IIROC was of the view that it would be more efficient to reuse the existing "short exempt" designation as marketplaces, service providers, Participants and Access Persons would have to modify their systems to remove functionality and provision for the "short exempt" designation. IIROC specifically seeks comment on the relative merits from an operational perspective for the two approaches.[14]

Consequential Amendments

Definition of "Pre-Borrow Security"

The Proposed Amendments would require a Participant or Access Person to have made arrangements to borrow securities prior to the entry of an order that would, on execution, be a short sale of a security that IIROC has designated as a "Pre-Borrow Security". The Proposed Amendments add a definition of "Pre-Borrow Security" to Rule 1.1 and set out the considerations which IIROC would take into account in making such a designation in an addition to Policy 1.1. In determining whether to make such a designation, IIROC would have to consider whether:

- based on information known to IIROC, there has been an increase in the number, value or volume of failed trades in the particular security by more than one Participant or Access Person;
- the number or pattern of failed trades is related to short selling; and

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Recognized Exchanges and Associations (Regulated Entities Purposes) (November 19, 2010) which identified 31 exchanges and associations the members of which would qualify as "regulated entities".

[13] See IIROC Notice 11-0076 – Rules Notice – Request for Comments – UMIR – *Proposed Guidance on "Short Sale" and "Short-Marking Exempt" Order Designations* (February 25, 2011).

[14] See "Question 5" on page 37 [in the IIROC published version of this Notice].

- the designation helps to maintain a fair and orderly market.

Example of "Manipulative or Deceptive Method, Act or Practice"

With the repeal of the price restrictions on the price at which a short sale may be made, clause (d) of Part 1 of Policy 2.2 which precludes the practice of purchasing a security at a price below the last sale price with the intention of making a short sale at that new lower price would become spent and, as such, the Proposed Amendments would repeal the provision.

Summary of the Impact of the Proposed Amendments

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

- Participants and Access Persons would be relieved of the obligation to ensure that short sales complied with the "tick test";
- marketplaces, which have elected to system-enforce the "tick test" for Participants and Access Persons, would be able to remove this functionality from their trading systems;
- each Participant and Access Person would have to ensure that they have policies and procedures that will adequately regulate the entry of short sales in circumstances where the security has been designated a "Pre-Borrow Security" or the Participant or Access Person has previously executed an Extended Failed Trade;
- Participants and Access Persons will need to have made arrangements to borrow securities when undertaking a short sale of:
    - a security that has been designated as a "Pre-Borrow Security",
    - any listed security on behalf of a client or non-client that previously had an Extended Failed Trade in any listed security, or
    - a particular security by the Participant or Access Person acting as principal if the Participant or Access Person has had an Extended Failed Trade in respect of that particular security;
- each Participant would have to ensure that it has adequate policies and procedures to properly identify orders that should be designated as either "short sale" or "short-marking exempt"; and
- each marketplace would have to ensure that its trading systems could correctly handle orders designated as "short sale" or "short-marking exempt".

Technological Implications and Implementation Plan

The technological implications of the Proposed Amendments on Participants, marketplaces or service providers are as follows:

- their systems would have to be able to differentiate between an order designated as "short sale" and "short-marking exempt" (since, under the Proposed Amendments, the designations are mutually exclusive);
- their systems would have to be able to accept the "short-marking exempt" designation on both purchase and sell orders; and
- their system enforcement of the tick test would have to be disabled for orders marked as a "short sale".

IIROC would expect that if the Proposed Amendments are approved by the Recognizing Regulators, the amendments would become effective one hundred and eighty (180) days following the date IIROC publishes notice of the approval.

IOSCO's Four Principles of Short Sale Regulation

Early in 2009, the Technical Committee of IOSCO published a report entitled *Regulation of Short Selling* which contains principles designed to help develop a more consistent international approach to the regulation of short selling. The objective of the report was to help eliminate gaps between the different regulatory approaches to naked short selling while minimising any adverse impact on legitimate activities, such as securities lending and hedging, which IOSCO indicated are critical to capital formation and reducing market volatility.

The report recommends that effective regulation of short selling should be based on the following four principles and the report outlines the minimum actions that regulators should undertake in order to support each of the four principles. A number of "high level" observations on the application of each principle in the Canadian context follow the discussion of each principle. A more detailed analysis of the IOSCO recommendations and their reconciliation to the provisions of UMIR and various procedures and proposals of IIROC are set out in Appendix "C":

IOSCO Principle 1. Short selling activities should be subject to appropriate controls to reduce or minimise the potential risks that could affect the orderly and efficient functioning and stability of financial markets.

In order to reduce or minimise the potential risks from short selling, regulators should have an effective discipline for the settlement of short selling transactions. As a minimum requirement this should impose strict settlement (such as compulsory buy-in) of failed trades.

IIROC Commentary on the Canadian Context: Under UMIR, a Participant or Access Person is engaging in "manipulative and deceptive" activities if on the entry of an order they do not have the reasonable expectation of being able to settle the resulting trade. As such, "naked short selling", as that term is sometimes understood, is not permitted in Canada. Studies by IIROC have demonstrated that, in Canada, a short sale has a lower probability of settlement failure than trades generally and that the primary reason for trade failure is simple "administrative error". Broad mandatory provisions (such as compulsory buy-in) do not exist in Canada.[15] IIROC is in the process of implementing reports on "extended" failed trades (which have not been resolved within 10 days following the scheduled settlement date) which will allow IIROC to follow-up directly on "problematic" trades.[16] IIROC monitors trade failure rates which continued to improve in late 2008 and early 2009 notwithstanding the market turmoil.[17]

IOSCO Principle 2. Short selling should be subject to a reporting regime that provides timely information to the market or to market authorities.

In order to achieve this enhanced level of transparency regarding short selling activity, jurisdictions should consider some form of reporting of short selling information to the market or to market authorities.

IIROC Commentary on the Canadian Context: IIROC recognizes the problems associated with current short position reporting.[18] IIROC proposes to produce and publicly release semi-monthly short sale summaries, based on trading data aggregated across all marketplaces monitored by IIROC for orders marked "short sale".[19] While no one data source can provide a "complete" picture of short sale activity or positions, these semi-monthly trading summaries will provide timely information in a cost efficient manner and will supplement the information available through the semi-monthly short position reports.[20]

IOSCO Principle 3. Short selling should be subject to an effective compliance and enforcement system.

As an effective compliance and enforcement system is essential for an effective short selling regulatory regime, the regulators should:

- *monitor and inspect settlement failures regularly;*
- *consider whether they are able to extend the power to require information from parties suspected of breach, beyond the scope of licensed or registered persons if they lack such power;*
- *establish a mechanism to analyse the information obtained from the reporting of short positions and/or flagging of short sales to identify potential market abuses and systemic risk; and*

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15 All equity trades executed on a marketplace in Canada are cleared and settled through the facilities of CDS. The rules of CDS provide a procedure for the "buy-in" of failed trades. The party that has not received the security purchased may initiate this procedure and, if the failure persists, CDS will, on the instruction of the party that has failed to receive the security, enter orders on a marketplace to close out the position with the additional costs being borne by the defaulting party.

16 See "Implementation of the Report of an 'Extended Failed Trade'" on page 25 [in the IIROC published version of this Notice].

17 See "Trends in Trading Activity, Short Selling and Failed Trades" on pages 30 to 33 [in the IIROC published version of this Notice].

18 For a discussion of the problems and limitations of the current short position reports see "Withdrawal of Proposal to Repeal the Requirement for Short Position Reports" on page 29 [in the IIROC published version of this Notice].

19 IIROC would expect to introduce the semi-monthly trading summaries of short selling activity on marketplaces immediately following the implementation of the Proposed Amendments dealing with the "Short-Marking Exempt" order designation.

20 See "Withdrawal of Proposal to Repeal the Requirement for Short Position Reports" on page 29 [in the IIROC published version of this Notice].

- *review whether their existing cross-border information sharing arrangements are sufficient to facilitate cross-border investigation.*

IIROC Commentary on the Canadian Context: Canada has a "flagging" regime that requires all short sales to be marked as such at the time of entry.[21] Currently, IIROC is able to monitor short selling activity on a timely basis. IIROC is pursuing, in connection with the introduction of a new surveillance and monitoring system, the development of alerts that will be generated by the surveillance system when there is:

- an abnormal increase in short selling activity in a particular security, in comparison to the historical rates for that security; and
- a significant price decline in that security.[22]

This alert will allow IIROC to detect "abusive short selling" activity on a timely basis and to take appropriate remedial or investigative actions including designating the security as being ineligible for further short selling activity. To enhance the effectiveness and operation of this alert, IIROC is also proposing to introduce a "short-marking exempt" designation that will ensure that the "short sale" marker is used only by persons who are taking a directional position in a security when their order is entered.

The "extended failed trade" report will also allow IIROC to monitor the extent to which short selling is involved in failed trades of particular securities.

IIROC monitors trade failure rates generally based on information provided by CDS. IIROC is also co-operating with the OSC in receiving daily CNS trade failure reports from CDS on a daily basis. Access to this database will permit IIROC to determine, from time to time, patterns of failure among Participants and securities.

While IIROC is party to a number of information sharing agreements with foreign self-regulatory organizations and regulators, the securities regulatory authorities have authority in respect of cross-border and domestic investigations involving persons who are outside the jurisdiction of IIROC.

IOSCO Principle 4. Short selling regulation should allow appropriate exceptions for certain types of transactions for efficient market functioning and development.

It is necessary that there is flexibility in short selling regulation in order to allow market transactions that are desirable for efficient market functioning and development. Therefore regulatory authorities should at a minimum clearly define the exempted activities and the manner in which these exemptions should be reported.

IIROC Commentary on the Canadian Context: UMIR presently permits a series of exemptions from price restrictions on short sales for market making and arbitrage activities and for securities, such as inter-listed securities and Exchange-traded Funds, which have a relatively low possibility of abusive short selling due to their relatively high liquidity or relationship with underlying securities. While the Proposed Amendments would repeal price restrictions on short sales, the Proposed Amendments would also separate out, through the use of the "short-marking exempt" order designation, the trading activities of arbitragers, market makers and certain institutional accounts that pursue "directionally neutral" strategies in the trading of securities. The primary purpose of adopting the proposed "short-marking exempt" order designation is to allow IIROC to focus more directly on "directional" short selling activity. A byproduct of the adoption of this new order designation will be an increase in IIROC's ability to monitor the effects, if any, of "non-directional" trading strategies, including high frequency trading.[23]

Short Sale Regulation Initiatives in Other Jurisdictions

Initiatives by the Securities and Exchange Commission

Repeal of Price Restrictions

In July of 2007, the SEC repealed all price restrictions on short sales and precluded self-regulatory organizations from introducing any rules that restricted the price at which a short sale could be made. This action had followed a multi-year "pilot project" which had concluded that price restrictions on short sales had no effect on market prices.

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[21] UMIR exempts the marking of orders by persons with Market Maker Obligations if the order has been automatically generated by the trading system of marketplace.

[22] A "prototype" of the alert is presently in operation and is being monitored to evaluate whether any additional enhancements are desirable to increase the effectiveness of the alert.

[23] See "Change in the Use of the 'Short Exempt' Designation" on pages 11 to 13 [in the IIROC published version of this Notice].

Emergency Order Concerning Short Selling

On July 15, 2008, the SEC issued an "Emergency Order Concerning Short Selling" ("Emergency Order") with respect to 19 listed securities in the United States[24]. Each of the 19 securities covered by the Emergency Order was engaged in the financial services sector in the United States and at the time of the issuance of the order the securities were generally trading at a discount of 70% to 90% from the 52-week high price of the security. At the time of the Emergency Order, only one of the 19 securities was on the "fails" list maintained in accordance with Regulation SHO by the market centre on which the securities were listed. Notwithstanding this fact, the Emergency Order required that a short seller must have entered into an arrangement to borrow the securities required for settlement prior to the execution of the short sale. The Division of Trading and Markets of the SEC provided guidance that "an arrangement to borrow requires more than a [sic] reasonable grounds to believe that the security can be borrowed. An arrangement to borrow means a bona fide agreement to borrow the security such that the security being borrowed is set aside at the time of the arrangement solely for the person requesting the security."[25]

The stated rationale for the Emergency Order was set out in the preamble to the Emergency Order which stated:

> False rumors can lead to a loss of confidence in our markets. Such loss of confidence can lead to panic selling, which may be further exacerbated by "naked" short selling. As a result, the prices of securities may artificially and unnecessarily decline well below the price level that would have resulted from the normal price discovery process. If significant financial institutions are involved, this chain of events can threaten disruption of our markets.
>
> The events preceding the sale of The Bear Stearns Companies Inc. are illustrative of the market impact of rumors. During the week of March 10, 2008, rumors spread about liquidity problems at Bear Sterns, which eroded investor confidence in the firm. As Bear Stearns' stock price fell, its counterparties became concerned, and a crisis of confidence occurred late in the week. In particular, counterparties to Bear Stearns were unwilling to make secured funding available to Bear Stearns on customary terms. In light of the potentially systemic consequences of a failure of Bear Sterns, the Federal Reserve took emergency action.[26]

The Emergency Order was scheduled to terminate on July 29, 2008 but was extended until August 12, 2008.

Other SEC Initiatives

Since September of 2008, the SEC instituted a number of other temporary or permanent initiatives directed at short sales and failed trades, including measures which, among other things:

- extended the Emergency Order to temporarily prohibit all short sales in the publicly traded securities of approximately 800 financial firms (namely banks, saving associations, broker-dealers, investment advisors and insurance companies) identified by the SEC or a self-regulatory organization;[27]
- imposed "enhanced" delivery requirements on sales of all equity securities, by obliging a participant of a registered clearing agency to immediately close out any fail-to-deliver position and prohibiting any further short sales by the participant until a fail-to-deliver position is "closed-out" or a "pre-borrow" is arranged for ("Hard T+3 Close-Out");[28]
- expanded the definition of what constitutes a "manipulative or deceptive device or contrivance" to include any person that deceives a broker-dealer, participant of a registered clearing agency or purchaser about its intention or ability to deliver a security at settlement date (and such person subsequently fails to deliver the security on or before settlement date);[29] and
- imposed additional "reporting" requirements on institutional money managers to, subject to specific exceptions, disclose the number and value of all short sales executed in certain securities on a weekly basis.[30]

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24 SEC Release No. 58166 (July 15, 2008).

25 SEC Division of Trading and Markets - *Guidance Regarding the Commission's Emergency Order Concerning Short Selling* (July 18, 2008).

26 SEC Release No. 58166 (July 15, 2008).

27 SEC Release No. 34-58592 (September 18, 2008). The orders prohibited short sales in financial firms during the period September 18, 2008 to October 8, 2008.

28 SEC Release No. 34-58572 (September 17, 2008). Effective October 17, 2008, the SEC adopted, in substantially the same form, the "Hard T+3 Close-Out Requirement" as an interim final temporary rule (See SEC Release 34-58773).

29 *Ibid.* Effective October 17, 2008, the SEC adopted an antifraud rule, Rule 10b-21 under the *Securities Exchange Act of 1934*, aimed at short sellers (including broker-dealers acting as principal) who deceive specified persons about their intention or ability to deliver securities in time for settlement and that fail to deliver securities by settlement date.

30 SEC Release No. 34-58591 (September 18, 2008).

Short Sale Circuit Breakers

On April 8, 2009, the SEC unanimously voted to seek public comment on whether short sale price restrictions or circuit breaker restrictions should be imposed and whether such measures would help promote market stability and restore investor confidence. The SEC voted to propose two approaches to restrictions on short sales - one being a price test that would apply on a market-wide and permanent basis ("short sale price test") and one that would apply only to a particular security during severe market declines in that security ("circuit breaker").

On February 24, 2010, the SEC adopted Rule 201 which became effective on May 10, 2010 (with implementation originally scheduled for November 10, 2010 but which has been subsequently delayed until February 28, 2011[31]). The rule requires trading centers to establish, maintain and enforce written policies and procedures that are reasonably designed to prevent the execution or display of a prohibited short sale. Generally, equity securities that are listed on a national securities exchange would be covered by the rule. The rule would apply whether the security is traded on an exchange or in the over-the-counter market (such as internally by a dealer and reported on the "tape" using a trade reporting system). If a security declines at least 10% from the closing price on the primary listing market on the previous trading day, a circuit breaker would be triggered and any short sale during the balance of that trading day and the next trading day would have to be entered at a price which is at least one trading increment above the current national best bid.

Observers have noted certain concerns regarding the approach adopted by Rule 201. In particular, Rule 201:

- assumes that a rapid price decline is due to short selling activity;
- in setting the trigger of the circuit breaker at a 10% price decline:
    - does not allow for price declines following an issuer's dissemination of a news release relating to a "negative material change"
    - does not differentiate between types of securities and as a result, the triggering of the circuit breaker will be prevalent for "penny stocks", where a 10% price swing is common;
- anticipates that the restrictions be imposed intra-day "on the fly" in real-time, rather than as an end-of-day process which would be consistent with the existing trading system architecture of most markets;
- does not contemplate any "regulatory follow-up" by a marketplace or a dealer to determine whether the price decline was attributable to "abusive" short selling behaviour;
- does not provide direction on how marketplaces are to handle short sales that are also marked as an "inter-market sweep order" (i.e. a direction by a dealer to a marketplace to immediately execute an order without reference to orders on other marketplaces and for which the dealer has assumed the trade-through obligations under Regulation NMS); and
- contemplates initial projected costs of US$1 billion to the industry and US$1 billion annually thereafter.

Australia

In 2008, the Australian Securities and Investments Commission ("ASIC") announced a package of interim measures relating to short sales.[32] Specifically, these interim measures:

- prohibited naked short sales of all securities which were then currently eligible for "shorting" on the Australian Securities Exchange ("ASX");
- clarified that "covered short sales" will continue to be permitted and provided guidance on which sales will be considered "covered"; and
- introduced a reporting requirement (through the ASX) for covered short sales that continue to be permitted.

The ASIC subsequently prohibited, subject to limited exceptions, all short sales (including "covered" short sales that had been permitted under the interim amendments).[33]

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31 See SEC Release 34-61595 – *Regulation SHO* (February 26, 2010) and SEC Release 34-63247 – *Regulation SHO* (November 4, 2010).

32 ASIC Release 08-204 – *Naked Short Selling Not Permitted and Covered Short Selling to be Disclosed* (September 19, 2008).

33 ASIC Release 08-205 - *Covered Short Selling not Permitted* (September 21, 2008).

The ban on covered short selling for non-financial securities was ultimately lifted, effective November 19, 2008.[34] While the ASIC had initially indicated that the short sale ban respecting financial stocks would only remain in effect until January 27, 2009,[35] the ban was not lifted until May 31, 2009.[36]

The ASIC published a consultation paper on April 30, 2009[37] that sought comments on, among other things, a proposal to permit "naked" short selling in limited circumstances, including those in which a market maker is undertaking hedging practices. Following the consultation process, the ASIC provided some limited exemptions to the outright ban on naked short selling.

The current regulatory framework in Australia includes:[38]

- short sale transaction reporting;
- short sale position reporting where the position is greater than 100,000 or greater than 0.01% of total outstanding securities in the relevant class; and
- subject to certain exemptions, a requirement that a person, when entering a short sale order, has or reasonably believes they have an unconditional ability to settle the transaction.[39]

United Kingdom and European Union

On September 18, 2008, the Financial Services Authority ("FSA") introduced new provisions which prohibit the creation of, or increase in, a net short position giving rise to an economic exposure to shares in specified financial institutions and insurers (including naked and covered short sales). These provisions expired on January 16, 2009. The FSA introduced new short reporting requirements that became effective on September 23, 2008.[40] Under the new reporting regime, a person with a net short position in excess of 0.25% of the share capital in any of the financial issuers affected by the FSA short sale interim amendments, is required to report such position (including any changes in such position) by the following business day ("Disclosure Obligation"). The FSA moved to remove the ban on short sales of financial institutions effective January 19, 2009. At the same time, the FSA also agreed to extend, with minor modifications, the Disclosure Obligation until June 30, 2009.

In February 2009, the FSA published a discussion paper in which it set out its views with respect to the regulation of short sales, including the efficacy of various constraints on short sales, including, "tick tests" and "circuit breakers".[41] The FSA concluded that direct constraints on short selling were not justified at the time; however, in the event of extreme market conditions, some form of emergency intervention may be warranted.

In 2010, the European Commission published a proposal on the regulation of short selling.[42] This proposal includes:

- a two-tier short position reporting requirement with the first tier being a regulatory reporting requirement triggered at 0.20% of issued share capital and the second tier being public disclosure requirement triggered at 0.50% of issued share capital;
- a requirement to mark short orders;
- a requirement that trading venues publish daily information about volumes of short sales that is obtained from the marking of orders;

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34 ASIC Release AD08-65 – ASIC Lifts Ban on Covered Short Selling for Non-Financial Securities (November 13, 2008).

35 ASIC Release 08-210 – *ASIC Extends Ban on Covered Short Selling* (October 21, 2008). The ASIC indicated that concurrent with the anticipated removal of the short sale ban on non-financial securities, the ASIC together with the ASX would be putting in place disclosure and reporting arrangements respecting short sales.

36 The ban on short sales involving financial stocks was extended until March 5, 2009. See ASIC Release 09-05 – *ASIC Extends Ban on Covered Short Selling of Financial Securities* (January 21, 2009). The ban was further extended to May 31, 2009. See ASIC Release 09-36 – *ASIC Extends Ban on Covered Short Selling of Financial Securities* (March 5, 2009).

37 CP 106 – Short Selling to Hedge Risk from Market Making Activities (April 30, 2009).

38 Regulatory Guide 196 – Short Selling – ASIC – published April 2010.

39 The ASIC regulation do not consider a "conditional hold notice" (i.e. a "locate") to constitute an "unconditional ability to settle". However, a legally binding commitment from a lender is considered "unconditional".

40 FSA Statement on Short Positions in Financial Stocks – FSA Public Notice 102 (September 18, 2008). Available at http://www.fsa.gov.uk.

41 FSA Discussion Paper 09/1 – *Short Selling* (February 2009).

42 Proposal for a regulation of the European Parliament and of the Council on Short Selling and certain aspects of Credit Default Swaps – COM (2010) 482.

- a requirements that a person entering into a short sale must have borrowed the securities, entered into an agreement to borrow the securities or have an arrangement with a third party where the third party has confirmed that the securities have been "located" and reserved for lending;

- a requirement that trading venues have adequate arrangements in place for "buy-in" of failed trades, and, in the case of non-settlement, daily fines must be imposed; and

- an authority granted to regulatory authorities to restrict short selling temporarily in response to exceptional situations.

It is anticipated that the regulation would be adopted in mid-2012. In the interim, several European Union Members have adopted, or are in the process of adopting, amendments to their respective short sale regimes both on an interim and permanent basis.[43] While the approaches taken differ from jurisdiction to jurisdiction, the common theme amongst most of the jurisdictions involves adopting measures to enhance the monitoring of short sales. For example, Austria, Greece and Spain have each adopted requirements that require a person to disclose a net short position that exceeds 0.25% of an issuer's outstanding capital.[44]

Hong Kong and Asian Markets

In July 2007, the Hong Kong Stock Exchange ("HKSE") proposed the suspension of price restrictions on short sales. In July 2008, the Hong Kong Securities and Futures Commission ("SFC") approved the proposal to "relax" the uptick rule. However, later in 2008, the SFC, together with the HKSE, announced that in light of recent market developments overseas they had agreed not to implement the July 2008 proposal, and instead, retained the existing regime which limits short sales to "covered" short sales in certain designated securities, at or above the current ask price. pIn 2009, the SFC published a consultation paper concerning the introduction of short position reporting requirements. Proposed legislation, based on the conclusions derived from the consultation process, is expected to include a position reporting requirement where a short position report will be required on a weekly basis once a short position is the lesser of:

- 0.02% of the issued share capital; or

- greater than HK$30 million.

Further weekly reports will be required until the position falls below the reporting threshold.

In July 2008, the Taiwan Stock Exchange removed price restrictions on short sales for a number of securities and the market regulators in both Malaysia and India have moved to ease restrictions on short sales.[45] Of note, on September 30, 2008, the Securities and Exchange Board of India announced that it would not parallel moves by other jurisdictions to prohibit short sales.[46]

Previous Amendments and Previous Proposed Amendments to UMIR

In September of 2007, Market Regulation Services Inc. ("RS") published proposed amendments to the UMIR respecting various aspects of short sales and failed trades that would have:

- repealed the restrictions on the price at which a short sale may be made ("tick test");

- eliminated the requirement to file "Short Position Reports";

- provided a definition of a "failed trade" and require that a report of a "failed trade" be made to a Market Regulator if the reason for the failure is not resolved within ten trading days following the original settlement date of the trade ("Extended Failed Trade");

- provided that the Market Regulator may designate particular securities or class of securities as being ineligible for short selling ("Short Sale Ineligible Security");

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[43] Measures imposed by EU Member Nation regulators prior to September 15, 2010, may continue to apply until July 1, 2013. This means that both the new requirements of the Regulation and disparate national short selling restrictions may remain operative in parallel in various parts of the EU for up to a year. Full harmonisation may not be achieved until July 1, 2013.

[44] Report of the Committee of European Securities Regulators ("CESR") on "Measures Recently Adopted by the CESR on Short Selling" (September 22, 2008).

[45] "Asia Unlikely to Follow U.S. Short Selling Crackdown", Forbes.com (July 25, 2008).

[46] "No Short Sale Ban – Existing Rules Adequate", NewKerla.com (September 30, 2008).

- required that notice be provided to a Market Regulator if, after the execution of a trade, the trade is varied (with respect to price, volume or settlement date) or cancelled; and

- clarified certain requirements that must be met in order for a seller to be considered the owner of securities at the time of a sale.

In May of 2008, in conjunction with the merger of RS with the Investment Dealers Association, the Board ratified and adopted these amendment proposals as IIROC proposals. In October of 2008, at the height of the market turmoil, the Board agreed to defer consideration of the repeal of the tick test and the repeal of the requirement to file Short Position Reports, pending evaluation of further developments in the market and regulatory initiatives instituted in other jurisdictions. The balance of the proposals listed above was approved by the applicable securities regulatory authorities effective October 15, 2008 ("Prior Amendments"). Implementation of the requirement to provide to IIROC a report of an Extended Failed Trade or notice of certain variations or cancellation of trades was deferred and will become effective on June 1, 2011.

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

In light of the SEC's decision in July of 2007 to remove price restrictions on short sales, IIROC granted, effective July 6, 2007, an exemption from the price restrictions on a short sale under Rule 3.1 of UMIR in respect of securities which are inter-listed on an exchange in the United States (the "Inter-listed Exemption").[47] Under the Inter-listed Exemption, if a security is listed on an Exchange and is also listed on an exchange in the United States, a short sale of the security may be entered on any marketplace using the "short exempt" marker. Securities which trade on an ECN in the United States but are not otherwise listed on an exchange in the United States do not qualify for the exemption. The Inter-listed Exemption will continue in force until those aspects of the Proposed Amendments dealing with the repeal of price restrictions on short sales of all securities and the change in use of the "short exempt" order designation have been approved by the Recognizing Regulators or withdrawn by IIROC.

Implementation of the Report of an "Extended Failed Trade"

Securities regulators generally have a concern regarding the relationship between failed trades and preserving market integrity. In order to ensure that the audit trail for any trade is accurate and that IIROC has sufficient information to evaluate whether trading activity has been conducted in compliance with UMIR and other regulatory requirements, the Prior Amendments introduced a requirement that each Participant or Access Person is required to report to IIROC if a trade that has failed to settle on the settlement date remains unresolved 10 trading days following the settlement date. The requirement to file an "Extended Failed Trade" report will become effective on June 1, 2011 with respect to trades other than those using the "Trade-for-Trade" settlement facility of CDS.[48] Implementation of the requirement to file an extended failed trade report had been deferred pending the development and industry testing of the web-based reporting facility. With respect to trades using the "Trade-for-Trade" settlement facility of CDS (which generally represents less than 10% of trades in listed equity securities), the requirement to file an "Extended Failed Trade" report will become effective at a future date once IIROC has completed the programming necessary to allow IIROC to receive directly from CDS information on extended fails in the "Trade-for-Trade" settlement facility of CDS.

These reports of Extended Failed Trades will allow IIROC to determine if the trade has failed to settle for an "improper" reason (for example, if a sale had been executed as an undeclared short sale). Once an initial report of an Extended Failed Trade had been filed with IIROC, the Participant or Access Person will be required to file a second report once the account has cured the default. This reporting regime will put IIROC in a position to monitor trends in Extended Failed Trades, including the steps which a Participant or Access Person may be taking to rectify the default. Information from the reports will be used by IIROC in making a determination whether a particular security should be designated as a "Short Sale Ineligible Security".

The initial Extended Failed Trade report will indicate the steps that have been taken to resolve the "failure" in the preceding 10 business days and which are proposed to be taken to resolve the failure. A "close-out" report is also required to be filed which will indicate the steps which were ultimately taken to resolve the failure. During the period between the initial report and the close-out report, IIROC would be in a position to inquire of a Participant or Access Person as to whether additional steps had been taken since the filing of the initial report. In making such requests, IIROC would rely on its general investigative power under Rule 10.2 of UMIR in the same manner as IIROC does in a review or investigation of other trading activity.

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

[48] IIROC Notice 11-0080 – Rules Notice – Guidance Note – UMIR – *Implementation Date for the Reporting of Extended Failed Trades* (February 25, 2011).

Implementation of the Report of a Trade Variation or Cancellation

The Prior Amendments introduced a requirement that a trade cannot be cancelled or varied, with respect to price, volume or settlement date, unless the cancellation or variation was made by:

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

The requirement to file a "Trade Variation or Cancellation" report will become effective on June 1, 2011, concurrent with the introduction of the first phase of filing requirements for the Extended Failed Trade reports.[49]

Prior to the settlement of the trade, each Participant or Access Person who is a party to a trade may not agree to a cancellation or variation of the trade (with respect to: the price of the trade; the volume of the trade; or the date for settlement of the trade) except using the procedures and facilities offered by the marketplace on which the trade was executed or the clearing agency through which the trade is or was to be cleared and settled. The use of the procedures and facilities provided by the marketplace or the clearing agency will ensure that information regarding the cancellation or variation can be publicly disseminated. Marketplaces are able to cancel trades in limited circumstances principally related to systems malfunctions or technical problems at the marketplace.

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

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

"Short Sale Ineligible Security"

The Prior Amendments allow IIROC to designate a particular security or a class of securities as being ineligible to be sold "short". The purpose of this provision is to provide additional flexibility to IIROC, as the Market Regulator, to respond to developments in trading of a particular security or class of securities if, in IIROC's opinion as concurred in by the applicable securities regulatory authorities, rates of failed trades become excessive.[50] The earlier Amendments also provided an exemption to permit a short sale of a "Short Sale Ineligible Security" if the sale is undertaken in furtherance of Market Maker Obligations or by a derivatives market maker.

The criteria which IIROC would use in pursuing a designation of a security have been specifically set out in Part 4 of Policy 1.1. If, based on reports of failed trades submitted to IIROC in accordance with the requirements of Rule 7.10 or other sources of information, IIROC became aware of systemic failures to settle trades in a particular security or class of securities that were related to short selling activity, the Amendments would permit IIROC to designate the particular security or class of securities as being ineligible for a short sale in the interest of a fair and orderly market. Since studies by IIROC indicated that short selling was not the primary reason for the existence of failed trades, IIROC is of the view that a statistical threshold would not, by itself, be appropriate. IIROC must determine that short selling is exacerbating the situation before deciding whether to seek approval to designate the security as being ineligible for further short selling. IIROC is of the view that there are greater risks to market integrity if a series of dealers experience prolonged trade failures for a relatively minor number of shares of a security that is illiquid than from the failure of a single block trade (due possibly to administrative problems or delays at a custodian) in a highly-liquid security.

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[49] IIROC Notice 11-0079 – Rules Notice – Guidance Note – UMIR – *Implementation Date for the Reporting of Trade Variations and Cancellations* (February 25, 2011).

[50] At the time of the drafting of UMIR, CDNX had Rule C.2.12 which provided: "The Exchange may, whenever it shall determine that market conditions so warrant, prescribe a prohibition on short selling". A comparable provision was not incorporated into UMIR on the grounds that the general provisions curtailing abusive short selling made the provision unnecessary.

In the view of IIROC, the need to make a designation will be a relatively rare occurrence. Since the introduction of UMIR, there has been no instance when either RS or IIROC would have sought approval for such a designation. However, IIROC acknowledges that the repeal of price restrictions on short sales will likely result in increased volatility for less liquid securities. In addition, IIROC acknowledges that junior issuers are concerned with the possibility of "bear raids". IIROC is of the view that the activity which is part of a "bear raid" will be detected with existing monitoring standards employed by IIROC and that such activity may be contrary to existing prohibitions against manipulative and deceptive behaviour.[51] The "Short Sale Ineligible Security" designation is a "backstop" in the event that the repeal of price restrictions on short sales has an unintended impact on short selling activity or if short sales are found to be a principal reason for inordinate "failures" in the settlement of trades in a particular security.

IIROC does not believe that a designation will have to be made in "real time" as the circumstances which will lead to the need to designate a security will build over a period time (e.g. for a particular security, IIROC may see an increasing number of Extended Failed Trade Reports, the issuance of an increased number of "buy-in" notices by CDS, an increasing proportion of short sales, unusual price or volume movements etc.). No one factor would necessarily lead to IIROC determining to seek a designation. Also, it is not possible to provide quantitative "thresholds" for each of the factors that would be taken into account by IIROC. IIROC would consider the circumstances of the particular issuer (e.g. whether the issuer has outstanding securities in respect of which conversion or other rights are tied to the market price of the security or whether the issuer has announced an intention to undertake a significant public offering, private placement or rights offering).

IIROC will only designate a security as a "Short Sale Ineligible Security" with the concurrence of the applicable securities regulatory authorities. IIROC will seek that concurrence in a designation from:

- each securities regulatory authority governing the conduct of trading of a marketplace on which the security is listed or quoted;
- each securities regulatory authority of a jurisdiction in which the issuer of the listed or quoted security is a reporting issuer; and
- each securities regulatory authority that has given notice to IIROC that it wishes to be consulted on a designation.

While IIROC does not believe that a designation will have to be made in "real time", IIROC nonetheless believes that any designation will have to be "timely" in order to address situations arising in the marketplace. If IIROC detects unusual circumstances and concludes that an issue is developing that appears to be rooted in short selling, IIROC's first step would normally be to issue an IIROC Notice indicating that, with respect to the particular security, market participants should ensure their ability to borrow or obtain securities for settlement in advance of any sale.[52] This IIROC Notice would also provide an "early warning" to the applicable securities regulatory authorities that IIROC may seek their concurrence in the designation of a security as being a "Short Sale Ineligible Security". In the meantime, IIROC would continue to monitor trading in the particular security to determine if further regulatory action was warranted.

Under the Prior Amendments, a short sale of a security that is designated as a "Short Sale Ineligible Security" may not be made. The Prior Amendments contained a number of exemptions from this prohibition, including if the order is entered on a marketplace:

- in furtherance of the applicable Market Maker Obligations in accordance with the Marketplace Rules of that marketplace;

[51] Policy 2.2 of UMIR regarding False or Misleading Appearance of Trading Activity or Artificial Price provides that "entering an order for the sale of a security without, at the time of entering the order, having the reasonable expectation of settling any trade that would result from the execution of the order" would constitute a manipulative and deceptive activity. The provision does not require that the dealer make a "positive affirmation" that it has the ability to settle the trade but merely have a "reasonable expectation" at the time of the entry of the order. Essentially, a Participant may enter a short sale of a security until such time as the Participant knows, or should reasonably have known, that it can no longer borrow the securities to effect settlement. Among the activities precluded by Policy 2.2 is the so-called "death spiral" situations. Historically, a "death spiral" had occurred when an issuer was undergoing certain types of arrangements or capital reorganizations (including voluntary or involuntary conversion of debt to a class of listed equity) that tied the conversion or reorganization ratios to the market price of the security to be issued. As the market price of the listed security fell the number of securities to be issued rose. In anticipation of receiving additional listed securities on the completion of the transaction, investors would sell the additional listed security short into the market resulting in further downward pressure on the market price of the listed security. Since the securities that would be issuable on the arrangement or reorganization would not be available to settle the sales in the ordinary course, the sales would be considered "short sales" for the purposes of UMIR.

[52] If the Proposed Amendments are approved, IIROC would formalize the requirement to pre-borrow securities before a short sale if IIROC has designated the security to be a "Pre-Borrow Security". See "Pre-Borrow Requirements" on pages 9 to 11 [in the IIROC published version of this Notice].

- for the account of a derivatives market maker and is entered:
    - in accordance with the market making obligations of the seller in connection with the security or a related security, and
    - to hedge a pre-existing position in the security or a related security;
- as part of a Program Trade in accordance with Marketplace Rules;
- to satisfy an obligation to fill an order imposed on a Participant or Access Person by any provision of UMIR or a Policy; or
- that is of a class of security or type of transaction that has been designated by a Market Regulator.

Withdrawal of Proposal to Repeal the Requirement for Short Position Reports

In October of 2008, IIROC deferred the proposed repeal of the requirement for Participants and Access Persons to prepare and file a short position report on a semi-monthly basis. To replace the aggregation of the information in the short position reports filed by Participants and Access Persons into the CSPR, IIROC envisioned the dissemination, by third parties, of periodic summary reports of short sales executed on marketplaces in particular securities. IIROC continues to encourage marketplaces to make this information publicly available. Nonetheless, IIROC will pursue the introduction of short sale trade summaries on a semi-monthly basis that will correspond to the reporting cycle for short position reports. IIROC expects to begin issuing these semi-monthly summary reports at the same time as the changes to the marking of "short sales" and "short exempt" orders are implemented.

IIROC recognizes that the CSPR has a number of problems and limitations.[53] Nonetheless, IIROC is withdrawing the proposal to repeal Rule 10.10 from further consideration by the Recognizing Regulators. Despite its flaws and in the absence of the ability to readily produce other short sale report at the present time, the CSPR is a "known" report that is comparable to short position reports in other jurisdictions. Furthermore, the continued production and publication of the CSPR supports IIROC's objective of encouraging greater public awareness of short selling in trading activity in Canada. The availability of both trading summaries and the CSPR will allow the current users of the CSPR an opportunity to evaluate the information provided by trading summaries and would provide IIROC with an opportunity to track the relationship between information provided in the CSPR and the marketplace trading summaries.

Summary of Empirical Studies by IIROC

Trends in Trading Activity, Short Selling and Failed Trades

Concurrent with the issuance of this Rules Notice, IIROC has published a statistical study of trends on Canadian marketplaces in the three-year period from May 1, 2007 to April 30, 2010 (the "Study Period") with respect to overall trading activity, short selling and failed trades (the "Trends Study").[54] The Trends Study extended an earlier study undertaken by IIROC for the period May 1, 2007 to September 30, 2008 (the "Prior Study") to also include the nineteen months ending April 30, 2010.[55]

During the Study Period, there was no "negative" change in the pattern of short selling or trade failures from the findings of the Prior Study. In particular, during the Study Period:

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[53] See the discussion under the heading "Short Position Reports" on pages 25 to 27 of Market Integrity Notice 2007-017 – Request for Comments – *Provisions Respecting Short Sales and Failed Trades* (September 7, 2007). In particular, that Market Integrity Notice indicated that:

> Increasingly, there is concern whether the CSPR provides a complete or meaningful picture of the short position in any security. In particular, the CSPR report does not reflect the short position in securities held by:
>
> - US-based or foreign dealers and institutions (which is particularly relevant as approximately 54% of the trading value and 30% of the volume in April of 2007 on regulated marketplaces was undertaken in securities that are inter-listed with the United States);
> - dealers in Canada that are not Participants (e.g. the dealer is not a member of an Excha`nge, user of a QTRS or subscriber to an ATS); and
> - custodians or other institutions in Canada that are members of CDS (and not through an account maintained at a Participant).

[54] IIROC Notice 11-0078 – Rules Notice – Technical - UMIR – *Trends in Trading Activity, Short Selling and Failed Trades* (February 25, 2011).

[55] Reference should be made to IIROC Notice 09-0037 - Administrative Notice – General – *Recent Trends in Trading Activity, Short Sales and Failed Trades* (February 4, 2009).

Trading Activity

- the average number of trades per day increased significantly over the Study Period, with more modest and less consistent increases in average daily volume and value;[56]

- the number of trades in securities listed on the TSX increased throughout the Study Period across all marketplaces trading those securities, with the increase concentrated in the trading of inter-listed securities and ETFs;[57]

- while the number of trades in securities listed on TSXV or CNSX varied significantly throughout the Study Period, the data showed a drop in daily trading volumes from the beginning of the study in 2007 to 2008 with increases in the daily volume from the lows noted in 2008 over the latter part of the Study Period;[58]

- in periods of increased "market stress" ("Market Stress Period")[59] trading activity, as measured by number of trades, exceeded the average for the Study Period;[60]

- securities which were exempt from the tick rule did not decline in price as fast or as far during Market Stress Periods as securities that were subject to the tick rule;[61]

Short Sales

- there was no significant change over the Study Period in the pattern of short selling in comparison with the trading of securities generally;

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[56] The average number of trades per trading day increased from 481,041 in May of 2007 to a high of 1,256,763 in April of 2010 with an average over the Study Period of 841,421 trades per day. Each of the 7 months between October of 2008 and April of 2009 had a number of trades in excess of the Study Period average indicating that the trend towards increased trading activity is continuing notwithstanding the turmoil in the markets generally. For the 17-month period ended September 30, 2008 covered by the Prior Study there were an average of 634,330 trades per day.

With respect to average daily volume, the Study Period average was 700,755,398 with a high of 971,097,043 in April of 2010 and a low of 458,400,292 in August of 2008 (when volume on the TSXV was at a low of 107,602,589). 4 of the 7 of the months between October of 2008 and April of 2009 had volumes in excess of the Study Period average. With respect to average daily value, the Study Period average was $7.37 billion with a high of $9.59 billion in September of 2008 and a low of $5.61 billion in January of 2009. With the exception of October of 2008, the months between October of 2008 and April of 2009 had average daily trade value below the Study Period average (notwithstanding above average number of trades and volume which reflects the general decline in price levels).

[57] The TSX averaged 687,761 trades per day over the Study Period (from a low of 445,945 in May of 2007 to a high of 1,030,801 in October of 2008 (with all 7 of the months between October of 2008 and April of 2009 having a number of trades in excess of the Study Period average). The number of trades in ETFs increased from 3,706 per day in May of 2007 to a high of 39,888 in November of 2008 for an overall average of 13,779 for the Study Period. The number of trades in inter-listed securities increased from 245,175 per day in May of 2007 to a high of 614,047 in March of 2009 for an overall average of 412,225 for the Study Period.

[58] TSXV averaged 25,851 trades per day during the Study Period (with the number of trades declining from 34,944 in May of 2007 to 15,416 trades per day in April of 2008, increasing to 35,484 trades per day by April 2010 with a low of 12,344 trades per day in November of 2008). CNSX averaged 94 trades per day during the Study Period (with the number of trades declining from 152 in May of 2007 to 28 trades per day in April of 2009. Both TSXV and CNSX had below the Study Period average number of trades in each of the 7 months between October of 2008 and April of 2009.

[59] For the purposes of the Prior Study, six of the months (August of 2007 and January, March, July, August and September of 2008) experienced elevated levels of market stress across both indexes. For the purposes of this Study, the months October of 2008 to April of 2009 were included. During the Study Period, the average daily point change in the closing index level of the S&P/TSX Composite was 134.6 points, or 1.201% of the average closing index level (as compared to 129.87 points or 0.958% of the average closing index level found in the period covered by the Prior Study). For the S&P/TSX Venture Composite Index, the average daily point change in the closing index level was 20.87 points or 1.210% of the average closing index level (as compared to 28.94 points or 1.137% of the average daily point change in the closing index level found in the period covered by the Prior Study). The average number of points (and percentage) between the average of the daily high and low index levels for the S&P/TSX Composite was 220.84 points or 1.974% of the daily average of the high/low index level (as compared to 211.43 points or 1.558% of the daily average of the high/low index level found in the period covered by the Prior Study) and, for the S&P/TSX Venture Composite Index, 29.41 points or 1.721% of the daily average of the high/low index level (as compared to 39.88 points, or 1.556%, found in the period covered by the Prior Study). For the purposes of this Study, five months (September of 2008 to January of 2009) experienced elevated level of market stress across both indexes.

[60] The average daily number of trades in a Market Stress Period was 937,013 or approximately 11% above the overall Study Period average of 841,421.

[61] Reference should be made to Chart 2 - *Index Levels Relative to Closing Level on May 1, 2007* in *Trends in Trading Activity, Short Sales and Failed Trade*s.

- the granting in July of 2007 of the exemption from the tick rule for the short sale of an inter-listed security has not had any discernable effect on the pattern or attributes of short sales of inter-listed securities (other than a slight increase in the proportion of trades that are short sales);[62]

- in a Market Stress Period:

    - there is generally a lower than average level of short selling activity on TSXV and CNSX,[63]

    - there is a slightly higher rate of short-selling on the TSX,[64] and

    - the average volume of a short sale of a security (other than a TSXV-listed security) tends to be lower than the volume and value of short sales generally;[65]

- the more "senior" the security, the higher the proportion of short sales;[66]

- short selling activity accounts for a disproportionate level of the trading activity on the transparent ATSs (possibly indicating a concentration of arbitrage and algorithmic trading);[67]

- during the Study Period:

    - two-thirds of issues on the TSX reported a month-end short position, as compared to less than a quarter of the issues on TSXV and one-sixth of the issues on CNSX,

    - short positions in TSXV-listed securities "turned over" faster than for TSX-listed securities,[68]

    - monthly short positions amounted to approximately 13% of trading volume in TSX-listed securities as compared to approximately 1% of trading volume for securities listed on TSXV and CNSX, and

    - the average short position for a security represented the volume of 1,413 average trades on TSX for a TSX-listed security as compared to 13.7 average trades on TSXV for a TSXV-listed security and 1.4 average trades on CNSX for a CNSX-listed security;

Failed Trades

- over the Study Period:

    - the number of failed trades, as a percentage of the overall number of trades, has generally been declining,[69]

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62 For inter-listed securities, short sales generally accounted for between 28% and 35% of trades. With the granting of the exemption from the tick rule, the proportion of short sales in trades of inter-listed securities generally increased to the 35% to 40% range (with a high of 42.2% in February 2010). This increase in the proportion of short sales was anticipated on the granting of the exemption.

63 On the TSXV, short sales accounted for 2.3% of trades in a Market Stress Period as compared to 4.4% throughout the Study Period. On CNSX, short sales accounted for 7.3% of sales in September of 2008 significantly above the Study Period average of 3.5% of trades. However, the averages for the other four months were significantly lower such that the average for a Market Stress Period was only 2.3%.

64 On the TSX, short sales accounted for 27.7% of trades in a Market Stress Period as compared to 28.4% of trades throughout the Study Period.

65 During a Market Stress Period, short sales had an average volume which was generally less than the Study Period average for short sales ranging from 9% less for ETFs, 17% less for inter-listed and 19% for other securities on the TSX and 9% less for securities traded on CNSX. For securities TSXV-listed securities, short sales during a Market Stress Period had a volume 10% higher than the Study Period Average.

66 Over the Study Period, short sales of securities listed on the TSX accounted for 28.4% of trades (33.2% of inter-listed securities, 24.3% of ETFs and 21.5% of other TSX-listed securities) as compared to 4.4% of trades of TSXV-listed securities and 3.5% of trades of CNSX-listed securities.

67 For the "new" marketplaces which publicly display order information, the proportion of short selling ranged from 38.9% of trades on Chi-X, 36.2% of trades on Pure Trading, 27.6% of trading on Alpha to 30.5% of trades on Omega (which during much of the Study Period limited trading to securities which were exempt from the tick rule.) For MATCH Now, which operates as a non-transparent marketplace, short selling accounted for only 13.8% of trades.

68 The turnover rate is determined by dividing the volume of short sales during a month by the outstanding volume of short positions at the end of the month. On average over the Study Period, the short position on the TSX turned over every 0.61 of a month as compared to 0.33 of a month for the TSXV and 0.86 of a month on CNSX.

69 Over the Study Period, "initiated buy-in notices" received by CDS represented 0.22% of trades (ranging from a high of 0.38% in December of 2007 to a low of 0.13% in March of 2008).

- on average, 5.28% of failed trades are closed out through the execution of a "buy-in" on a marketplace, and
- the accumulated value of failed trades, as a percentage of the value of trades, has generally been declining;[70] and

- "market stress" did not increase the rate or value of trade failures.[71]

Prohibition on the Short Sale of Inter-listed Financial Issuers

IIROC had previously published a report entitled "Impact of the Prohibition on the Short Sale of Inter-listed Financial Sector Issuers"[72] which looked at the effect of the imposition of a ban on short selling of inter-listed financial sector issuers between September 22, 2008 and October 8, 2008. That study found that while there were "unusual" levels of activity in "financial sector" issuers in the period leading up to the temporary imposition of a prohibition on short selling, the proportion of short selling of financial sector issuers was generally consistent with historic patterns and the levels of short selling for inter-listed securities. The study concluded that the ban had a significant impact on market quality by reducing liquidity and increasing "spreads" while not having any effect on price volatility.

Price Movement and Short Selling Activity

Concurrent with the issuance of this Rule Notice, IIROC has also published a statistical study that looks at the price movement of securities listed on the TSXV during the Study Period that indicates that the significant price declines observed in the second half of 2008 were not caused by or exacerbated by short selling activity.[73]

Based on the data collected during the Study Period:

- the price of securities traded on the TSXV, all of which were subject to the tick test, fell farther and faster than the price of securities on the TSX which generally were exempt from the tick test;[74] and
- during periods of rapid price decline, short selling activity in TSXV-listed securities declined to levels less than historical averages as measured by:
  - the number of short sales,
  - short sales as a percentage of trades,
  - short sales per issuer, and
  - short position as a percentage of issued capital; and
- during periods of rapid price decline, persons with a "short" position were net "buyers" of TSXV-listed securities.

The data for TSXV-listed securities during the Study Period suggests that:

- the steep price decline observed between July 2008 and December 2008 was neither caused by nor exacerbated by short selling activity; and
- the tick test was not an effective tool to restrict significant and rapid, systemic declines in prices.

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70 Over the Study Period, the value of accumulated fails as a percentage of trade value was 1.67% (ranging from a high of 2.69% in May of 2007 to a low of 0.73% in March of 2009).

71 During the months that were identified as part of a Market Stress Period, the value of accumulated fails as a percentage of trade value was 1.48% or approximately 11% less than the overall average for the Study Period of 1.67% and the proportion of initiated buy-ins as a percentage of trades was 0.17% as compared to 0.24% for the Study Period overall.

72 IIROC Notice 09-0038 – Administrative Notice – General – *Impact of the Prohibition on the Short Sale of Inter-listed Financial Sector Issuers* (February 4, 2009).

73 IIROC Notice 11-0077 – Rules Notice – Technical - UMIR – *Price Movement and Short Sale Activity: The Case of the TSX Venture Exchange* (February 25, 2011).

74 During the Study Period, approximately 64% of the value of securities traded on the TSX were in securities inter-listed between the TSX and an exchange in the United States and were exempt from price restrictions on short sales.

Statistical Study of Failed Trades on Canadian Marketplaces

In 2006, RS undertook a study of failed trades in the Canadian marketplace (the "Failed Trade Study").[75] The Failed Trade Study found that:

- failed trades accounted for 0.27% of the total number of trades executed;
- the more "junior" the marketplace in terms of the type of security traded, the higher the incidence of failed trades;[76]
- special settlement trades experienced a significantly higher rate of failure (6.15% of trades compared to 0.26% for regular settlement trades);
- the predominant cause of failed trades was administrative delay or error[77], which accounted for almost 51% of fails;
- less than 6% of fails resulting from the sale of a security involved short sales;
- fails involving short sales accounted for 0.07% of total short sales;
- "buy-ins" were executed in 4% of failed trades; and
- the average "failed" trade was settled 4.2 days after the "expected settlement date" while 96% of failed trades settled within 10 days after the "expected settlement date".

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

Any proposed changes to UMIR must be approved by the Recognizing Regulators of the CSA. IIROC staff have been participating (and prior to June 1, 2008 staff of both RS and the Investment Dealers Association of Canada participated) in an informal working group with CSA staff (the "Working Group") that has been examining various issues related to failed trades and short sales, including the role that short sales play in the occurrence of failed trades. The Working Group has been monitoring developments related to short sales and failed trades in other jurisdictions, particularly SEC initiatives to amend Regulation SHO.

IIROC has provided the Working Group with periodic updates to the *Recent Trends in Trading Activity, Short Selling and Failed Trades* and other research and studies undertaken by IIROC. The Proposed Amendments by IIROC have been discussed with the Working Group.

Following the publication of this IIROC Notice, the CSA and IIROC are proposing to publish the Joint Notice to solicit feedback on whether additional proposals to enhance disclosure of short sales and failed trades in Canada are required. For example, the Joint Notice may seek comment on whether disclosure of short positions by institutional investors may be necessary, similar to "buy-side" reporting requirements that have been or are being widely implemented in other jurisdictions. The Joint Notice may also seek input on the type, level and frequency of public disclosure of failed trades in equity securities traded on all Canadian marketplaces and cleared through CDS that would be appropriate for the Canadian market.

If significant problems emerge after the implementation of the Proposed Amendments as well as the implementation of any other elements of the IIROC proposal relating to the execution or settlement of short sales, IIROC would be in a position to consider appropriate additional regulatory responses. Similarly, if settlement rates deteriorate after the implementation of the Proposed Amendments, either generally or in specific classes of securities, additional initiatives may be considered by IIROC.

As indicated in the Trends Study, the number of trades executed on marketplaces has increased dramatically over the three-year Study Period from approximately 10,000,000 trades per month to almost 30,000,000 trades while the number of initial buy-in notices received by CDS in connection with trade failures has remained relatively constant, in the range of 30,000 to 40,000

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

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

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

notices per month. Studies by IIROC indicated that the majority of trade failures arose out of "administrative error" and were readily resolved. For this reason, a "hard" close-out requirement would have the effect of transferring the cost to dealers that have failed to settle for "innocent" reasons. One proposal considered by IIROC was the introduction of a "capital charge" on the dealer that failed to receive the security which would act as an incentive for that dealer to exercise its buy-in rights. Another option considered was the introduction of an administrative penalty to be imposed on the dealer that failed to deliver. Neither option was pursued, as it was unclear that the adoption of either initiative would have materially reduced the incidence of administrative error, the primary cause of settlement failure. IIROC was of the opinion that, if the underlying patterns for trade failure in Canada showed signs of increasing, a simplified "penalty" would be the preferred option, but that consideration might also be given to a "capital charge" on one or both sides of the failed trade.

One initiative that IIROC noted in a number of jurisdictions was the introduction of a requirement for the reporting of short positions by "holders" of the short position rather than on an aggregate basis by intermediaries, such as dealers and subscribers to an ATS. The CSPR, which is an aggregation of reports filed by Participants and Access Persons, has not proven to be a useful tool to IIROC for monitoring or investigative purposes. Introducing additional account level requirements would not provide information that would be as timely or as meaningful as the enhanced information available through the monitoring of "marked" trades both in real-time time and on post-trade analysis. IIROC has had outstanding since April of 2007 a proposal that would require the unique identifier of each Direct Market Access ("DMA") client to be included with each order, including short sales. This proposal would formalize the practice adopted by marketplaces that require the DMA account identified on the order. The inclusion of DMA account information allows real-time monitoring of account level activity of institutional accounts for all requirements and not just short sales. IIROC's surveillance system provides a comprehensive database for post-trade analysis of all orders and trades on all marketplaces. In the view of IIROC, the monitoring of short sales should be integrated into surveillance systems which already monitor for anomalous price or volume movements in a particular security in real-time. In particular, IIROC is developing an alert which will consider increases in the rate of short selling in conjunction with declines in market price. This alert will help to identify, in real-time, situations that may require regulatory intervention (including the possible designation of the security as a "Pre-Borrow Security" or "Short Sale Ineligible Security"). A position report only provides a snapshot of the situation at a particular point in time and provides no information on the trading activity during the period, which is what impacts market prices. IIROC also noted that the threshold for making a position report in a number of the jurisdictions that have introduced this requirement is 0.25% of the issued capital of the issuer. By comparison, in March of 2009, the average short position in a security listed on TSXV was 0.01% of issued capital (and this is based on the aggregate of gross short positions in all accounts maintained at all Participants).

Questions

While comment is requested on all aspects of the Proposed Amendments, comment is specifically requested on the following questions:

1. Are there any policy reasons, other than those identified in this Request for Comments, that IIROC should consider in pursuing the proposed repeal of the existing "tick test" (short sales must be made at a price not less than the last sale price)? If you disagree with the proposal to repeal the tick test, please indicate why it should be retained.

2. If restrictions on the price of a short sale are to be retained, should UMIR adopt a "bid test" at the time of order entry (e.g. a short order may only be entered on a marketplace at a price above the best bid price)?

3. If restrictions on the price of a short sale are to be retained, whether in the short-term or on a long-term basis, should there be an exemption provided to securities inter-listed on an exchange in the United States?

4. If restrictions on the price of a short sale are repealed, what regulatory arbitrage opportunities may exist in the case of an inter-listed security, where a circuit breaker has been triggered in the United States giving rise to short sale price restrictions? What measures could be taken, if any, to limit this potential regulatory arbitrage?

5. The Proposed Amendments would "reuse" the existing "short exempt" designation to indicate accounts that qualify for the "short-marking exempt" designation. Are there any specific operational considerations for marketplaces or Participants from this change in use? Would there be any benefits to introducing a separate, new designation if marketplaces, service providers and Participants still have to modify their system to remove functionality and provision for the existing "short exempt" designation?

6. Are there any other operational considerations for marketplaces or Participants that would arise as a result of the adoption of the Proposed Amendments, beyond those identified in this Request for Comments?

7. If the Proposed Amendments are approved, IIROC is proposing to delay the implementation for a period of one hundred and eighty (180) days in order to provide Participants, marketplaces and service providers the time to make necessary changes to their systems, policies and procedures. Should the implementation period be longer and, if so, why?

8. The requirement to mark a sell order as a "short sale" is determined based on the aggregate holdings of the "seller" (across multiple accounts which may in fact be held at multiple Participants or dealers) while the requirement of a Participant to file a short position report is based on the position of each individual account. If the tick test is repealed, should the basis for determining the marking orders and filing short position reports be harmonized? Would it be preferable for the marking of orders to be determined based on the holdings in the account entering the sell order at the time the order is entered?

In addition to these questions posed by IIROC, the CSA and IIROC are proposing to publish the Joint Notice to solicit feedback on whether additional proposals to enhance disclosure of short sales and failed trades in Canada are required.

Appendices

- Appendix "A" sets out the text of the Proposed Amendments to UMIR respecting regulation of short sales and failed trades;
- Appendix "B" contains the text of the relevant provisions of UMIR as they would read on the adoption of the Proposed Amendments; and
- Appendix "C" contains the reconciliation of UMIR and proposals to the IOSCO recommendations on the regulation of short sales.

Appendix "A"

Text of Provisions Respecting Regulation of Short Sales and Failed Trades

The Universal Market Integrity Rules are hereby amended as follows:

1. Rule 1.1 is amended by inserting the following definitions of "Pre-Borrow Security" and "short-marking exempt order":

> "Pre-Borrow Security" means a security that has been designated by a Market Regulator to be a security in respect of which an order, that on execution would be a short sale, may not be entered on a marketplace unless the Participant or Access Person has made arrangements to borrow the securities that would be necessary to settle the trade prior to the entry of the order.
>
> "short-marking exempt order" means an order for the purchase or sale of a security from account that is:
>
> (a) an arbitrage account;
>
> (b) the account of a person with Marketplace Trading Obligations in respect of a security for which that person has obligations; and
>
> (c) the account of an institutional customer:
>
> (i) for which order generation and entry is fully-automated,
>
> (ii) which, in the ordinary course, executes both purchases and sales of a particular security on one or more marketplaces on each trading day, and
>
> (iii) which, in the ordinary course, does not have at the end of each trading day more than a nominal position, whether short or long, in the particular security.

2. Rule 3.1 is deleted.

3. Rule 3.2 is amended by:

(a) deleting in clause (a) of subsection (1) the phrase "or subclause 6.2(1)(b)(ix)";

(b) deleting subsection (2) and inserting:

> Clause (a) of subsection (1) does not apply to an order that has been designated as a "short-marking exempt order" in accordance with subclause 6.2(1)(b)(ix).

4. Rule 6.1 is amended by adding the following subsections:

> (3) A Participant acting as agent shall not enter a client order or a non-client order on a marketplace that would, if executed, be a short sale if the client or non-client has previously executed a sale of any listed security that became a failed trade in respect of which notice to the Market Regulator was required pursuant to Rule 7.10 unless:
>
> (a) the Participant has made arrangements for the borrowing of the securities necessary to settle any resulting trade prior to the entry of the order;
>
> (b) the Participant is satisfied, after reasonable inquiry, that the reason for any prior failed trade was solely as a result of administrative error and not as a result of any intentional or negligent act of the client or non-client; or
>
> (c) the Market Regulator has consented to the entry of such order or orders.
>
> (4) A Participant acting as principal or an Access Person shall not enter an order on a marketplace for a particular security that would, if executed, be a short sale if the Participant or Access Person has previously executed a sale in that security that became a failed trade in respect of which notice to the Market Regulator was required pursuant to Rule 7.10 unless:

(a) the Participant or Access Person has made arrangements for the borrowing of the securities necessary to settle any resulting trade prior to the entry of the order; or

(b) the Market Regulator has consented to the entry of such order or orders.

(5) A Participant or an Access Person shall not enter an order on a marketplace for a Pre-Borrow Security that would, if executed, be a short sale unless the Participant or Access Person has made arrangements for the borrowing of the securities necessary to settle any resulting trade prior to the entry of the order.

5. Clause (b) of subsection (1) of Rule 6.2 is amended by:

(a) deleting in subclause (viii) the phrase "which is subject to the price restriction under subsection (1) of Rule 3.1" and substituting the phrase "but not including an order which is designated as a "short-marking exempt order" in accordance with subclause 6.2(1)(b)(ix)"; and

(b) deleting subclause (ix) and substituting the following:

(ix) a short-marking exempt order.

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

1. Policy 1.1 is amended by inserting the following as Part 2.1

Part 2.1 – Definition of "Pre-Borrow Security"

Under the definition of a "Pre-Borrow Security", the Market Regulator may designate a security in respect of which an order that on execution would be a short sale may not be entered on a marketplace unless the Participant or Access Person entering the order has made arrangements to borrow the securities that would be required to settle the trade prior to the entry of the order. In determining whether to make such a designation, the Market Regulator shall consider whether:

- based on information known to the Market Regulator, there is an increase in the number, value or volume of failed trades in the particular security by more than one Participant or Access Person;
- the number or pattern of failed trades is related to short selling; and
- the designation would be in the interest of maintaining a fair and orderly market.

2. Part 1 of Policy 2.2 is amended by:

(a) inserting at the end of clause (b) the word "and";

(b) deleting at the end of clause (c) the phrase "; and"; and

(c) deleting clause (d).

3. Policy 3.1 is repealed.

Appendix "B"

Text of UMIR to Reflect Proposed Amendments Respecting Regulation of Short Sales and Failed Trades

Text of Provisions Following Adoption of the Proposed Amendments	Text of Current Provisions Marked to Reflect Adoption of the Proposed Amendments
1.1 Definitions "Pre-Borrow Security" means a security that has been designated by a Market Regulator to be a security in respect of which an order, that on execution would be a short sale, may not be entered on a marketplace unless the Participant or Access Person has made arrangements to borrow the securities that would be necessary to settle the trade prior to the entry of the order.	**1.1 Definitions** "Pre-Borrow Security" means a security that has been designated by a Market Regulator to be a security in respect of which an order, that on execution would be a short sale, may not be entered on a marketplace unless the Participant or Access Person has made arrangement to borrow the securities that would be necessary to settle the trade prior to the entry of the order.
1.1 Definitions "short-marking exempt order" means an order for the purchase or sale of a security from account that is: (a) an arbitrage account; (b) the account of a person with Marketplace Trading Obligations in respect of a security for which that person has obligations; and (c) the account of an institutional customer: (i) for which order generation and entry is fully-automated, (ii) which, in the ordinary course, executes both purchases and sales of a particular security on one or more marketplaces on each trading day, and (iii) which, in the ordinary course, does not have at the end of each trading day more than a nominal position, whether short or long, in the particular security.	**1.1 Definitions** "short-marking exempt order" means an order for the purchase or sale of a security from account that is: (a) an arbitrage account; (b) the account of a person with Marketplace Trading Obligations in respect of a security for which that person has obligations; and (c) the account of an institutional customer: (i) for which order generation and entry is fully-automated, (ii) which, in the ordinary course, executes both purchases and sales of a particular security on one or more marketplaces on each trading day, and (iii) which, in the ordinary course, does not have at the end of each trading day more than a nominal position, whether short or long, in the particular security.
3.1 Restrictions on Short Selling - *repealed*	~~**3.1 Restrictions on Short Selling**~~ ~~(1) Except as otherwise provided, a Participant or Access Person shall not make a short sale of a security on a marketplace unless the price is at or above the last sale price.~~ ~~(2) A short sale of a security may be made on a marketplace at a price below the last sale price if the sale is:~~ ~~(a) a Program Trade in accordance with Marketplace Rules;~~ ~~(b) made in furtherance of the applicable Market Maker Obligations in accordance with the Marketplace Rules;~~

Text of Provisions Following Adoption of the Proposed Amendments	Text of Current Provisions Marked to Reflect Adoption of the Proposed Amendments
	~~(c) for an arbitrage account and the seller knows or has reasonable grounds to believe that an offer enabling the seller to cover the sale is then available and the seller intends to accept such offer immediately;~~ ~~(d) for the account of a derivatives market maker and is made:~~ ~~(i) in accordance with the market making obligations of the seller in connection with the security or a related security, and~~ ~~(ii) to hedge a pre-existing position in the security or a related security;~~ ~~(e) the first sale of the security on any marketplace made on an ex-dividend, ex-rights or ex-distribution basis and the price of the sale is not less than the last sale price reduced by the cash value of the dividend, right or other distribution;~~ ~~(f) the result of:~~ ~~(i) a Call Market Order,~~ ~~(ii) a Market-on-Close Order~~ ~~(iii) a Volume-Weighted Average Price Order~~ ~~(iv) a Basis Order, or~~ ~~(v) a Closing Price Order;~~ ~~(g) a trade in an Exempt Exchange-traded Fund; or~~ ~~(h) made to satisfy an obligation to fill an order imposed on a Participant or Access Person by any provision of UMIR or a Policy.~~
3.2 Prohibition on Entry of Orders (1) A Participant or Access Person shall not enter an order to sell a security on a marketplace that on execution would be a short sale:	**3.2 Prohibition on Entry of Orders** (1) A Participant or Access Person shall not enter an order to sell a security on a marketplace that on execution would be a short sale:

Text of Provisions Following Adoption of the Proposed Amendments	Text of Current Provisions Marked to Reflect Adoption of the Proposed Amendments
(a) unless the order is marked as a short sale in accordance with subclause 6.2(1)(b)(viii); or (b) if the security is a Short Sale Ineligible Security at the time of the entry of the order. (2) Clause (a) of subsection (1) does not apply to an order that has been designated as a "short-marking exempt order" in accordance with subclause 6.2(1)(b)(ix). …	(a) unless the order is marked as a short sale in accordance with subclause 6.2(1)(b)(viii) ~~or subclause 6.2(1)(b)(ix)~~; or (b) if the security is a Short Sale Ineligible Security at the time of the entry of the order. (2) Clause (a) of subsection (1) does not apply to an order ~~automatically generated by the trading system of an Exchange or QTRS in accordance with the Marketplace Rules in respect of the applicable Market Maker Obligations~~ that has been designated as a "short-marking exempt order" in accordance with subclause 6.2(1)(b)(ix). …
6.1 Entry of Orders to a Marketplace … (3) A Participant acting as agent shall not enter a client order or a non-client order on a marketplace that would, if executed, be a short sale if the client or non-client has previously executed a sale of any listed security that became a failed trade in respect of which notice to the Market Regulator was required pursuant to Rule 7.10 unless: (a) the Participant has made arrangements for the borrowing of the securities necessary to settle any resulting trade prior to the entry of the order; (b) the Participant is satisfied, after reasonable inquiry, that the reason for any prior failed trade was solely as a result of administrative error and not as a result of any intentional or negligent act of the client or non-client; or (c) the Market Regulator has consented to the entry of such order or orders. (4) A Participant acting as principal or an Access Person shall not enter an order on a marketplace for a particular security that would, if executed, be a short sale if the Participant or Access Person has previously executed a sale in that security that became a failed trade in respect of which notice to the Market Regulator was	**6.1 Entry of Orders to a Marketplace** … (3) A Participant acting as agent shall not enter a client order or a non-client order on a marketplace that would, if executed, be a short sale if the client or non-client has previously executed a sale of any listed security that became a failed trade in respect of which notice to the Market Regulator was required pursuant to Rule 7.10 unless: (a) the Participant has made arrangements for the borrowing of the securities necessary to settle any resulting trade prior to the entry of the order; (b) the Participant is satisfied, after reasonable inquiry, that the reason for any prior failed trade was solely as a result of administrative error and not as a result of any intentional or negligent act of the client or non-client; or (c) the Market Regulator has consented to the entry of such order or orders. (4) A Participant acting as principal or an Access Person shall not enter an order on a marketplace for a particular security that would, if executed, be a short sale if the Participant or Access Person has previously executed a sale in that security that became a failed trade in respect of which notice to the Market Regulator was

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required pursuant to Rule 7.10 unless: (a) the Participant or Access Person has made arrangements for the borrowing of the securities necessary to settle any resulting trade prior to the entry of the order; or (b) the Market Regulator has consented to the entry of such order or orders. (5) A Participant or an Access Person shall not enter an order on a marketplace for a Pre-Borrow Security that would, if executed, be a short sale unless the Participant or Access Person has made arrangements for the borrowing of the securities necessary to settle any resulting trade prior to the entry of the order.	required pursuant to Rule 7.10 unless: (a) the Participant or Access Person has made arrangements for the borrowing of the securities necessary to settle any resulting trade prior to the entry of the order; or (b) the Market Regulator has consented to the entry of such order or orders. (5) A Participant or an Access Person shall not enter an order on a marketplace for a Pre-Borrow Security that would, if executed, be a short sale unless the Participant or Access Person has made arrangements for the borrowing of the securities necessary to settle any resulting trade prior to the entry of the order.
6.2 Designations and Identifiers (1) Each order entered on a marketplace shall contain: … (b) a designation acceptable to the Market Regulator for the marketplace on which the order is entered, if the order is: (i) a Call Market Order, (ii) an Opening Order, (iii) a Market-on-Close Order, (iv) a Special Terms Order, (v) a Volume-Weighted Average Price Order, (v.1) a Basis Order, (v.2) a Closing Price Order, (v.3) a bypass order, (v.4) a directed action order as defined in the Trading Rules, (vi) part of a Program Trade, (vii) part of an intentional cross or internal cross,	**6.2 Designations and Identifiers** (1) Each order entered on a marketplace shall contain: … (b) a designation acceptable to the Market Regulator for the marketplace on which the order is entered, if the order is: (i) a Call Market Order, (ii) an Opening Order, (iii) a Market-on-Close Order, (iv) a Special Terms Order, (v) a Volume-Weighted Average Price Order, (v.1) a Basis Order, (v.2) a Closing Price Order, (v.3) a bypass order, (v.4) a directed action order as defined in the Trading Rules, (vi) part of a Program Trade, (vii) part of an intentional cross or internal cross,

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(viii) a short sale but not including an order which is designated as a "short-marking exempt order" in accordance with subclause 6.2(1) (b) (ix), (ix) a short-marking exempt order, (x) a non-client order, (xi) a principal order, (xii) a jitney order, (xiii) for the account of a derivatives market maker, (xiv) for the account of a person who is an insider of the issuer of the security which is the subject of the order, (xv) for the account of a person who is a significant shareholder of the issuer of the security which is the subject of the order, or (xvi) of a type for which the Market Regulator may from time to time require a specific or particular designation.	(viii) a short sale ~~which is subject to the price restriction under subsection (1) of Rule 3.1~~ but not including an order which is designated as a "short-marking exempt order" in accordance with subclause 6.2(1) (b) (ix), (ix) a short-marking exempt order ~~sale which is exempt from the price restriction on a short sale in accordance with subsection (2) of Rule 3.1,~~ (x) a non-client order, (xi) a principal order, (xii) a jitney order, (xiii) for the account of a derivatives market maker, (xiv) for the account of a person who is an insider of the issuer of the security which is the subject of the order, (xv) for the account of a person who is a significant shareholder of the issuer of the security which is the subject of the order, or (xvi) of a type for which the Market Regulator may from time to time require a specific or particular designation.
Policy 1.1 – Definitions **Part 2.1 – Definition of "Pre-Borrow Security"** Under the definition of a "Pre-Borrow Security", the Market Regulator may designate a security in respect of which an order that on execution would be a short sale may not be entered on a marketplace unless the Participant or Access Person entering the order has made arrangements to borrow the securities that would be required to settle the	**Policy 1.1 – Definitions** **Part 2.1 – Definition of "Pre-Borrow Security"** Under the definition of a "Pre-Borrow Security", the Market Regulator may designate a security in respect of which an order that on execution would be a short sale may not be entered on a marketplace unless the Participant or Access Person entering the order has made arrangements to borrow the securities that would be required to settle the

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trade prior to the entry of the order. In determining whether to make such a designation, the Market Regulator shall consider whether: • based on information known to the Market Regulator, there is an increase in the number, value or volume of failed trades in the particular security by more than one Participant or Access Person; • the number or pattern of failed trades is related to short selling; and • the designation would be in the interest of maintaining a fair and orderly market.	trade prior to the entry of the order. In determining whet her to make such a designation, the Market Regulator shall consider whether: • based on information known to the Market Regulator, there is an increase in the number, value or volume of failed trades in the particular security by more than one Participant or Access Person; • the number or pattern of failed trades is related to short selling; and • the designation would be in the interest of maintaining a fair and orderly market.
Policy 2.2. – Manipulative and Deceptive Activities **Part 1 – Manipulative or Deceptive Method, Act or Practice** There are a number of activities which, by their very nature, will be considered to be a manipulative or deceptive method, act or practice. For the purpose of subsection (1) of Rule 2.2 and without limiting the generality that subsection, the following activities when undertaken on a marketplace constitute a manipulative or deceptive method, act or practice: (a) making a fictitious trade; (b) effecting a trade in a security which involves no change in the beneficial or economic ownership; and (c) effecting trades by a single interest or group with the intent of limiting the supply of a security for settlement of trades made by other persons except at prices and on terms arbitrarily dictated by such interest or group. If persons know or ought reasonably to know that they are engaging or participating in these or similar types of activities those persons will be in breach of subsection (1) of Rule 2.2 irrespective of whether such method, act or practice results in a false or misleading appearance of trading activity or interest in the purchase or sale of a security or an artificial ask price, bid price or sale price for a security or a related security.	**Policy 2.2. – Manipulative and Deceptive Activities** **Part 1 – Manipulative or Deceptive Method, Act or Practice** There are a number of activities which, by their very nature, will be considered to be a manipulative or deceptive method, act or practice. For the purpose of subsection (1) of Rule 2.2 and without limiting the generality that subsection, the following activities when undertaken on a marketplace constitute a manipulative or deceptive method, act or practice: (a) making a fictitious trade; (b) effecting a trade in a security which involves no change in the beneficial or economic ownership; and (c) effecting trades by a single interest or group with the intent of limiting the supply of a security for settlement of trades made by other persons except at prices and on terms arbitrarily dictated by such interest or group~~; and~~ ~~(d) purchasing a security with the intention of making a sale of the same or a different number of units of the security or a related security on a marketplace at a price which is below the price of the last sale of a standard trading unit of such security displayed in a consolidated market display~~. If persons know or ought reasonably to know that they are engaging or participating in these or similar types of activities those persons will be in breach of subsection (1) of Rule 2.2 irrespective of whether such method, act or practice results in a false or misleading appearance of trading activity or interest in the purchase or sale of a security or an artificial ask price, bid price or sale price for a security or a related security.

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

Appendix "C"

Reconciliation of UMIR and Proposed Amendments to the IOSCO Recommendations on Regulation of Short Sales

IOSCO Principle/Report Section	Specific Recommendations	Description of UMIR Provisions	
		Existing Provisions	Additional Commentary and Suggested Proposals
Definition	***The Report recognizes that not all jurisdictions consider the same activities to be "short selling". The Report considers "short selling" to be the sale of stock that the seller does not own at the point of sale. The provisions under UMIR differ in the following areas:***	The UMIR provisions contain a more expansive definition of "short sale" than most jurisdictions, including the United States. As a result, the number of short sales will be higher in Canada than would be the case if the definition in the United States applied. In Canada, this means the person making the sale generally must have a "reasonable expectation" of settlement at the time of the sale. In the United States, the sales are treated as "long" even in circumstances when a failure of settlement is contemplated at the time of the sale.	
	Ownership of securities subject to a resale restriction imposed by securities legislation or a marketplace	Sale of any security subject to a resale restriction is a short sale and the seller must have a "reasonable expectation" of being able to settle at time of the sale.	In the US, the sale of certain "restricted" securities is considered a sale from a long position. Even under Rule 204 of Regulation SHO, a dealer is given an additional 36 days following failure to close out the position arising from the sale of certain "restricted" securities.
	Interpretation of "exercise" of option, right or warrant	The holder of an option, right or warrant must have taken all steps to "exercise" the option, right or warrant including the payment of money before the person is considered "long". Similar provisions apply when a person is to acquire securities as a result of "tendering" or "converting".	In the United States, the practice is that securities which are the subject of an option can be sold in the market from a "long" position and the proceeds of sale used to pay for the securities.
	Securities "unavailable" until after settlement date	If securities would, in the ordinary course, not be available until after the scheduled settlement date, the trade is a short sale and the seller must have a "reasonable expectation" of being able to settle at the time of the sale.	The additional restrictions in Canada that apply before a person is considered "long" increase the proportion of short sales and require the Participant to take steps to have a "reasonable expectation" of being in a position to settle. Even under Rule 204, a dealer in the US is given an additional 3 days following failure to close out the position arising from the sale of "unavailable" securities.

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		Existing Provisions	Additional Commentary and Suggested Proposals
Principle 1	***Short selling activities should be subject to appropriate controls to reduce or minimise the potential risks that could affect the orderly and efficient functioning and stability of financial markets.***		
3.7	"Effective discipline for settlement of short selling transactions is the first pillar for an effective short selling regime.	If a short sale is made without a "reasonable expectation" of settlement, UMIR provides that the trade constitutes manipulative and deceptive activity contrary to Rule 2.2 of UMIR.	Studies by IIROC found that, in Canada, a short sale was significantly less likely to fail than trades from long positions, generally. In part, this result is due to the fact that short selling is concentrated in those classes of securities with the lowest trade failure rates (senior listed equity securities). Historically, failure rates in Canada have been less than those in the United States. The implementation of Rule 204 significantly reduced US trade failure rates to the extent that US rates may now be less than the prevailing failure rates in Canada. However, studies by IIROC found that failure rates varied significantly amongst securities. "Junior" securities were, for instance, found to have the highest rates. Increases in the proportion of trading accounted for by junior securities since early 2009 have resulted in slightly higher overall failure rates in Canada, without changing the underlying patterns.
3.13	In some jurisdictions, settlement of failed trades achieved by compulsory buy-in or close-out provisions. In some markets, the process is initiated by either the securities settlement system or the buyer who has not received the securities. Some markets impose a monetary penalty.	CDS has "buy-in" provisions which, if initiated by the purchaser who has failed to receive, are mandatory on the defaulting dealer.	As indicated in the studies undertaken by IIROC, the number of trades executed on marketplaces has increased dramatically over the three-year period - May of 2007 to April 2010 - from approximately 10,000,000 trades per month to almost 30,000,000 trades while the number of initial buy-in notices received by CDS in connection with trade failures has remained relatively constant in the range of 30,000 to 40,000 notices per month. Studies by IIROC also indicated that the majority of trade failures arose out of "administrative error" and were readily resolved. For this reason, a "hard" close-out requirement

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			has the effect of transferring the cost to dealers that have failed to settle for "innocent" reasons. One proposal considered by IIROC was the introduction of a "capital charge" on the dealer that failed to receive the security which would act as an incentive for that dealer to exercise its buy-in rights. Another option considered was the introduction of an administrative penalty to be imposed on the dealer that failed to deliver. Neither option was pursued given the reasons for settlement failure and the rates of failure. IIROC was of the opinion that, if the underlying patterns for trade failure in Canada showed signs of increasing, a simplified "penalty" would be the preferred option but that consideration might also be given to a "capital charge" on one or both sides of the failed trade.
3.14	Encourages the adoption of T+3 as the standard settlement cycle.	T+3 is the standard settlement cycle provided for under UMIR.	Studies by IIROC have indicated that trades which are subject to "special terms", including those related to settlement, have a higher likelihood of settlement failure than "ordinary" trades.
3.16	To support "strict settlement", regulators could adopt eligibility criteria for stocks eligible for short selling, pre-borrowing or 'locate' requirements, price restrictions or "flagging" as appropriate for individual markets.	Under UMIR, all short sales must be "marked" (either as a "short" sale subject to price restrictions or as "short exempt"). UMIR presently provides that a security may be designated as a "Short Sale Ineligible Security" (which precludes any short sale of the particular security subject to certain enumerated exceptions). Unless designated as a "Short Sale Ineligible Security", the security may be sold short.	Given the historic rates of trade failure, studies by IIROC supported the conclusion that general requirements related to "pre-borrowing" or "locate" of securities were not warranted in the Canadian setting. Under the Proposed Amendments, IIROC is proposing to require a pre-borrowing requirement for short sales but its application would be restricted to persons who had executed an "extended failed trade" in any security (i.e. a fail that has persisted for 10 days following the intended settlement date) or in respect of securities with increases in rates of trade failure and short sale activity. While IIROC is proposing to proceed with the repeal of price restrictions on short sales, IIROC is proposing that the existing

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			"short exempt" marker be used to identify the purchase or sale of a security by an account that is active in the security but essentially, in the ordinary course, aims to be "flat" holdings of a particular security at the end of each trading day (such as arbitrage account, market makers, odd lot dealers and high frequency traders). This would simplify the marking of orders for certain accounts and remove the "chaff" from IIROC's monitoring of short sale activity. (IIROC would also be in a position to monitor the relative buying and selling activity of "short-marking exempt" accounts in a particular security throughout a trading day.)
Principle 2	***Short selling should be subject to a reporting regime that provides timely information to the market or to market authorities.***		
3.17	To achieve "enhanced and meaningful" reporting, should consider reporting short selling information to the market (or at a minimum, to market authorities).	UMIR currently requires the marking of all short sales and this marker is displayed to IIROC but not included in the public display.	IIROC has been pursing the introduction of trading summaries of short sales for particular securities (aggregated by trading activity across all marketplaces trading the security). One of the objectives of providing this information is to demonstrate to the investing public that there are established patterns for different classes of securities (e.g. those included in an "investable" index, underlying interests of a listed option, inter-listed with markets outside of Canada). These patterns reflect hedging, arbitrage and market making activities, together with the liquidity profile of the particular security. IIROC hopes to be in a position by the implementation date of the Proposed Amendments, to publicly provide such reports on a semi-monthly basis. IIROC continues to encourage the marketplaces to publicly provide information on a more frequent basis and ideally in a consolidated report.
3.19	Recognize that information on short selling may mislead the	Attempting to "corner" the market to affect a short	IIROC believes that the important element in short sale data is the

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	market and expose the seller to a "short squeeze".	squeeze is presently recognized as a manipulative and deceptive activity that is prohibited under UMIR.	underlying pattern or trend. Daily information for a particular security can be distorted by the effects of a small number of trades, particularly with securities of limited liquidity or high volatility. IIROC continues to believe that the "short sale" and "short-marking exempt" flags should not be included in the public order display but must continue to be available to IIROC in real-time.
3.22	Reporting system could be based on "flagging" or "short position" or a comprehensive regime could adopt both models.	IIROC continues to pursue the introduction of trading summaries based on "marked" short sales. UMIR requires that Participants and Access Persons file short position reports on a bi-monthly basis.	In 2007, IIROC had proposed to repeal the requirement for short position reports to be effective following the introduction of an "adequate replacement" (such as the short sale trading summary reports). IIROC is withdrawing the proposed repeal. While the Consolidated Short Position Report is "flawed", relatively costly and cumbersome to compile, IIROC recognizes that the reports are a source of information with an established history. For this reason, the proposed trading summaries of "short sales" for each listed security would be provided semi-monthly to correspond with the reporting period for the Consolidated Short Position Report.
3.23.1	Reporting which excludes derivatives may not provide full picture and "induce a migration of trading activities to the derivatives market".	UMIR does not require information on derivative positions to be included in the short position report.	Information on the outstanding interest in listed derivatives is already publicly available. IIROC acknowledges that there is no source of information on positions subject to over-the-counter derivatives.
3.23.2	Including derivatives would increase complexity and have practical issues associated with collection of derivative data. Recommends assessment of the balance of difficulties and benefits.	UMIR presently exempts from execution on a marketplace transactions related to the exercise of an option or other derivative transaction.	The OSC/CSA have considered proposals to replace the Canadian Unlisted Board with a more comprehensive national trade reporting regime. IIROC has indicated that such an initiative, if IIROC were to act as administrator, could be dovetailed with a more comprehensive reporting of trades of listed securities which have been executed off-marketplace (including on the exercise of OTC derivatives or execution outside of Canada that has not been

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			reported in that foreign jurisdiction). IIROC does not expect that this initiative will be actively pursued in the foreseeable future.
3.23.3	Recommends consideration of objective and usage of data collected in determining whether reporting of short position on gross or net basis is more appropriate.	UMIR requires the reporting of short positions on a gross basis.	
3.23.5	Trigger level for reporting and frequency of reporting must balance costs of compliance with provision of useful information to "reduce the risk of manipulative and other unfair trading practices".	UMIR does not require "holder" level reporting. When appropriate, this information is obtained from the dealer providing the short position report.	The Consolidated Short Position Report has not proven to be a useful tool for monitoring or investigative purposes. Introducing additional account level requirements would not provide information that was more timely or meaningful than the enhancement of the information available through the monitoring of "marked" trades both in real-time time and on post-trade analysis. IIROC has had outstanding, since April of 2007, a proposal that would require the unique identifier of each Direct Market Access ("DMA") client to be included with each order, including short sales. This proposal would formalize the practice adopted by marketplaces that require the DMA account identified on the order. The inclusion of DMA account information allows real-time monitoring of account level activity of institutional accounts for all requirements and not just short sales. There is also a comprehensive database for post-trade analysis. In the view of IIROC, the monitoring of short sales should be integrated into surveillance systems which already monitor for anomalous price or volume movements in a particular security in real-time. In particular, IIROC is developing an alert which will consider increases in the rate of short selling in conjunction with declines in market price. The alert will help identify in real-time situations that may require further regulatory action (including possible

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			designation of the security as "Pre-Borrow Security" or "Short Sale Ineligible Security").
3.23.6	Triggers and threshold levels may need to be fine-tuned as more experience is gained.	N/A	The thresholds and triggers proposed or adopted in other jurisdictions do not reflect the divergent patterns of short selling/short positions between marketplaces and classes of securities. For example, the most common proposed threshold is if the short position of a person exceeds 0.25% of issued share capital of the issuer. By comparison, in March of 2009, the average short position in a security listed on the TSX Venture Exchange was 0.010% of issued capital.
3.23.7	Reporting should be done as soon as practicable.	N/A	Studies by IIROC indicated that short selling is not a significant contributing factor in the decline of prices in the Canadian market, even during periods of rapid price decline, such as during the second half of 2008. In fact, short selling and short positions declined dramatically during this period particularly in respect of the "junior" securities which were perceived to be the most vulnerable to short selling abuse.
3.23.8	Reporting should be by the "holder" of the short position (as brokers may not have complete information) but recognize that authorities may not have jurisdiction over the "ultimate" holder.	N/A	The jurisdiction of IIROC is limited to Participants and Access Person and does not extend to investors. However, IIROC continues to believe that the most effective tool to avoid abusive short selling is to monitor trading activity in real-time, so that abusive activity can be detected quickly and regulatory action taken, when appropriate, in a timely manner.
3.25	As brokers are responsible for "flagging", may be easier to monitor compliance with flagging of short sales as compared to short position reporting.	Trade Desk reviews and audits of Participants monitor "marking" and "short position reporting" compliance.	"Holder" level reporting is really only relevant if the shorting activity is of a nature or extent that it is impacting market prices. If such an impact is observed, account level information can be requested from the Participant.
3.26	Flagging may not help in assessing outstanding short positions or large individual	N/A. UMIR currently requires each dealer to prepare a short position report which is	IIROC's ability to identify institutional DMA clients on orders is an important factor in

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	positions.	aggregated with other reports in the Consolidated Short Position Report.	creating real-time monitoring and the ability to determine trading patterns. IIROC is proposing to withdraw their proposal to repeal the short position report. As such, IIROC will be able to monitor changes in the short positions of individual securities and to then supplement that data with information from the trading summaries.
Principle 3	***Short selling should be subject to an effective compliance and enforcement system.***		
3.28	View that instituting a strict settlement of failed trades "is one of the pillars of a short selling regulatory regime". Regular monitoring and inspections of settlement failures is important, especially for those firms which frequently fail to deliver.	UMIR makes Participant responsible for settlement of each trade and provides that they must have a "reasonable expectation" of settlement at the time of order entry. UMIR will require Participants to report with respect to positions that have not been rectified within 10 days of the intended settlement date.	IIROC monitors trade failure rates generally, based on information provided by CDS. CDS and the OSC are developing a database of daily initial trade failure reports involving the continuous net settlement facilities of CDS. Access to this database would permit IIROC to determine, from time to time, patterns of failure among Participants and securities. IIROC will also be able to establish patterns with respect to "extended failed trades" based on reports filed with IIROC regarding these positions and their resolution. IIROC has set June 1, 2011 as the implementation date of the "extended failed trade reporting" system (other than for trades using the "Trade for Trade" settlement system at CDS which will be implemented at a later date).
3.30	Where there is a "flagging" regime appropriate parties should be required to maintain books and records of short sales for a sufficient period of time.	UMIR requires that order information be retained for a period of seven years and during the first two years the retention must be in a "readily accessible location".	The UMIR requirements complement National Instrument 23-101 requirements which deal with the maintenance of order and trade information not otherwise covered by UMIR (e.g. orders and trades involving derivatives).
3.31	Encourages establishment of a mechanism to analyse the information obtained from flagging or short position reporting to identify potential market abuses and systemic risk.		Historically, IIROC has analysed the data with respect to short sales to establish trends and patterns and has periodically provided the results of this analysis to the securities regulatory authorities and published relevant portions of the

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			data in reports. IIROC will be introducing a new alert to monitor for a combination of price movement and changes in patterns of short selling. A Surveillance Officer will then be able to determine, in real-time, if abusive short selling is contributing to a significant price decline for a particular security. IIROC has an "unreasonable" price policy under which IIROC may undertake a "regulatory intervention" if there is unreasonable trading or trading which is not in compliance with UMIR. IIROC is proposing to make the policy for regulatory intervention more publicly transparent through the issuance of guidance. The regulatory intervention policy is both general and comprehensive and is triggered by any "unexplained" price movement and not just price declines resulting from short selling activity.
Principle 4	***Short selling regulation should allow appropriate exceptions for certain types of transactions for efficient market functioning and development.***		
3.37	Short selling regulation regime should "not stifle legitimate short selling activities".		Based on the studies and monitoring undertaken by IIROC, it would appear that the perceived abuses that manifested themselves in other jurisdictions were not evident in the Canadian market. IIROC is therefore reluctant to propose additional administrative and regulatory burdens to address problems which do not presently exist. IIROC recognizes that it must continue to monitor trading activity and be in a position to respond (either on its own or in combination with the CSA, CDS and/or marketplaces) should such problems develop in the Canadian context.
3.38	Should be appropriate exceptions for hedging, market	UMIR provides exceptions from price restrictions on short sales	

IOSCO Principle/Report Section	Specific Recommendations	Description of UMIR Provisions	
		Existing Provisions	Additional Commentary and Suggested Proposals
	making and arbitrage. Suggest consideration of whether failed trades arising from market making activities should be allowed more time to settle or be exempt from price restrictions.	for hedging, market making and arbitrage. Additional exceptions are provided for various specialty type orders, Exchange-traded Funds and to satisfy displacement obligations imposed under the "best price" rules of UMIR. Comparable exceptions (other than for specialty orders) apply to the ability to make a short sale of a Short Sale Ineligible Security.	
3.39	While exempted activities may need to be covered by reporting to regulators consideration should be given to exemptions from "public disclosure" to protect interests of parties engaged in the activity.	Under UMIR, the short sale "markings" are not to be included in the public display. However, all "markings" are visible to IIROC for its monitoring activities.	Under the Proposed Amendments, IIROC is proposing a separate "flagging" marker for the purchase or sale by an account that in the ordinary course does not "carry a position" (such as market makers, arbitrageurs and certain institutional accounts that adopt a "directionally neutral" strategy in the trading of securities). This separate category will allow IIROC to monitor the trading activities of this group of persons separate from traditional short selling activity. This separate marking for "short-marking exempt orders" would not be available to the public.
3.40	Exemptions should be clearly defined (particularly in respect of "market making" and "hedging" activities).	UMIR defines "Market Maker Obligations" by reference to Exchange rules. UMIR does not provide exceptions for "informal" market makers. Hedging activities are limited to recognized "derivatives market maker" and "Program Trades" as defined by Exchange rules.	IIROC is presently proposing to replace the definition of "Market Maker Obligations" with a new defined term "Marketplace Trading Obligations" which has been expanded to take into account odd lot and other trading obligations imposed pursuant to a contact between marketplaces and their members or users.

13.1.2 OSC Staff Notice of Approval – IIROC Housekeeping Amendments to Form 1 to Adopt CAS for the Audits of Regulatory Financial Statements

OSC STAFF NOTICE OF COMMISSION APPROVAL

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

HOUSEKEEPING AMENDMENTS TO FORM 1
TO ADOPT CANADIAN AUDITING STANDARDS (CAS) FOR THE
AUDITS OF REGULATORY FINANCIAL STATEMENTS FORM 1

The Ontario Securities Commission approved the IIROC's housekeeping amendments to Form 1 to adopt CAS for the audits of regulatory financial statements. The Alberta Securities Commission, the Autorité des marches financiers, the Newfoundland and Labrador Securities Division, the New Brunswick Securities Commission, the Nova Scotia Securities Commission and the Saskatchewan Financial Services Commission also approved the amendments. The British Columbia Securities Commission did not object to the amendments.

The objective of the amendments is to amend the sample auditors' reports that are used in the filing of both current CGAAP-based and IFRS-based versions of Form 1. These amendments result in the replacement of the former Part I and Part II auditors' reports with two new auditors' reports that are in compliance with the new CAS which came into effect for audits of financial statements for periods ending on or after December 14, 2010.

A copy of the IIROC Notice is attached as Appendix A, including the amended Forms.

Appendix A

IIROC NOTICE

RULES NOTICE

NOTICE OF APPROVAL / IMPLEMENTATION

AMENDMENTS TO FORM 1 TO ADOPT CAS FOR THE AUDITS OF REGULATORY FINANCIAL STATEMENTS

11-0064
February 14, 2011

Amendments to Form 1 to adopt CAS for the audits of regulatory financial statements

On January 27, 2011, the Board of Directors (the Board) of the Investment Industry Regulatory Organization of Canada (IIROC) approved the housekeeping amendments to Form 1 to adopt Canadian Auditing Standards (CAS) for the audits of regulatory financial statements (prepared under both the current CGAAP-based Form 1 and the proposed IFRS-based Form 1). The housekeeping amendments are to the sample auditors' reports to be used in the filing of both current CGAAP-based and proposed IFRS-based versions of Form 1 and are effective for periods ending on or after December 14, 2010.

Summary of the nature and purpose of the amendments

Canada adopted the CASs for the audits of financial statements and other historical financial information for periods ending on or after December 14, 2010. The CASs are now effective in Canada and are Canadian generally accepted auditing standards. In order to adopt the CASs for the purposes of auditor reporting to IIROC on Dealer Member Form 1 filings, the Canadian Institute of Chartered Accountants (CICA) and the Broker Auditor Committee revised the Form 1 auditor's reports in the fall of 2010. These reports are adopted by IIROC as a "housekeeping" rule proposal. IIROC staff have classified the amendments as "housekeeping" in nature as the amendments:

- while material to the auditing profession, do not represent material change to the scope or quality of the opinion that IIROC will be provided by the auditors;
- have no material impact on investors, issuers, Dealer Members or the capital markets in any province or territory of Canada; and
- are reasonably necessary to ensure IIROC Rules conform to applicable securities legislation, statutory or legal requirements.

These amendments result in the replacement of the former Part I and Part II auditors' reports with two new auditor's reports that are in compliance with CAS.

For the CGAAP-based Form 1, the first auditor's report will provide the auditor's opinion on Statements A, E and F - the balance sheet, the income statement and the changes in equity. The second auditor's report will provide the auditor's opinion on Statements B, C, D and G - the regulatory reports covering risk adjusted capital (RAC), early warning excess (EWE) and early warning reserve (EWR), the free credit segregation amount and subordinated loans. As the Schedules are an integral part of the Statements, the auditor's reports will encompass these Schedules by references from the Statements.

For the IFRS-based Form 1, the first auditor's report will provide the auditor's opinion on Statements A, E and F - the balance sheet, the income statement and the changes in equity. The second auditor's report will provide the auditor's opinion on Statements B, C and D - the regulatory reports covering risk adjusted capital (RAC), early warning excess (EWE) and early warning reserve (EWR) and the free credit segregation amount. As the Schedules are an integral part of the Statements, the auditor's reports will encompass these Schedules by references from the Statements.

The housekeeping amendments to the current CGAAP-based Form 1 and the proposed IFRS-based Form 1 are set out in Attachment A and Attachment B, and a black-line copy of each is set out in Attachment C and Attachment D.

Attachment A

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

AMENDMENTS TO FORM 1 TO ADOPT CAS FOR THE AUDITS OF REGULATORY FINANCIAL STATEMENTS

PROPOSED AMENDMENTS (HOUSEKEEPING)

1. Part I – Auditors' Report of Form 1 and Part II – Auditors' Report of the current CGAAP-based Form 1 are amended by repealing and replacing it with the attached.

FORM 1 – INDEPENDENT AUDITOR'S REPORT FOR STATEMENTS A, E AND F

To: Investment Industry Regulatory Organization of Canada and Canadian Investor Protection Fund

We have audited the accompanying Statements of _____, which comprise of:
(Dealer Member)

Statement A - Statement of assets and of liabilities and shareholder/partner capital as at
_____ and _____
(date) (date)

Statement E - Summary statement of income for the years ended
_____ and _____
(date) (date)

Statement F - Statement of changes in capital and retained earnings (corporations) or undivided profits (partnerships) for the year ended
_____
(date)

and a summary of significant accounting policies and other explanatory information. These Statements have been prepared by management based on the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.

Management's responsibility for the Statements

Management is responsible for the preparation and fair presentation of these Statements in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada and for such internal control as management determines is necessary to enable the preparation of Statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these Statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Dealer Member's preparation and fair presentation of the Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Dealer Member's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Statements present fairly, in all material respects, the financial position of _____
(Dealer Member)
as at _____ and _____ and the results of its operations for the years
(date) (date)
then ended in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.

Going Concern
[Note: SIRFF to allow for auditor to include emphasis of matter paragraph for Going concern – this is an option for auditors but not part of the standard report]

Without modifying our opinion, we draw attention to Note _____ (note) in the Statements which indicates that

_____ (Dealer Member) incurred a net loss of _____ ($ amount) during the year ended _____ (date) and, as of that date, _____ (Dealer Member's) current liabilities exceeded its total assets by _____ ($ amount). These conditions, along with other matters as set forth in Note _____ (note), indicate the existence of a material uncertainty that may cast significant doubt about _____ (Dealer Member's) ability to continue as a going concern.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note _____ (note) to the Statements which describes the basis of accounting. The Statements are prepared to assist _____ (Dealer Member) to meet the requirements of the Investment Industry Regulatory Organization of Canada. As a result, the Statements may not be suitable for another purpose. Our report is intended solely for _____ (Dealer Member), the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund and should not be used by parties other than _____ (Dealer Member), the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund.

[Note: SIRFF to allow for auditor to include other potential Emphasis of Matter and Other Matter paragraphs should one be required under the CASs or determined appropriate by the auditor to be included in the auditor's report. Such wording would be agreed upon with the Corporation prior to the filing of Form 1.]

Unaudited Information

We have not audited the information in Schedules 13 and 15 of Part II of Form 1 and accordingly do not express an opinion on these schedules.

_____
(Audit Firm)

_____
(signature)

_____
(date)

_____
(address)

FORM 1 – INDEPENDENT AUDITOR'S REPORT FOR STATEMENTS B, C, D AND G

To: Investment Industry Regulatory Organization of Canada and Canadian Investor Protection Fund

We have audited the accompanying Statements of Form 1 (the "Statements") of _____ (Dealer Member),

which comprise of:

Statement B - Statement of net allowable assets and risk adjusted capital as at _____ (date) and _____ (date)

Statement C - Statement of early warning excess and early warning reserve as at _____ (date)

Statement D - Statement of free credit segregation amount as at _____ (date)

Statement G - Statement of changes in subordinated loans for the year ended _____ (date)

These Statements have been prepared by management based on the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.

Management's Responsibility for the Statements

Management is responsible for the preparation of the Statements of Form 1 in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada, and for such internal control as management determines is necessary to enable the preparation of Statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the Statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Dealer Member's preparation of the Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Dealer Member's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

Opinion

In our opinion, the financial information in Statement B as at _____ (date) and _____ (date), Statements C and D as at _____ (date) and in Statement G for the year ended _____ (date) is prepared, in all material respects, in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.

FORM 1 – INDEPENDENT AUDITOR'S REPORT FOR STATEMENTS B, C, D AND G

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note _____ to the Statements which describes the basis of
(note)
accounting. The Statements are prepared to assist _____ to meet the requirements of the
(Dealer Member)
Investment Industry Regulatory Organization of Canada. As a result, the Statements may not be suitable for another purpose. Our report is intended solely for _____, the Investment Industry Regulatory
(Dealer Member)
Organization of Canada and the Canadian Investor Protection Fund and should not be used by parties other than _____, the Investment Industry Regulatory Organization of Canada and the
(Dealer Member)
Canadian Investor Protection Fund.

_____
(Audit Firm)

_____
(signature)

_____
(date)

_____
(address)

FORM 1 – INDEPENDENT AUDITOR'S REPORTS

NOTES AND INSTRUCTIONS

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

Alternate forms of Auditor's Reports are available online from within the web-based Securities Industry Regulatory Financial Filings system (SIRFF).

Any limitations in the scope of the audit must be discussed in advance with the Corporation. Discretionary scope limitations will not be accepted. Any other potential emphasis of matter and other matter paragraphs in the auditor's reports must be discussed in advance with the Corporation.

One copy of the auditor's reports with original signatures must be provided to the Corporation and another copy with original signatures must be provided to CIPF.

Attachment B

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

AMENDMENTS TO FORM 1 TO ADOPT CAS FOR THE AUDITS OF REGULATORY FINANCIAL STATEMENTS

PROPOSED AMENDMENTS (HOUSEKEEPING)

1. The auditor's reports for the proposed IFRS-based Form 1 are adopted as attached.

FORM 1 – INDEPENDENT AUDITOR'S REPORT FOR STATEMENTS A, E AND F

To: Investment Industry Regulatory Organization of Canada and Canadian Investor Protection Fund

We have audited the accompanying Statements of _____, which comprise the
(Dealer Member)
statement of financial position (Statement A) as at _____ and the statement of
(date)
income and comprehensive Income (Statement E) and statement of changes in capital and retained earnings (Statement F) for the year then ended _____ and a summary of significant accounting policies
(date)
and other explanatory information. These Statements have been prepared by management based on the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.

Management's responsibility for the Statements

Management is responsible for the preparation and fair presentation of these Statements in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada and for such internal control as management determines is necessary to enable the preparation of Statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these Statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Dealer Member's preparation and fair presentation of the Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Dealer Member's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Statements present fairly, in all material respects, the financial position of _____
(Dealer Member)
as at _____ and the results of its operations for the year then ended in accordance with the
(date)
financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.

Going Concern
[Note: SIRFF to allow for auditor to include emphasis of matter paragraph for Going concern – this is an option for auditors but not part of the standard report]

Without modifying our opinion, we draw attention to Note _____ in the Statements which indicates that
(note)
_____ incurred a net loss of _____
(Dealer Member) ($ amount)
during the year ended _____ and, as of that date, _____
(date) (Dealer Member's)
current liabilities exceeded its total assets by _____. These conditions, along with other matters as
($ amount)
set forth in Note _____, indicate the existence of a material uncertainty that may cast significant doubt about
(note)
_____ ability to continue as a going concern.
(Dealer Member's)

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note _____ to the Statements which describes the basis of
(note)
accounting. The Statements are prepared to assist _____ to meet the requirements of the
(Dealer Member)
Investment Industry Regulatory Organization of Canada. As a result, the Statements may not be suitable for another purpose. Our report is intended solely for _____, the Investment Industry Regulatory
(Dealer Member)
Organization of Canada and the Canadian Investor Protection Fund and should not be used by parties other than _____, the Investment Industry Regulatory Organization of Canada and the
(Dealer Member)
Canadian Investor Protection Fund.

[Note: SIRFF to allow for auditor to include other potential Emphasis of Matter and Other Matter paragraphs should one be required under the CASs or determined appropriate by the auditor to be included in the auditor's report. Such wording would be agreed upon with the Corporation prior to the filing of Form 1.]

Unaudited Information

We have not audited the information in Schedules 13 and 15 of Part II of Form 1 and accordingly do not express an opinion on these schedules.

_____
(Audit Firm)

_____
(signature)

_____
(date)

_____
(address)

FORM 1 – INDEPENDENT AUDITOR'S REPORT FOR STATEMENTS B, C AND D

To: Investment Industry Regulatory Organization of Canada and Canadian Investor Protection Fund

We have audited the accompanying Statements of Form 1(the "Statements") of _____
(Dealer Member)

as at _____:
(date)

Statement B – Statement of Net Allowable Assets and Risk Adjusted Capital

Statement C – Statement of Early Warning Excess and Early Warning Reserve

Statement D – Statement of Free Credit Segregation Amount

These Statements have been prepared by management based on the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.

Management's Responsibility for the Statements

Management is responsible for the preparation of the Statements of Form 1 in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada, and for such internal control as management determines is necessary to enable the preparation of Statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the Statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Dealer Member's preparation of the Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Dealer Member's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

Opinion

In our opinion, the financial information in Statements B, C and D of Form 1 as at ____(year end)___ is prepared, in all material respects, in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.

FORM 1 – INDEPENDENT AUDITOR'S REPORT FOR STATEMENTS B, C AND D

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note _____ to the Statements which describes the basis of
(note)
accounting. The Statements are prepared to assist _____ to meet the requirements of the
(Dealer Member)
Investment Industry Regulatory Organization of Canada. As a result, the Statements may not be suitable for another purpose. Our report is intended solely for _____, the Investment Industry Regulatory
(Dealer Member)
Organization of Canada and the Canadian Investor Protection Fund and should not be used by parties other than _____, the Investment Industry Regulatory Organization of Canada and the
(Dealer Member)
Canadian Investor Protection Fund.

_____
(Audit Firm)

_____
(signature)

_____
(date)

_____
(address)

FORM 1 – INDEPENDENT AUDITOR'S REPORTS

NOTES AND INSTRUCTIONS

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

Alternate forms of Auditor's Reports are available online from within the web-based Securities Industry Regulatory Financial Filings system (SIRFF).

Any limitations in the scope of the audit must be discussed in advance with the Corporation. Discretionary scope limitations will not be accepted. Any other potential emphasis of matter and other matter paragraphs in the auditor's reports must be discussed in advance with the Corporation.

One copy of the auditor's reports with original signatures must be provided to the Corporation and another copy with original signatures must be provided to CIPF.

Attachment C

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

AMENDMENTS TO FORM 1 TO ADOPT CAS FOR THE AUDITS OF REGULATORY FINANCIAL STATEMENTS

BLACK-LINE COPY OF PROPOSED AMENDMENTS TO CGAAP-BASED FORM 1

~~**JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT**~~
~~**PART I – AUDITORS' REPORT**~~ **FORM 1 – INDEPENDENT AUDITOR'S REPORT FOR STATEMENTS A, E AND F**

~~TO: The _____ and the Canadian Investor Protection Fund.~~
~~*(applicable regulatory body)*~~
~~We have audited the following Part I financial statements of _____;~~
~~*(firm)*~~
~~Statement A - Statements of assets and of liabilities and shareholder/partner capital as at~~
~~_____ and _____;~~
~~*(date)* *(date)*~~
~~Statement B - Statements of assets and of liabilities and shareholder/partner capital as at~~
~~_____ and _____;~~
~~*(date)* *(date)*~~
~~Statement C - Statement of early warning excess and early warning reserve as at~~
~~_____;~~
~~*(date)*~~
~~Statement D - Statement of free credit segregation amount as at~~
~~_____;~~
~~*(date)*~~
~~Statement E - Summary statements of income for the years ended~~
~~_____ and _____;~~
~~*(date)* *(date)*~~
~~Statement F - Statement of changes in capital and retained earnings (corporations) or undivided profits (partnerships) for the year ended _____; and~~
~~*(date)*~~
~~Statement G - Statement of changes in subordinated loans for the year ended~~
~~_____.~~
~~*(date)*~~

~~These financial statements have been prepared for the purpose of complying with the regulations, bylaws and policies of~~

To: Investment Industry Regulatory Organization of Canada and Canadian Investor Protection Fund

We have audited the accompanying Statements of _____, which comprise of:
(Dealer Member)
Statement A - Statement of assets and of liabilities and shareholder/partner capital as at
_____ and _____
(date) (date)
Statement E - Summary statement of income for the years ended
_____ and _____
(date) (date)
Statement F - Statement of changes in capital and retained earnings (corporations)
or undivided profits (partnerships) for the year ended
_____
(date)
and a summary of significant accounting policies and other explanatory information. These Statements have been prepared by management based on the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.

Management's responsibility for the Statements

Management is responsible for the preparation and fair presentation of these Statements in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of

Canada and for such internal control as management determines is necessary to enable the preparation of Statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

~~the _____. These financial statements are the responsibility of the~~
~~*(applicable regulatory body)*~~
~~Company's management.~~

Our responsibility is to express an opinion on ~~these financialstatements~~these Statements based on our ~~audits.~~audit. We conducted our ~~audits~~audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform ~~an~~the audit to obtain reasonable assurance about whether the ~~financial statements~~Statements are free ~~of~~from material misstatement.

An audit ~~includes examining, on a test basis,~~involves performing procedures to obtain audit evidence ~~supporting~~about the amounts and disclosures in the ~~financial statements. An audit also includes assessing the accounting principles used and significant~~Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Dealer Member's preparation and fair presentation of the Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Dealer Member's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall ~~financial statement presentation.~~presentation of the Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

~~In our opinion,~~

~~(a) The statements of assets and of liabilities and shareholders/partner capital and the summary statements of income present fairly, in all material respects, the financial position of the Company as at *(date)* and and the results of its operations for the years then ended in accordance with *(date)*~~

~~the basis of accounting disclosed in Note 2 to the financial statements.~~

~~(b) The statements of net allowable assets and risk and adjusted capital as at *(date)* and the statements of early warning excess and early warning reserve, free credit *(date)*~~

~~segregation amount, changes in capital and retained earnings (corporations) or undivided profits (partnerships), and changes in subordinated loans, either as at or for the year ended are presented *(date)* fairly, in all material respects, in accordance with the applicable instructions of the . *(applicable regulatory body)*~~

~~These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Company, the and the Canadian Investor Protection Fund to comply with *(applicable regulatory body)* the rules of the . The financial statements are not intended *(applicable regulatory body)* to be and should not be used by anyone other than the specified users or for any other purpose.~~

~~*(auditing firm name)* *(date)*~~

~~*(signature)* *(place of issue)*~~

In our opinion, the Statements present fairly, in all material respects, the financial position of _____ (Dealer Member) as at _____ (date) and _____ (date) and the results of its operations for the years then ended in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.

Going Concern

[Note: SIRFF to allow for auditor to include emphasis of matter paragraph for Going concern – this is an option for auditors but not part of the standard report]

Without modifying our opinion, we draw attention to Note _____ (note) in the Statements which indicates that _____ (Dealer Member) incurred a net loss of _____ ($ amount) during the year ended _____ (date) and, as of that date, _____ (Dealer Member's) current liabilities exceeded its total assets by _____ ($ amount). These conditions, along with other matters as set forth in Note _____ (note), indicate the existence of a material uncertainty that may cast significant doubt about _____ (Dealer Member's) ability to continue as a going concern.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note _____ (note) to the Statements which describes the basis of accounting. The Statements are prepared to assist _____ (Dealer Member) to meet the requirements of the Investment Industry Regulatory Organization of Canada. As a result, the Statements may not be suitable for another purpose. Our report is intended solely for _____ (Dealer Member), the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund and should not be used by parties other than _____ (Dealer Member), the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund.

[Note: SIRFF to allow for auditor to include other potential Emphasis of Matter and Other Matter paragraphs should one be required under the CASs or determined appropriate by the auditor to be included in the auditor's report. Such wording would be agreed upon with the Corporation prior to the filing of Form 1.]

Unaudited Information

We have not audited the information in Schedules 13 and 15 of Part II of Form 1 and accordingly do not express an opinion on these schedules.

_____
(Audit Firm)

_____
(signature)

_____
(date)

_____
(address)

FORM 1 – INDEPENDENT AUDITOR'S REPORT FOR STATEMENTS B, C, D AND G

To: Investment Industry Regulatory Organization of Canada and Canadian Investor Protection Fund

We have audited the accompanying Statements of Form 1 (the "Statements") of _____,
(Dealer Member)

which comprise of:

Statement B - Statement of net allowable assets and risk adjusted capital as at
_____ and _____
(date) (date)

Statement C - Statement of early warning excess and early warning reserve as at
_____
(date)

Statement D - Statement of free credit segregation amount as at
_____
(date)

Statement G - Statement of changes in subordinated loans for the year ended
_____
(date)

These Statements have been prepared by management based on the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.

Management's Responsibility for the Statements

Management is responsible for the preparation of the Statements of Form 1 in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada, and for such internal control as management determines is necessary to enable the preparation of Statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the Statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Dealer Member's preparation of the Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Dealer Member's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

Opinion

In our opinion, the financial information in Statement B as at _____ and _____,
(date) (date)
Statements C and D as at _____ and in Statement G for the year ended _____
(date) (date)
is prepared, in all material respects, in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.

FORM 1 – INDEPENDENT AUDITOR'S REPORT FOR STATEMENTS B, C, D AND G

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note _____ (note) to the Statements which describes the basis of accounting. The Statements are prepared to assist _____ (Dealer Member) to meet the requirements of the Investment Industry Regulatory Organization of Canada. As a result, the Statements may not be suitable for another purpose. Our report is intended solely for _____ (Dealer Member), the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund and should not be used by parties other than _____ (Dealer Member), the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund.

_____
(Audit Firm)

_____
(signature)

_____
(date)

_____
(address)

~~PART I~~FORM 1 – INDEPENDENT AUDITOR'S ~~REPORT~~REPORTS

NOTES AND INSTRUCTIONS

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

Alternate forms of Auditor's~~'~~ Reports are available ~~either~~ online from within the web-based Securities Industry Regulatory Financial Filings system (SIRFF) ~~or from the Joint Regulatory Body with primary audit jurisdiction~~.

Any limitations in the scope of the audit must be discussed in advance with the ~~appropriate regulatory authority.~~ Corporation. Discretionary scope limitations will not be accepted. Any other potential emphasis of matter and other matter paragraphs in the auditor's reports must be discussed in advance with the Corporation.

~~Copies~~

One copy of the auditor's reports with original signatures must be provided to the ~~Joint Regulatory Body with primary audit jurisdiction.~~Corporation and another copy with original signatures must be provided to CIPF.

JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT

PART II – AUDITORS' REPORT

TO: _____ and the Canadian Investor Protection Fund.
(applicable regulatory body)

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

The additional information set out in Part II of the Joint Regulatory Financial Questionnaire and Report – Schedules 1 to 14 (Part II – JRFQR) have been subjected to the procedures applied in the audit of Part I – JRFQR and in our opinion, presents fairly the information contained therein, in all material respects, in relation to Part I – JRFQR taken as a whole.

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

The additional information set out in Part II – JRFQR, which has not been, and was not intended to be, prepared in accordance with Canadian generally accepted accounting principles, is solely for the information and use of the Member, the Investment Dealers Association and the Canadian Investor Protection Fund to comply with the regulations, bylaws and policies of the Investment Dealers Association. The additional information set out in Part II – JRFQR is not intended to be and should not be used by anyone other than these specified users or for any other purpose.

_____	_____
(auditing firm name)	*(date)*
_____	_____
(signature)	*(place of issue)*

NOTES:

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

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

Copies with original signatures must be provided to the Joint Regulatory Body with primary audit jurisdiction.

Attachment D

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

AMENDMENTS TO FORM 1 TO ADOPT CAS FOR THE AUDITS OF REGULATORY FINANCIAL STATEMENTS

BLACK-LINE COPY OF PROPOSED AMENDMENTS TO IFRS-BASED FORM 1

~~**JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT**~~

~~**PART I – AUDITORS' REPORT**~~ **FORM 1 – INDEPENDENT AUDITOR'S REPORT FOR STATEMENTS A, E AND F**

~~TO: The _____ and the Canadian Investor Protection Fund.~~
~~*(applicable regulatory body)*~~
~~We have audited the following Part I financial statements of _____;~~
~~*(firm)*~~
~~Statement A - Statements of assets and of liabilities and shareholder/partner capital as at _____ and _____;~~
~~*(date)* *(date)*~~
~~Statement B - Statements of assets and of liabilities and shareholder/partner capital as at _____ and _____;~~
~~*(date)* *(date)*~~
~~Statement C - Statement of early warning excess and early warning reserve as at _____;~~
~~*(date)*~~
~~Statement D - Statement of free credit segregation amount as at _____;~~
~~*(date)*~~
~~Statement E - Summary statements of income for the years ended _____ and _____;~~
~~*(date)* *(date)*~~
~~Statement F - Statement of changes in capital and retained earnings (corporations) or undivided profits (partnerships) for the year ended _____; and~~
~~*(date)*~~
~~Statement G - Statement of changes in subordinated loans for the year ended _____.~~
~~*(date)*~~

~~These financial statements have been prepared for the purpose of complying with the regulations, bylaws and policies of~~

To: Investment Industry Regulatory Organization of Canada and Canadian Investor Protection Fund

We have audited the accompanying Statements of _____, which comprise the
(Dealer Member)
statement of financial position (Statement A) as at _____ and the statement of
(date)
income (Statement E) and statement of changes in capital and retained earnings (Statement F) for the year then ended _____ and a summary of significant accounting policies and other explanatory
(date)
information. These Statements have been prepared by management based on the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.

Management's responsibility for the Statements

Management is responsible for the preparation and fair presentation of these Statements in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada and for such internal control as management determines is necessary to enable the preparation of Statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

~~the _____ (applicable regulatory body) . These financial statements are the responsibility of the Company's management.~~

Our responsibility is to express an opinion on ~~these financialstatements~~these Statements based on our ~~audits.~~audit. We conducted our ~~audits~~audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform ~~an~~the audit to obtain reasonable assurance about whether the ~~financial statements~~Statements are free ~~of~~from material misstatement.

An audit ~~includes examining, on a test basis,~~ involves performing procedures to obtain audit evidence ~~supporting~~about the amounts and disclosures in the ~~financial statements. An audit also includes assessing the accounting principles used and significant~~Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Dealer Member's preparation and fair presentation of the Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Dealer Member's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall ~~financial statement presentation.~~presentation of the Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

~~In our opinion,~~

~~(a) The statements of assets and of liabilities and shareholders/partner capital and the summary statements of income present fairly, in all material respects, the financial position of the Company as at (date) and and the results of its operations for the years then ended in accordance with (date) the basis of accounting disclosed in Note 2 to the financial statements.~~

~~(b) The statements of net allowable assets and risk adjusted capital as at and (date) and the statements of early warning excess and early warning reserve, free credit (date) segregation amount, changes in capital and retained earnings (corporations) or undivided profits (partnerships), and changes in subordinated loans, either as at or for the year ended are presented (date) fairly, in all material respects, in accordance with the applicable instructions of the (applicable regulatory body).~~

~~These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Company, the and the Canadian Investor Protection Fund to comply with (applicable regulatory body) the rules of the . The financial statements are not intended (applicable regulatory body) to be and should not be used by anyone other than the specified users or for any other purpose.~~

~~(auditing firm name) (date)~~

~~(signature) (place of issue)~~

In our opinion, the Statements present fairly, in all material respects, the financial position of _____ (Dealer Member) as at _____ (date) and the results of its operations for the year then ended in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.

Going Concern

[Note: SIRFF to allow for auditor to include emphasis of matter paragraph for Going concern – this is an option for auditors but not part of the standard report]

Without modifying our opinion, we draw attention to Note _____ (note) in the Statements which indicates that _____ (Dealer Member) incurred a net loss of _____ ($ amount) during the year ended _____ (date) and, as of that date, _____ (Dealer Member's) current liabilities exceeded its total assets by _____ ($ amount). These conditions, along with other matters as set forth in Note _____ (note), indicate the existence of a material uncertainty that may cast significant doubt about _____ (Dealer Member's) ability to continue as a going concern.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note _____ (note) to the Statements which describes the basis of accounting. The Statements are prepared to assist _____ (Dealer Member) to meet the requirements of the Investment Industry Regulatory Organization of Canada. As a result, the Statements may not be suitable for another purpose. Our report is intended solely for _____ (Dealer Member), the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund and should not be used by parties other than _____ (Dealer Member), the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund.

[Note: SIRFF to allow for auditor to include other potential Emphasis of Matter and Other Matter paragraphs should one be required under the CASs or determined appropriate by the auditor to be included in the auditor's report. Such wording would be agreed upon with the Corporation prior to the filing of Form 1.]

Unaudited Information

We have not audited the information in Schedules 13 and 15 of Part II of Form 1 and accordingly do not express an opinion on these schedules.

_____
(Audit Firm)

_____
(signature)

_____
(date)

_____
(address)

FORM 1 – INDEPENDENT AUDITOR'S REPORT FOR STATEMENTS B, C AND D

To: Investment Industry Regulatory Organization of Canada and Canadian Investor Protection Fund

We have audited the accompanying Statements of Form 1(the "Statements") of _____
(Dealer Member)
as at _____:
(date)

Statement B – Statement of Net Allowable Assets and Risk Adjusted Capital

Statement C – Statement of Early Warning Excess and Early Warning Reserve

Statement D – Statement of Free Credit Segregation Amount

These Statements have been prepared by management based on the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.

Management's Responsibility for the Statements

Management is responsible for the preparation of the Statements of Form 1 in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada, and for such internal control as management determines is necessary to enable the preparation of Statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the Statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Dealer Member's preparation of the Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Dealer Member's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

Opinion

In our opinion, the financial information in Statements B, C and D of Form 1 as at ____(year end)___ is prepared, in all material respects, in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.

FORM 1 – INDEPENDENT AUDITOR'S REPORT FOR STATEMENTS B, C AND D

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note _____ to the Statements which describes the basis of
(note)
accounting. The Statements are prepared to assist _____ to meet the requirements of the
(Dealer Member)
Investment Industry Regulatory Organization of Canada. As a result, the Statements may not be suitable for another purpose. Our report is intended solely for _____, the Investment Industry Regulatory
(Dealer Member)
Organization of Canada and the Canadian Investor Protection Fund and should not be used by parties other than _____, the Investment Industry Regulatory Organization of Canada and the
(Dealer Member)
Canadian Investor Protection Fund.

_____
(Audit Firm)

_____
(signature)

_____
(date)

_____
(address)

~~PART I~~FORM 1 – INDEPENDENT AUDITOR'S~~'~~ ~~REPORT~~REPORTS

NOTES AND INSTRUCTIONS

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

Alternate forms of Auditor's~~'~~ Reports are available ~~either~~ online from within the web-based Securities Industry Regulatory Financial Filings system (SIRFF) ~~or from the Joint Regulatory Body with primary audit jurisdiction~~.

Any limitations in the scope of the audit must be discussed in advance with the ~~appropriate regulatory authority.~~ Corporation. Discretionary scope limitations will not be accepted. Any other potential emphasis of matter and other matter paragraphs in the auditor's reports must be discussed in advance with the Corporation.

~~Copies~~

One copy of the auditor's reports with original signatures must be provided to the ~~Joint Regulatory Body with primary audit jurisdiction.~~Corporation and another copy with original signatures must be provided to CIPF.

13.3 Clearing Agencies

13.3.1 Canadian Derivatives Clearing Corporation

CANADIAN DERIVATIVES CLEARING CORPORATION

APPLICATION FOR TEMPORARY EXEMPTIVE RELIEF

NOTICE OF COMMISSION ORDER

On February 15, 2011, the Commission granted Canadian Derivatives Clearing Corporation (CDCC) a temporary exemption from the requirement in subsection 21.2(0.1) of the *Securities Act* (Ontario) (Act) to be recognized as a clearing agency as of March 1. 2011. CDCC is exempted from the requirement until the earlier of (i) the date the Commission renders a subsequent order recognizing CDCC as a clearing agency under subsection 21.2(0.1) of the Act or exempting it from the requirement to be recognized as a clearing agency under section 147 of the Act, and (ii) March 1, 2012. The exemption order is subject to certain terms and conditions.

A copy of the temporary exemption order is published in Chapter 2 of this Bulletin.

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