The Ontario Securities Commission

OSC Bulletin

April 13, 2012

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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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Table of Contents

Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

April 13, 2012

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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20 Queen Street West
Toronto, Ontario
M5H 3S8

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Paulette L. Kennedy	—	PLK
Edward P. Kerwin	—	EPK
Vern Krishna	—	VK
Christopher Portner	—	CP
Judith N. Robertson	—	JNR
Charles Wesley Moore (Wes) Scott	—	CWMS

SCHEDULED OSC HEARINGS

April 16, 2012 10:00 a.m.	**Bunting & Waddington Inc., Arvind Sanmugam, Julie Winget and Jenifer Brekelmans** s. 127 S. Schumacher in attendance for Staff Panel: EPK
April 17, 2012 10:00 a.m.	**Global Energy Group, Ltd., New Gold Limited Partnerships, Christina Harper, Vadim Tsatskin, Michael Schaumer, Elliot Feder, Oded Pasternak, Alan Silverstein, Herbert Groberman, Allan Walker, Peter Robinson, Vyacheslav Brikman, Nikola Bajovski, Bruce Cohen and Andrew Shiff** s. 37, 127 and 127.1 C. Watson in attendance for Staff Panel: PLK/JNR
April 18, 2012 10:00 a.m.	**Zungui Haixi Corporation, Yanda Cai and Fengyi Cai** s. 127 J. Superina in attendance for Staff Panel: CP
April 18, 2012 10:00 a.m.	**Sextant Capital Management Inc., Sextant Capital GP Inc., Otto Spork, Robert Levack and Natalie Spork** s. 127 T. Center in attendance for Staff Panel: JDC

April 19, 2012
3:00 p.m.

Morgan Dragon Development Corp., John Cheong (aka Kim Meng Cheong), Herman Tse, Devon Ricketts and Mark Griffiths

s. 127

J. Feasby in attendance for Staff

Panel: EPK

April 19, 2012
3:00 p.m.

North American Financial Group Inc., North American Capital Inc., Alexander Flavio Arconti, and Luigino Arconti

s. 127

M. Vaillancourt in attendance for Staff

Panel: MGC

April 20, 2012
10:00 a.m.

Frank Andrew Devcich and Gobinder Kular Singh

s. 127

J. Feasby in attendance for Staff

Panel: EPK

April 23, 2012
10:00 a.m.

Lehman Brothers & Associates Corp., Greg Marks, Kent Emerson Lounds and Gregory William Higgins

s. 127

C. Rossi in attendance for Staff

Panel: CP/CWMS

April 23, 2012
10:00 a.m.

Nicholas David Reeves

s. 127

J. Feasby in attendance for Staff

Panel: JEAT

April 23, 2012
11:00 a.m.

Colby Cooper Capital Inc. Colby Cooper Inc., Pac West Minerals Limited John Douglas Lee Mason

s. 127

B. Shulman in attendance for Staff

Panel: JEAT

April 25, April 27, May 3-7, May 11, May 17-18, June 4 and June 7, 2012
10:00 a.m.

Irwin Boock, Stanton Defreitas, Jason Wong, Saudia Allie, Alena Dubinsky, Alex Khodjaiants 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 & 127.1

D. Campbell in attendance for Staff

Panel: VK

April 27, 2012
10:00 a.m.

Normand Gauthier, Gentree Asset Management Inc., R.E.A.L. Group Fund III (Canada) LP, and CanPro Income Fund I, LP

s.127

B. Shulman in attendance for Staff

Panel: JEAT

May 1, 2012
10:00 a.m.

Merax Resource Management Ltd. carrying on business as Crown Capital Partners, Richard Mellon and Alex Elin

s. 127

T. Center in attendance for Staff

Panel: MGC/SOA

May 2, 2012 11:30 a.m.	**Beryl Henderson** s. 127 S. Schumacher in attendance for Staff Panel: JEAT
May 3, 2012 10:00 a.m.	**Ciccone Group, Medra Corp. (a.k.a. Medra Corporation), 990509 Ontario Inc., Tadd Financial Inc., Cachet Wealth Management Inc., Vincent Ciccone (a.k.a. Vince Ciccone), Darryl Brubacher, Andrew J Martin, Steve Haney, Klaudiusz Malinowski, and Ben Giangrosso** s. 127 M. Vaillancourt in attendance for Staff Panel: JEAT
May 3, 2012 11:00 a.m.	**Fibrek Inc.** s. 21.7 J. Waechter in attendance for Staff Panel: JEAT
May 9-18 & May 23-25, 2012 10:00 a.m.	**Crown Hill Capital Corporation and Wayne Lawrence Pushka** s. 127 A. Perschy in attendance for Staff Panel: JEAT/CP/JNR
May 16-18, May 23-25, June 4 & June 6, 2012 10:00 a.m.	**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: JDC/MCH
May 28-29, May 31-June 1, June 8, June 20 and June 22, 2012 10:00 a.m. May 30, 2012 9:00 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: VK/MCH
May 29 – June 1, 2012 10:00 a.m.	**Peter Beck, Swift Trade Inc. (continued as 7722656 Canada Inc.), Biremis, Corp., Opal Stone Financial Services S.A., Barka Co. Limited, Trieme Corporation and a limited partnership referred to as "Anguilla LP"** s. 127 B. Shulman in attendance for Staff Panel: TBA
June 4, June 6-18, and June 20-26, 2012 10:00 a.m.	**Peter Sbaraglia** s. 127 J. Lynch in attendance for Staff Panel: CP
June 7, 2012 11:30 a.m.	**Systematech Solutions Inc., April Vuong and Hao Quach** s. 127 J. Feasby in attendance for Staff Panel: TBA
June 18 and June 20-22, 2012 10:00 a.m.	**Shallow Oil & Gas Inc., Eric O'Brien, Abel Da Silva, Gurdip Singh Gahunia aka Michael Gahunia and Abraham Herbert Grossman aka Allen Grossman** s. 127(7) and 127(8) H. Craig in attendance for Staff Panel: PLK

June 21, 2012 10:00 a.m.	**M P Global Financial Ltd., and Joe Feng Deng** s. 127 (1) M. Britton in attendance for Staff Panel: MCH
June 22, 2012 10:00 a.m.	**New Hudson Television Corporation, New Hudson Television L.L.C. & James Dmitry Salganov** s. 127 C. Watson in attendance for Staff Panel: TBA
September 4-10, September 12-14, September 19-24, and September 26 – October 5, 2012 10:00 a.m.	**Portus Alternative Asset Management Inc., Portus Asset Management Inc., Boaz Manor, Michael Mendelson, Michael Labanowich and John Ogg** s. 127 H Craig in attendance for Staff Panel: TBA
September 5-10, September 12-14 and September 19-21, 2012 10:00 a.m.	**Vincent Ciccone and Medra Corp.** s. 127 M. Vaillancourt in attendance for Staff Panel: TBA
September 21, 2012 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 H. Craig in attendance for Staff Panel: TBA
September 24, September 26 – October 5 and October 10-19, 2012 10:00 a.m.	**New Found Freedom Financial, Ron Deonarine Singh, Wayne Gerard Martinez, Pauline Levy, David Whidden, Paul Swaby and Zompas Consulting** s. 127 A. Heydon in attendance for Staff Panel: TBA
October 19, 2012 10:00 a.m.	**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 C. Watson in attendance for Staff Panel: PLK
October 22 and October 24 – November 5, 2012 10:00 a.m.	**MBS Group (Canada) Ltd., Balbir Ahluwalia and Mohinder Ahluwalia** s. 37, 127 and 127.1 C. Rossi in attendance for staff Panel: TBA
October 31 – November 5, November 7-9, December 3, December 5-17 and December 19, 2012 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) & (5) A. Heydon in attendance for Staff Panel: TBA

November 5, 2012 10:00 a.m.	**Heir Home Equity Investment Rewards Inc.; FFI First Fruit Investments Inc.; Wealth Building Mortgages Inc.; Archibald Robertson; Eric Deschamps; Canyon Acquisitions, LLC; Canyon Acquisitions International, LLC; Brent Borland; Wayne D. Robbins; Marco Caruso; Placencia Estates Development, Ltd.; Copal Resort Development Group, LLC; Rendezvous Island, Ltd.; The Placencia Marina, Ltd.; and The Placencia Hotel and Residences Ltd.** s.127 B. Shulman in attendance for Staff Panel: TBA	
November 12-19 and November 21, 2012 10:00 a.m.	**Sandy Winick, Andrea Lee McCarthy, Kolt Curry, Laura Mateyak, Gregory J. Curry, American Heritage Stock Transfer Inc., American Heritage Stock Transfer, Inc., BFM Industries Inc., Liquid Gold International Inc., and Nanotech Industries Inc.** s. 127 J. Feasby in attendance for Staff Panel: TBA	
November 21-December 3 & December 5-December 14, 2012 10:00 a.m.	**Bernard Boily** s.127 and 127.1 M. Vaillancourt/U. Sheikh in attendance for Staff Panel: TBA	
January 7-February 5, 2013 10:00 a.m.	**Jowdat Waheed and Bruce Walter** s. 127 J. Lynch 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 & 127(1) D. Ferris 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 **Shane Suman and Monie Rahman**

s. 127 & 127(1)

C. Price in attendance for Staff

Panel: TBA

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

s.127

H. Craig in attendance for Staff

Panel: TBA

TBA **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

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

s. 127

H. Craig/C.Rossi in attendance for Staff

Panel: TBA

TBA **Paul Donald**

s. 127

C. Price in attendance for Staff

Panel: TBA

TBA **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: TBA

TBA **Goldpoint Resources Corporation, Pasqualino Novielli also known as Lee or Lino Novielli, Brian Patrick Moloney also known as Brian Caldwell, and Zaida Pimentel also known as Zaida Novielli**

s. 127(1) and 127(5)

C. Watson in attendance for Staff

Panel: TBA

TBA	**FactorCorp Inc., FactorCorp Financial Inc. and Mark Twerdun** s. 127 C. Price in attendance for Staff Panel: TBA
TBA	**2196768 Ontario Ltd carrying on business as Rare Investments, Ramadhar Dookhie, Adil Sunderji and Evgueni Todorov** s. 127 D. Campbell in attendance for Staff Panel: TBA
TBA	**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. Watson in attendance for Staff Panel: TBA
TBA	**Innovative Gifting Inc., Terence Lushington, Z2A Corp., and Christine Hewitt** s. 127 M. Vaillancourt in attendance for Staff Panel: TBA
TBA	**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 J. Lynch/S. Chandra 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) J. Feasby in attendance for Staff Panel: TBA
TBA	**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: TBA

TBA

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: TBA

TBA

Sino-Forest Corporation, Allen Chan, Albert Ip, Alfred C.T. Hung, George Ho and Simon Yeung

s.127

H. Craig in attendance for Staff

Panel: TBA

TBA

Firestar Capital Management Corp., Kamposse Financial Corp., Firestar Investment Management Group, Michael Ciavarella and Michael Mitton

s. 127

H. Craig in attendance for Staff

Panel: TBA

TBA

David M. O'Brien

s. 37, 127 and 127.1

B. Shulman in attendance for Staff

Panel: TBA

TBA

Ground Wealth Inc., Armadillo Energy Inc., Paul Schuett, Doug DeBoer, James Linde, Susan Lawson, Michelle Dunk, Adrion Smith, Bianca Soto and Terry Reichert

s. 127

S. Schumacher in attendance for Staff

Panel: TBA

TBA

Sage Investment Group, C.A.D.E Resources Group Inc., Greenstone Financial Group, Fidelity Financial Group, Antonio Carlos Neto David Oliveira, and Anne Marie Ridley

s. 127

C. Watson in attendance for Staff

Panel: TBA

TBA

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

s. 127 and 127.1

D. Ferris in attendance for Staff

Panel: TBA

TBA

Eda Marie Agueci, Dennis Wing, Santo Iacono, Josephine Raponi, Kimberley Stephany, Henry Fiorillo, Giuseppe (Joseph) Fiorini, John Serpa, Ian Telfer, Jacob Gornitzki and Pollen Services Limited

s. 127

J, Waechter/U. Sheikh in attendance for Staff

Panel: TBA

TBA	**Empire Consulting Inc. and Desmond Chambers** s. 127 D. Ferris in attendance for Staff Panel: TBA
TBA	**American Heritage Stock Transfer Inc., American Heritage Stock Transfer, Inc., BFM Industries Inc., Denver Gardner Inc., Sandy Winick, Andrea Lee McCarthy, Kolt Curry and Laura Mateyak** s. 127 J. Feasby in attendance for Staff Panel: TBA
TBA	**Shaun Gerard McErlean, Securus Capital Inc., and Acquiesce Investments** s. 127 M. Britton in attendance for Staff Panel: VK/JDC
TBA	**Moncasa Capital Corporation and John Frederick Collins** s. 127 T. Center in attendance for Staff Panel: TBA
TBA	**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: TBA
TBA	**Energy Syndications Inc., Green Syndications Inc., Syndications Canada Inc., Land Syndications Inc. and Douglas Chaddock** s. 127 C. Johnson in attendance for Staff Panel: TBA
TBA	**Energy Syndications Inc. Green Syndications Inc. , Syndications Canada Inc., Daniel Strumos, Michael Baum and Douglas William Chaddock** s. 127 C. Johnson in attendance for Staff Panel: TBA
TBA	**Alexander Christ Doulis (aka Alexander Christos Doulis, aka Alexandros Christodoulidis) and Liberty Consulting Ltd.** s. 127 S. Horgan in attendance for Staff Panel: TBA
TBA	**International Strategic Investments, International Strategic Investments Inc., Somin Holdings Inc., Nazim Gillani and Ryan J. Driscoll** s. 127 C. Watson 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: EPK/PLK

ADJOURNED SINE DIE

Global Privacy Management Trust and Robert Cranston

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

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 11-316 – Notice of Local Amendments – British Columbia

CANADIAN SECURITIES ADMINISTRATORS STAFF NOTICE 11-316
NOTICE OF LOCAL AMENDMENTS – BRITISH COLUMBIA

April 13, 2012

On May 6, 2011, we published CSA Staff Notice 11-314 indicating staff's intention to update rule consolidations where a local jurisdiction has amended a national or multilateral instrument to reflect changes that affect activity only in that local jurisdiction.

On October 3, 2011, the British Columbia Securities Commission made amendments to National Instrument 45-106 *Prospectus and Registration Exemptions*, principally by adopting a new exempt distribution form, Form 45-106F6 *British Columbia Report of Exempt Distribution* (the BC form). The BC form replaces Form 45-106F1 *Report of Exempt Distribution*, for distributions in British Columbia that occur on or after October 3, 2011. British Columbia is the only jurisdiction where the BC form applies. All other jurisdictions require reports of exempt distribution to be filed using Form 45-106F1 *Report of Exempt Distribution.* For more information about the BC form and associated documents, see BCN 2011/26 and BCN 2011/34.

Annex A to this notice sets out the text of the BC form and the related amendments. CSA members in other jurisdictions will update the text of consolidated NI 45-106 on their websites to reflect these local amendments.

You may direct any questions regarding this notice to:

Sheryl Thomson
British Columbia Securities Commission
Tel: (604) 899-6658
sthomson@bcsc.bc.ca

Simon Thompson
Ontario Securities Commission
Tel: (416) 593-8261
sthompson@osc.gov.on.ca

Kari Horn
Alberta Securities Commission
Tel: (403) 297-4698
kari.horn@asc.ca

Sylvia Pateras
Autorité des marchés financiers
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Shirley Lee
Nova Scotia Securities Commission
Tel: (902) 424-5441
leesp@gov.ns.ca

Annex A

Changes to be reflected in consolidations of
National Instrument 45-106 *Prospectus and Registrations Exemptions* as a result of BC Reg. 170/2011

1. Section 6.3 was amended

(a) by replacing subsection (1) with the following:

(1) The required form of report under section 6.1 [*Report of exempt distribution*] is:

(a) Form 45-106F1 in all jurisdictions except British Columbia; and

(b) Form 45-106F6 in British Columbia.

(b) in subsection (2) by adding "or, in British Columbia, Form 45-106F6***" after "***Form 45-106F1***".***

2. The following section was added:

Use of information in Form 45-106F6 Schedule I

6.6 A person must not, directly or indirectly, use the information in Schedule I of a completed Form 45-106F6, in whole or in part, for any purpose other than research concerning the issuer for the person's own investment purpose.

3. Form 45-106F1 Report of Exempt Distribution was amended by replacing the first line with the following:

"Except in British Columbia, this is the form required under section 6.1 of National Instrument 45-106 for a report of exempt distribution. In British Columbia, the required form is Form 45-106F6.***".***

4. Form 45-106F1 Report of Exempt Distribution was amended:

(a) in Instruction 2 by replacing "File***" with "***Except in British Columbia, file***";***

(b) by adding the following Instruction:

2.1 In British Columbia, file Form 45-106F6 and pay the applicable fee. If the distribution is made in British Columbia and one or more other jurisdictions, file Form 45-106F6 in British Columbia and file this form, following instruction 2, in the other applicable jurisdictions.

5. Form 45-106F1 Report of Exempt Distribution was amended by deleting the following:

British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia V7Y 1L2
Telephone: (604) 899-6500
Toll free in British Columbia and Alberta 1-800-373-6393
Facsimile: (604) 899-6506

6. The following form was added.

Form 45-106F6
British Columbia Report of Exempt Distribution

This is the form required under section 6.1 of National Instrument 45-106 for a report of exempt distribution in British Columbia.

Issuer/underwriter information

Item 1: Issuer/underwriter name and contact information

A. State the following:

- the full name of the issuer of the security distributed. Include the former name of the issuer if its name has changed since this report was last filed;
- the issuer's website address; and
- the address, telephone number and email address of the issuer's head office.

B. If an underwriter is completing this report, state the following:

- the full name of the underwriter;
- the underwriter's website address; and
- the address, telephone number and email address of the underwriter's head office.

Item 2: Reporting issuer status

A. State whether the issuer is or is not a reporting issuer and, if reporting, each of the jurisdictions in which it is reporting.

B. If the issuer is an investment fund managed by an investment fund manager registered in a jurisdiction of Canada, name the investment fund manager and state the jurisdiction(s) where it is registered.

Item 3: Issuer's industry

Indicate the industry of the issuer by checking the appropriate box below.

☐ Bio-tech
Financial Services
  ☐ investment companies and funds
  ☐ mortgage investment companies
☐ Forestry
☐ Hi-tech
☐ Industrial

Mining
  ☐ exploration/development
  ☐ production
☐ Oil and gas
☐ Real estate
☐ Utilities
☐ Other (describe)
_____

Item 4: Insiders and promoters of non-reporting issuers

If the issuer is an investment fund managed by an investment fund manager registered in a jurisdiction of Canada, do not complete this table.

If the issuer is not a reporting issuer in any jurisdiction of Canada, complete the following table by providing information about each insider and promoter of the issuer. If the insider or promoter is not an individual, complete the table for directors and officers of the insider or promoter.

Information about insiders and promoters			
Full name, municipality and country of principal residence	All positions held (e.g., director, officer, promoter and/or holder of more than 10% of voting securities)	Number and type of securities of the issuer beneficially owned or, directly or indirectly controlled, on the distribution date, including any securities purchased under the distribution	Total price paid for all securities beneficially owned or, directly or indirectly controlled, on the distribution date, including any securities purchased under the distribution (Canadian $)

Details of distribution

Item 5: Distribution date

State the distribution date. If this report is being filed for securities distributed on more than one distribution date, state all distribution dates.

Item 6: Number and type of securities

For each security distributed:

- describe the type of security;
- state the total number of securities distributed. If the security is convertible or exchangeable, describe the type of underlying security, the terms of exercise or conversion and any expiry date; and
- if the issuer is an investment fund managed by an investment fund manager registered in a jurisdiction of Canada, state the exemption(s) relied on. If more than one exemption is relied on, state the amount raised using each exemption.

Item 7: Geographical information about purchasers

Complete the following table for each Canadian and foreign jurisdiction where purchasers of the securities reside. Do not include in this table information about securities issued as payment of commissions or finder's fees disclosed under item 9 of this report. The information provided in this table must reconcile with the information provided in item 8 and Schedules I and II.

Each Canadian and foreign jurisdiction where purchasers reside	Number of purchasers	Price per security (Canadian $)[1]	Total dollar value raised from purchasers in the jurisdiction (Canadian $)
Total number of Purchasers			
Total dollar value of distribution in all jurisdictions (Canadian $)			

Note 1: If securities are issued at different prices, list the highest and lowest price for which the securities were sold.

Item 8: Information about purchasers

Instructions

A. If the issuer is an investment fund managed by an investment fund manager registered in a jurisdiction of Canada, do not complete this table.

B. Information about the purchasers of securities under the distribution is required to be disclosed in different tables in this report. Complete

- the following table for each purchaser that is not an individual, and
- the tables in Schedules I and II of this report for each purchaser who is an individual.

Do not include in the tables information about securities issued as payment of commissions or finder's fees disclosed under item 9 of this report.

C. An issuer or underwriter completing this table in connection with a distribution using the exemption in subparagraph 6.1(1)(j) [*TSX Venture Exchange offering*] of National Instrument 45-106 *Prospectus and Registration Exemptions* may choose to replace the information in the first column with the total number of purchasers, whether individuals or not, by jurisdiction. If the issuer or underwriter chooses to do so, then the issuer or underwriter is not required to complete the second column or the tables in Schedules I and II.

Information about non-individual purchasers					
Full name and address of purchaser and name and telephone number of a contact person	Indicate if the purchaser is an insider (I) of the issuer or a registrant (R)	Number and type of securities purchased	Total purchase price (Canadian $)	Exemption relied on	Date of distribution (yyyy-mm-dd)

Commissions and finder's fees

Item 9: Commissions and finder's fees

Instructions

A. Complete the following table by providing information for each person who has received or will receive compensation in connection with the distribution(s). Compensation includes commissions, discounts or other fees or payments of a similar nature. Do not include information about payments for services incidental to the distribution, such as clerical, printing, legal or accounting services.

B. If the securities being issued as compensation are or include convertible securities, such as warrants or options, add a footnote describing the terms of the convertible securities, including the term and exercise price. Do not include the exercise price of any convertible security in the total dollar value of the compensation unless the securities have been converted.

Full name and address of the person being compensated	Indicate if the person being compensated is an insider (I) of the issuer or a registrant (R)	Compensation paid or to be paid (cash and/or securities)				
		Cash (Canadian $)	Securities			Total dollar value of compensation (Canadian $)
			Number and type of securities issued	Price per security (Canadian $)	Exemption relied on and date of distribution (yyyy-mm-dd)	

Certificate

On behalf of the [issuer/underwriter], I certify that the statements made in this report are true.

Date: _____

_____
Name of [issuer/underwriter] (please print)

_____
Print name, title and telephone number of person signing

_____
Signature

Instruction

The person certifying this report must complete the information in the square brackets by deleting the inapplicable word. For electronic filings, substitute a typewritten signature for a manual signature.

Item 10: Contact information

State the name, title and telephone number of the person who may be contacted with respect to any questions regarding the contents of this report, if different than the person signing the certificate.

IT IS AN OFFENCE TO MAKE A MISREPRESENTATION IN THIS REPORT.

Notice – Collection and use of personal information

The British Columbia Securities Commission collects and uses the personal information required to be included in this report for the administration and enforcement of the *Securities Act*. If you have any questions about the collection and use of this information, contact the British Columbia Securities Commission at the following address:

British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia V7Y 1L2
Telephone: (604) 899-6500
Toll free across Canada: 1-800-373-6393
Facsimile: (604) 899-6581

Schedule I
Public information about purchasers who are individuals

A. If the issuer is an investment fund managed by an investment fund manager registered in a jurisdiction of Canada, do not complete the following table or the table in Schedule II.

B. Information about the purchasers of securities under the distribution is required to be disclosed in different tables in this report. Complete

- the following table and the table in Schedule II for each purchaser who is an individual, and
- the table in item 8 for each purchaser that is not an individual.

Do not include in the tables information about securities issued as payment of commissions or finder's fees disclosed under item 9 of this report.

C. An issuer or underwriter filing this report in connection with a distribution using the exemption in subparagraph 6.1(1)(j) [*TSX Venture Exchange offering*] of National Instrument 45-106 *Prospectus and Registration Exemptions* may choose to replace the information in the first column of the table in item 8 with the total number of purchasers, whether individuals or not, by jurisdiction. If the issuer or underwriter chooses to do so, then the issuer or underwriter is not required to complete the following table or the table in Schedule II.

D. The information in the following table is available for public inspection at the British Columbia Securities Commission during normal business hours.

Public information about purchasers who are individuals				
Unless exempted by the British Columbia Securities Commission, a person must not, directly or indirectly, use the information in this table, in whole or in part, for any purpose other than research concerning the issuer for the person's own investment purpose.				
Full name of purchaser	Indicate if the purchaser is an insider (I) of the issuer or a registrant (R)	Number and type of securities purchased	Total purchase price (Canadian $)	Date of distribution (yyyy-mm-dd)

Schedule II
Confidential information about purchasers who are individuals

A. Complete the following table for each purchaser who is an individual. The information in this table must reconcile with the table in Schedule I.

B. The information in the following table will not be placed on the public file of the British Columbia Securities Commission.

Confidential information about purchasers who are individuals	
Full name, residential address and telephone number of purchaser	Exemption relied on

1.1.3 The Investment Funds Practitioner – April 2012

April 2012

OSC

THE INVESTMENT FUNDS PRACTITIONER

From the Investment Funds Branch, Ontario Securities Commission

What is the Investment Funds Practitioner?

The Practitioner is an overview of recent issues arising from applications for discretionary relief, prospectuses, and continuous disclosure documents that investment funds file with the OSC. It is intended to assist investment fund managers and their staff or advisors who regularly prepare public disclosure documents and applications for exemptive relief on behalf of investment funds.

The Practitioner is also intended to make you more broadly aware of some of the issues we have raised in connection with our reviews of documents filed with us and how we have resolved them. We hope that fund managers and their advisors will find this information useful and that the Practitioner can serve as a useful resource when preparing applications and disclosure documents.

The information contained in the Practitioner is based on particular factual circumstances. Outcomes may differ as facts change or as regulatory approaches evolve. We will continue to assess each case on its own merits.

The Practitioner has been prepared by staff of the Investment Funds Branch and the views it expresses do not necessarily reflect the views of the Commission or the Canadian Securities Administrators.

Request for Feedback

This is the seventh edition of the Practitioner. Previous editions of the Practitioner are available on the OSC website www.osc.gov.on.ca under Investment Funds – Related Information.[1] We welcome your feedback and any suggestions for topics that you would like us to cover in future editions. Please forward your comments by email to investmentfunds@osc.gov.on.ca.

Prospectuses

Incorrect Fee Disclosure

We've recently received inquiries on how to correct fee disclosure errors in a prospectus. In these instances, staff are notified subsequent to the receipt of the final prospectus that the fees cited in the prospectus contain an error. Filers have requested staff's permission to simply re-file the prospectus.

We remind filers of their responsibility to ensure that all disclosure, including fees stated in a prospectus, is complete and accurate before filing their final prospectus with the Commission. Should incorrect fees be disclosed in the prospectus, staff generally take the view that an amendment must be filed to correct the error. Staff will typically ask questions about the fees that have been charged, and a securityholder vote or reimbursement to the fund or its securityholders may be requested as possible ways to address issues arising around the fee correction. Staff generally will also request that securityholders who purchased securities under the prospectus with the incorrect fee disclosure be notified of the error and the expected fees going forward.

Fund Names

We've seen a few funds in recent preliminary prospectus filings with names that are not consistent with the fund's investment objectives or investment strategies. In these cases, the fund's investment objectives suggest that the fund will focus on a specific asset class or set of classes, but this focus is not readily apparent from the fund's name. In some instances, terminology generally included in marketing materials has been included in the fund name.

In naming new funds, fund managers should consider the requirement in Item 6(1) of Part B to Form 81-101F1 or Item 5.1(1) of Form 41-101F2. These provisions generally require that the fund's investment objectives describe the fundamental features of

[1] At http://www.osc.gov.on.ca/en/About_if_index.htm or http://www.osc.gov.on.ca/en/InvestmentFunds_index.htm.

the mutual fund that distinguish it from other funds. Similarly, in naming new funds, we encourage fund managers to select names which closely reflect the fund's investment objectives and which distinguish the fund from other funds.

Staff will continue to examine fund names and consider whether additional guidance or rule-making is needed in this area.

ETFs that Track an Index

A wide range of exchange-traded funds (ETFs) propose to track specified indices. In some cases, the index has been created specifically for the fund and is, therefore, not widely used or recognized.

In a recent filing for new ETFs, staff advised the fund manager that it was not sufficient for the investment objectives to merely state that the fund aimed to replicate the performance of the specified index, without stating the primary asset composition and key features of the fund under normal market conditions. We also confirmed our view that the investment strategies section of the fund's prospectus had to sufficiently describe each index, to state the key factors in determining which securities form part of each index and where the public can access the composition of each index at any given point in time.

ETF Portfolio Transparency

Staff have begun a review of portfolio transparency of actively-managed ETFs in continuous distribution. As part of our prospectus reviews, we are requesting information on how often the ETF portfolio holdings are publicly disclosed on the website of the fund manager. We are also asking fund managers whether ETF portfolio holdings are disclosed to their designated brokers or market makers, how often this disclosure is made, if there is a contractual obligation to do so, and whether the frequency of this disclosure differs from the frequency of disclosure of the portfolio holdings to the public.

Upon completion of the review, we will consider whether additional guidance or rule-making is needed in this area.

Counterparty Hedging Fees

We have recently seen prospectus disclosure which states that a fund pays a separate fee to the counterparty under a forward agreement, which is intended to compensate the counterparty for the costs of hedging its exposure under the forward agreement. In these instances, staff expect the prospectus to disclose the amount of this fee, the range or the maximum expected counterparty hedging fees to be paid by the fund annually. For long form prospectuses, the counterparty hedging fees should be disclosed under the sub-heading "Summary of Fees and Expenses." For simplified prospectuses, the counterparty hedging fees should be disclosed in the fee table required by Item 8 of Part A, Form 81-101F1 for each fund that uses forward agreements.

Closed-end Fund Exposure To Foreign Non-Reporting Issuer Investment Funds

Recently, staff have seen a number of closed-end funds that propose to invest a significant portion of their assets, either directly or indirectly through a derivative such as a forward agreement,[2] in one or more foreign–based investment funds or portfolios that are not reporting issuers in Canada (underlying funds). This effectively results in the investors in the closed-end fund investing, albeit indirectly, in the underlying funds.

In the course of our prospectus review, we generally ask for the following disclosure concerning each underlying fund:

- **Prospectus Disclosure**

  The prospectus of the closed-end fund should include sufficient disclosure about each underlying fund and its operations, including disclosure about its manager and portfolio manager, conflicts management system and custodianship of portfolio assets, akin to the disclosure required of the closed-end fund under NI 41-101, and complete financial reporting disclosure. The prospectus disclosure should explain where the continuous disclosure of each underlying fund can be found.

  The risks disclosed in the closed-end fund prospectus should similarly include the risks inherent in the investment strategies of the underlying fund. Also, as the underlying fund and its manager are foreign-based, the risk relating to the difficulty of enforcing legal rights against non-residents of Canada should be identified. Often, we will ask for this risk to be highlighted and put in a textbox on the prospectus cover page.

[2] Refer to the December 2011 OSC *Investment Funds Practitioner* for a discussion of staff's views of the use of forward agreements, particularly the use of prepaid forward agreements by closed-end funds.

- **Continuous Disclosure**

  As the performance of the closed-end fund depends primarily on the performance and operations of the underlying fund, staff expect investors of the closed-end fund to have timely access to the continuous disclosure of the underlying fund, consistent with the disclosure and level of detail in NI 81-106. In our view, this would include the following:

  - **Financial Statements**

    The most recently audited financial statements and any other financial reporting of the underlying fund should be made available to investors of the closed-end fund. Typically, we will ask that the financial statements and other continuous disclosure of the underlying fund be filed on the SEDAR profile of the closed-end fund.

  - **Management Reports of Fund Performance (MRFPs)**

    The MRFPs of the closed-end fund should provide a detailed look-through discussion of the underlying fund including information about any related party transactions, a summary of its investment portfolio, results of operations, recent developments and past performance.

  - **Material Changes**

    The closed-end fund manager should ensure that investors of the closed-end fund are made aware of all material changes (as defined in NI 81-106) to the underlying fund and should consider whether any such change would be a material change to the closed-end fund.

- **Submission to Jurisdiction and Appointment of Agent for Service of Process**

  Typically, we will request that each underlying fund manager file a submission of jurisdiction and appointment for agent for service of process in substantially the same form as Appendix C to NI 41-101.

Generally, the issues identified above are best addressed by the underlying fund filing a prospectus, which would make it a reporting issuer. Staff strongly encourage issuers to consider this approach. We may have additional comments on any proposed structure. Issuers and their counsel are encouraged to contact staff at an early stage in the planning of any offering that may give rise to any questions concerning the issues discussed above.

Warrant Offerings

We continue to note the increased use of standalone warrant offerings by closed-end funds. Staff discussed these offerings in OSC Staff Notices 81-712[3] and 81-716[4] and in the September 2008 edition of the OSC *Investment Funds Practitioner*. Staff have the following concerns surrounding the use of this type of offering:

- warrants may have dilutive effects on the value of units if not exercised by the unitholder. Steps to mitigate dilution, such as selling the warrants on secondary markets, may be ineffective or not sufficient to compensate the unitholder for any loss of value to their units;

- as warrants are automatically issued to unitholders, warrants may be viewed as coercive, with unitholders obligated to make an additional investment or face the risk of dilution;

- unitholders may not have expected the future issuance of warrants as part of their initial investment bargain. This is problematic given the dilutive and coercive effects of warrants; and

- as warrants increase assets under management (AUM) when they are exercised, a possible conflict of interest may exist when the manager is making decisions on capital raising options, as the issuance of warrants is generally determined by the manager, whose interests are related directly to the AUM.

Staff will continue to raise comments on warrant offerings with a view to better understanding how each of the concerns noted above have been adequately addressed and why the warrant offering is in the best interests of the fund.

We will continue to consider whether additional guidance or rule-making is needed in this area.

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3 *2010 Investment Funds Branch Annual Report*.

4 *2011 Summary Report for Investment Fund Issuers*.

Continuous Disclosure

Portfolio Disclosure Review

Investment Funds staff recently completed an issue-oriented review of a sample of investment funds to evaluate compliance with the portfolio disclosure requirements relating to a fund's statement of investment portfolio, MRFPs and Fund Facts documents, where applicable. The contents of these disclosure documents were assessed for their consistency with the fund's stated investment objectives and investment strategies as set out in the fund's prospectus. The sample included a range of fund types, i.e., exchange-traded funds, conventional mutual funds, labour-sponsored funds, flow-through limited partnerships and closed-end funds. Staff expect to publish observations and guidance arising out of this review by Summer 2012.

Yield / Income Funds Review

Staff recently conducted a review of select investment funds which make regular distributions to investors. The scope of this review included the distribution policies and related disclosures as well as the investment fund manager's decision making process on the amount and the form of the distributions.

Our review identified a few key issues. We note that several funds pay distributions which are regularly and significantly in excess of the fund's increase in NAV from operations, both on an annual basis as well as on a cumulative basis since inception. In these cases, the distributions, in substance, are a return to the investor of their own capital, whereas the use of the terminology 'yield' or 'income' in the Fund's name or elsewhere implies underlying performance or earnings to investors. Additionally, cash distributions in excess of earnings deplete the asset base of the fund and can hinder the fund's ability to meet its other investment objectives.

We further note that some funds typically pay distributions in the form of reinvested units unless, for funds held in non-registered plans, the investor expressly chooses to receive cash distributions. In our view, this default form of distributions (i.e., reinvested units) tends to conflict with the funds' stated focus of providing investors with a regular income stream. The onus is on investors to expressly advise the fund manager and/or dealer if they want distributions in the form of cash.

Finally, to the extent that investors may be assessing a fund's performance based on its distribution rates or yield, they may reach incorrect conclusions about their returns on these funds. The fund's distribution rate or yield is based on its distributions, rather than its earnings or performance.

For these types of funds, staff will ask for the following:

Prospectus Disclosure

- Include prominent disclosure that investor action is needed if distributions in the form of cash are desired. Disclosure should also highlight that if an investor subsequently desires to convert a distribution that has been made in the form of reinvested units into cash, the order of redemption (as specified in the prospectus) would generally result in reinvested units being redeemed last, triggering payment of redemption fees.

- In bold typeface and in plain language, that any distributions made in excess of the fund's cumulative income generated since the fund's inception represent a return of the investor's capital back to the investor.

- Where a distribution or yield is quantified in the prospectus, sales communication or elsewhere (such as a website), the disclosure should specify all of the following: a) the basis of the calculation, b) the percentage of total distributions comprising reinvested units, c) whether the yield is calculated based on the NAV or market price of the fund's securities, d) the time period covered by the distributions and the NAV (or market price, as applicable), e) the key assumptions, and f) the impact of changes in key assumptions on the target distribution or yield.

- The form of the distribution (i.e., cash or reinvested units) should be specified whenever a reference to distributions is made (e.g., in the investment objective or elsewhere).

Continuous Disclosure

- When distributions during a period exceed the fund's earnings from operations during that period, staff expect the fund's MRFP to discuss why the distribution was made despite insufficient earnings. Further, in case of a shortfall between total distributions and the fund's earnings since inception to-date, the MRFP should discuss the rationale for continuing to make distributions, the impact of the distributions made by the fund on the fund's ability fulfill its investment objectives, and how the shortfall will be made up going forward in the future.

Staff will continue to consider whether additional guidance or rule-making is needed in this area.

Fund Facts Risk Review

In January 2011, as part of Stage 1 of the Point of Sale initiative, the CSA implemented the requirement to prepare, file and post to a mutual fund or mutual fund manager's website a Fund Facts for every class or series of a mutual fund. Stage 1 also requires a fund manager to assign and disclose a risk rating for each mutual fund in the Fund Facts and to disclose its risk classification methodology in the simplified prospectus.

As part of our review of Stage 1 implementation, staff have begun targeted continuous disclosure reviews of risk classification methodologies and risk ratings in the Fund Facts. To date, staff have focused on mutual funds that have a “low to medium” or "medium" risk level rating when similar funds managed by peers were rated “medium to high” or "high". We have also relied on objective data and benchmarks to support our analysis.

To date, six mutual funds with total assets under management exceeding $1.3 billion have increased their risk ratings to "medium to high" as a result of our continuous disclosure reviews. In these instances, filers were asked to file an amended and restated Fund Facts and simplified prospectus, and to consider how best to publicly notify unitholders of the change in risk rating.

We remind filers that we would generally consider changes to a mutual fund's risk level to be a material change under securities legislation. We are also of the view that where historical information is not available for a new mutual fund, it is appropriate for a fund manager to use a benchmark in assessing the fund’s risk classification rating.

Process Matters

Closure of Outstanding Files

In some instances where exemptive relief applications and prospectuses have been filed, we do not receive responses to our comment letters for long periods of time. While staff recognize that novel filings may take longer than the standard timelines, such cases should be the exception.

We will continue to follow up with filers for exemptive relief applications and prospectuses that are outstanding for three months or more. Absent a response or substantive reasons for files to be kept open, staff practice is to notify filing counsel that we will close the file without notice within two weeks of our most recent correspondence. After such notification, the file will be closed. This approach is consistent with Item 5.8(2) of NP 11-203.

Marketing Practices

NI 81-105 – Cooperative Marketing Practices

We remind fund managers that generally, staff consider the posting of mutual fund sales communications on participating dealers’ intranet websites to be a cooperative marketing practice governed by NI 81-105. Mutual fund companies are expected to fully document their use of this marketing practice to evidence compliance with NI 81-105.

Mutual fund companies should document whether or not they were solicited by a participating dealer to engage in this cooperative marketing. In these cases, we would also expect mutual fund companies to pre-approve the participating dealer’s costs for this marketing to ensure that the costs will, in fact, be consistent with the requirements of NI 81-105, and that the costs are reasonable for the actual work to be done. We remind mutual fund companies that the sales communications will also need to clearly disclose that the mutual company has paid a portion of the costs of presenting the sales communication on the participating dealer’s intranet.

1.2 Notices of Hearing

1.2.1 Sino-Forest Corporation 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
SINO-FOREST CORPORATION, ALLEN CHAN,
ALBERT IP, ALFRED C.T. HUNG,
GEORGE HO AND SIMON YEUNG

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

WHEREAS on August 26, 2011, the Ontario Securities Commission (the "Commission") issued a temporary order pursuant to sections 127(1) and 127(5) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") and an order pursuant to section 144(1) of the Act varying the prior order (together the "Temporary Order");

AND WHEREAS the Temporary Order ordered that all trading in the securities of Sino-Forest Corporation ("Sino-Forest") shall cease and that all trading by Allen Chan, Albert Ip, Alfred C.T. Hung, George Ho and Simon Yeung (the "Individual Respondents") in securities shall cease;

AND WHEREAS on September 8, 2011, the Temporary Order was extended by order of the Commission until January 25, 2012;

AND WHEREAS on September 15, 2011, the Temporary Order was varied by order of the Commission pursuant to section 144(1) of the Act in the Matter of Canadian Derivatives Clearing Corporation (the "CDCC Order") but otherwise remained in effect, unamended except as expressly provided in the CDCC Order;

AND WHEREAS on January 23, 2012, the Temporary Order was extended by order of the Commission until April 16, 2012;

TAKE NOTICE THAT the Commission will hold a hearing (the "Hearing") pursuant to subsections 127(7) and (8) of the Act in Hearing Room A of the Commission, 20 Queen Street West, 17th Floor, commencing on April 13, 2012 at 2:00 p.m., or as soon thereafter as the Hearing can be held;

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

(i) to extend the Temporary Order, pursuant to subsections 127(7) and (8) of the Act, in regard to all trading in the securities of Sino-Forest until July 16, 2012, or until such further time as considered necessary by the Commission;

(ii) to extend the Temporary Order, pursuant to subsections 127(7) and (8) of the Act, in regard to all trading by the Individual Respondents until July 16, 2012, or until such further time as considered necessary by the Commission; and

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

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

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

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

DATED at Toronto this 9th day of April, 2012.

"Josée Turcotte"
Per: John Stevenson
Secretary to the Commission

1.3 News Releases

1.3.1 OSC Lays Quasi Criminal Charges Against Terrence M. Bedford and Joanne Harris Bedford

FOR IMMEDIATE RELEASE
April 5, 2012

OSC LAYS QUASI CRIMINAL CHARGES AGAINST TERRENCE M. BEDFORD AND JOANNE HARRIS-BEDFORD

TORONTO – On March 30, 2012, the Ontario Securities Commission (OSC) laid quasi-criminal charges against Terrence M. Bedford and Joanne Harris-Bedford in connection with alleged breaches of section 122(1)(c) of the *Securities Act* (Ontario).

Mr. Bedford and Ms. Harris-Bedford were each charged with one count of engaging or participating in an act, practice or course of conduct relating to securities that they knew, or reasonably ought to have known, perpetrated a fraud on persons or companies to whom they traded securities, contrary to s. 126.1(b) of the *Securities Act*.

A first appearance for Mr. Bedford and Ms. Harris-Bedford is scheduled for May 17, 2012 at 9:00 a.m., Courtroom 100, at the John Sopinka Courthouse, 45 Main Street East, Hamilton, Ontario, L8N 2B7.

Under section 122 of the *Securities Act*, the OSC has the authority to lay quasi-criminal charges against individuals or companies in the Ontario Court of Justice for alleged violations of the Act. The maximum penalty available upon conviction is a fine of not more than $5 million or imprisonment for a term of not more than five years less a day, or both. The OSC pursues cases in court in order to seek sanctions and penalties that send a strong message of deterrence and denunciation to those who try to exploit investors.

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's investor materials available at www.osc.gov.on.ca.

For media inquiries:
media_inquiries@osc.gov.on.ca

Carolyn Shaw-Rimmington
Manager, Public Affairs
416-593-2361

Dylan Rae
Media Relations Specialist
416-595-8934

For investor inquiries:

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

1.4 Notices from the Office of the Secretary

1.4.1 Marlon Gary Hibbert et al.

FOR IMMEDIATE RELEASE
April 5, 2012

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 – Following the hearing on the merits in the above noted matter, the Panel released its Reasons and Decision.

A copy of the Reasons and Decision dated April 4, 2012 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

For media inquiries:
media_inquiries@osc.gov.on.ca

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1.4.2 Jowdat Waheed and Bruce Walter

FOR IMMEDIATE RELEASE
April 5, 2012

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

AND

IN THE MATTER OF
JOWDAT WAHEED AND BRUCE WALTER

TORONTO – The Commission issued an Order in the above named matter which provides that a confidential pre-hearing conference will be held on May 2, 2012, at 1:00 p.m.

The pre-hearing conference will be *in camera*.

A copy of the Order dated April 5, 2012 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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media_inquiries@osc.gov.on.ca

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1.4.3 Moncasa Capital Corporation and John Frederick Collins

FOR IMMEDIATE RELEASE
April 5, 2012

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

AND

IN THE MATTER OF
MONCASA CAPITAL CORPORATION
AND JOHN FREDERICK COLLINS

TORONTO – The Commission issued an Order in the above named matter which provides that this matter is adjourned to a confidential pre-hearing conference which shall take place on May 28, 2012 at 10:00 a.m., at the offices of the Commission.

The pre-hearing conference will be *in camera*.

A copy of the Order dated April 4, 2012 is available at **www.osc.gov.on.ca**.

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1-877-785-1555 (Toll Free)

1.4.4 Zungui Haixi Corporation et. al.

FOR IMMEDIATE RELEASE
April 9, 2012

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

AND

IN THE MATTER OF
ZUNGUI HAIXI CORPORATION,
YANDA CAI AND FENGYI CAI

TORONTO – Take notice that a sanctions hearing in the above named matter is scheduled to commence on April 18, 2012 at 10:00 a.m. at the offices of the Commission, 20 Queen Street West, 17th Floor.

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1.4.5 Juniper Fund Management Corporation et. al.

FOR IMMEDIATE RELEASE
April 9, 2012

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

AND

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

TORONTO – The Commission issued an Order in the above named matter which provides that:

(1) The Merits Hearing is adjourned to May 28, 2012, at the offices of the Commission, 20 Queen Street West, 17th Floor, Toronto, and will continue on May 29, 30, 31 and June 1, 8, 20 and 22, 2012;

(2) The hearing on May 30, 2012, will commence at 9:00 am and conclude at 1:30 pm, while on all other dates the hearing will begin at 10:00 am and conclude at or before 5:00 pm; and

(3) The hearing dates scheduled in this matter for April 5, 11, 12, 13 and 16, 2012, are vacated.

A copy of the Order dated April 5, 2012 is available at **www.osc.gov.on.ca.**

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1.4.6 Sino-Forest Corporation et al.

FOR IMMEDIATE RELEASE
April 9, 2012

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

AND

IN THE MATTER OF
SINO-FOREST CORPORATION, ALLEN CHAN,
ALBERT IP, ALFRED C.T. HUNG,
GEORGE HO AND SIMON YEUNG

TORONTO – The Office of the Secretary issued a Notice of Hearing today setting the matter down to be heard on April 13, 2012 at 2:00 p.m. to consider whether it is in the public interest for the Commission to extend the Temporary Order made as of August 26, 2011.

A copy of the Notice of Hearing dated April 9, 2012 is available at **www.osc.gov.on.ca**.

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1.4.7 Rezwealth Financial Services Inc. et al.

FOR IMMEDIATE RELEASE
April 9, 2012

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

AND

IN THE MATTER OF
REZWEALTH FINANCIAL SERVICES INC.,
PAMELA RAMOUTAR, JUSTIN RAMOUTAR,
TIFFIN FINANCIAL CORPORATION, DANIEL TIFFIN,
2150129 ONTARIO INC., SYLVAN BLACKETT,
1778445 ONTARIO INC. AND WILLOUGHBY SMITH

TORONTO – The Commission issued an Order in the above named matter which provides that:

1. The dates set for the hearing on the merits are vacated;

2. The hearing on the merits shall commence on October 31, 2012, on a peremptory basis with respect to the Respondents, and shall continue until November 9, 2012 inclusive, with the exception of November 6, 2012, and shall continue from December 3 to 19, 2012 inclusive, with the exception of December 4 and 18, 2012; and

3. The hearing is adjourned to September 25, 2012 at 3:00 p.m. for a continued pre-hearing conference. This hearing will be *in camera*.

A copy of the Order dated April 5, 2012 is available at **www.osc.gov.on.ca**.

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1.4.8 Abitibibowater Inc. doing business as Resolute Forest Products et al.

FOR IMMEDIATE RELEASE
April 11, 2012

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

AND

IN THE MATTER OF
ABITIBIBOWATER INC. doing business as
RESOLUTE FOREST PRODUCTS

AND

IN THE MATTER OF
FIBREK INC.

AND

IN THE MATTER OF
AN APPLICATION BY
MERCER INTERNATIONAL INC.

TORONTO – Following the Decision issued on March 30, 2012, the Commission issued its Reasons For Decision in the above noted matter.

A copy of the Reasons for Decision dated April 10, 2012 is available at **www.osc.gov.on.ca**.

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1.4.9 Eda Marie Agueci et al.

FOR IMMEDIATE RELEASE
April 11, 2012

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

AND

IN THE MATTER OF
EDA MARIE AGUECI, DENNIS WING,
SANTO IACONO, JOSEPHINE RAPONI,
KIMBERLEY STEPHANY, HENRY FIORILLO,
GIUSEPPE (JOSEPH) FIORINI, JOHN SERPA,
IAN TELFER, JACOB GORNITZKI AND
POLLEN SERVICES LIMITED

TORONTO – The Commission issued an Order in the above noted matter which provides that all severance motions shall be heard on June 8, 2012 at 10:00 a.m.; and a further confidential prehearing conference shall be held on September 12, 2012 at 10:00 a.m.

A copy of the Order dated April 9, 2012 is available at **www.osc.gov.on.ca**.

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 SXC Health Solutions Corp.

Headnote

NP 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – relief granted from provisions in securities legislation relating to sending of information circulars – Except for its jurisdiction of incorporation, Filer meets all criteria to be an "SEC foreign issuer" under National Instrument 71-102 Continuous Disclosure and Other Exemptions Relating to Foreign Issuers – relief granted subject to condition that the procedures provided for under the SEC Notice-and-Access Rules are used to send the proxy materials to registered shareholders and Canadian beneficial owners.

Applicable Legislative Provisions

National Instrument 71-102 Continuous Disclosure and Other Exemptions Relating to Foreign Issuers.

March 8, 2012

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
SXC HEALTH SOLUTIONS 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 Ontario (the **Legislation**) that grants the Filer the exemptions from the following provisions, subject to conditions (the **Exemption Sought**):

1. provisions of National Instrument 51-102 – *Continuous Disclosure Obligations* (**NI 51-102**) and National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (**NI 54-101**) that require the Filer to send a printed information circular to the Filer's registered shareholders (the **Registered Shareholders**) and its beneficial owners holding through Canadian intermediaries (the **Canadian Beneficial Owners**) in connection with the 2012 Meeting (as defined below); and

2. provisions of NI 54-101 that require intermediaries (as such term is defined in NI 54-101) to send a printed information circular and a request for voting instructions form relating to the 2012 Meeting to the Canadian Beneficial Owners.

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

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

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

Interpretation

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

Representations

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

1. The Filer is a corporation continued under the *Business Corporations Act* (Yukon) (the **YBCA**).

2. The Filer's head office is located at 2441 Warrenville Road, Suite 610, Lisle, IL 60532-3642.

3. The Filer's registered office is located at 300-204 Black Street, Whitehorse, YK Y1A 2M9.

4. The Filer's principal Canadian business office is located at 555 Industrial Dr., Milton, ON L9T 5E1.

5. The authorized capital of the Filer consists of an unlimited number of common shares (the Shares) of which 62,383,231 Shares were issued and outstanding as of the close of business on January 25, 2012.

6. The Shares are listed and posted for trading on the Toronto Stock Exchange and the NASDAQ Stock Market.

7. As the Filer is governed by the YBCA, it is not a "foreign reporting issuer" or "SEC foreign issuer" for the purposes of National Instrument 71-102 – *Continuous Disclosure and other Exemptions Relating to Foreign Filers* (**NI 71-102**).

8. The Filer, however, meets each of the requirements for being a "foreign reporting issuer" and a "SEC foreign issuer" for the purposes of NI 71-102 other than its governing jurisdiction.

9. In particular:

   (a) based on geographic reports received from Broadridge Financial Solutions, Inc. (**Broadridge**), as at January 25, 2012 approximately 82% of the Shares are held, directly or beneficially, by residents of the United States of America (**US** or the **U.S.**) and approximately 80% of the shareholders of the Filer (beneficial and registered combined) are resident in the U.S.;

   (b) all of the Filer's senior officers are resident in the U.S.;

   (c) six out of seven of the Filer's directors are U.S. citizens resident in the U.S.;

   (d) substantially all of the Filer's assets are located in the U.S.; and

   (e) the business of the Filer is principally administered in the U.S.

10. The Filer held an annual and special meeting of its shareholders on May 11, 2011 and intends to hold an annual meeting of its shareholders on or about May 16, 2012 (the **2012 Meeting**).

11. It is not expected that any matter requiring a special resolution of shareholders will be put before the 2012 Meeting and, therefore, it is not expected that the 2012 Meeting will be considered a "special meeting" for the purposes of NI 54-101.

12. In the US, the Filer has elected to comply with the proxy rules promulgated by the U.S. Securities and Exchange Commission (the SEC) under the *Securities Exchange Act of 1934* (the **SEC Notice-and-Access Rules**), that allow it to furnish a proxy statement by sending security holders a Notice of Internet Availability of Proxy Materials (the **Notice**) 40 calendar days or more prior to the date of the 2012 Meeting and sending the record holder or respondent bank the Notice in sufficient time for the record holder or respondent bank to prepare, print and send the Notice to beneficial owners at least 40 calendar days before the date of the 2012 Meeting and making all materials identified in the Notice, including the proxy statement (collectively, the **proxy materials**), publicly accessible, free of charge, at a website address specified in the Notice. The Notice will comply with the requirements of Rule 14a-16 of the SEC Notice-and-Access Rules and include instructions regarding how a security holder may request a paper or e-mail copy of the proxy materials at no charge. The SEC Notice-and-Access Rules permit the Filer and, in turn, the record holder, broker or respondent bank, to send only the Notice to beneficial owners of its Shares, provided that all applicable requirements of the SEC Notice-and-Access Rules have been satisfied.

13. NI 51-102 requires the Filer to deliver proxy materials to Registered Shareholders and NI 54-101 requires the Filer to deliver proxy materials to Canadian intermediaries for delivery to those Canadian Beneficial Owners that have requested materials for annual meetings.

14. In lieu of mailing each Registered Shareholder the proxy materials required under NI 51-102, the Filer will mail the Notice to each Registered Shareholder.

15. In lieu of mailing each Canadian Beneficial Owner the proxy-related materials required under NI 54-101, the Filer will deliver to Broadridge, a provider of proxy services located in Edgewood, New York, the Notice for mailing to each Canadian Beneficial Owner. Broadridge will deliver English only materials to all Canadian Beneficial Owners by postage-paid mail. Broadridge will act as the Filer's agent for such purposes and the Filer will pay all of the expenses involved in printing and delivering the proxy materials to all requesting Canadian Beneficial Owners.

16. The Filer will include with the Notice sent to Registered Shareholders and Canadian Beneficial Owners:

   (a) an investor education piece explaining the Filer's use of the SEC Notice-and-Access Rules and explaining the voting process in respect of the matters to be put before the 2012 Meeting; and

   (b) a financial statement request form;

   a copy of each which will also be made available on the internet together with the Notice.

17. Registered Shareholders and Canadian Beneficial Owners requesting the proxy materials will receive the same materials required to be sent to shareholders under the SEC Notice-and-Access Rules.

18. In addition, the Filer will otherwise comply with the SEC Notice-and-Access Rules and other applicable U.S. securities laws, rules and regulations in respect of its Registered Shareholders, Canadian Beneficial Owners and other beneficial owners of the Shares in communicating therewith.

19. A Canadian Beneficial Owner who wants to attend the 2012 Meeting in person will be required to obtain a legal proxy from his, her or its intermediary.

20. Broadridge will notify all Canadian intermediaries on whose behalf it or a related company acts as agent under NI 54-101 to advise them of the Filer's reliance on the SEC Notice-and-Access Rules and this decision in its communication with the Canadian Beneficial Owners.

21. The Filer has retained Broadridge to respond to requests for the proxy materials from all Registered Shareholders and all Canadian Beneficial Owners. The Notice from the Filer will direct all Registered Shareholders and all Canadian Beneficial Owners to contact Broadridge at a specified toll free telephone number or by email or via internet at www.ProxyVote.com to request a printed copy of the proxy materials. Broadridge will give notice to the Filer of the receipt of requests for printed copies and the Filer will provide English only materials to Broadridge in compliance with the requirements of the SEC Notice-and-Access Rules.

22. Broadridge will retain records of the identity, including contact information, of Registered Shareholders and Canadian Beneficial Owners that contact Broadridge to receive printed proxy materials. To comply with the SEC Notice and Access Rules, the Filer will not receive any information about the Registered and Canadian Beneficial Owners that contact Broadridge other than the aggregate number of proxy material packages requested by the Registered or Canadian Beneficial Owners from Broadridge and will reimburse Broadridge for the delivery of requests.

23. The Filer has consulted with Broadridge and its counsel in developing the mailing and voting procedures for the Registered and Canadian Beneficial Owners described in this application.

Decision

The Decision Maker 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 Maker under the Legislation is that the Exemption Sought is granted, provided that the procedures provided for under the SEC Notice-and-Access Rules are used to send the proxy materials to Registered Shareholders and Canadian Beneficial Owners.

"Shannon O'Hearn"
Acting Manager, Corporate Finance Branch
Ontario Securities Commission

2.1.2 Wild Stream Exploration Inc. and Raging River Exploration Inc.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – exemption granted from the requirement to include, under Item 14.2 of Form 51-102F5 Information Circular the Prospectus Annual Financial Statements (as defined below) in accordance with Form 41-101F1 Information Required in a Prospectus, in connection with the management information circular to be prepared by Wild Stream and delivered to the holders of common shares of Wild Stream for the purpose of considering a plan of arrangement and from the requirement under section 4.2 of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards that the audited operating statements of Raging River to be included in the Circular, be prepared in accordance with Canadian Generally Accepted Accounting Principles – Part V.

Applicable Legislative Provisions

National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards.
National Instrument 51-102 Continuous Disclosure Obligations.
National Instrument 41-101 General Prospectus Requirement.

February 14, 2012

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

AND

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

AND

IN THE MATTER OF
WILD STREAM EXPLORATION INC. (WILD STREAM) AND
RAGING RIVER EXPLORATION INC. (RAGING RIVER)
(collectively, the Filers)

DECISION

Background

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

(a) the requirement to include, under Item 14.2 of Form 51-102F5 *Information Circular* (the **Circular Form**), the Prospectus Annual Financial Statements (as defined below) in accordance with Form 41-101F1 *Information Required in a Prospectus* (**Form 41-101F1**), in connection with the management information circular (the **Circular**) to be prepared by Wild Stream and delivered to the holders of common shares of Wild Stream for the purpose of considering a plan of arrangement (as defined below); and

(b) the requirement under section 4.2 of National Instrument 52-107 Acceptable Accounting Principles, Auditing Standards and Reporting Currency (**NI 52-107**) that the audited operating statements of Raging River to be included in the Circular, be prepared in accordance with Canadian Generally Accepted Accounting Principles - Part V (**Old Canadian GAAP**);

(collectively, the **Exemption Sought**).

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

(a) the Alberta Securities Commission is the principal regulator for this Application;

(b) the Filers have provided notice that subsection 4.7(1) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in British Columbia, Saskatchewan, Manitoba; and

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

Interpretation

Terms defined in National Instrument 14-101 *Definitions*, NI 52-107, National Instrument 51-102 *Continuous Disclosure Obligations* (**NI 51-102**) or MI 11-102 have the same meaning if used in this decision, unless otherwise defined herein.

Representations

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

Wild Stream

1. Wild Stream is a corporation amalgamated under the laws of Alberta. The principal office of Wild Stream is located in Calgary, Alberta.

2. Wild Stream is a reporting issuer in the Jurisdictions and the Passport Jurisdictions and is not in default of securities legislation in any jurisdiction.

Raging River

3. Raging River is a corporation incorporated under the laws of Alberta. The principal office of Raging River is located in Calgary, Alberta.

4. Raging River is a private company and is not a reporting issuer under the securities laws of any jurisdiction and to its knowledge is not in default of securities legislation in any jurisdiction. None of its securities are listed on any stock exchange.

5. Raging River is a wholly-owned subsidiary of Wild Stream and has been incorporated to participate in the Arrangement (as defined below).

Crescent Point

6. Crescent Point is a corporation amalgamated under the laws of Alberta. The principal office of Crescent Point is located in Calgary, Alberta.

7. Crescent Point is a reporting issuer in the Jurisdictions and the Passport Jurisdictions and is not in default of securities legislation in any jurisdiction.

The Arrangement

8. On January 24, 2012, the Filers and Crescent Point entered into a proposed Arrangement, whereby Crescent Point will acquire all the issued and outstanding common shares of Wild Stream and Raging River will acquire certain assets of Wild Stream (the **Excluded Assets**). The Excluded Assets will make up the primary business of Raging River.

9. As consideration for the Wild Stream common shares (**Common Share**), Wild Stream Shareholders will receive (i) 0.17 of a Crescent Point Share; and (ii) one Raging River common share and 0.2 of a common share purchase warrant (each whole warrant a **Raging River Warrant**) for each Common Share held. Each Raging River Warrant will be exercisable for one Raging River common share at a price of $1.61 per share on or before the close of business on the thirtieth day following the completion of the Arrangement.

10. Raging River will issue 2.6 million Raging River common shares to Crescent Point pursuant to the Arrangement at a deemed price of $1.61.

11. In connection with the Arrangement, Raging River intends to conduct a private placement of units of Raging River (**Raging River Units**) with each Raging River Unit comprised of one Raging River Share and one common share purchase warrant of Raging River (**Raging River Placement Warrant**) exercisable for one Raging River Share at $2.00 per share for a period of 3 years following the date of distribution, (the **Offering**). Raging River intends to raise an aggregate of $23.1 million through the Offering of Raging River Units at a price of $1.61 per unit.

12. Following the completion of the Arrangement and except for those Wild Stream Shareholders who exercise rights of dissent in respect of the Arrangement, it is expected that the former Wild Stream Shareholders will continue as shareholders of Raging River, in addition to those shareholders of Raging River who subscribe to the Offering and Crescent Point who will be granted Raging River common shares pursuant to the Arrangement.

13. Following the completion of the Arrangement: (i) the sole assets of Raging River will be the Excluded Assets; (ii) Raging River will be a reporting issuer in the same jurisdictions as Wild Stream; and (iii) the Raging River common shares and the Raging River Warrants would, subject to approval by the TSX Venture Exchange (**TSX-V**), be listed on the TSX-V.

14. Pursuant to applicable securities laws, the Wild Stream Shareholders will be required to approve the Arrangement at a shareholders meeting (the **Meeting**). The Arrangement must be approved by not less than two-thirds of the votes cast by Wild Stream Shareholders. The Meeting is anticipated to take place March 14, 2012 and the Circular is expected to be mailed on February 16, 2012.

(collectively, the **Arrangement**).

15. The Filer confirms that the Arrangement is not a reverse takeover and that Raging River is not acquiring the securities of another issuer.

Prospectus Annual Financial Statement in the Circular

16. Item 14.2 of the Circular Form requires that the Circular contain the disclosure (including financial statements) prescribed under securities legislation and described in the form of prospectus that the Filers would be eligible to use immediately prior to the sending and filing of the Circular for a distribution of their securities. Therefore, the Circular must contain the disclosure in respect of Raging River prescribed by Form 41-101F1.

17. Item 32.1(b) of Form 41-101F1 requires the Circular to include certain annual and interim financial statements of Raging River, thereby, in accordance with Items 32.2 and 32.3 of Form 41-101F1: (i) income statements, statements of retained earnings, and cash flow statements for each of the financial years ended December 31, 2011, 2010 and 2009; and (ii) a balance sheet as at December 31, 2011 and December 31, 2010 (the Prospectus Annual Financial Statements).

18. Subsection 4.2(1) of National Instrument 41-101 *General Prospectus Requirements* requires that the annual financial statements and the interim financial statements prescribed by Form 41-101F1 be audited in accordance with NI 52-107.

19. The Filer has advised that financial statements of the Excluded Assets do not exist and it is impracticable to prepare carve-out financial statements of the Excluded Assets.

Alternative Disclosure

20. The Circular will include the following as it relates to Raging River:

    (a) an audited balance sheet of Raging River as at December 31, 2011 and a statement of changes in equity and cash flows for the period from December 15, 2011 to December 31, 2011;

    (b) audited schedule of spin-off assets and liabilities of Wild Stream Exploration Inc. of the Excluded Assets as at December 31, 2011 (the **Schedule**). The Schedule will:

        (i) include all the assets and liabilities acquired;

        (ii) provide a statement that the schedule is prepared using accounting policies that are permitted by International Financial Reporting Standards (**IFRS**) and would apply to those line items if those line items were presented as part of a complete set of financial statements;

        (iii) provide a description of the accounting policies used to prepare the Schedule; and

        (iv) include an auditor's report that reflects the fact that the Schedule was prepared in accordance with the basis of presentation disclosed in the notes to the Schedule;

(c) audited operating statements for the Excluded Assets for the years ended December 31, 2011, 2010 and 2009. The operating statements will:

(i) present information relating to gross revenue, royalty expenses, production costs and operating income from the Excluded Assets;

(ii) provide a statement that the operating statements are prepared using accounting policies that are permitted by IFRS and would apply to those line items if those line items were presented as part of a complete set of financial statements;

(iii) provide a description of the accounting policies used to prepare the operating statements; and

(iv) include an auditor's report that reflects the fact that the operating statements were prepared in accordance with the basis of presentation disclosed in the notes to the operating statements; and

(d) oil and gas reserve information for the Excluded Assets in accordance with Form 51-101F1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* with an effective date of December 31, 2011.

(collectively, the **Alternative Disclosure**).

IFRS Relief

21. The Canadian Accounting Standards Board adopted IFRS-IASB as Canadian GAAP for most publicly accountable enterprises for fiscal years beginning on or after January 1, 2011.

22. NI 52-107 sets out acceptable accounting principles for financial reporting under the Legislation by domestic issuers, foreign issuers, registrants and other market participants; absent granting the requested relief, under Part 4 of NI 52-107, for financial years beginning before January 1, 2011, a domestic issuer must use Old Canadian GAAP for financial years beginning before January 1, 2011.

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

24. Raging River has represented that it is appropriate and not prejudicial to investors for the operating statement line items to prepared using the accounting policies that are permitted by IFRS as IFRS will be used to prepare Raging River's financial statements to be contained in the Circular and to prepare the financial statements of Raging River to be filed following the completion of the Arrangement.

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 Exemption Sought is granted provided that the Circular includes the Alternative Disclosure.

"Cheryl McGillivray"
Manager, Corporate Finance
Alberta Securities Commission

2.1.3 OANDA (Canada) Corporation ULC

Headnote

National Policy 11-203 Process For Exemptive Relief Applications in Multiple Jurisdictions – Application by investment dealer (Filer) for relief from prospectus requirement in connection with distribution of contracts for difference and OTC foreign exchange contracts (collectively, CFDs) to investors, subject to terms and conditions – Filer registered as investment dealer and a member of the Investment Industry Regulatory Organization of Canada (IIROC) – Filer complies with IIROC rules and IIROC acceptable practices applicable to offerings of CFDs – Filer seeking relief to permit Filer to offer CFDs to investors on the basis of clear and plain language risk disclosure document rather than a prospectus – risk disclosure document contains disclosure substantially similar to risk disclosure document required for recognized options in OSC Rule 91-502 Trades in Recognized Options, the regime for OTC derivatives contemplated by former proposed OSC Rule 91-504 OTC Derivatives (which was not adopted), and the Quebec Derivatives Act – Relief consistent with relief contemplated by OSC Staff Notice 91-702 Offerings of contracts for difference and foreign exchange contracts to investors in Ontario (OSC SN 91-702) – Relief revokes and replaces relief previously granted to Filer on January 14, 2011, in respect of distribution of OTC foreign exchange contracts – Relief granted, subject to terms and conditions as described in OSC SN 91-702 including four-year sunset clause.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 53, 74(1).
NI 45-106 Prospectus and Registration Exemptions, s. 2.3.
OSC Rule 91-502 Trades in Recognized Options.
OSC Rule 91-503 Trades in Commodity Futures Contracts and Commodity Futures Options Entered into on Commodity Futures Exchanges Situate Outside of Ontario.
Proposed OSC Rule 91-504 OTC Derivatives (not adopted).

March 27, 2012

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
OANDA (CANADA) CORPORATION ULC
(the Filer)

DECISION

Background

The principal regulator in the Jurisdiction has received an application (the **Application**) from the Filer for a decision under the securities legislation of the Jurisdiction (the **Legislation**) that the Filer and its respective officers, directors and representatives be exempt from the prospectus requirement in respect of the distribution of contracts for difference and over-the-counter (**OTC**) foreign exchange contracts (collectively, **CFDs**) to investors resident in Canada (the **Requested Relief**) subject to the terms and conditions below.

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

(a) the Ontario Securities Commission is the principal regulator for this application (the **Principal Regulator**); 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 each of the other provinces and territories of Canada, other than the provinces of Québec and Alberta, (the **Non-Principal Jurisdictions**, and, together with the Jurisdiction, the **Applicable Jurisdictions**).

Interpretation

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

Representations

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

The Filer

1. The Filer is a corporation incorporated under the laws of Alberta with its principal office in Toronto, Ontario.

2. The Filer is registered as a dealer in the category of investment dealer in each of the provinces and territories of Canada, and is a member of the Investment Industry Regulatory Organization of Canada (**IIROC**).

3. The Filer does not have any securities listed or quoted on an exchange or marketplace in any jurisdiction inside or outside of Canada.

4. The Filer is not, to the best of its knowledge, in default of any requirements of securities legislation in Canada or IIROC Rules or IIROC Acceptable Practices (as defined below).

5. The Filer currently offers OTC derivatives in which the underlying interests consist entirely of currencies (**OTC foreign exchange contracts**) to "accredited investors" (as defined in National Instrument 45-106 *Prospectus and Registration Exemptions*) (**NI 45-106**) and to retail investors pursuant *to In the Matter of OANDA (Canada) Corporation ULC* dated January 14, 2011 (the **January 14, 2011 order**) and notice filed on July 28, 2011 under section 4.7 of MI 11-102 *Passport System* of the Filer's intent to rely on the January 14, 2011 order for comparable relief in the Non-Principal Jurisdictions.

6. The Filer wishes to offer OTC foreign exchange contracts and other types of CFDs to investors in the Applicable Jurisdictions on the terms and conditions described in this Decision. For the Interim Period (as defined below), the Filer is seeking the Requested Relief in connection with this proposed offering of CFDs in Ontario and intends to rely on this Decision and the *Passport System* described in MI 11-102 to offer CFDs in the Non-Principal Jurisdictions.

7. In Québec, the Filer received an order from the *Autorité des marchés financiers* (the **AMF**) to offer CFDs to both accredited and retail investors pursuant to the provisions of the *Derivatives Act* (Québec) (the **QDA**). The AMF Order exempts the Filer from the qualifying requirement set forth in section 82 of the QDA relating to the creation or marketing of derivatives offered to the public, subject to certain terms and conditions.

8. As a member of IIROC, the Filer is only permitted to enter into CFDs pursuant to the rules and regulations of IIROC (the **IIROC Rules**).

9. In addition, IIROC has communicated to its members certain additional expectations as to acceptable business practices (**IIROC Acceptable Practices**) as articulated in IIROC's "Regulatory Analysis of Contracts for Differences (CFDs)" published by IIROC on June 6, 2007, as amended on September 12, 2007, for any IIROC member proposing to offer OTC foreign exchange contracts or other types of CFDs to investors. To the best of its knowledge, the Filer is in compliance with IIROC Acceptable Practices in offering CFDs. The Filer will continue to offer CFDs in accordance with IIROC Acceptable Practices as may be established from time to time.

10. The Filer is required by IIROC to maintain a certain level of capital to address the business risks associated with its activities. The capital reporting required by IIROC (as per the calculation in the Joint Regulatory Financial Questionnaire (the **JRFQ**) and the Monthly Financial Reports to IIROC) is based predominantly on the generation of financial statements and calculations as to ensure capital adequacy. The Filer, as an IIROC member, is required to have a specified minimum capital which includes having any additional capital required with regards to margin requirements and other risks. This risk calculation is summarized as a risk adjusted capital calculation which is submitted in the firm's JRFQ and required to be kept positive at all times.

Online Trading Platform

11. The Filer's fxTrade platform (the **Trading Platform**) is a proprietary and fully automated internet-based trading platform which allows clients to trade CFDs on an execution-only basis.

12. The Trading Platform is a key component in a comprehensive risk management strategy which will help the Filer's clients and the Filer to manage the risk associated with leveraged products. This risk management system has evolved over many years with the objective of meeting the mutual interests of all relevant parties (including, in particular, clients). These attributes and services are described in more detail below:

    a) *Real-time client reporting*. Clients are provided with a real-time view of their account status. This includes how tick-by-tick price movements affect their account balances and required margins. Clients can view this information at any time by logging into their fxTrade account.

    b) *Fully automated risk management system*. Clients are instructed that they must maintain the required margin against their position(s). The risk management functionality of the Trading Platform ensures that client positions are closed out when the client no longer maintains sufficient margin in their account to support the position, thereby preventing the client from being placed in a margin call situation or losing more than their stated risk capital or cumulative loss limit. This functionality also ensures that the Filer will not incur any credit risk *vis-à-vis* its customers in respect of CFD transactions.

    c) *Wide range of order types*. The Trading Platform also provides risk management tools such as stop loss orders, limit orders, contingent orders and upper and lower bounds on market orders. These tools are designed to help clients reduce the risk of loss.

13. The Trading Platform is similar to those developed for on-line brokerages in that the client trades without other communication with, or advice from, the dealer. The Trading Platform is not a "marketplace" as defined in National Instrument 21-101 *Marketplace Operation* since a marketplace is any facility that brings together multiple buyers and sellers by matching orders in fungible contracts in a nondiscretionary manner.

14. The Filer is the counterparty to its clients' CFD trades; it will not act as an intermediary, broker or trustee in respect of the CFD transactions. The Filer does not manage any discretionary accounts, nor does it provide any trading advice or recommendations regarding CFD transactions.

15. The Filer manages the risk in its client positions by simultaneously placing the identical CFD transaction on a back-to-back basis with its parent company, OANDA Corporation, an "acceptable counterparty" (as the term is defined in the JRFQ). OANDA Corporation, in turn, automatically offsets each position against other client positions on a second-by-second basis, and either "hedges" its net exposure by trading with liquidity providers (banks) or using its equity capital, or both. By virtue of this risk management functionality inherent in the Trading Platform, the Filer eliminates both market risk and counterparty risk. This also means that the Filer does not have an inherent conflict of interest with its clients, since it does not profit on a position if the client losses on that position, and vice versa. The Filer is compensated by the "spread" between the bid and ask prices it offers. The Filer does not charge any account opening or maintenance fees, commissions, or other charges of any kind.

16. The CFDs are OTC contracts and are not transferable.

17. The ability to lever an investment is one of the principal features of CFDs. Leverage allows clients to magnify investment returns (or losses) by reducing the initial capital outlay required to achieve the same market exposure that would be obtained by investing directly in the underlying currency or instrument.

18. IIROC Rules and IIROC Acceptable Practices set out detailed requirements and expectations relating to leverage and margin for offerings of CFDs. The degree of leverage may be amended in accordance with IIROC Rules and IIROC Acceptable Practices as may be established from time to time.

19. Pursuant to section 13.12 *Restriction on lending to clients* of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, only those firms that are registered as investment dealers (a condition of which is to be a member of IIROC) may lend money, extend credit or provide margin to a client.

Structure of CFDs

20. A CFD is a derivative product that allows clients to obtain economic exposure to the price movement of an underlying instrument, such as a share, index, market sector, currency pair, treasury or commodity, without the need for ownership and physical settlement of the underlying instrument. Unlike certain OTC derivatives, such as forward contracts, CFDs do not require or oblige either the principal counterparty (being the Filer for the purposes of the Requested Relief) nor any agent (also being the Filer for the purposes of the Requested Relief) to deliver the underlying instrument.

21. CFDs to be offered by the Filer will not confer the right or obligation to acquire or deliver the underlying security or instrument itself, and will not confer any other rights of shareholders of the underlying security or instrument, such as voting rights. Rather, a CFD is a derivative instrument which is represented by an agreement between a counterparty and a client to exchange the difference between the opening price of a CFD position and the price of the CFD at the closing of the position. The value of the CFD is generally reflective of the movement in prices at which the underlying instrument is traded at the time of opening and closing the position in the CFD.

22. CFDs allow clients to take a long or short position on an underlying instrument, but unlike futures contracts they have no fixed expiry date or standard contract size or an obligation for physical delivery of the underlying instrument.

23. CFDs allow clients to obtain exposure to markets and instruments that may not be available directly, or may not be available in a cost-effective manner.

CFDs Distributed in the Applicable Jurisdictions

24. Certain types of CFDs, such as CFDs where the underlying instrument is a security, may be considered to be "securities" under the securities legislation of the Applicable Jurisdictions.

25. Investors wishing to enter into CFD transactions must open an account with the Filer.

26. Prior to a client's first CFD transaction and as part of the account opening process, the Filer will provide the client with a separate risk disclosure document that clearly explains, in plain language, the transaction and the risks associated with the transaction (the **risk disclosure document**). The risk disclosure document includes the required risk disclosure set forth in Schedule A to the Regulations to the QDA and leverage risk disclosure required under IIROC Rules. The risk disclosure document contains disclosure that is substantially similar to the risk disclosure statement required for recognized options in OSC Rule 91-502 *Trades in Recognized Options* (which provides both registration and prospectus exemptions) (**OSC Rule 91-502**) and the regime for OTC derivatives contemplated by OSC SN 91-702 (as defined below) and proposed OSC Rule 91-504 *OTC Derivatives* (which was not adopted) (**Proposed Rule 91-504**). The Filer will ensure that, prior to a client's first trade in a CFD transaction, a complete copy of the risk disclosure document provided to that client has been delivered, or has previously been delivered, to the Principal Regulator.

27. Prior to the client's first CFD transaction and as part of the account opening process, the Filer will obtain a written or electronic acknowledgement from the client confirming that the client has received, read and understood the risk disclosure document. Such acknowledgement will be separate and prominent from other acknowledgements provided by the client as part of the account opening process.

28. As customary in the industry, and due to the fact that this information is subject to factors beyond the control of the Filer (such as changes in IIROC Rules), information such as the underlying instrument listing and associated margin rates would not be disclosed in the risk disclosure document but will be available on both the Filer's website and the Trading Platform.

Satisfaction of the Registration Requirement

29. The role of the Filer as it relates to the CFD offering (other than it being the principal under the CFDs) will be limited to acting as an execution-only dealer. In this role, the Filer will, among other things, be responsible to approve all marketing, for holding of clients funds, and for client approval (including the review of know-your-client (KYC) due diligence and account opening suitability assessments).

30. IIROC Rules exempt member firms that provide execution-only services such as discount brokerage from the obligation to determine whether each trade is suitable for the client. However, IIROC has exercised its discretion to impose additional requirements on members proposing to trade in CFDs and requires, among other things, that:

    (a) applicable risk disclosure documents and client suitability waivers provided be in a form acceptable to IIROC;

    (b) the firm's policies and procedures, amongst other things, require the Filer to assess whether CFD trading is appropriate for a client before an account is approved to be opened. This account opening suitability process includes an assessment of the client's investment knowledge and trading experience, client identification, screening applicants and customers against lists of prohibited/blocked persons, and detecting and reporting suspicious trading and potential terrorist financing and money laundering activities to applicable enforcement authorities ;

(c) the Filer's registered supervisors who conduct the KYC and initial product suitability analysis will meet, or be exempted from, the proficiency requirements for futures trading and shall maintain appropriate IIROC registration; and

(d) cumulative loss limits for each client's account be established (this is a measure normally used by IIROC in connection with futures trading accounts).

31. The CFDs offered in Canada will be offered in compliance with applicable IIROC Rules and other IIROC Acceptable Practices.

32. IIROC limits the underlying instruments in respect which member firm may offer CFDs since only certain securities are eligible for reduced margin rates. For example, underlying equity securities must be listed or quoted on certain "recognized exchanges" (as that term is defined in IIROC Rules) such as the Toronto Stock Exchange or the New York Stock Exchange. The purpose of these limits is to ensure that CFDs offered in Canada will only be available in respect of underlying instruments that are traded in well-regulated markets, in significant enough volumes and with adequate publicly available information, so that clients can form a sufficient understanding of the exposure represented by a given CFD.

33. IIROC Rules prohibit the margining of CFDs where the underlying instrument is a synthetic product (single U.S. sector or "mini-ndices"). For example, Sector CFDs (i.e., basket of equities for the financial institutions industry) may be offered to non-Canadian clients; however, this is not permissible under IIROC Rules.

34. IIROC members seeking to trade CFDs are generally precluded, by virtue of the nature of the contracts, from distributing CFDs that confer the right or obligation to acquire or deliver the underlying security or instrument itself (convertible CFDs), or that confer any other rights of shareholders of the underlying security or instrument, such as voting rights.

35. The Requested Relief, if granted, would substantially harmonize the position of the regulators in the Applicable Jurisdictions on the offering of CFDs to investors in the Applicable Jurisdictions with how those products are offered to investors in Québec under the QDA. The QDA provides a legislative framework to govern derivatives activities within the province. Among other things, the QDA requires such products to be offered to investors through an IIROC member and the distribution of a standardized risk disclosure document rather than a prospectus in order to distribute such contracts to investors resident in Québec.

36. The Requested Relief, if granted, would be consistent with the guidelines articulated by Staff of the Principal Regulator in OSC Staff Notice 91-702 *Offerings of Contracts for Difference and Foreign Exchange Contracts to Investors* (**OSC SN 91-702**). OSC SN 91-702 provides guidance with regards to the distributions of CFDs, foreign exchange contracts and similar OTC derivative products to investors in the Jurisdiction.

37. The Principal Regulator has previously recognized that the prospectus requirement may not be well suited for the distribution of certain derivative products to investors in the Jurisdiction, and that alternative requirements, including requirements based on clear and plain language risk disclosure, may be better suited for certain derivatives.

38. In Ontario, both OSC Rule 91-502 and OSC Rule 91-503 *Trades in Commodity Futures Contracts and Commodity Futures Options Entered into on Commodity Futures Exchanges Situate Outside of Ontario* (**OSC Rule 91-503**) provide for a prospectus exemption for the trading of derivative products to clients. The Requested Relief is consistent with the principles and requirements of OSC Rule 91-502, OSC Rule 91-503 and Proposed Rule 91-504.

39. The Filer has also submitted that the Requested Relief, if granted, would harmonize the Principal Regulator's position on the offering of CFDs with certain other foreign jurisdictions that have concluded that a clear, plain language risk disclosure document is appropriate for retail clients seeking to trade in foreign exchange contracts.

40. The Filer is of the view that requiring compliance with the prospectus requirement in order to enter into CFDs with retail clients would not be appropriate since the disclosure of a great deal of the information required under a prospectus and under the reporting issuer regime is not material to a client seeking to enter into a CFD transaction. The information to be given to such a client should principally focus on enhancing the client's appreciation of product risk including counterparty risk. In addition, most CFD transactions are of short duration (positions are generally opened and closed on the same day).

41. The Filer is regulated by IIROC, which has a robust compliance regime including specific requirements to address market, capital and operational risks.

42. The Filer has submitted that the regulatory regimes developed by the AMF and IIROC for CFDs adequately address issues relating to the potential risk to the clients of the Filer acting as counterparty. In view of these regulatory regimes, investors would receive little or no additional benefit from requiring the Filer to also comply with the prospectus requirement.

43. The Requested Relief in respect of each Applicable Jurisdiction is conditional on the Filer being registered as an investment dealer with the Commission in such Applicable Jurisdiction and maintaining its membership with IIROC and that all CFD transactions be conducted pursuant to IIROC Rules and in accordance with IIROC Acceptable Practices.

Decision

The Principal Regulator is satisfied that the test set out in the Legislation to make the Decision is met.

The Decision of the Principal Regulator is that (i) the January 14, 2011 Order is hereby revoked and replaced with the following Decision with effect as of, and from, the date hereof, and (ii) the Requested Relief is granted provided that:

(a) all CFDs traded with residents in the Applicable Jurisdictions shall be executed through the Filer;

(b) with respect to residents of an Applicable Jurisdiction, the Filer remains registered as a dealer in the category of investment dealer with the Principal Regulator and the Commission in such Applicable Jurisdiction and a member of IIROC;

(c) all CFD transactions with clients resident in the Applicable Jurisdictions shall be conducted pursuant to IIROC Rules imposed on members seeking to trade in CFDs and in accordance with IIROC Acceptable Practices, as amended from time to time;

(d) all CFD transactions with clients resident in the Applicable Jurisdictions be conducted pursuant to the rules and regulations of the QDA and the AMF, as amended from time to time, unless and to the extent there is a conflict between i) the rules and regulations of the QDA and the AMF, and ii) the requirements of the securities laws of the Applicable Jurisdictions, the IIROC Rules and IIROC Acceptable Practices, in which case the latter shall prevail;

(e) prior to a client first entering into a CFD transaction, the Filer has provided to the client the risk disclosure document described in paragraph 26 and have delivered, or have previously delivered, a copy of the risk disclosure document provided to that client to the Principal Regulator;

(f) prior to the client's first CFD transaction and as part of the account opening process, the Filer has obtained a written or electronic acknowledgement from the client, as described in paragraph 27, confirming that the client has received, read and understood the risk disclosure document;

(g) the Filer has furnished to the Principal Regulator the name and principal occupation of its officers or directors, together with either the personal information form and authorization of indirect collection, use and disclosure of personal information provided for in National Instrument 41-101 *General Prospectus Requirements* or the registration information form for an individual provided for in Form 33-109F4 of National Instrument 33-109 *Registration Information Requirements* completed by any officer or director;

(h) the Filer shall promptly inform the Principal Regulator in writing of any material change affecting the Filer, being any change in the business, activities, operations or financial results or condition of the Filer that may reasonably be perceived by a counterparty to a derivative to be material;

(i) the Filer shall promptly inform the Principal Regulator in writing if a self-regulatory organization or any other regulatory authority or organization initiates proceedings or renders a judgment related to disciplinary matters against the Filer concerning the conduct of activities with respect to CFDs;

(j) within 90 days following the end of its financial year, the Filer shall submit to the Principal Regulator the audited annual financial statements of the Filer; and

(k) the Requested Relief shall immediately expire upon the earliest of:

(i) four years from the date that this Decision is issued;

(ii) in respect of a subject Applicable Jurisdiction or Québec, the issuance of an order or decision by a court, the Commission in such Applicable Jurisdiction, the AMF (in respect of Québec) or other

similar regulatory body that suspends or terminates the ability of the Filer to offer CFDs to clients in such Applicable Jurisdiction or Québec; and

(iii) with respect to an Applicable Jurisdiction, the coming into force of legislation or a rule by its Commission regarding the distribution of OTC derivatives to investors in such Applicable Jurisdiction

(the **Interim Period**).

"Wesley Scott"
Commissioner

"James Carnwath"
Commissioner

2.1.4 Goldbrook Ventures Inc.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – National Instrument 51-102, s. 13.1 – Continuous Disclosure Obligations – An issuer wants relief from the requirements to file and/or deliver financial statements for a particular period – A compulsory acquisition procedure pursuant to corporate legislation has been undertaken, prior to the filing deadline, in relation to the issuer and its shareholders pursuant to which all of the issuer's securities will be acquired by the offeror by a fixed date.

National Instrument 52-109, s. 8.6 – Certification of Disclosure in Issuers' Annual and Interim Filings – An issuer wants relief from the requirements in Parts 4 and 5 of NI 52-109 to file interim and/or annual certificates – The issuer has applied for and received an exemption from filing interim and/or annual financial statements.

Applicable Legislative Provisions

National Instrument 51-102, s. 13.1.
National Instrument 52-109, s. 8.6.

March 30, 2012

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
GOLDBROOK VENTURES 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 be exempt from the requirements:

(a) Under National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102) to prepare, file and, where required, deliver to shareholders interim financial statements and related management's discussion and analysis as at and for the interim period ended January 31, 2012 (the Interim Filings); and

(b) National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109) to file the prescribed interim certification forms of its Chief Executive Officer and Chief Financial Officer in respect of the interim period ended January 31, 2012 (the Interim Officer Certificates),

(the Exemptive Relief Sought).

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

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

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

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 British Columbia corporation which continued into British Columbia on April 14, 2003 under the provisions of the *Business Corporations Act* (British Columbia) (BCBCA) and is governed by the BCBCA;

2. the head office of the Filer is located at Suite 1500, 200 Burrard Street, Vancouver, British Columbia, V6C 3L6;

3. the Filer is a reporting issuer in the Provinces of British Columbia, Alberta and Ontario and is not in default of the securities legislation in those jurisdictions;

4. as of March 26, 2012, the Filer had issued and outstanding 230,989,392 common shares (the Shares), 37,670,307 warrants to acquire Shares with an exercise price of $0.25 per Share (the $0.25 Warrants) and 4,000,000 warrants to acquire Shares with an exercise price of $0.35 per Share (the $0.35 Warrants and, collectively with the $0.25 Warrants, the Warrants); the Filer has no other outstanding securities, including debt securities;

5. the Shares of the Filer are listed on the TSX Venture Exchange (TSXV) under the trading symbol "GBK";

6. on January 30, 2012, 0931017 B.C. Ltd. (the Offeror) commenced an offer (the Offer) to acquire all of the issued and outstanding Shares and Warrants of the Filer, other than Shares already owned, including all Shares that became issued and outstanding after the date of the Offer but before expiry of the Offer by filing and mailing to the Filer's security holders an offer and circular (the Offer and Circular);

7. the Offeror is a corporation indirectly wholly-owned by Jilin Jien Nickel Industry Co., Ltd., a corporation existing under the laws of the People's Republic of China;

8. on March 12, 2012, the Offeror filed a notice of extension to extend the expiry date of the Offer to March 22, 2012 at 8:00 p.m. (Toronto time) (the Expiry Date);

9. as of March 22, 2012, the Offeror had taken up a total of 201,760,639 Shares, representing approximately 87.34% of the issued and outstanding Shares and a total of 41,662,307 Warrants representing approximately 99.98% of the issued and outstanding Warrants, as a result of which the Offeror and its affiliates now hold a total of 220,875,139 Shares, representing a total of 95.62% of the issued and outstanding Shares and 41,662,307 Warrants, representing 99.98% of the outstanding Warrants;

10. excluding Shares held by an affiliate of the Offeror, the Offeror currently owns 201,760,639 Shares representing approximately 91.29% of the issued and outstanding Shares that were subject to the Offer;

11. shareholders of the Filer holding, in the aggregate, not less than 90% of the issued and outstanding Shares of the Filer, other than Shares already held at the date of the Offer by the Offeror, or by a nominee for the Offeror, its affiliate, or any party acting jointly or in concert with the Offeror, accepted the Offer before the Expiry Date;

12. in the Offer and Circular, the Offeror disclosed that if the Offer was accepted by shareholders of the Filer who, in the aggregate, held at least 90% of the issued and outstanding Shares subject to the Offer, the Offeror would, to the extent possible, acquire those Shares not tendered to the Offer pursuant to the provisions of section 300 of the BCBCA;

13. on March 26, 2012, the Offeror sent to shareholders of the Filer who did not accept the Offer (the Remaining Shareholders) a notice of compulsory acquisition dated March 23, 2012, under the provisions of section 300 of the BCBCA (Acquisition Notice), that the Offeror will acquire the Shares held by the Remaining Shareholders (the Remaining Shares) for the same consideration and on the same terms contained in the Offer (the Compulsory Acquisition);

14. pursuant to section 300 of the BCBCA, the Acquisition Notice will entitle and bind the Offeror to acquire the Remaining Shares for the same price and on the same terms contained in the Offer;

15. pursuant to section 300 of the BCBCA, a Remaining Shareholder is entitled to make an application to the Supreme Court of British Columbia (the Court) in connection with the Compulsory Acquisition within two months of the filing date of the Acquisition Notice and the Court may, by order, set the price and terms of payment for the Remaining Shares and make consequential orders and give such directions as the Court considers appropriate; to the best of the Filer's knowledge, neither the Filer nor the Offeror has received notice of any such application nor are they aware that any Remaining Shareholder intends to make any such application;

16. provided that the Court has not ordered otherwise, on or about May 24, 2012, the Offeror intends to deliver to the Filer a copy of the Acquisition Notice and to pay to the Filer the aggregate consideration payable by the Offeror for the Remaining Shares that the Offeror is entitled and bound to acquire pursuant to the Compulsory Acquisition to be held in trust by the Filer for the Remaining Shareholders;

17. Section 300 of the BCBCA provides that such delivery and payment/transfer by the Offeror may not be made earlier than two months after the date of the Acquisition Notice; the completion of the Compulsory Acquisition will not occur earlier than two months after the date of the Acquisition Notice; the Filer expects the completion of the Compulsory Acquisition to occur on or about May 24, 2012 (the Acquisition Date);

18. The Remaining Shareholders will continue as shareholders of the Filer until the Acquisition Date; the Filer will continue to be listed on the TSXV until after the Acquisition Date;

19. section 300 of the BCBCA provides that the Filer must, upon receipt of the Acquisition Notice and consideration payable for the Remaining Shares, register the Offeror as the shareholder of the Filer in respect of all the Remaining Shares;

20. immediately after the Acquisition Date, the Offeror intends to make an application to de-list the Shares from the TSXV and make an application to the relevant securities regulatory authorities for an

order that the Filer cease to be a "reporting issuer" under the laws of British Columbia, Alberta and Ontario; it is therefore expected that the Filer will be 100% owned by the Offeror by May 24, 2012 and estimates that it will cease to be a reporting issuer by mid-June 2012;

21. in a joint press release dated March 26, 2012 announcing the mailing of the Acquisition Notice, the Filer and Offeror announced that the Filer would apply to cease to be a reporting issuer and had applied to the securities regulatory authorities in the Jurisdictions to request an exemption from certain continuous disclosure obligations, including the requirement to prepare, file and mail to the Filer's shareholders the Interim Filings and Interim Officer Certificates, pending the anticipated completion of the Compulsory Acquisition of the Remaining Shares;

22. absent the Exemptive Relief being granted, the Filer is required to:

    (a) prepare and file on or before April 2, 2012, the Interim Filings and deliver copies of the Interim Filings to the Filer's shareholders; and

    (b) file the Interim Officer Certificates concurrently with the filing of the Interim Filings; and

23. the Offeror has advised the Filer that it has no immediate need to obtain, in the form of the Interim Filings and Interim Officer Certificates, the information set out in those documents.

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 Exemptive Relief Sought is granted.

"Paul C. Bourque, QC"
Executive Director
British Columbia Securities Commission

2.1.5 Primero Mining Corp.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – National Instrument 43-101 Standards of Disclosure for Mineral Projects, s. 9.1 – requirement to file technical report with AIF – An issuer wants relief from the timing requirements for filing a technical report – The issuer has disclosed a revised reserve and resource estimate prepared by an independent qualified person – the updated estimate will form the basis of the disclosure about the property in the issuer's AIF – relief granted though issuer may be in default of requirement to file a technical report within 45 days of initial press release disclosure that current reserve and resource estimate may be updated.

Applicable Legislative Provisions

National Instrument 43-101 Standards of Disclosure for Mineral Projects, ss. 4.2(1)(f), 9.1.

April 2, 2012

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
PRIMERO MINING CORP.
(the Filer)

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (Decision Maker) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) that the Filer is exempt from the requirement in National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (NI 43-101) that an issuer file a supporting technical report not later than the time it files its annual information form (AIF) which contains new material scientific or technical information (the Requested Relief).

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

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

(b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Yukon, Northwest Territories, and Nunavut; 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 meaning if used in this decision, unless otherwise defined.

Representation

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

1. the Filer was incorporated under the *Business Corporations Act* (British Columbia) on November 26, 2007;

2. the Filer's head office is located at Suite 1640, One Bentall Centre, 505 Burrard Street, Vancouver, British Columbia, V7X 1M6, it has a corporate office located at Richmond Adelaide Centre, 120 Adelaide Street West, Suite 1202, Toronto, Ontario, M5H 1T1, and its registered office is located at Royal Centre, 1055 West Georgia Street, Suite 1500, Vancouver, British Columbia, V6E 4N7;

3. the Filer is a reporting issuer in each of the provinces and territories of Canada, except Québec;

4. the Filer's common shares are listed and posted for trading on the Toronto Stock Exchange under the symbol P and on the New York Stock Exchange under the symbol PPP;

5. Ontario Securities Commission staff take the view that the Filer is in default of the requirements of section 4.2(1)(j)(ii) of NI 43-101 because a technical report has not been filed within 45 days of the press release issued by the Filer on January 17, 2012; except with respect to the foregoing, with which the Filer does not agree, the Filer is not in default of the securities legislation in any of the jurisdictions in which it is reporting;

6. the Filer's sole mineral property is the San Dimas Mine in Mexico, which it acquired in August 2010;

7. in its January 17, 2012 press release, the Filer disclosed that it was initiating a number of operational improvements as well as a review of its current reserve and resource estimation methods (the Estimation Method Review); the Estimation Method Review was intended to assess whether the use of other estimation methods would allow the Filer to improve mine planning and more accurately predict actual production;

8. in the January 17, 2012 press release, the Filer announced it had retained AMC Consultants (AMC), which is independent of the Filer and has not previously reported on the San Dimas Mine, to assist in the Estimation Method Review; the Filer disclosed that it would reflect any changes that result from the review in an update of its NI 43-101 compliant mineral reserve and resource statement (the Updated Estimate), which would be reflected in a technical report prepared by the Filer's internal qualified person;

9. the Filer further disclosed in the January 17, 2012 press release that the adoption of any new estimation methods may result in (i) the Filer reporting different and potentially lower total mineral reserve and total mineral resource numbers, and (ii) the reclassification of the Filer's mineral resources and mineral reserves, including potentially reporting categories of measured and indicated in addition to the currently reported categories of inferred mineral resources and proven and probable mineral reserves; the Filer stated that it did not expect that any potential change in estimates would affect the level of confidence management has in the ultimate mineral potential of the San Dimas Mine;

10. on February 27, 2012, the Filer issued a press release announcing that AMC had been retained to prepare an updated NI 43-101 technical report on the San Dimas Mine (the Updated Technical Report);

11. AMC advised that it expected to be able to provide the Updated Estimate before March 30, 2012, but that the Updated Technical Report would not be completed until 45 days after the Updated Estimate has been prepared; as such, the Filer will be unable to file the Updated Technical Report at the time the AIF is filed, which will be no later than March 30, 2012;

12. on March 28, 2012, the Filer issued a press release announcing the Updated Estimate and filed the related material change report; the press release disclosed that (i) the Updated Estimate has been prepared by Mr. Rodney Webster MAusIMM (CP), Mr. Herbert A. Smith P.Eng and Mr. J. Morton Shannon P.Geo, all of AMC and all qualified persons for the purposes of NI 43-101, and (ii) all such qualified persons have reviewed and approved the contents of such March 28, 2012 press release with respect to the Updated Estimate; the press release also disclosed that (i)

scientific and technical information regarding exploration results contained in such press release is based on information prepared by or under the supervision of Mr. Joaquin Merino-Marquez P.Geo.,Vice President, Exploration of the Filer, who is a qualified person for the purposes of NI 43-101, and (ii) Mr. Merino-Marquez has reviewed and approved the contents of such March 28, 2012 press release with respect to the scientific and technical information regarding exploration;

13. the Filer believes that in order to provide up-to-date, full, true and plain disclosure, it is necessary that the information contained in the Updated Estimate form the basis of the AIF; accordingly, the Filer's AIF will reflect the Updated Estimate and the related supporting disclosure (including QA/QC) that will be included in its press release disclosing such estimate; however, it will not contain the full updated scientific and technical disclosure supporting such estimate, since such disclosure will only become available once the Updated Technical Report is complete;

14. the Filer is working with AMC to complete the Updated Technical Report as soon as practicable, and the Filer will file the Updated Technical Report as soon as practicable, but in any event, not later than May 15, 2012;

15. under the Filer's internal policies, insiders are not permitted to purchase or sell securities of the Filer until the Updated Technical Report is filed;

16. under NI 43-101 sections 4.2(1)(j) and 4.2(5), the Filer would have 45 days following the issuance of a press release announcing the Updated Estimate to file the supporting Updated Technical Report; this 45-day period will be truncated when the Filer files its AIF on or before March 30, 2012;

17. the AIF will contain the following statement (the Cautionary Language) in close proximity to the information regarding the Updated Estimate:

    "Certain technical disclosure in this annual information form relating to the mineral resource and mineral reserve estimate for the San Dimas Mine (and the disclosure supporting such estimate, including quality assurance / quality control (QA/QC) disclosure) has not been supported by a technical report prepared in accordance with NI 43-101. The technical report is being prepared by qualified persons under NI 43-101 and it will be available on the SEDAR website located at *www.sedar.com* under Primero's profile on or before May 15, 2012. Readers are advised to refer to that technical report when it is filed.";

18. the Filer has no reason to believe that the information in the Updated Technical Report will be materially different from the information disclosed in the AIF;

19. the Filer will revise its AIF to give effect to the completed Updated Technical Report (the Revised AIF), and the Filer will file the Revised AIF within five business days of filing the Updated Technical Report; and

20. the Filer will not undertake any prospectus distributions of its securities before the Updated Technical Report is filed.

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:

(a) the AIF includes the Cautionary Language;

(b) the Filer files the Updated Technical Report as soon as practicable but, in any event, not later than May 15, 2012; and

(c) the Filer files the Revised AIF within five business days of filing the Updated Technical Report.

"Sheryl Thomson"
Acting Director, Corporate Finance
British Columbia Securities Commission

2.1.6 Semtech Canada Inc. – s. 1(10)

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).

April 10, 2012

Norton Rose Canada LLP
Royal Bank Plaza, South Tower, Suite 3800
200 Bay Street, P.O. Box 84
Toronto, Ontario M5J 2Z4

Attn: Bruce Sheiner

Dear Mr. Sheiner:

Re: Semtech Canada Inc. (the Applicant) – application for a decision under the securities legislation of Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Prince Edward Island, Newfoundland and Labrador, Yukon and Northwest Territories (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.

"Shannon O'Hearn"
Acting Manager, Corporate Finance
Ontario Securities Commission

2.2 Orders

2.2.1 Moncasa Capital Corporation and John Frederick Collins – s. 127

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

AND

IN THE MATTER OF
MONCASA CAPITAL CORPORATION
AND JOHN FREDERICK COLLINS

ORDER
(Section 127)

WHEREAS on March 6, 2012, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing in relation to a Statement of Allegations issued pursuant to sections 37, 127 and 127.1 of the *Securities Act*, R.S.O. 1990 c. S. 5, as amended, in respect of Moncasa Capital Corporation and John Frederick Collins (collectively, the "Respondents");

AND WHEREAS on April 4, 2012, Staff of the Commission ("Staff") and counsel for the Respondents attended before the Commission for a first appearance on this matter;

AND WHEREAS at the first appearance, Staff requested that a pre-hearing conference be scheduled for the purposes of scheduling dates for a hearing on the merits and to address any other matters that Staff or counsel for the Respondents wish to raise;

AND WHEREAS Staff and counsel for the Respondents agreed to attend a confidential pre-hearing conference on May 28, 2012 at 10:00 a.m.;

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

IT IS HEREBY ORDERED that this matter is adjourned to a confidential pre-hearing conference which shall take place on May 28, 2012 at 10:00 a.m., at the offices of the Commission.

DATED at Toronto this 4th day of April, 2012.

"James E. A. Turner"

2.2.2 Jowdat Waheed and Bruce Walter

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

AND

IN THE MATTER OF
JOWDAT WAHEED AND BRUCE WALTER

ORDER

WHEREAS on January 9, 2012, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990 c. S.5, as amended (the "Act") in connection with a Statement of Allegations filed by Staff of the Commission ("Staff") on January 9, 2012 with respect to Jowdat Waheed and Bruce Walter (collectively, the "Respondents");

AND WHEREAS the Notice of Hearing set a hearing in this matter for February 15, 2012;

AND WHEREAS on February 15, 2012, Staff and counsel for the Respondents appeared before the Commission and the Commission ordered that the matter be set down for a hearing on the merits commencing January 7, 2013 and continuing to and including February 5, 2013, or such further or other dates as may be agreed to by the parties and fixed by the Office of the Secretary;

AND WHEREAS on February 15, 2012, the Commission further ordered that a pre-hearing conference take place on April 2, 2012;

AND WHEREAS on April 2, 2012, Staff and counsel for the Respondents appeared and made submissions before the Commission;

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

IT IS ORDERED that a confidential pre-hearing conference will be held on May 2, 2012, at 1:00 p.m.

DATED at Toronto this 5th day of April, 2012.

"Mary G. Condon"

2.2.3 Juniper Fund Management Corporation et. al.

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

AND

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

ORDER

WHEREAS on March 21, 2006, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to section 127 of the *Securities Act*, R.S.O. c. S.5, as amended (the "Act") accompanied by a Statement of Allegations of the same date issued by Staff of the Commission ("Staff") with respect to The Juniper Fund Management Corporation, Juniper Income Fund ("JIF") and the Juniper Equity Growth Fund ("JEGF") and Roy Brown (a.k.a. Roy Brown-Rodrigues) ("Brown");

AND WHEREAS a hearing was convened by the Commission on March 23, 2006, and adjourned on various dates for various reasons between March 23, 2006, and September 4, 2007;

AND WHEREAS on September 4, 2007, the Commission ordered the hearing of the merits of Staff's allegations would commence on April 7, 2008, and continue on April 8, 9, 10, 11 and 14, 16, 17 and 18, 2008 ("the Merits Hearing");

AND WHEREAS on March 31, 2008, the Commission heard a motion by Brown to adjourn the Merits Hearing on the grounds that he was no longer represented by counsel, he had not seen Staff's disclosure volumes which were served on his former counsel and needed additional time to prepare for the Merits Hearing, which motion Staff opposed;

AND WHEREAS on March 31, 2008, the Commission granted Brown's motion and ordered that the Merits Hearing be adjourned to June 16, 2008;

AND WHEREAS on June 4, 2008, Staff brought a motion to adjourn the Merits Hearing due to Staff's availability on June 16, 2008;

AND WHEREAS the Office of the Secretary tentatively scheduled the Merits Hearing for June 15 to 19, 2009 but Brown was not available on those dates;

AND WHEREAS on January 24, 2011, the Commission ordered that the Merits Hearing shall begin on September 14, 2011, and continue on September 15, 16, 19, 20, 21, 22, 23, 28, 29 and 30, 2011 and October 3 and 4, 2011;

AND WHEREAS on August 25, 2011, the Commission heard a motion by Brown to adjourn the Merits Hearing without setting new dates on the grounds that he was unable to participate in the hearing for reasons related to his health;

AND WHEREAS on August 30, 2011, the Commission dismissed Brown's motion but cancelled the hearing dates for September 14 and 15, 2011, and ordered that the Merits Hearing shall commence on September 16, 2011, and proceed as previously scheduled;

AND WHEREAS on September 16, 2011, Brown brought a motion to vary the Commission's Order of August 30, 2011, dismissing his adjournment motion;

AND WHEREAS the Commission denied Brown's motion to vary the Commission's adjournment decision and ordered that the Hearing commence on September 19, 2011;

AND WHEREAS the Hearing commenced on September 19, 2011 and continued thereafter on September 20, 21, 22, 23, 28, 29, and October 5, 2011;

AND WHEREAS on October 5, 2011, Brown advised the Commission that he wished an opportunity to cross-examine Staff's witnesses and call witnesses of his own but was unable to participate in the Merits Hearing due to his medical condition, and the Commission adjourned the hearing to November 9, 2011;

AND WHEREAS by e-mail dated November 6, 2011, Brown requested a further adjournment of the Merits Hearing for medical reasons with supporting evidence for this request;

AND WHEREAS on November 9, 2011, the Commission ordered: (i) the Merits Hearing be adjourned to December 21, 2011, and (ii) Brown to provide the Commission with an update and evidence about his progress and medical condition by November 30, 2011;

AND WHEREAS on December 21, 2011, the Commission considered the evidence provided by Brown and ordered: (i) Brown to bring a motion to recall Staff's witnesses on February 14, 2012; and (ii) the Merits Hearing to continue on February 27, 29 and March 2, 5 and 6, 2012;

AND WHEREAS on February 14, 2012, Brown brought a motion seeking an adjournment of the Merits Hearing for approximately 60 days on the basis that his medical condition prevented him from participating in his motion to recall Staff's witnesses;

AND WHEREAS on February 14, 2012, the Commission heard submissions on Brown Adjournment Motion, withheld its decision, and requested the parties re-attend to continue the motion on February 22, 2012, in order to allow Brown to provide the Commission with supporting evidence for his motion;

AND WHEREAS on February 17, 2012, Brown filed supporting evidence for his request to adjourn the Merits Hearing and on February 22, 2012, the parties made further submissions in respect thereof;

AND WHEREAS on February 27, 2012, the Commission issued the following Order:

(1) The Hearing is adjourned on a peremptory basis and shall continue on April 4, 5, 11, 12, 13 and 16, 2012, with or without counsel;

(2) Brown is permitted to recall Staff's witnesses on the condition that he must advise the Commission by March 21, 2012 as to which of Staff's witnesses he wishes to recall. Accordingly, the need for Brown to bring forward a motion to recall Staff's witnesses is dispensed with;

(3) Brown shall provide Staff with a list of his own witnesses that he intends to call at the Hearing by March 21, 2012;

(4) Brown is permitted to participate in the Hearing by way of teleconference as requested; and

(5) The medical evidence provided by Brown in support of the Brown Adjournment Motion is confidential and shall not form part of the public record.

AND WHEREAS on March 21, 2012, Brown provided the Office of the Secretary a list of Staff's witnesses he intend to cross-examine, along with the names of the persons he intended to call as witnesses;

AND WHEREAS on March 30, 2012, Mr. Brown sent an e-mail to the Office of the Secretary indicating that he was not capable of participating in the continuation of the Merits Hearing on April 4, 2012;

AND WHEREAS on April 4, 2012, the Commission heard submissions from Staff and Brown on the issue of whether the Merits Hearing should proceed on that date;

AND WHEREAS the Commission has considered the submissions made by Staff, the history of this proceeding, and the prejudice that could result from a further delay in the completion of the Merits Hearing;

AND WHEREAS the Commission finds that the prejudice to Brown by continuing the Merits Hearing without his participation is significant and warrants one final adjournment;

AND WHEREAS the Commission has considered the factors set out in rule 9 of the *Ontario Securities Commission Rules of Procedure* (2010), 33 O.S.C.B. 8017;

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

IT IS HEREBY ORDERED THAT:

(1) The Merits Hearing is adjourned to May 28, 2012, at the offices of the Commission, 20 Queen Street West, 17th Floor, Toronto, and will continue on May 29, 30, 31 and June 1, 8, 20 and 22, 2012;

(2) The hearing on May 30, 2012, will commence at 9:00 am and conclude at 1:30 pm, while on all other dates the hearing will begin at 10:00 am and conclude at or before 5:00 pm; and

(3) The hearing dates scheduled in this matter for April 5, 11, 12, 13 and 16, 2012, are vacated.

DATED at Toronto on this 5th day of April, 2012.

"Vern Krishna", QC

"Margot C. Howard"

2.2.4 International Strategic Investments et. al.

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

AND

IN THE MATTER OF
INTERNATIONAL STRATEGIC INVESTMENTS,
INTERNATIONAL STRATEGIC INVESTMENTS INC.,
SOMIN HOLDINGS INC., NAZIM GILLANI
AND RYAN J. DRISCOLL

ORDER

WHEREAS on March 6, 2012, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing, pursuant to sections 127 and 127.1 of the *Securities Act,* R.S.O. 1990, c. S.5, as amended (the "Act") (the "Notice of Hearing") in connection with a Statement of Allegations filed by Staff of the Commission ("Staff") on March 5, 2012, to consider whether it is in the public interest to make certain orders as against International Strategic Investments, International Strategic Investments Inc., (collectively, "ISI"), Nazim Gillani ("Gillani"), Ryan J. Driscoll ("Driscoll") and Somin Holdings Inc. ("Somin");

AND WHEREAS on April 3, 2012, a hearing was held before the Commission and Staff appeared and filed the Affidavit of Peaches A. Barnaby, sworn on March 29, 2012, evidencing service of the Notice of Hearing and the Statement of Allegations on ISI, Gillani and Driscoll;

AND WHEREAS counsel for ISI and Gillani and counsel for Driscoll appeared and made submissions;

IT IS ORDERED that a status hearing will take place on April 13, 2012 at 10:00 a.m., for Staff to update the Commission on the status of service on Somin;

IT IS FURTHER ORDERED that the hearing is adjourned to Wednesday, June 6, 2012 at 10:00 a.m. for a confidential pre-hearing conference.

DATED at Toronto this 3rd day of April, 2012.

"Mary G. Condon"

2.2.5 Rezwealth Financial Services Inc. et al. –s. 127

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

AND

IN THE MATTER OF
REZWEALTH FINANCIAL SERVICES INC.,
PAMELA RAMOUTAR, JUSTIN RAMOUTAR,
TIFFIN FINANCIAL CORPORATION, DANIEL TIFFIN,
2150129 ONTARIO INC., SYLVAN BLACKETT,
1778445 ONTARIO INC. AND WILLOUGHBY SMITH

ORDER
(Section 127)

WHEREAS on January 24, 2011, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act"), accompanied by a Statement of Allegations dated January 24, 2011 issued by Staff of the Commission ("Staff"), with respect to Rezwealth Financial Services Inc. ("Rezwealth"), Pamela Ramoutar ("Ms. Ramoutar"), Justin Ramoutar, Tiffin Financial Corporation ("Tiffin Financial"), Daniel Tiffin ("Tiffin"), 2150129 Ontario Inc. ("215 Inc."), Sylvan Blackett ("Blackett"), 1778445 Ontario Inc. ("177 Inc.") and Willoughby Smith ("Smith") (collectively, the "Respondents");

AND WHEREAS the Notice of Hearing set a hearing in this matter for March 16, 2011;

AND WHEREAS the Commission ordered on March 16, 2011 that the hearing of this matter be adjourned to June 16, 2011 for a pre-hearing conference and that the Amended Temporary Order in this matter be extended to the conclusion of the hearing on the merits;

AND WHEREAS the Commission ordered on June 16, 2011 that the hearing of this matter be adjourned to August 16, 2011 for a continued pre-hearing conference;

AND WHEREAS the Commission ordered on August 16, 2011 that the hearing of this matter be adjourned to March 30, 2012 for a continued pre-hearing conference, and that the hearing on the merits commence on April 30, 2012 and continue until May 25, 2012 inclusive, with the exception of May 8, May 21 and May 22, 2012;

AND WHEREAS on January 24, 2012, the Commission issued an Amended Notice of Hearing pursuant to sections 127 and 127.1 of the Act, accompanied by an Amended Statement of Allegations dated January 24, 2012 issued by Staff, with respect to the Respondents;

AND WHEREAS the Commission ordered on March 30, 2012 that the hearing of this matter be adjourned to April 5, 2012, on a peremptory basis, to consider a

request for an adjournment of the hearing on the merits, should Ms. Ramoutar decide to make such a request;

AND WHEREAS the Commission held a pre-hearing conference on April 5, 2012;

AND WHEREAS Ms. Ramoutar requested that the hearing on the merits be adjourned;

AND WHEREAS Staff opposed the adjournment request;

AND WHEREAS the Commission heard submissions from counsel for Staff, counsel for Tiffin and Tiffin Financial, Ms. Ramoutar on her own behalf and on behalf Rezwealth, Justin Ramoutar on his own behalf, and Smith on his own behalf;

AND WHEREAS no one appeared at the pre-hearing conference on behalf of Blackett or 215 Inc.;

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

IT IS ORDERED that:

1. The dates set for the hearing on the merits are vacated;

2. The hearing on the merits shall commence on October 31, 2012, on a peremptory basis with respect to the Respondents, and shall continue until November 9, 2012 inclusive, with the exception of November 6, 2012, and shall continue from December 3 to 19, 2012 inclusive, with the exception of December 4 and 18, 2012; and

3. This hearing is adjourned to September 25, 2012 at 3:00 p.m. for a continued pre-hearing conference.

DATED at Toronto this 5th day of April, 2012.

"Christopher Portner"

2.2.6 FundSERV Inc. – s. 21.2

Headnote

Application to recognize FundSERV Inc. as a clearing agency under subsection 21.2 of the *Securities Act* (Ontario).

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 21.2.

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

AND

IN THE MATTER OF
FUNDSERV INC.

ORDER
(Section 21.2)

WHEREAS FundSERV Inc. (FundSERV) had filed an application dated February 13, 2012 (Application) with the Ontario Securities Commission (Commission) pursuant to section 21.2 of the Act requesting an order recognizing FundSERV as a clearing agency.

AND WHEREAS FundSERV has represented to the Commission that:

1. FundSERV is a Canadian corporation with its head office located in Toronto, Ontario;

2. FundSERV is a provider of electronic business services to the Canadian investment industry;

3. FundSERV's core service is to provide the network infrastructure for its customers to place and reconcile orders through efficient, secure data exchange;

4. FundSERV provides centralized payment exchange facilities (clearing agency services), for those customers who so elect, to settle orders, on a net basis, through payment exchange currently handled by a Canadian chartered bank utilizing the Large Value Transfer System operated by the Canadian Payments Association;

5. FundSERV's business model does not involve credit enhancement, the assumption of counter-party risk, novation or custody;

6. FundSERV operates on a cost-recovery basis, serving more than 700 organizations and their business units and providing online access to over 10,000 investment fund instruments;

7. While FundSERV has developed business continuity systems, market participants can and do transact without FundSERV's assistance; and

8. FundSERV also supports the customer staffed committees and working groups, that include users of the clearing agency services, that address issues and develop electronic data and security standards for the industry;

AND WHEREAS the Commission considers it appropriate to set out in an order the terms and conditions for the recognition of FundSERV as a clearing agency, which terms and conditions are set out in Schedule "A" attached;

AND WHEREAS FundSERV has agreed to the terms and conditions as set out in Schedule "A";

AND WHEREAS based on the Application and the representations FundSERV has made to the Commission, the Commission is satisfied that granting an order would not be prejudicial to the public interest;

THE COMMISSION HEREBY RECOGNIZES FundSERV as a clearing agency pursuant to section 21.2 of the Act, subject to the terms and conditions set out in Schedule "A";

DATED April 10, 2012

"Sarah B. Kavanagh"

"Vern Krishna"

SCHEDULE "A"

FUNDSERV INC.

TERMS AND CONDITIONS

GOVERNANCE

1. FundSERV's governance arrangements will be designed to promote the objectives of the users (participants) of its services and its shareholders.

2. Without limiting the generality of the foregoing, FundSERV's governance structure and governance arrangements will ensure:

   (a) effective oversight of FundSERV;

   (b) FundSERV takes into consideration the public interest ;

   (c) fair, meaningful and diverse representation on the Board and any committees of the Board, including a reasonable proportion of independent directors;

   (d) FundSERV's Board has the capacity to effectively consider the interests of FundSERV's various stakeholders;

   (e) FundSERV has policies and procedures to appropriately identify and manage conflicts of interest;

   (f) each director or officer of FundSERV, and each person or company that owns or controls, directly or indirectly, more than 10 percent of FundSERV is a fit and proper person; and

   (g) there are appropriate qualifications, limitation of liability and indemnity provisions for directors and officers of FundSERV.

3. FundSERV will not, without the Commission's prior written approval, make significant changes to its governance structure or constating documents.

FEES

4. Fees imposed by FundSERV for the clearing agency services will be equitably allocated. The fees will not have the effect of creating unreasonable barriers to access.

5. The process for setting such fees will be fair and the fee model will be transparent.

ACCESS

6. FundSERV will have transparent written standards for access to its clearing agency services.

7. The access standards and the process for granting, limiting or denying access to the clearing agency services will be fair and transparent. FundSERV will keep records of

   (a) each grant of access, and

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

RULES AND RULEMAKING

8. FundSERV will establish rules that are necessary or appropriate to govern the clearing agency services it offers.

9. FundSERV will ensure that its rules relating to the clearing agency services

   (a) are not inconsistent with securities legislation,

   (b) do not permit unreasonable discrimination among participants, and

   (c) do not impose a burden on competition that is not necessary or appropriate.

10. FundSERV will submit its rules for approval in accordance with the rule protocol attached as Appendix ”A” to this Schedule “A”, as amended from time to time.

11. FundSERV’s rules and the processes for adopting new rules or amending existing rules will be transparent to participants.

12. FundSERV will monitor participant activities to ensure compliance with such rules. Such rules will set out appropriate sanctions in the event of non-compliance by participants.

DUE PROCESS

13. For any decision made by FundSERV that materially affects an applicant or a participant in respect of the clearing agency services, including a decision in relation to access, FundSERV will ensure that:

    (a) an applicant or a participant is given an opportunity to be heard or make representations; and

    (b) FundSERV keeps a record of, gives reasons for, and provides for appeals or reviews of, its decisions.

RISK MANAGEMENT

14. FundSERV will maintain appropriate risk management policies and procedures.

15. FundSERV will carry its activities that do not relate to the clearing agency services in a manner that minimizes the spillover of risk that might adversely affect its financial viability or operations or negatively impact any of its participants.

SYSTEMS AND TECHNOLOGY

16. For its systems, FundSERV will:

    (a) develop and maintain,

        (i) reasonable business continuity and disaster recovery plans,

        (ii) an adequate system of internal control,

        (iii) adequate general computer controls, including controls relating to information systems operations, information security, change management, problem management, network support, and system software support;

    (b) on a reasonably frequent basis, and in any event, at least annually, and in a manner that is consistent with prudent business practice,

        (i) make reasonable current and future capacity estimates,

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

        (iii) test its business continuity and disaster recovery plans; and

    (c) promptly notify the Commission staff of any material systems failures.

17. FundSERV will annually engage a qualified party to conduct an independent systems review and prepare a report in accordance with established audit standards regarding its compliance with section 16(a) and such report will be provided to Commission staff.

FINANCIAL VIABILITY AND REPORTING

18. FundSERV will maintain sufficient financial resources to meet its responsibilities and allocate sufficient financial and staff resources to carry out its clearing agency services.

19. FundSERV will provide to Commission staff unaudited quarterly financial statements within 60 days of each quarter end and audited annual financial statements, together with any annual report to the shareholders and participants, within 145 days of each year end.

20. If FundSERV fails to maintain, or anticipates that it will fail to maintain a cash and accounts receivable balance equal to or greater than four months of expenses, it shall immediately notify Commission staff and advise what steps are being taken to address the situation.

OUTSOURCING

21. Where FundSERV decides to outsource any of its functions supporting or critical to its clearing agency services, it will have appropriate and formal arrangements and processes in place that permit it to meet its obligations in the provision of the clearing agency services and under this Order, and which are in accordance with industry best practices.

22. The outsourcing arrangement shall provide Commission staff with access to all data, information, and systems maintained by the third party service provider required for the purposes of regulatory oversight.

INFORMATION SHARING AND REGULATORY COOPERATION

23. FundSERV will provide such information as may be reasonably requested from time to time by, and otherwise cooperate with, the Commission or its staff.

24. Unless otherwise prohibited under applicable law, FundSERV will share information and otherwise cooperate with recognized self-regulatory organizations, investor protection funds, marketplaces, recognized and exempt clearing agencies, and other regulatory bodies as appropriate.

25. FundSERV will comply with Appendix "B" to this Schedule setting out the reporting obligations, as amended from time to time, regarding the reporting of information to the Commission.

APPENDIX "A"

RULE PROTOCOL REGARDING THE REVIEW AND APPROVAL OF FUNDSERV INC. RULES BY THE ONTARIO SECURITIES COMMISSION

1. Purpose of the Protocol

On April 10, 2012, the Ontario Securities Commission (Commission) issued a recognition order ("Recognition Order") with terms and conditions governing the recognition of FundSERV Inc. (FundSERV) as a clearing agency pursuant to subsection 21.2(1) of the *Securities Act* (Ontario) (“Act”). To comply with the Recognition Order, FundSERV must , among other things, submit its rules to the Commission for approval. This protocol sets out the procedures for the submission of a rule by FundSERV and the review and approval of the rule by the Commission.

2. Definitions

In this protocol:

"rule" means any new requirement or an amendment to or deletion of an existing requirement relating to the clearing agency services as defined in the Recognition Order, that would have an impact on FundSERV, its participants, other market participants, or the capital markets in general, relating to:

(a) Access to the clearing agency services;

(b) The rights and obligations of FundSERV or participants using the clearing agency services;

(c) Fees or costs charged to participants for use of the clearing agency services;

(d) Risks to FundSERV or its participants;

(e) The process for or the transparency of making rules;

(f) Competition among participants, other market participants or in the capital markets; or

(g) Material costs of compliance with the rule.

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

3. Procedures for Review and Approval of Rules

(a) Documents

For a rule, FundSERV will provide to the Commission, where applicable, the following documents in electronic format or by other means as agreed to by Commission staff and FundSERV from time to time:

(i) a cover letter that indicates:

(a) a description of the rule and its nature and purpose; and

(b) a description and analysis of the possible effects of such rule on FundSERV, its participants, other market participants and the capital markets in general, including but not limited to competition, risks and the costs of compliance borne by any of the foregoing parties;

(ii) the rule and a blacklined version of the rule indicating the proposed changes to an existing rule;

(iii) the concept and business case; and

(iv) the cost/benefit analysis.

(b) Confirmation of Receipt

Commission staff will within 3 business days send to FundSERV confirmation of receipt of documents submitted by FundSERV under subsection (a).

(c) Notice of Rules to Participants

FundSERV will provide notice to participants of any rules with an opportunity to comment and the notice will be posted on the FundSERV website for a period of not less than four (4) weeks.

***(d)* Publication of a Rule by the Commission**

If a rule has an impact on market participants (other than FundSERV participants) or the capital markets in general, then Commission staff may require that a notice of rule change and, where applicable, a blacklined version of the rule, be published in the OSC Bulletin or the OSC website for a comment period of not less than four (4) weeks. The notice and accompanying rule will be published as soon as reasonably practicable.

(e) Review by Commission Staff

Commission staff will use their best efforts to conduct their initial review of the rule and provide comments to FundSERV within 30 days of FundSERV filing materials with the Commission. However, there will be no restriction on the amount of time necessary to complete the review of the rule.

(f) FundSERV Responses to Commission Staff's Comments

FundSERV will respond to any comments received to Commission staff in writing.

(g) Approval by the Commission

Commission staff will use their best efforts to prepare the rule for approval by the later of (i) 45 days receipt of the filing of the rule from FundSERV including the filing of all relevant documents in subsection (a) above, and (ii) 30 days after receipt of written responses from FundSERV to staff's comments or requests for additional information, and the summary of industry comments and FundSERV's response to the industry comments (and upon the request of Commission staff, copies of the original comments), or confirmation from FundSERV that there were no comments received. If at any time during the review period, Commission staff determine that they have further comments or require further information from FundSERV in order to prepare the materials for Commission approval, the review period will be extended by an additional period of 21calendar days commencing on the day that Commission staff receive responses to the comments or the information requested. Commission staff will promptly notify FundSERV of the Commission's approval.

(h) Effective Date of a Rule

A rule will be effective as of the date of approval by Commission in accordance with subsection (g) or on a date determined by FundSERV, if such date is later.

4. Immediate Implementation of a Rule

(a) Criteria for Immediate Implementation

FundSERV may make a rule effective immediately where FundSERV determines that there is an urgent need to implement the rule because of a substantial and imminent risk of significant harm to FundSERV, participants, other market participants, or the capital markets.

(b) Prior Notification

Where FundSERV determines that immediate implementation is appropriate, FundSERV will advise Commission staff in writing as soon as possible but in any event at least 5 business days prior to the implementation of the rule. Such written notice will include an analysis to support the need for immediate implementation.

(c) Disagreement on Need for Immediate Implementation

If Commission staff do not agree that immediate implementation is necessary, the process for resolving the disagreement will be as follows:

(i) Commission staff will notify FundSERV, in writing, of the disagreement, or request more time to consider the immediate implementation, within 3 business days of being advised by FundSERV under subsection (b).

(ii) Commission staff and FundSERV will discuss and resolve any concerns raised by Commission staff.

(iii) If no notice is received by FundSERV by the 3rd business day after Commission staff received FundSERV's notification, FundSERV may assume that Commission staff does not disagree with their assessment.

(d) Review of Rule Implemented Immediately

A rule that has been implemented immediately will be reviewed and approved by the Commission in accordance with the procedures set out in section 3 with necessary modifications. If the Commission subsequently disapproves the rule, FundSERV will immediately repeal the rule and inform its participants of the disapproval.

5. Miscellaneous Provisions

(a) Waiving Provisions of the Protocol

Commission staff may waive any part of this protocol upon request from FundSERV or as determined by Commission staff. Such a waiver must be granted in writing by Commission staff.

(b) Amendments

This protocol and any provision hereof may be amended at any time with the approval of the Commission and FundSERV.

APPENDIX "B"

FUNDSERV INC.

REPORTING OBLIGATIONS

In addition to the notification, reporting and filing obligations set out in Schedule "A" to the Recognition Order, FundSERV will also comply with the reporting obligations set out below.

1. Prior Notification

1.1 FundSERV will provide to Commission staff reasonable prior notification of:

(a) any proposed change to FundSERV's corporate governance structure other than significant changes to the governance structure or constating documents for which prior approval is required under item 3 of Schedule "A" to the Recognition Order;

(b) entering into an agreement, memorandum of understanding or other similar arrangement with any governmental or regulatory body, self-regulatory organization, clearing agency, stock exchange, other marketplace or market, other than an agreement, memorandum of understanding or similar arrangement for normal commercial purposes; or

(c) engaging in a new type of business activity or cease to engage in a business activity in which FundSERV is then engaged;

2. Immediate Notification

2.1 FundSERV will provide to Commission staff immediate notice of:

(a) the appointment of any new director or officer, including a description of the individual's employment history; and

(b) the resignation of a director or officer or the auditors of FundSERV.

2.2 FundSERV will immediately notify Commission staff if it:

(a) becomes the subject of any order, directive or other similar action of a governmental or regulatory authority;

(b) becomes aware that it is the subject of a criminal or regulatory investigation; or

(c) becomes, or is aware that it may become, the subject of a material lawsuit.

3. Annual Reporting

3.1 FundSERV will provide to Commission staff annually:

(a) a list of the directors and officers of FundSERV, and identify which directors are independent;

(b) a list of the committees of the FundSERV board of directors, setting out the members, mandate and responsibilities of each of the committees;

(c) a list of all participants in the clearing agency services; and

(d) FundSERV's annual report.

2.2.7 Eda Marie Agueci et al. – s. 127

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

AND

IN THE MATTER OF
EDA MARIE AGUECI, DENNIS WING,
SANTO IACONO, JOSEPHINE RAPONI,
KIMBERLEY STEPHANY, HENRY FIORILLO,
GIUSEPPE (JOSEPH) FIORINI, JOHN SERPA,
IAN TELFER, JACOB GORNITZKI AND
POLLEN SERVICES LIMITED

ORDER
(Section 127)

WHEREAS the Ontario Securities Commission (the "Commission") issued a Notice of Hearing and Staff of the Commission ("Staff") filed a Statement of Allegations in this matter on February 7, 2012 against Eda Marie Agueci, Dennis Wing, Santo Iacono, Josephine Raponi, Kimberley Stephany, Henry Fiorillo, Giuseppe (Joseph) Fiorini, John Serpa, Ian Telfer, Jacob Gorntizki and Pollen Services Limited (collectively, the "Respondents");

AND WHEREAS at a prehearing conference held on April 9, 2012, certain scheduling matters were agreed to by the parties;

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

IT IS HEREBY ORDERED that:

1. all severance motions shall be heard on June 8, 2012 at 10:00 a.m.; and

2. a further confidential prehearing conference shall be held on September 12, 2012 at 10:00 a.m.

DATED at Toronto this 9th day of April, 2012.

"James E. A. Turner"

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Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 OSC Decisions, Orders and Rulings

3.1.1 Abitibibowater Inc. doing business as Resolute Forest Products et al.

FOR IMMEDIATE RELEASE
April 11, 2012

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

AND

IN THE MATTER OF
ABITIBIBOWATER INC. doing business as
RESOLUTE FOREST PRODUCTS

AND

IN THE MATTER OF
FIBREK INC.

AND

IN THE MATTER OF
AN APPLICATION BY
MERCER INTERNATIONAL INC.

REASONS FOR DECISION ON CONDUCTING
A SIMULTANEOUS HEARING

Hearing:	March 30, 2012		
Decision:	April 10, 2012		
Panel:	James E. A. Turner	–	Vice-Chair and Chair of the Panel
	Mary G. Condon	–	Vice-Chair
	Judith N. Robertson	–	Commissioner
Counsel:	Joseph Groia Kevin Richard Tatsiana Okun Anthony Lung	–	For Mercer International Inc.
	David Hausman Brad Moore	–	For Fibrek Inc.
	Jeremy Devereux Ava Yaskiel Vasuda Sinha Sophie Melchers	–	For AbitibiBowater Inc.
	Andrew Gray James Tory David Chaikof Tom Yao	–	For Fairfax Financial Holdings Limited

James Doris Alex Moore	–	For Steelhead Partners, LLC
Brigitte Goueil	–	For the Autorité des marchés financiers
Jane M. Waechter Naizam Kanj Leslie Milroy	–	For Staff of the Ontario Securities Commission

REASONS FOR DECISION

I. BACKGROUND

1. Introduction

[1] On March 30, 2012, the Ontario Securities Commission (the "**Commission**") held a hearing to consider an application dated March 28, 2012 (the "**Application**") by Mercer International Inc. ("**Mercer**") requesting a simultaneous hearing with the Québec Bureau de décision et de révision (the "**Bureau**") to consider whether the offer by AbitibiBowater Inc. doing business as Resolute Forest Products (**"AbitibiBowater"**) to purchase all of the issued common shares of Fibrek Inc. ("**Fibrek**") should be cease traded pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "**Act**") and whether relief should be granted pursuant to subsection 104(1) of the Act.

[2] On March 29, 2012, Mercer made a substantially similar application to the Bureau requesting similar relief (the **"Bureau Application"**).

[3] We dismissed the Application on March 30, 2012. These are our reasons for that decision.

2. Facts

[4] On November 28, 2011, AbitibiBowater announced its intention to make a take-over bid to acquire all of the issued and outstanding common shares of Fibrek for $1.00 per share payable in cash and AbitibiBowater shares (the "**AbitibiBowater Offer**"). On the same date, AbitibiBowater entered into irrevocable lock-up agreements (the "**Lock-Up Agreements**") with Fairfax Financial Holdings Limited ("**Fairfax**"), Oakmont Capital Inc. and Pabrai Investment Funds, the three largest shareholders of Fibrek (collectively, the "**Locked-Up Shareholders**"). Together, the Locked-Up Shareholders hold an aggregate of 59,502,822 Fibrek common shares, representing approximately 46% of the outstanding Fibrek shares. The Locked-Up Shareholders have irrevocably agreed to tender all of those shares to the AbitibiBowater Offer. The Locked-Up Shareholders are entitled to terminate the Lock-Up Agreements on or after April 13, 2012.

[5] On December 15, 2011, AbitibiBowater made the AbitibiBowater Offer. That offer has been extended twice and, as of the date of the hearing in this matter, it expired on the following Monday, April 2, 2012. The AbitibiBowater Offer was subsequently extended to April 11, 2012.

[6] On December 26, 2011, the board of directors of Fibrek recommended that shareholders reject the AbitibiBowater Offer, and Fibrek adopted a shareholders' rights plan.

[7] On February 9, 2012, after a hearing, the Bureau issued a cease trade order with respect to Fibrek's shareholders' rights plan, effective February 13, 2012. In its decision, the Bureau stated that it did not consider the AbitibiBowater Offer to be coercive or abusive.

[8] On February 10, 2012, Mercer and Fibrek each issued news releases announcing that they had entered into a support agreement (the **"Support Agreement"**) pursuant to which Mercer agreed to offer to purchase all of the issued and outstanding common shares of Fibrek at $1.30 per share, payable in cash and Mercer shares (the "**Mercer Offer**"). Fibrek also announced that Mercer had agreed under the Support Agreement to subscribe for special warrants (the "**Special Warrants**") pursuant to a private placement at a price of $1.00 per Special Warrant, for an aggregate subscription price of $32.32 million. Each Special Warrant would entitle Mercer to acquire one Fibrek common share without any further payment.

[9] The proposed issue of the Special Warrants would have had the effect of diluting the shareholdings of the Locked-Up Shareholders from approximately 46% of the outstanding Fibrek common shares to approximately 40%. As a result, the Mercer Offer would have been viable notwithstanding the Lock-Up Agreements.

[10] On February 13, 2012, AbitibiBowater applied to the Bureau for an order to cease trade the Mercer Offer and the Special Warrants.

[11] On February 23, 2012, after a hearing, the Bureau issued a cease trade order prohibiting Fibrek from proceeding with the issue of the Special Warrants. On March 6, 2012, the Bureau issued reasons for its decision in which it found that the Special Warrants and the break-up fee provided for under the Support Agreement constituted inappropriate defensive tactics. The Bureau concluded, however, that there was no reason to prevent Mercer from proceeding with its offer.

[12] The Bureau decision was appealed to the Court of Québec and the Bureau's decision was reversed on March 9, 2012, thereby permitting the issue of the Special Warrants. The decision of the Court of Québec was in turn appealed, and on March 27, 2012, the Québec Court of Appeal allowed the appeal and reinstated the Bureau's decision. On March 28, 2012, Fibrek announced its intention to apply for leave to appeal to the Supreme Court of Canada.

II. THE ISSUE

[13] The question we must address is whether the Commission should convene a simultaneous hearing with the Bureau to consider the Application on the merits.

III. SUBMISSIONS OF THE PARTIES

1. Mercer

[14] Mercer confirmed that the Bureau Application is substantively the same as the Application, the primary changes being with respect to the relevant section numbers of applicable Québec securities laws.

[15] Mercer submitted that the following facts demonstrate that the Application has a real and substantial connection to Ontario:

(i) Fibrek, AbitibiBowater, Fairfax and Mercer are all reporting issuers in Ontario;

(ii) Fairfax is located in Ontario and its investments are managed by an investment manager registered in Ontario;

(iii) the Lock-up Agreements entered into between AbitibiBowater and the Locked-Up Shareholders are to be construed pursuant to the laws of Ontario;

(iv) the trading in the Fibrek common shares by Steelhead Partners, LLC ("**Steelhead**"), which Mercer alleges was improper and contrary to Ontario securities law, was conducted on the Toronto Stock Exchange (the "**TSX**"); and

(v) Fairfax and AbitibiBowater sought a hearing and review by the Commission of the TSX decision to permit the issue of the Special Warrants; that application was adjourned to April 3, 2012, and later, to April 12, 2012.

[16] Mercer submitted that a real and substantial connection to Ontario is all that is required to ground the Commission's jurisdiction to consider the Application. The fact that the Application may also have a connection to Québec does not negate Ontario's jurisdiction. The question of jurisdiction is not determined based on a comparative consideration of which jurisdiction is more closely connected to the matter. Counsel for Mercer referred to the following passage from the Ontario Court of Appeal's decision in *Committee for the Equal Treatment of Asbestos Minority Shareholders v. Ontario (Securities Commission)* (1992) 15 OSCB 4973 (***"Asbestos (CA)"***):

> … If Ontario tribunals are without jurisdiction in this case because the transactions involved are more closely connected to the province of Québec, then in all cases where Ontario wishes to regulate the operation of its capital markets, it must first determine whether the transaction or series of transactions involved are more closely connected to Ontario or to some other province or country. If this is so, individuals and corporations need only structure their transactions in such a way that the test of "closest connection" is met, and then, regardless of whether the transactions involved are detrimental to persons resident in Ontario or are contrary to the trading policies established by the government of Ontario, they can be carried out with impunity.
>
> On the totality of the facts conceded for the purpose of this appeal, I am not prepared to hold that those facts have a more significant connection to the province of Québec than to the province of Ontario. However, even were I prepared to so hold, I do not consider that the jurisdiction of the OSC is ousted by that consideration alone. To hold otherwise would be to severely limit the ability of the province of Ontario to regulate the operation of capital markets within its borders.
>
> (*Asbestos (CA)* at paras. 15-16)

[17] Mercer further submitted that the Commission's exercise of jurisdiction over the Application will enhance the Commission's policy objectives because the Application raises issues governed by the take-over bid rules under Ontario securities law, specifically the rules concerning the equal treatment of shareholders.

[18] In addition, Mercer stated that Fairfax and AbitibiBowater have attorned to the Commission's jurisdiction by virtue of the application for a hearing and review of the decision of the TSX with respect to the issue of the Special Warrants.

[19] In response to arguments advanced by AbitibiBowater, Fairfax and Steelhead to the effect that the legal issues raised by the Application are effectively *res judicata*, Mercer submitted that the Application is a matter of first instance with respect to the AbitibiBowater Offer. The prior proceeding before the Bureau that resulted in the cease trade order of February 23, 2012 concerned an application by AbitibiBowater challenging the Mercer Offer and the private placement of the Special Warrants. Mercer argued that AbitibiBowater's application did not raise the issue of the propriety of the AbitibiBowater Offer and should not affect its right to raise such issues before the Commission on the Application.

[20] Mercer conceded that there is no material difference between Québec securities law and Ontario securities law with respect to the issues raised by the Application.

2. Staff of the Commission

[21] Staff of the Commission ("**Staff**") submitted that the Commission is not required to conduct a hearing on the merits of the Application. In Staff's submission, the Commission has the power to govern its own processes and that power includes the authority to decline to conduct a hearing on the merits in the circumstances of this case.

[22] Staff submitted that the Commission is required by clause 5 of section 2.1 of the Act to have regard to the principle that "[t]he integration of capital markets is supported and promoted by the sound and responsible harmonization and co-ordination of securities regulation regimes".

[23] Staff submitted that the principle of harmonization and efficiency requires that applications with respect to take-over bids be made solely to the jurisdiction of the target's principal office, avoiding multiple proceedings in multiple jurisdictions.

[24] Staff submitted (and Mercer conceded) that the principal securities regulator for matters pertaining to the AbitibiBowater Offer and the Mercer Offer (jointly referred to as the "**Bids**") is the Bureau. Staff submitted that the AbitibiBowater Offer is part of the larger factual context before the Bureau in the proceeding that resulted in the cease trade order relating to the issue of the Special Warrants. Staff submitted that the Bureau has been seized of this matter for almost two months and all parties, including Mercer, have accepted the Bureau's jurisdiction. Staff submitted that it would not be in the public interest for the Commission to hear the Application, either alone or simultaneously with the Bureau.

[25] Staff submitted that while there are common parties to the prior proceedings before the Bureau, a simultaneous hearing relating to those matters was not held.

[26] Finally, Staff rejected Mercer's submission that the parties have attorned to the jurisdiction of the Commission by reason of Fairfax's application for a hearing and review of the decision of the TSX permitting the issue of the Special Warrants. Staff submitted that the Act requires that any review of a decision of the TSX be brought before the Commission. Fairfax, having no choice as to which provincial jurisdiction in which to bring its application for a hearing and review, cannot be held to have attorned to the Commission's jurisdiction.

3. AbitibiBowater

[27] AbitibiBowater adopted the submissions made by Staff and requested that the Application be dismissed.

[28] AbitibiBowater submitted that the Commission has jurisdiction to hear the Application, but argued that it is not appropriate in the circumstances of this matter for the Commission to exercise that jurisdiction. In particular, AbitibiBowater submitted that the Commission should refrain from exercising its jurisdiction to hear this matter because (i) the Bureau is already seized with the matter and has scheduled a hearing to consider the Bureau Application for April 2, 2012; (ii) a simultaneous hearing is not necessary; and (iii) a simultaneous hearing would be neither efficient nor appropriate.

[29] AbitibiBowater cited portions of the February 23, 2012 decision of the Bureau with respect to the issue of the Special Warrants to demonstrate that the Bureau had already heard evidence and submissions relating to the AbitibiBowater Offer. AbitibiBowater submitted that the issues Mercer now seeks to have the Commission address may be subject to the doctrines of *res judicata*, issue estoppel and abuse of process. AbitibiBowater submitted that the Bureau is best situated to decide whether its prior proceeding, and the order resulting from it, effectively precludes Mercer from now seeking to challenge the AbitibiBowater Offer.

[30] Finally, AbitibiBowater submitted that Mercer failed to move expeditiously to commence the Application and the Bureau Application before the Commission and the Bureau, respectively. AbitibiBowater submitted that Mercer had knowledge of the AbitibiBowater Offer as early as November 2011, and participated in lengthy proceedings before the Bureau in February 2012, yet did not seek to challenge the AbitibiBowater Offer until March 28, 2012, mere days before the April 2, 2012 expiry date of that offer. For this reason, AbitibiBowater submitted that a simultaneous hearing by the Commission is neither efficient nor appropriate.

4. Other Interested Parties

[31] Fibrek adopted the submissions made by Mercer and asked the Commission to convene a simultaneous hearing with the Bureau in respect of the Application.

[32] Fairfax and Steelhead adopted the submissions made by Staff and AbitibiBowater, and requested that the Commission decline to exercise its jurisdiction to hold a simultaneous hearing in this matter.

IV. RELEVANT LAW

1. The Commission's Jurisdiction

[33] Section 1.1 of the Act sets out the purposes of the Act to be:

(1) to provide protection to investors from unfair, improper or fraudulent practices; and

(2) to foster fair and efficient capital markets and confidence in capital markets.

[34] Clause 5 of section 2.1 of the Act provides that, in pursuing the purposes of the Act, the Commission shall have regard to the following fundamental principles:

> 5. The integration of capital markets is supported and promoted by the sound and responsible harmonization and co-ordination of securities regulation regimes.

[35] The Commission has jurisdiction under subsection 127(1) of the Act to intervene in a transaction where it concludes that it is in the public interest to do so (*Re Canadian Tire Corp.* (1987), 10 OSCB 857 ("***Re Canadian Tire***") at p. 29, *Re H.E.R.O. Industries Ltd.* (1990), 13 OSCB 3775 ("***Re H.E.R.O.***") and *Committee for the Equal Treatment of Asbestos Minority Shareholders v. Ontario (Securities Commission)*, [2001] 2 S.C.R. 132 ("***Asbestos* (SCC)**") at para. 39).

[36] The Commission's public interest jurisdiction is animated by the purposes set out in section 1.1 of the Act. Accordingly, the Commission must consider the fair treatment of investors, capital market efficiencies and public confidence in capital markets when exercising its public interest jurisdiction (*Asbestos* (SCC)*, supra,* at para. 41).

[37] The Supreme Court of Canada has confirmed that the Commission has broad jurisdiction to intervene in a transaction on public interest grounds. That Court has noted, however, that the Commission's jurisdiction is constrained by the purposes of the Act and the regulatory nature of section 127. One of the primary purposes of an order under section 127 is to restrain future conduct that is likely to be prejudicial to the public interest in fair and efficient capital markets (*Asbestos* (SCC)*, supra,* at paras. 42, 43 and 45; see also *Re Patheon Inc.* (2009), 32 OSCB 6445 at para. 114).

[38] The Bids constitute take-over bids within the meaning of the Act and are being made to, amongst others, shareholders in Ontario.

[39] Accordingly, it is clear that the Commission has jurisdiction to consider the Application.

2. What Factors Are Relevant to the Commission Exercising Its Jurisdiction

[40] The Supreme Court of Canada in *Asbestos* (SCC) considered the circumstances in which the Commission would exercise its jurisdiction in respect of a transaction that took place in the Province of Québec. The following factors were considered relevant to the Commission taking such jurisdiction:

(i) whether the transaction was designed to avoid the animating principles of securities legislation and the rules respecting take-over bids;

(ii) whether the transaction was manifestly unfair to public minority shareholders;

(iii) whether there was a sufficient nexus with Ontario to warrant the Commission's intervention, or whether the transaction was structured to make an Ontario transaction appear to be a non-Ontario one; and

(iv) whether the transaction was abusive of the integrity of Ontario capital markets.

(*Asbestos* (SCC), *supra,* at para. 23)

These are simply examples of a number of the factors the Commission will consider relevant in determining whether to exercise its jurisdiction in particular circumstances.

[41] While the Commission placed significant emphasis on the more limited transactional connections to Ontario in *Asbestos* (SCC), the Supreme Court of Canada found that it was entitled to do so in order to avoid using the open-ended nature of its section 127 powers as a means to police out-of-province transactions too broadly. The Supreme Court of Canada concluded that the Commission had taken into account factors relevant to the exercise of its jurisdiction and had not inappropriately adopted any preconditions to the exercise of that jurisdiction (see paragraph 52 of these reasons).

[42] In *Re BioCapital BioTechnology and Healthcare Fund* (2001), 24 OSCB 2844 ("***Re BioCapital***"), the Commission considered whether to opt out of the decision of the principal regulator under the Mutual Reliance Review System. The Commission stated:

> One of the fundamental principles we are directed to have regard to in pursuing the purposes of the Act is set out in item 5 of section 2.1 of the Act. This requires us to have regard for the fact that "the integration of capital markets is supported and promoted by the sound and responsible harmonization and co-ordination of securities regulation regimes." This, in our view, involves not only the legislative aspect of designing rules but also the administrative and enforcement aspects of applying rules. Accordingly, it is in the public interest that the rules we administer be applied in a harmonious manner with the way the rules of other jurisdictions are applied in the particular circumstance, unless there is a clear and certain public policy reason for a contrary application.
>
> …
>
> In considering the question of harmonization, we asked ourselves whether there is anything particular to the Ontario capital markets that is sufficiently different to the capital markets in the other provinces to justify a different result in Ontario. We have not been able to identify any particular difference which would justify a different position being taken by Ontario with respect to this Application.
>
> (*Re BioCapital, supra,* at pp. 2846 and 2848)

While the circumstances in *Re BioCapital* related to whether Ontario should opt out of a discretionary order proposed to be issued by other Canadian securities regulators under the Mutual Reliance Review System, the principles identified have broader application.

3. Bringing Applications under Subsection 104(1) and Section 127 of the Act

[43] The Application is made under subsection 104(1) of the Act. That section provides that an "interested person" may apply to the Commission for a relevant remedy where a person or company has not complied with, or is not complying with, the take-over bid or issuer bid provisions of the Act. As noted above, the Bids constitute take-over bids for purposes of the Act. Subsection 104(1) grants very broad authority to the Commission to intervene in and regulate take-over bids (see *Re MI Developments Inc.* (2009), 32 OSCB 126 at para. 80). That section is intended to address issues "while a take-over bid or issuer bid is in progress or still running its course" (*Re Asquith*, (2004) 27 OSCB 2745 at para. 42). That is the circumstance before us.

[44] The Commission has held that persons other than Staff are not entitled as of right to bring an application under section 127 of the Act. However, the Commission has discretion to permit such an application (see *Re MI Developments Inc.*, (2010) 33 OSCB 126).

[45] The Commission may exercise its public interest jurisdiction under section 127 of the Act if it concludes that a take-over bid is not being made in compliance with the Act, where the bid is abusive of Ontario shareholders or Ontario capital markets, or is contrary to the animating principles of the take-over bid regime under the Act. A transaction will warrant the Commission's intervention where such intervention would "enhance the pursuit of the policy objectives" of the Commission, including the protection of "the integrity of the capital markets in the province" (*Re H.E.R.O., supra,* at para. 19).

V. ANALYSIS AND CONCLUSION

[46] This is an application by Mercer to the Commission to hold a simultaneous hearing with the Bureau to consider the Application.

[47] Fibrek is a reporting issuer in Ontario that is listed on the TSX, Fibrek has Ontario shareholders and the Bids are being made to those shareholders. Accordingly, the Application raises issues that potentially affect Ontario investors and our capital markets. Those issues appear to us to raise potentially important matters that should be appropriately considered by securities regulators.

[48] It is clear that the Commission has jurisdiction to hear the Application on the merits. None of the parties to this matter disputed our jurisdiction. We would likely have heard the Application on the merits, but for the considerations discussed below.

[49] In our view, the Commission is not required to hold a hearing on the merits simply because an interested person has made an application under subsection 104(1) of the Act. We are required to consider that application and to give an applicant an opportunity to be heard. However, our inherent authority to govern our own processes allows us to dismiss an application on any appropriate grounds, including a decision not to assert our jurisdiction. An opportunity to be heard on the Application has been given to Mercer in this matter.

[50] As noted above, one of the fundamental principles to which we are required to have regard in administering the Act is that "[t]he integration of capital markets is supported and promoted by the sound and responsible harmonization and co-ordination of securities regulation regimes" (clause 5 of section 2.1 of the Act).

[51] A simultaneous hearing with another Canadian securities regulator may not advance that principle because such a hearing can result in two different outcomes. In a simultaneous hearing, while the evidence and submissions made to the two panels will likely be the same, each panel is entitled to come to its own decision in the circumstances. The Commission has no authority to participate in a joint hearing (where the panels are required to come to a single decision). Accordingly, a simultaneous hearing may not promote the harmonization of securities regulatory regimes or of decisions made under them. Further, a simultaneous hearing may subject the parties to additional expense and complexity.

[52] The Supreme Court of Canada recognized in *Asbestos* (SCC) that there are circumstances in which it is appropriate for the Commission not to assert its jurisdiction where other Canadian securities regulators are engaged in a matter or where a regulatory proceeding in another Canadian jurisdiction will be held. In this respect, the Court stated that:

> [T]he integration of capital markets is supported and promoted by the sound and responsible harmonization and co-ordination of securities regulation regimes. A transaction that is contrary to the policy of the Ontario Securities Act may be acceptable under another regulatory regime. Thus, the OSC's insistence on a more clear and direct connection with Ontario in this case reflects a sound and responsible approach to long-arm regulation and the potential for conflict amongst the different regulatory regimes that govern the capital markets in the global economy.
>
> (*Asbestos* (SCC), *supra*, at para. 62)

In applying that principle, we must consider the particular circumstances of each matter and balance competing interests.

[53] The question we must decide is whether we should assert our jurisdiction in these circumstances to hold a simultaneous hearing with the Bureau on the Application. If the only considerations relevant to that question were the factors referred to in paragraph 47 of these reasons, the Commission would hold a simultaneous public hearing in almost all cases where another Canadian securities regulator holds an administrative hearing involving a take-over bid. That has not been the Commission's practice or the practice of other Canadian securities regulators. The Commission has held very few simultaneous hearings with other Canadian securities regulators over the years.

[54] In making our decision in this matter, we have considered the following factors:

(i) Fibrek is a corporation with its principal office in the Province of Québec;

(ii) generally, Canadian securities regulators take jurisdiction with respect to take-over bids and transactions involving multiple Canadian jurisdictions based on the location of the principal office of the relevant issuer; in this case, the principal office of Fibrek as the target of the Bids;

(iii) securities regulators in the Province of Québec are actively engaged in considering the issues arising from the Bids;

(iv) the Bureau has already held two hearings addressing issues arising from the Bids and has scheduled a third hearing to consider the Bureau Application on April 2, 2012;

(v) the securities laws of the Province of Québec applicable to the issues raised by the Application are substantially the same as the securities laws of the Province of Ontario;

(vi) any disposition by the Bureau of the Bureau Application is likely to accrue to the benefit of Ontario investors and Ontario capital markets; and

(vii) efficiency in holding hearings on an expedited basis when dealing with outstanding take-over bids.

[55] The strongest nexus and jurisdictional connections to the transactions that are the subject matter of the Application are to the Province of Québec. That does not determine whether we should exercise our jurisdiction, but that is a relevant consideration.

[56] In our view, a simultaneous hearing should only be held in compelling circumstances. Such hearings may not advance the harmonization and co-ordination of securities regulatory regimes and they may create added costs and complexity for the parties (see paragraph 51 above). The issues raised by the Application are not so fundamentally important to Ontario investors or Ontario capital markets, or so notorious, as to outweigh the considerations referred to in paragraphs 52 and 54 of these reasons. Our decision with respect to this question may have been different if the applicable Ontario securities laws were not substantially the same as the securities laws of the Province of Québec or if Ontario investors or capital markets were being affected in a fundamentally different or unique way.

[57] The Bureau is seized of the matters raised by the Bids and has scheduled a hearing to address the Bureau Application on April 2, 2012. In the interests of harmony, co-ordination of securities regulatory regimes and efficiency, we conclude that we should not hold a simultaneous hearing with the Bureau on the Application. In our view, the public interest is not served in these circumstances by holding such a hearing.

[58] We would add that we do not agree that the parties responding to the Application have attorned to Ontario jurisdiction as a result of the appeal of the TSX decision approving the private placement of the Special Warrants. Generally, appeals of decisions of the TSX come before the Commission under the Act. That does not answer the question whether the Commission should hold a hearing on a different but related matter such as the Application. We would also add that it does not appear to us that Mercer should be barred from bringing the Application because of the other previous proceedings relating to the Bids and the private placement of the Special Warrants. Those proceedings were brought by other parties and addressed different issues. That does not, however, change our view as to whether we should assert our jurisdiction in respect of the Application.

[59] Accordingly, we dismissed the Application.

[60] Our decision not to assert jurisdiction in these circumstances does not, of course, restrict our discretion to address in the future any additional or other issues that may arise out of this matter that may affect Ontario investors or Ontario capital markets or engage our public interest jurisdiction. Any such assertion of our jurisdiction would, however, be subject to the principles and considerations discussed in these reasons.

DATED at Toronto this 10th day of April, 2012.

"James E. A. Turner"
James E. A. Turner

"Mary G. Condon"
Mary G. Condon

"Judith N. Robertson"
Judith N. Robertson

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
Northstar Aerospace, Inc.	05 Apr 12	17 Apr 12		
Homeland Energy Group Ltd.	05 Apr 12	17 Apr 12		

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
Higher River Gold Mines Ltd	15 Mar 12	27 Mar 12	27 Mar 12		

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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 SecuritiesSource (see www.carswell.com).

This chapter contains a weekly summary of insider transactions of Ontario reporting issuers in the System for Electronic Disclosure by Insiders (SEDI). The weekly summary contains insider transactions reported during the seven days ending Sunday at 11:59 pm.

To obtain Insider Reporting information, please visit the SEDI website (www.sedi.ca).

Chapter 8

Notice of Exempt Financings

REPORTS OF TRADES SUBMITTED ON FORMS 45-106F1 AND 45-501F1

Transaction Date	No of Purchasers	Issuer/Security	Total Purchase Price ($)	No of Securities Distributed
02/14/2012	1	Accel-KKR Capital Partners IV, LP - Limited Partnership Interest	49,955,000.00	1.00
02/21/2012	1	Accretive 360 Holdings Ltd. - Common Shares	15,000.00	15,000.00
02/07/2012	2	Actera Partners II L.P. - Limited Partnership Interest	409,857,600.00	2.00
03/20/2012	2	Allison Transmission Holdings, Inc. - Common Shares	22,850.00	1,000.00
03/15/2012	27	Alta Pacific Mortgage Investment Corp. - Common Shares	525,600.00	5,256.00
03/23/2012	17	Auriga Gold Corp. - Flow-Through Units	1,800,204.83	5,217,985.00
03/28/2012	1	Auriga Gold Corp. - Warrants	30,000.00	1,500,000.00
03/21/2012	1	Bending Lake Iron Group Limited - Loan	1,000,000.00	1.00
02/24/2012	53	BP Capital Markets p.l.c. - Notes	500,000,000.00	53.00
02/10/2012	1	BREP VII Opportunistic Commercial Real Estate Fund (Offshore), L.P. - Limited Partnership Interest	2,003,200.00	1.00
03/09/2012	6	B.E.S.T. Active Fund 15 LP - Limited Partnership Units	2,850,000.00	2,850,000.00
03/01/2012	7	B.E.S.T. Active Fund 15 L.P. - Limited Partnership Units	1,446,000.00	1,446,000.00
03/23/2011	1	Canadian Arrow Mines Limited - Common Shares	10,500.00	150,000.00
01/12/2012	24	Canadian Horizons Blended Mortgage Investment Corporation - Preferred Shares	542,839.00	542,839.00
02/23/2012	18	Canadian Horizons Blended Mortgage Investment Corporation - Preferred Shares	436,938.00	436,938.00
01/25/2012	17	Canadian Horizons Blended Mortgage Investment Corporation - Preferred Shares	467,792.00	467,792.00
01/12/2012	35	Canadian Horizons First Mortgage Investment Corporation - Preferred Shares	889,799.00	889,799.00
02/09/2012	27	Canadian Horizons First Mortgage Investment Corporation - Preferred Shares	566,545.00	566,545.00
03/09/2012	50	Canadian Horizons First Mortgage Investment Corporation - Preferred Shares	693,235.00	693,235.00
01/25/2012	19	Canadian Horizons First Mortgage Investment Corporation - Preferred Shares	447,075.00	447,075.00

Transaction Date	No of Purchasers	Issuer/Security	Total Purchase Price ($)	No of Securities Distributed
03/16/2012 to 03/19/2012	2	Canadian International Minerals Inc. - Common Shares	84,000.00	1,200,000.00
03/16/2012 to 03/19/2012	7	Canadian International Minerals Inc. - Flow-Through Units	110,800.00	1,108,000.00
03/21/2012	42	CanAlaska Uranium Ltd. - Flow-Through Shares	897,910.00	1,522,000.00
03/20/2012	13	CardioComm Solutions Inc. - Units	1,550,000.00	3,100,000.00
01/12/2012	31	CareVest Capital Blended Mortgage Investment Corp. - Preferred Shares	955,486.00	955,486.00
02/23/2012 to 02/24/2012	41	CareVest Capital Blended Mortgage Investment Corp. - Preferred Shares	768,686.00	768,686.00
03/09/2012	71	CareVest Capital Blended Mortgage Investment Corp. - Preferred Shares	1,211,927.00	1,211,927.00
01/25/2012	40	CareVest Capital Blended Mortgage Investment Corp. - Preferred Shares	569,752.00	569,752.00
01/12/2012	14	CareVest Capital First Mortgage Investment Corp. - Preferred Shares	680,084.00	680,084.00
02/23/2012	25	CareVest Capital First Mortgage Investment Corp. - Preferred Shares	523,100.00	523,100.00
01/25/2012	14	CareVest Capital First Mortgage Investment Corp. - Preferred Shares	664,375.00	664,375.00
03/09/2012	6	CareVest First Mortgage Investment Corporation - Preferred Shares	71,429.00	71,429.00
03/23/2012	23	Cavan Ventures Inc. - Units	240,250.00	4,805,000.00
03/21/2012	1	CHY Fund - Trust Units	18,368,538.44	2,103,998.54
03/15/2012	3	CIT Group Inc. - Notes	10,392,684.30	3.00
02/02/2012	3	CIT Group Inc. - Notes	5,991,000.00	3.00
01/31/2012	3	Citigroup Funding Inc. - Notes	641,875.00	6,500.00
03/23/2012	1	Cleanfield Alternative Energy Inc. - Common Shares	750,000.00	12,500,000.00
03/15/2012	7	Clear Channel Communications, Inc. - Notes	419,996.70	423,000.00
01/23/2012	1	Court Square Capital Partners (Offshore) III, L.P. - Limited Partnership Interest	302,400,000.00	1.00
03/02/2012	1	Creador I, LLC - Preferred Shares	494,400.00	50.00
03/12/2012	10	Cynapsus Therapeutics Inc. - Common Shares	187,200.00	3,744,000.00
03/12/2012	10	Cynapsus Therapeutics Inc. - Debentures	748,800.00	10.00
03/19/2012	14	Darnley Bay Resources Limited - Units	158,000.00	1,580,000.00
02/15/2012	39	DB Mortgage Investment Corporation #1 - Common Shares	8,058,000.00	8,058.00
03/20/2012	5	Demandware, Inc. - Common Shares	333,690.00	21,000.00

Transaction Date	No of Purchasers	Issuer/Security	Total Purchase Price ($)	No of Securities Distributed
03/20/2012	1	DJO Finance LLC/ DJO Finance Corporation - Notes	247,500.00	250,000.00
03/01/2012	1	Dymon Asia Macro Fund - Common Shares	88,794,000.00	90,000.00
12/23/2011	21	Eco-Energy China Group Inc. - Common Shares	930,699.19	3,000,000.00
03/15/2012	4	Elm Park Credit Opportunities Fund (Canada), L.P. - Limited Partnership Interest	89,509,935.00	4.00
03/22/2012	28	ES Investment Ltd. - Common Shares	1,444,003.00	962,668.00
03/19/2012	12	Essex Angel Capital Inc. - Units	230,000.00	4,600,000.00
02/24/2012	25	Excalibur Resources Ltd. - Units	619,000.00	6,190,000.00
03/14/2012	3	FMG Resources (August 2006) Pty Ltd - Notes	50,566,500.00	51,000,000.00
03/08/2012	6	Genwealth Ventures L.P. - Limited Partnership Units	825,000.00	825.00
03/02/2012	19	Ginkgo Mortgage Investment Corporation - Preferred Shares	806,570.00	80,658.00
03/21/2012	1	Greencastle Resources Ltd. - Common Shares	30,000.00	300,000.00
06/30/2011 to 12/30/2011	7	Greenchip Global Equity Fund - Trust Units	3,623,500.00	430,299.70
03/14/2012	83	Griffiths Energy International Inc. - Common Shares	125,040,000.00	20,840,000.00
01/06/2012	2	GSO Mezzanine Finance Fund (Offshore), L.P. - Limited Partnership Interest	2,558,000.00	2.00
03/12/2012	2	GulfMark Offshore, Inc. - Notes	2,202.75	2,225,000.00
02/29/2012 to 03/01/2012	23	Hillcrest Resources Ltd. - Common Shares	1,118,940.00	3,500,000.00
03/23/2012	37	Iron Tank Resources Corp. - Common Shares	600,000.00	6,000,000.00
03/12/2012	3	IvenSense, Inc. - Common Shares	385,712.50	26,150.00
03/19/2012	5	Kitrinor Metals Inc. - Units	33,994.85	113,299.00
03/12/2012	11	Largo Resources Ltd. - Units	13,999,999.86	63,636,363.00
02/14/2012 to 02/23/2012	14	Lions Gate Metals Inc. - Units	860,000.00	1,000,000.00
01/12/2012 to 01/13/2012	2	Marquest Asset Management Inc. - Units	190,000.00	310.13
02/21/2012 to 02/28/2012	1	Marret HYS Trust - Trust Units	215,223,040.00	16,367,208.68
03/12/2012	17	Micrex Development Corp. - Common Shares	647,849.00	2,450,000.00
03/23/2012	1	Micromem Technologies Inc. - Units	14,000.00	58,333.00
03/13/2012	2	Micromem Technologies Inc. - Units	70,000.00	291,666.00

Transaction Date	No of Purchasers	Issuer/Security	Total Purchase Price ($)	No of Securities Distributed
01/31/2012	69	Morrison Laurier Mortgage Corporation - Preferred Shares	1,633,110.00	163,311.00
02/29/2012	61	Morrison Laurier Mortgage Corporation - Preferred Shares	1,702,000.00	170,200.00
03/05/2012	1	Mystic Re III Ltd. - Notes	30,192,000.00	30,000,000.00
12/23/2011 to 01/05/2012	6	New Carolin Gold Corp. - Units	165,550.00	1,103,667.00
02/01/2012	1	New Haven Mortgage Income Fund (1) Inc. - Common Shares	150,000.00	150,000.00
03/20/2012	109	New World Mining Enterprises Inc. - Units	1,224,200.00	4,896,800.00
02/10/2012 to 02/17/2012	18	Newport Balanced Fund - Trust Units	302,557.98	2,432.00
02/10/2012 to 02/17/2012	9	Newport Canadian Equity Fund - Trust Units	275,331.05	1,892.00
02/20/2012 to 02/29/2012	8	Newport Canadian Equity Fund - Trust Units	186,999.84	1,353.00
02/10/2012 to 02/17/2012	4	Newport Fixed Income Fund - Trust Units	188,295.37	1,803.00
02/20/2012 to 02/29/2012	6	Newport Fixed Income Fund - Trust Units	723,294.35	323.00
02/10/2012 to 02/17/2012	9	Newport Global Equity Fund - Trust Units	184,819.40	2,894.00
02/20/2012 to 02/29/2012	23	Newport Global Equity Fund - Trust Units	935,922.75	N/A
02/20/2012 to 02/29/2012	43	Newport Strategic Yield LP - Trust Units	3,152,207.34	N/A
02/10/2012 to 02/17/2012	58	Newport Yield Fund - Trust Units	1,309,514.68	N/A
02/20/2012 to 02/29/2012	33	Newport Yield Fund - Trust Units	969,471.79	N/A
02/29/2012	9	Newstart Financial Inc. - Notes	940,000.00	940,000.00
03/20/2012	23	Newstrike Capital Inc - Common Shares	24,800,000.00	8,000,000.00
03/26/2012	1	North American Nickel Inc. - Common Shares	30,000.00	500,000.00
03/19/2012	6	NXT Energy Solutions Inc. - Units	287,755.00	388,333.00
01/17/2012	34	NYLCAP Select Manager Canada Fund II, L.P. - Units	25,800,000.00	25,800.00
02/09/2012 to 02/15/2012	13	Omniarch Capital Corporation - Bonds	344,575.00	13.00
03/22/2012	54	Otis Gold Corp. - Units	1,408,500.00	7,042,500.00
02/21/2012	13	Palisade Vantage Fund - Units	5,018,715.46	464,266.00

Transaction Date	No of Purchasers	Issuer/Security	Total Purchase Price ($)	No of Securities Distributed
02/22/2012	63	PAN GLOBAL RESOURCES INC. - Common Shares	3,526,499.80	5,877,499.00
03/19/2012	7	PC Gold Inc. - Units	1,000,000.00	2,500,000.00
02/17/2012	62	Pennant Pure Yield Fund - Trust Units	1,629,590.00	162,959.00
02/06/2012 to 02/15/2012	82	PetroSahara Energy Corp. - Special Warrants	5,504,000.00	5,504,000.00
01/25/2012	1	Phoenix Capital Fund - Trust Units	30,000.00	6,000.00
03/12/2012	2	priceline.com Incorporated - Notes	1,977,065.00	2,000,000.00
03/08/2012 to 03/09/2012	16	Prophecy Coal Corp. - Common Shares	9,527,249.70	22,363,866.00
02/16/2012	56	PSP Capital Inc. - Notes	899,748,000.00	56.00
02/16/2012	20	PSP Capital Inc. - Notes	350,000,000.00	20.00
02/21/2012	2	Raymond James Financial, Inc. - Common Shares	11,847,500.00	10,500,000.00
03/19/2012	9	Regions Financial Corporation - Common Shares	13,700,500.00	2,350,000.00
03/22/2012	3	Rio Tinto Finance (USA) plc - Notes	17,893,410.00	N/A
03/23/2012	5	RJK Exploration Ltd. - Common Shares	220,000.00	1,375,000.00
03/16/2012	2	Salix Pharmaceuticals, Ltd. - Notes	5,452,700.00	600,000,000.00
03/16/2012	7	San Gold Corporation - Common Shares	22,501,500.00	10,715,000.00
03/01/2012	15	Sarona Frontier Markets Fund I LP - Limited Partnership Units	3,180,250.00	3,180,250.00
02/01/2012 to 02/03/2012	14	SecureCare Investments Inc. - Bonds	433,000.00	433.00
02/28/2012	19	Sernova Corp - Units	3,491,119.90	19,395,110.00
03/20/2012	1	SIA Trust - Trust Units	60,927,352.00	6,092,735.20
03/14/2012	2	Simon Property Group, Inc. - Common Shares	50,940,000.00	8,500,000.00
02/08/2012	2	Sinclair-Cockburn Mortgage Investment Corporation - Common Shares	500,000.00	500,000.00
03/20/2012	1	Solar Income Fund LP - Units	60,000.00	60.00
02/28/2012	54	Spartan 2012 Pre-IPO LP - Limited Partnership Units	4,202,000.00	4,202.00
03/20/2012	2	Spectrum Brands, Inc. - Notes	1,237,500.00	1,250,000.00
03/22/2012	3	Stellar Pharmaceuticals Inc. - Common Shares	1,120,000.00	2,000,000.00
03/16/2012	1	Targeted Growth Canada Inc. - Debenture	823,441.32	1.00
01/03/2012	1	The AlphaGen Octanis Fund Limited - Common Shares	74,323,791.36	383,255.71

Transaction Date	No of Purchasers	Issuer/Security	Total Purchase Price ($)	No of Securities Distributed
02/20/2012 to 02/29/2012	15	The Newport Balanced Fund - Trust Units	791,092.39	7,781.00
03/16/2012	105	The Royal Bank of Scotland plc - Notes	420,199,000.00	420,199,000.00
02/29/2012	3	Threshold Power Trust - Trust Units	14,666.67	1,466,667.00
03/16/2012	3	Toro Gold Ltd. - Common Shares	212,058.00	30,000.00
03/20/2012	17	Transpower New Zealand Limited - Notes	250,000,000.00	1,000,000,000.00
03/22/2012	4	Tricon XII Limited Partnership - Limited Partnership Units	45,750,000.00	915.00
01/17/2012	9	Two Harbors Investment Corp. - Common Shares	16,205,000.00	1,750,000.00
02/24/2012	6	Two Harbors Investment Corp. - Common Shares	2,227,500.00	225,000.00
03/19/2012 to 03/23/2012	70	UBS AG, Jersey Branch - Certificates	22,025,192.22	70.00
03/19/2012 to 03/23/2012	2	UBS AG, Zurich - Certificates	306,895.77	N/A
01/31/2012	1	UPCB Finance VI Limited - Note	4,020,800.00	1.00
03/20/2012	10	Upper Canyon Minerals Corp. - Units	175,000.00	1,750,000.00
02/07/2012	2	Urbana Corporation - Common Shares	199,820.00	194,000.00
01/23/2012	1	U.S. Bancorp - Common Shares	50,400,000.00	2,000,000.00
03/21/2012	1	Verso Paper Holdings LLC - Notes	2,937,211.20	3,000,000.00
03/16/2012	20	Walton MD Gardner Ridge Investment Corporation - Common Shares	732,110.00	93,211.00
03/16/2012	4	Walton MD Gardner Ridge LP - Units	925,954.45	93,145.00
03/22/2012	39	WCB Resources Ltd. - Units	2,070,120.75	2,760,161.00
02/29/2012	29	Whitecastle New Urban Fund 2, L.P. - Limited Partnership Units	129,500,000.00	129,500,000.00
02/15/2012	2	WNS (Holdings) Limited - American Depository Shares	8,352,000.00	10,650,000.00

Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Adira Energy Ltd.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated April 3, 2012
NP 11-202 Receipt dated April 4, 2012
Offering Price and Description:
$ * - * Common Shares Price: $ * per Common Share
Underwriter(s) or Distributor(s):
GMP SECURITIES L.P.
CORMARK SECURITIES INC.
CLARUS SECURITIES INC.
FIRSTENERGY CAPITAL CORP.
Promoter(s):
-
Project #1886771

Issuer Name:
Altus Group Limited
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated April 4, 2012
NP 11-202 Receipt dated April 4, 2012
Offering Price and Description:
$48,000,000.00 - 6.75% Convertible Unsecured Subordinated Debentures Due June 30, 2017 Price: $1,000 per Debenture
Underwriter(s) or Distributor(s):
BMO NESBITT BURNS INC.
CIBC WORLD MARKETS INC.
NATIONAL BANK FINANCIAL INC.
SCOTIA CAPITAL INC.
CANACCORD GENUITY CORP.
HSBC SECURITIES (CANADA) INC.
Promoter(s):
-
Project #1887003

Issuer Name:
Ballard Power Systems Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Base Shelf Prospectus dated April 5, 2012
NP 11-202 Receipt dated April 5, 2012
Offering Price and Description:
US$75,000,000.00:
Common Shares
Preferred Shares
Warrants
Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1887449

Issuer Name:
Birchcliff Energy Ltd.
Principal Regulator – Alberta
Type and Date:
Preliminary Short Form Prospectus dated April 4, 2012
NP 11-202 Receipt dated April 4, 2012
Offering Price and Description:
$71,893,750.00 - $61,773,750.00 - 8,075,000 Common Shares Price: $7.65 per Common Share; and $10,120,000 - 1,100,000 Flow-Through Shares Price: $9.20 per Flow-Through Share
Underwriter(s) or Distributor(s):
GMP SECURITIES L.P.
CORMARK SECURITIES INC.
NATIONAL BANK FINANCIAL INC.
CIBC WORLD MARKETS INC.
HSBC SECURITIES (CANADA) INC.
STIFEL NICOLAUS CANADA INC.
Promoter(s):
-
Project #1887066

Issuer Name:
Candelaria Silver Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Prospectus dated April 9, 2012
NP 11-202 Receipt dated April 10, 2012
Offering Price and Description:
$4,700,000.00 to $5,700,000 - * Units Price: $ * per Unit
Underwriter(s) or Distributor(s):
M Partners Inc.
Promoter(s):
Vena Resources Inc.
Project #1888052

Issuer Name:
CMX Gold & Silver Corp.
Principal Regulator - Alberta
Type and Date:
Second Amended and Restated Preliminary Long Form Prospectus dated April 9, 2012
NP 11-202 Receipt dated April 9, 2012
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
UNION SECURITIES LTD.
Promoter(s):
Jan Alston
Project #1813190

Issuer Name:
Crestwell Resources Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Long Form Prospectus dated April 5, 2012
NP 11-202 Receipt dated April 5, 2012
Offering Price and Description:
$246,450.00 - 2,464,500 COMMON SHARES ISSUABLE UPON THE EXERCISE OF SPECIAL WARRANTS Price: $0.10 per Special Warrant
Underwriter(s) or Distributor(s):
-
Promoter(s):
Jeff Yenyou Zheng
Project #1887616

Issuer Name:
ECIGIF Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Prospectus dated April 3, 2012
NP 11-202 Receipt dated April 4, 2012
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
ARROW CAPITAL MANAGEMENT INC.
Project #1886469

Issuer Name:
Front Street Balanced Resource Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Prospectus dated April 3, 2012
NP 11-202 Receipt dated April 4, 2012
Offering Price and Description:
Maximum $* (* Units) Price: $10.00 per Unit Minimum Purchase: 200 Units
Underwriter(s) or Distributor(s):
BMO NESBITT BURNS INC.
CIBC WORLD MARKETS INC.
RBC DOMINION SECURITIES INC.
NATIONAL BANK FINANCIAL INC.
TD SECURITIES INC.
SCOTIA CAPITAL INC.
GMP SECURITIES L.P.
CANACCORD GENUITY CORP.
DUNDEE SECURITIES LTD.
HSBC SECURITIES (CANADA) INC.
MACQUARIE CAPITAL MARKETS CANADA LTD.
RAYMOND JAMES LTD.
SHERBROOKE STREET CAPITAL (SSC) INC.
TUSCARORA CAPITAL INC.
Promoter(s):
FRONT STREET CAPITAL 2004
Project #1886886

Issuer Name:
IBI Group Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated April 4, 2012
NP 11-202 Receipt dated April 4, 2012
Offering Price and Description:
$40,500,000.00 - 2,700,000 Common Shares Price: $15.00 per Common Share
Underwriter(s) or Distributor(s):
TD SECURITIES INC.
CIBC WORLD MARKETS INC.
NATIONAL BANK FINANCIAL INC.
BMO NESBITT BURNS INC.
RAYMOND JAMES LTD.
RBC DOMINION SECURITIES INC.
SCOTIA CAPITAL INC.
CANACCORD GENUITY CORP
DESJARDINS SECURITIES INC
LAURENTIAN BANK SECURITIES INC.
NCP NORTHLAND CAPITAL PARTNERS INC.
ALTACORP CAPITAL INC.
CREDIT SUISSE SECURITIES (CANADA) INC.
STONECAP SECURITIES INC.
Promoter(s):
IBI GROUP MANAGEMENT PARTNERSHIP
BEINHAKER DESIGN SERVICES LTD.
SCOTT STEWART & ASSOCIATES LTD.
IBI GROUP INVESTMENT PARTNERSHIP
BEINHAKER DESIGN SERVICES LTD.
SCOTT STEWART & ASSOCIATES LTD.
Project #1886944

Issuer Name:
Liquor Stores N.A. Ltd.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated April 9, 2012
NP 11-202 Receipt dated April 9, 2012
Offering Price and Description:
$67,500,000.00 - 5.85% Convertible Unsecured Subordinated Debentures Price: $1,000 per Debenture
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
Scotia Capital Inc.
HSBC Securities (Canada) Inc.
PI Financial Corp.
Promoter(s):
-
Project #1888047

Issuer Name:
Spirit Bear Capital Corp.
Principal Regulator - British Columbia
Type and Date:
Preliminary CPC Prospectus dated April 3, 2012
NP 11-202 Receipt dated April 4, 2012
Offering Price and Description:
$300,000.00 - 3,000,000 Common Shares Price: $0.10 per Common Share
Underwriter(s) or Distributor(s):
Macquarie Private Wealth Management Inc.
Promoter(s):
-
Project #1887089

Issuer Name:
Thompson Creek Metals Company Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Base Shelf Prospectus dated April 10, 2012
NP 11-202 Receipt dated April 10, 2012
Offering Price and Description:
$1,000,000,000.00:
Common Shares,
First Preferred Shares,
Debt Securities,
Warrants,
Subscription Receipts,
Units, and
Share Purchase Contracts
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1888317

Issuer Name:
Timbercreek Global Real Estate Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Prospectus dated April 5, 2012
NP 11-202 Receipt dated April 5, 2012
Offering Price and Description:
$* Maximum - Price: $* per Class A Unit Price: $* per Class B Unit Minimum Purchase: 250 Class A Units or 1,000 Class B Units
Underwriter(s) or Distributor(s):
RAYMOND JAMES LTD.
BMO NESBITT BURNS INC.
TD SECURITIES INC.
Promoter(s):
TIMBERCREEK ASSET MANAGEMENT LTD.
Project #1887396

Issuer Name:
Tricon Capital Group Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated April 4, 2012
NP 11-202 Receipt dated April 4, 2012
Offering Price and Description:
$45,000,000.00 -11,250,000 Common Shares Price: $4.00 per Common Share
Underwriter(s) or Distributor(s):
GMP SECURITIES L.P.
RBC DOMINION SECURITIES INC.
CANACCORD GENUITY CORP.
Promoter(s):
-
Project #1886940

Issuer Name:
Triox Limited
Principal Regulator - Alberta
Type and Date:
Preliminary CPC Prospectus dated March 30, 2012
NP 11-202 Receipt dated April 3, 2012
Offering Price and Description:
$230,000.00 - 2,300,000 Ordinary Shares Price: $0.10 per Ordinary Share
Underwriter(s) or Distributor(s):
Union Securities Ltd.
Promoter(s):
James Varanese
Project #1884933

Issuer Name:
Wolfden Resources Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Prospectus dated April 5, 2012
NP 11-202 Receipt dated April 5, 2012
Offering Price and Description:
OFFERING: * UNITS AT A PRICE OF $ * PER UNIT * FLOW-THROUGH COMMON SHARES AT A PRICE OF $* PER SHARE
Underwriter(s) or Distributor(s):
Canaccord Genuity Corp.
Promoter(s):
Ewan Downie
Project #1887523

Issuer Name:
Armada Exploration Corp.
Principal Regulator - British Columbia
Type and Date:
Final Long Form Prospectus dated April 2, 2012
NP 11-202 Receipt dated April 3, 2012
Offering Price and Description:
$860,000.00 - 4,300,000 Shares @ $0.20 per Share
Underwriter(s) or Distributor(s):
Haywood Securities Inc.
Promoter(s):
Andrew Brown
Project #1857903

Issuer Name:
BMO Canadian Equity Class
(BMO Guardian Canadian Equity Class Advisor Series, BMO Guardian Canadian Equity Class Series H and BMO Guardian Canadian Equity Class Series F)
BMO Canadian Large Cap Equity Class
(BMO Guardian Canadian Large Cap Equity Class Advisor Series and
BMO Guardian Canadian Large Cap Equity Class Series H)
BMO Emerging Markets Class
(BMO Guardian Emerging Markets Class Advisor Series and
BMO Guardian Emerging Markets Class Series H)
BMO Enterprise Class
(BMO Guardian Enterprise Class Advisor Series)
BMO Global Absolute Return Class
(BMO Guardian Global Absolute Return Class Advisor Series and
BMO Guardian Global Absolute Return Class Series H)
BMO Global Energy Class
(BMO Guardian Global Energy Class Advisor Series and BMO Guardian Global Energy Class Series F)
BMO Global Equity Class
(BMO Guardian Global Equity Class Advisor Series)
BMO Global Small Cap Class
(BMO Guardian Global Small Cap Class Advisor Series)
BMO Global Technology Class
(BMO Guardian Global Technology Class Advisor Series)
BMO Resource Class
(BMO Guardian Resource Class Advisor Series)
BMO U.S. Special Equity Fund
(BMO Guardian U.S. Special Equity Fund Advisor Series)
Principal Regulator - Ontario
Type and Date:
Amendment #2 dated March 26, 2012 to the Simplified Prospectuses and Annual Information Form dated September 20, 2011
NP 11-202 Receipt dated April 4, 2012
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
BMO Investments Inc.
Promoter(s):
-
Project #1782751

Issuer Name:
BMO Guardian Global Bond Fund
(Mutual Fund units, F Class units and I Class units)
BMO Guardian Dividend Growth Fund
(Mutual Fund units, F Class units, I Class units and T5 Class units)
BMO Guardian Global Equity Fund
(Mutual Fund units, F Class units, I Class units and T5 Class units)
BMO Guardian Global Technology Fund
(Mutual Fund units, F Class units and I Class units)
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated March 26, 2012 to the Simplified Prospectuses and Annual Information Form dated June 16, 2011
NP 11-202 Receipt dated April 4, 2012
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Guardian Group of Funds Ltd.
BMO Investments Inc.
Promoter(s):
BMO Investments Inc.
Project #1748278

Issuer Name:
Canaccord Financial Inc.
Principal Regulator - British Columbia
Type and Date:
Final Short Form Prospectus dated April 2, 2012
NP 11-202 Receipt dated April 3, 2012
Offering Price and Description:
$100,000,000.00 - 4,000,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series C
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Canaccord Genuity Corp.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Scotia Capital Inc.
GMP Securities L.P.
Macquarie Capital Markets Canada Ltd.
Raymond James Ltd.
Cormark Securities Inc.
Desjardins Securities Inc.
Dundee Securities Ltd.
Mackie Research Capital Corporation
Manulife Securities Incorporated
Promoter(s):
-
Project #1878192

Issuer Name:
Celtic Exploration Ltd.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated April 4, 2012
NP 11-202 Receipt dated April 5, 2012
Offering Price and Description:
$150,000,000.00 - 5.00% Convertible Unsecured Subordinated Debentures
Due April 30, 2017 Price: $1,000 per Debenture
Underwriter(s) or Distributor(s):
RBC DOMINION SECURITIES INC.
PETERS & CO. LIMITED
CIBC WORLD MARKETS INC.
FIRSTENERGY CAPITAL CORP.
CANACCORD GENUITY CORP.
CORMARK SECURITIES INC.
MACQUARIE CAPITAL MARKETS CANADA LTD.
NATIONAL BANK FINANCIAL INC.
STIFEL NICOLAUS CANADA INC.
GMP SECURITIES L.P.
SCOTIA CAPITAL INC.
PARADIGM CAPITAL INC.
TD SECURITIES INC.
Promoter(s):
-
Project #1879550

Issuer Name:
Clear Creek Resources Ltd.
Principal Regulator - British Columbia
Type and Date:
Final Long Form Prospectus dated March 30, 2012
NP 11-202 Receipt dated April 3, 2012
Offering Price and Description:
Minimum of 4,285,714 Shares up to a Maximum of 11,428,571 Shares Price: $0.35 per Share
Minimum of $1,500,000 up to a Maximum of $4,000,000
Underwriter(s) or Distributor(s):
Macquarie Private Wealth Inc.
Promoter(s):
Bernie Kennedy
Project #1850968

Issuer Name:
Dundee International Real Estate Investment Trust
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated April 10, 2012
NP 11-202 Receipt dated April 10, 2012
Offering Price and Description:
$80,800,000.00 8,000,000 Units PRICE: $10.10 per Unit
Underwriter(s) or Distributor(s):
TD SECURITIES INC.
SCOTIA CAPITAL INC.
CIBC WORLD MARKETS INC.
RBC DOMINION SECURITIES INC.
BMO NESBITT BURNS INC.
CANACCORD GENUITY CORP.
DUNDEE SECURITIES LTD.
BROOKFIELD FINANCIAL CORP.
GMP SECURITIES L.P.
HSBC SECURITIES (CANADA) INC.
NATIONAL BANK FINANCIAL INC.
Promoter(s):
-
Project #1885855

Issuer Name:
Guardian Balanced Fund
Guardian Canadian Bond Fund
Guardian Canadian Equity Fund
Guardian Canadian Growth Equity Fund
Guardian Canadian Maple Equity Fund
Guardian Canadian Plus Equity Fund
Guardian Canadian Short-Term Investment Fund
Guardian Canadian Small/Mid Cap Equity Fund
Guardian Canadian Value Equity Fund
Guardian Equity Income Fund
Guardian Global Dividend Growth Fund
Guardian Global Equity Fund
Guardian High Yield Bond Fund
Guardian International Equity Fund
Guardian Private Wealth Bond Fund
Guardian U.S. Equity Fund
(Series A and Series I units)
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated March 29, 2012
NP 11-202 Receipt dated April 4, 2012
Offering Price and Description:
Series A and Series I units
Underwriter(s) or Distributor(s):
Guardian Capital LP
Promoter(s):
Guardian Capital LP
Project #1864646

Issuer Name:
Invesco Intactive Strategic Capital Yield Portfolio Class
(Series A, F, F6, F8, P, PF, PT6, PT8, T6 and T8 shares)
(Part of Invesco Corporate Class Inc.)
Invesco Intactive Strategic Yield Portfolio
(Series A, F, I, P and PF units)
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated April 9, 2012
NP 11-202 Receipt dated April 10, 2012
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
Invesco Canada Ltd.
Project #1862627

Issuer Name:
JM Capital II Corp.
Principal Regulator - Ontario
Type and Date:
Final CPC Prospectus dated April 5, 2012
NP 11-202 Receipt dated April 9, 2012
Offering Price and Description:
$350,000.00 or 3,500,000 Common Shares Price: $0.10 per Common Share Agent's Option (as hereinafter defined) Incentive Stock Options (as hereinafter defined)
Underwriter(s) or Distributor(s):
Union Securities Ltd.
Promoter(s):
Michael P. Kraft
Project #1865999

Issuer Name:
Morguard North American Residential Real Estate Investment Trust
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated April 5, 2012
NP 11-202 Receipt dated April 9, 2012
Offering Price and Description:
$75,000,000.00 - 7,500,000 Units Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
RBC DOMINION SECURITIES INC.
TD SECURITIES INC.
CIBC WORLD MARKETS INC.
BMO NESBITT BURNS INC.
SCOTIA CAPITAL INC.
HSBC SECURITIES (CANADA) INC.
NATIONAL BANK FINANCIAL INC.
CANACCORD GENUITY CORP.
DUNDEE SECURITIES LTD.
Promoter(s):
MORGUARD CORPORATION
Project #1867739

Issuer Name:
Parallel Energy Trust
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated April 4, 2012
NP 11-202 Receipt dated April 4, 2012
Offering Price and Description:
$59,925,000.00 - 8,500,000 Units at $7.05 per Unit; and
$60,000,000.00 - 6.50% Convertible Unsecured Subordinated Debentures Due June 30, 2017 $1,000 per Debenture
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
RBC Dominion Securities Inc.
CIBC World Markets Inc.
TD Securities Inc.
National Bank Financial Inc.
BMO Nesbitt Burns Inc.
Canaccord Genuity Corp.
Desjardins Securities Inc.
Promoter(s):
-
Project #1878335

Issuer Name:
Powershares S&P 500 High Beta (CAD Hedged) Index ETF
PowerShares S&P/TSX Composite High Beta Index ETF
PowerShares S&P/TSX Composite Low Volatility Index ETF
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated April 5, 2012
NP 11-202 Receipt dated April 5, 2012
Offering Price and Description:
Trust Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
INVESCO CANADA LTD.
Project #1862198

Issuer Name:
Precipitate Gold Corp.
Principal Regulator - British Columbia
Type and Date:
Final Long Form Prospectus dated March 30, 2012
NP 11-202 Receipt dated April 3, 2012
Offering Price and Description:
$2,200,000.00 - 5,500,000 Shares @ $0.40 per Share
Underwriter(s) or Distributor(s):
Wolverton Securities Ltd.
Promoter(s):
Darcy W. Krohman
Project #1866307

Issuer Name:
Silver Bull Resources, Inc.
Principal Regulator - British Columbia
Type and Date:
Final MJDS Prospectus dated March 28, 2012
NP 11-202 Receipt dated April 3, 2012
Offering Price and Description:
US$125,000,000.00:
Senior Debt Securities
Subordinated Debt Securities
Common Stock
Warrants
Rights
Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1872577

Issuer Name:
Sun Life Managed Conservative Portfolio
(Series A, T5, F, I)
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated April 2, 2012 to the Simplified Prospectus and Annual Information Form dated January 11, 2012
NP 11-202 Receipt dated April 5, 2012
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
SUN LIFE GLOBAL INVESTMENTS (CANADA) INC.
Project #1820630

Issuer Name:
Sun Life BlackRock Canadian Equity Fund (Series A, T5, T8, F and I units)
Sun Life BlackRock Canadian Balanced Fund (Series A, T5, F and I units)
Sun Life BlackRock Canadian Universe Bond Fund (Series I units only)
Sun Life BlackRock Canadian Composite Equity Fund (Series I units only)
Sun Life MFS McLean Budden Global Research Equity Fund
(formerly McLean Budden Global Equity Fund) (Series A, C, D, F and O units)
Sun LifeMFS McLean Budden International Equity Fund
(formerly McLean Budden International Equity Fund) (Series A, C, D, F and O units)
Sun Life MFS McLean Budden Canadian Bond Fund
(formerly McLean Budden Fixed Income Fund) (Series A, D, F, and I units)
Sun Life MFS McLean Budden Balanced Growth Fund
(formerly McLean Budden Balanced Growth Fund) (Series A, D, F and I units)
Sun Life MFS McLean Budden Balanced Value Fund
(formerly McLean Budden Balanced Value Fund) (Series A, D, F and I units)
Sun LifeMFS McLean Budden Canadian Equity Growth Fund
(formerly McLean Budden Canadian Equity Growth Fund) (Series A, D, F and I units)
Sun Life MFS McLean Budden Canadian Equity Fund
(formerly McLean Budden Canadian Equity Fund) (Series A, D, F and I units)
Sun LifeMFS McLean Budden Canadian Equity Value Fund
(formerly McLean Budden Canadian Equity Value Fund) (Series A, D, F and I units)
Sun Life MFS McLean Budden Dividend Income Fund
(formerly McLean Budden Dividend Income Fund) (Series A, D, F and I units)
Sun LifeMFS McLean Budden U.S. Equity Fund
(formerly McLean Budden American Equity Fund) (Series A, D, F and I units)
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated April 2, 2012
NP 11-202 Receipt dated April 3, 2012
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
SUN LIFE GLOBAL INVESTMENTS (CANADA) INC.
McLEAN BUDDEN LIMITED
Project #1861470

Issuer Name:
Talisman Energy Inc.
Principal Regulator - Alberta
Type and Date:
Final Base Shelf Prospectus dated April 3, 2012
NP 11-202 Receipt dated April 4, 2012
Offering Price and Description:
$3,500,000,000.00:
Debt Securities
Common Shares
Preferred Shares
Subscription Receipts
Warrants
Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1879042

Issuer Name:
Talisman Energy Inc.
Principal Regulator - Alberta
Type and Date:
Final Base Shelf Prospectus dated April 3, 2012
NP 11-202 Receipt dated April 4, 2012
Offering Price and Description:
$1,000,000,000.00 - Medium Term Note Debentures (unsecured)
Underwriter(s) or Distributor(s):
BMO NESBITT BURNS INC.
CIBC WORLD MARKETS INC.
DESJARDINS SECURITIES INC.
RBC DOMINION SECURITIES INC.
SCOTIA CAPITAL INC.
TD SECURITIES INC.
Promoter(s):
-
Project #1879043

Issuer Name:
Premium Exploration Inc.
Principal Regulator – British Columbia
Type and Date:
Preliminary Short Form Prospectus dated December 13, 2011
Withdrawn on March 20, 2012
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1839860

Chapter 12

Registrations

12.1.1 Registrants

THERE ARE NO ITEMS FOR THIS WEEK.

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Chapter 13

SROs, Marketplaces and Clearing Agencies

13.1 SROs

13.1.1 Notice of Commission Approval – Amendments to IIROC's proposals to implement the core principles of the Client Relationship Model and related guidance notes

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

IIROC'S PROPOSED AMENDMENTS TO ITS RULES AND GUIDANCE NOTES RELATING TO THE CLIENT RELATIONSHIP MODEL

NOTICE OF COMMISSION APPROVAL

The Recognizing Regulators of the Investment Industry Regulatory Organization Of Canada (**IIROC**) have approved IIROC's proposed amendments to its Rules and Guidance Notes relating to the implementation of the core principles of the client relationship model (the **IIROC Proposals**).

The objective of the IIROC Proposals is to establish substantive requirements developed under the client relationship model for the purpose of addressing the following regulatory objectives: (i) delivery of client-dealer relationship disclosure information, (ii) conflicts of interest management and disclosure, (iii) suitability assessment triggers, and (iv) investment performance reporting. The first two components of the IIROC Proposals correspond to requirements that were introduced in National Instrument 31-103 *Registration requirements, exemptions and ongoing registrant obligations* (**NI 31-103**). There are no requirements in NI 31-103 at this time that correspond to the second two components of the IIROC Proposals. The nature and purpose of the IIROC Proposals is further described in the attached IIROC Notice.

The Canadian Securities Regulators (**CSA**) are also developing proposed amendments to NI 31-103, which, when implemented, will introduce expanded cost disclosure and new investment performance reporting requirements to be complied with by all registered dealers and advisers. IIROC and the Mutual Fund Dealers Association of Canada (the **MFDA**) are participating in the working group developing the CSA's proposals.

The CSA requested that implementation of the investment performance reporting requirements in the IIROC Proposals be suspended pending any necessary harmonization related to the finalization of the CSA's common standards for performance reporting. IIROC agreed to do so and, accordingly, in its capacity as IIROC's Principal Regulator, the Ontario Securities Commission (the **OSC**) approved the IIROC Proposals on condition that IIROC suspends the application of the performance reporting requirements of the IIROC Proposals, provided that the suspension of the performance reporting requirements may be removed by IIROC with the consent of the CSA Recognizing Regulators.

In their capacities as IIROC's other Recognizing Regulators, the British Columbia Securities Commission did not object to, and the Alberta Securities Commission, the Autorité des marchés financiers, the Saskatchewan Financial Services Commission, the Financial Services Regulation Division of the Department of Government Services of Newfoundland and Labrador, the Nova Scotia Securities Commission and the New Brunswick Securities Commission approved the IIROC Proposals subject to the same condition as stated above.

The IIROC Proposals were published for comment on January 7, 2011, at (2011) 34 OSCB 333 for a comment period ending March 7, 2011. This was the third publication for comment and the January 7, 2011 publication included a summary of comments on the previous publication and IIROC's responses. IIROC made immaterial changes to the January 7, 2011 publication reflecting its responses to public comments and comments from the Recognizing Regulators.

Included in Chapter 13 of this Bulletin are:

1. IIROC's Notice of Approval/Implementation which includes:
    - New Rule 3500 – Relationship Disclosure – Attachment A
    - New Rule 42 – Conflicts of Interest – Attachment B
    - Amendments to Rule 1300 – Supervision of Accounts – Attachment C
    - Amendments to Rule 200.1 – Minimum Records – Attachment D
    - Transition periods – Attachment E
    - Responses to Public comments – Attachment F
    - Black line to proposals published in January 2011 – Attachment G
2. Guidance Note 12-0108 – Client relationship model
3. Guidance Note 12-0109 – Know your client and suitability

13.1.2 IIROC Rules Notice – Notice of Approval – Client Relationship Model – Implementation

IIROC RULES NOTICE

NOTICE OF APPROVAL

CLIENT RELATIONSHIP MODEL – IMPLEMENTATION

12-0107
March 26, 2012

Introduction

This Rules Notice provides notice of approval by the applicable securities regulatory authorities of amendments to the IIROC Dealer Member Rules to adopt the core elements of Client Relationship Model (CRM) Project for investment dealers. The approved amendments address four regulatory objectives and copies are enclosed as follows:

1.	Relationship disclosure -	Attachment A
2.	Conflicts of interest management/disclosure -	Attachment B
3.	Suitability assessment -	Attachment C
4.	Account performance reporting -	Attachment D

This Rules Notice also announces the implementation of three of the above four sets of CRM-related amendments in accordance with the implementation schedule enclosed as Attachment E. Implementation of the fourth set of CRM-related amendments relating to account performance reporting has been deferred in order to comply with a Canadian Securities Administrators (CSA) approval condition that application of the approved account performance reporting requirements be suspended. It is anticipated that IIROC's performance reporting proposals will be implemented once the CSA's performance reporting requirements, currently under development, have been finalized, and IIROC has made any necessary changes to harmonize with the final CSA performance reporting requirements.

The remainder of this Rules Notice provides a summary of the nature and the purpose of the three sets of CRM-related amendments for which implementation has been announced.

Summary of the nature and purpose of the amendments

Relationship disclosure – New Dealer Member Rule 3500

Pursuant to the requirements in new IIROC Dealer Member Rule 3500, every Dealer Member will provide its retail clients with the following information regarding the relationship they are entering into with the client:

- a description of the types of products and services offered by the Dealer Member;
- a description of the account relationship to which the client has consented;
- where applicable, a description of the process used by the Dealer Member to assess investment suitability, including a description of the process used to assess the client's "know your client" information, a statement as to when account suitability will be reviewed and an indication whether or not the Dealer Member will review suitability in other situations, including market fluctuations;
- a statement indicating material Dealer Member and adviser conflicts of interest and stating that future material conflict of interest situations, where not resolved, will be disclosed to the client as they arise;
- a description of all fees, charges and costs associated with operating the account and in making or holding investments in the account; and
- a description of account reporting the client will receive, including a statement identifying when account statements and trade confirmations will be sent to the client and a description of the Dealer Member's obligations to provide account performance information and a statement indicating whether or not percentage return information will be sent.

The obligations of Dealer Members to provide certain specific disclosures regarding suitability will vary for order-execution service accounts and managed accounts, in that there is no suitability obligation regarding order-execution service accounts and managed accounts must be monitored and supervised according to the specific, more rigorous standards imposed under Dealer Member Rules 1300 and 2500.

IIROC is not mandating the format of the disclosures, but will require that the information be:

- Provided to the client in writing at the time of account opening;
- Written in plain language; and
- Included in a document entitled "Relationship Disclosure".

Dealer Members are obligated to provide some of the relationship disclosure information under the current Rules. The new Rules allow for information already provided to clients to essentially be incorporated by reference as long as the relationship disclosure contains a description of this information and the client is specifically referred to the other documents.

Conflicts of interest management / disclosure – New Dealer Member Rule 42

Rules relating to the management of specific conflicts of interest are already in place. To supplement these existing requirements, the general requirements in new IIROC Dealer Member Rule 42 require that all material conflict situations between the Approved Person and the client and between the Dealer Member and the client be addressed by either: avoiding the conflict, disclosing the conflict or otherwise controlling the conflict of interest situation.

Account suitability – Amended Dealer Member Rule 1300

In addition to the current suitability requirement for trades accepted and recommendations made on retail client accounts, IIROC is now requiring that an account suitability review must be performed when certain "trigger" events occur (i.e., transfers/deposits into an account, material change in client circumstances, change in the account representative).

IIROC is also clarifying how suitability assessment reviews are to be performed. Specifically, amended rules 1300.1(p) through (r) make it clear that all suitability assessment reviews must be performed by taking into consideration the client's "investment objectives and time horizon" and the "account's current investment portfolio composition and risk level."

Date of IIROC Board of Directors approval

These amendments were approved for implementation by the IIROC Board of Directors on June 24, 2010. The text of the amendments is set out in Attachments A through D.

Response to public comments received

These amendments were republished for comment with the issuance of IIROC Rules Notice 11-0005 on January 7, 2011. IIROC staff has considered all of the comments received and thank all of the commenters. A summary of the comments received and IIROC staff's response is enclosed as Attachment F.

Summary of revisions

These amendments reflect revisions made to address CSA and public comments received. The only material revision made to the previously published proposed rules is to remove the requirement for the Dealer Member to obtain client acknowledgement of receipt of the relationship disclosure information - the requirement for the Dealer Member to obtain client acknowledgement of receipt of a copy of the "know your client" information collected remains as part of the amendments. Minor clarification changes have also been made throughout the amendments, none of which represent changes in substance to the previously published proposals. A black-lined copy of the revisions made since the publication for comment of the proposed amendments in January, 2011 is enclosed as Attachment G.

Attachments

Attachment A – New Rule 3500 – Relationship disclosure

Attachment B – New Rule 42 – Conflicts of interest

Attachment C – Amendments to Rule 1300.1 – Supervision of accounts

Attachment D – Amendments to Rule 200.1 – Minimum Records

Attachment E – Transition periods and implementation date

Attachment F – Response to public comments received

Attachment G – Black-line to proposals published in January 2011

Attachment A

Client Relationship Model

New Rule 3500 – Relationship disclosure

3500.1. Objective of relationship disclosure requirements

(1) This Rule establishes the minimum industry standards for relationship disclosure to retail clients. This Rule does not apply to accounts of institutional clients.

Relationship disclosure is a written communication from the Dealer Member to the client describing:

- the products and services offered by the Dealer Member;
- the nature of the account and the manner in which the account will operate; and
- the responsibilities of the Dealer Member to the client.

Relationship disclosure must be provided to a client at time of opening an account or accounts and when there is a significant change to relationship disclosure information previously provided to a client.

References in this Rule describing the obligations of the Dealer Member in relation to services provided on advisory and managed accounts apply equally to the Approved Persons of the Dealer Member providing services on such accounts.

This Rule should be reviewed in conjunction with:

- Rules 1300.1 and 1300.2 – "Know your client", suitability and supervision;
- Rules 1300.3 to 1300.21 – Discretionary and managed accounts;
- Rule 2500 – Minimum standards for retail account supervision; and
- Rule 3200 – Minimum requirements for Dealer Members seeking approval under Rule 1300.1(s) for suitability relief for trades not recommended by the Dealer Member.

3500.2. Definition of account relationship types

(1) An "advisory account" is an account where the client is responsible for investment decisions but is able to rely on advice given by a registered representative. The registered representative is responsible for the advice given. In providing this advice, the registered representative must meet an appropriate standard of care, provide suitable investment recommendations and provide unbiased investment advice.

(2) An "order-execution service account" is an account opened in accordance with "order-execution service" requirements set out in Rule 3200.

(3) A "managed account" is an account as defined in Rule 1300.3.

3500.3. Form of relationship disclosure

(1) Dealer Members have the choice of providing customized relationship disclosure to each client, or appropriate standardized relationship disclosure to separate classes of clients.

(2) Where standardized relationship disclosure is provided to the client the Dealer Member must determine that the disclosure is appropriate for the client. Specifically, the disclosure must accurately describe:

(a) the account relationship the client has entered into with the Dealer Member; and

(b) the advisory, suitability and performance reporting service levels the client will receive from with the Dealer Member.

(3) Where a client has more than one account, combined relationship disclosure information may be provided as long as the Dealer Member determines that the combined disclosure is appropriate for the client in light of the relevant circumstances, including the nature of the various accounts.

3500.4. Format of relationship disclosure

(1) The format of the relationship disclosure is not prescribed but:

(a) The relationship disclosure must be provided to the client in writing;

(b) The relationship disclosure must be written in plain language that communicates the information to the client in a meaningful way; and

(c) The relationship disclosure must include all the required content set out in Section 3500.5, or, where specific information has otherwise been provided to the client by the Dealer Member, a general description and a reference to the other disclosure materials containing the required information.

(2) Dealer Members may choose to provide the relationship disclosure as a separate document or to integrate it with other account opening materials.

3500.5. Content of relationship disclosure

(1) The relationship disclosure information must be entitled “Relationship Disclosure”.

(2) Subject to subparagraphs (3) and (4), the relationship disclosure must contain the following information:

(a) A description of the types of products and services offered by the Dealer Member;

(b) A description of the account relationship;

(c) A description of the process used by the Dealer Member to assess investment suitability, including:

(i) a description of the approach used by the Dealer Member to assess the client’s financial situation, investment objectives and time horizon, risk tolerance and investment knowledge and a statement that the client will be provided with a copy of the “know your client” information that is obtained from the client and documented at time of account opening and when there are material changes to the information;

(ii) a statement indicating that the Dealer Member will assess the suitability of investments in the client’s account whenever:

(A) a trade is accepted,

(B) a recommendation is made,

(C) securities are transferred or deposited into the account,

(D) there is a change in the registered representative or portfolio manager responsible for the account, or

(E) there is a material change to the client’s “know your client” information; and

(iii) a statement indicating whether or not the suitability of the investments held in the account will be reviewed in the case of other triggering events not described in Rule 1300.1(r) and, in particular, in the event of significant market fluctuations;

(d) A description of the client account reporting that the Dealer Member will provide, including:

(i) a statement indicating when trade confirmations and account statements will be sent to the client;

(ii) a description of the Dealer Member's minimum obligations to provide performance information to the client and a statement indicating when account position cost and account activity information will be provided to the client; and

(iii) a statement indicating whether or not the provision of account percentage return information will be an option available to the client as part of the account service offering;

(e) A statement indicating Dealer Member and Approved Person conflicts of interest and stating that existing and potential material conflict of interest situations, where not avoided, will be disclosed to the client as they arise;

(f) A description of all account service fees and charges the client will or may incur relating to the general operation of the account;

(g) A description of all charges the client will or may incur in making, disposing and holding investments by type of investment product;

(h) A listing of the account documents required to be provided to the client with respect to the account; and

(i) A description of the Dealer Member's complaint handling procedures and a statement that the client will be provided with a copy of an IIROC approved complaint handling process brochure at time of account opening.

(3) For order-execution service accounts, the Dealer Member does not have to provide the relationship disclosure information required under subparagraph 2(c), provided that disclosure is made in compliance with the requirements in Rule 3200.

(4) For managed accounts, the required disclosure referred to in subparagraph 2(c)(iii) does not apply and the relationship disclosure provided by the Dealer Member must include a statement that ongoing suitability is provided as part of the managed account services.

3500.6. Review of relationship disclosure materials

(1) Pursuant to Rule 1300.2, the relationship disclosure provided to the client must be approved by a partner, director, officer or designated supervisor. This approval must occur regardless of the form the relationship disclosure takes. If the document is a standardized document, the supervisor who approves new accounts must ensure that the correct document is used in each client circumstance. If the relationship disclosure is a customized document for each client, the designated supervisor must approve each document.

3500.7. Audit trail and client acknowledgement requirements

(1) The Dealer Member must maintain an audit trail to evidence that account related documents required by IIROC Rules have been provided to the client.

(2) Dealer Members must obtain their clients' acknowledgement of receipt of the "know your client" information. A client signature acknowledging receipt is preferred, but not required. If the client's signature is not obtained, another acceptable method of documenting the client's acknowledgement of receipt of this information must be used.

Attachment B

Client Relationship Model

New Rule 42 – Conflicts of interest

42.1. Responsibility to identify conflicts of interest

(1) Each Dealer Member and, where applicable, Approved Person shall take reasonable steps to identify existing and potential material conflicts of interest between the interests of the Dealer Member or Approved Person and the interests of the client.

(2) Where an Approved Person becomes aware of an existing or potential material conflict of interest, the existing or potential conflict shall be reported immediately to the Dealer Member.

42.2. Approved Person responsibility to address conflicts of interest

(1) The Approved Person must consider the implications of any existing or potential material conflicts of interest between the Approved Person and the client.

(2) The Approved Person must address all existing or potential material conflicts of interest between the Approved Person and the client in a fair, equitable and transparent manner, and consistent with the best interests of the client or clients.

(3) Any existing or potential material conflict of interest between the Approved Person and the client that cannot be addressed in a fair, equitable and transparent manner, and consistent with the best interests of the client or clients, must be avoided.

42.3. Dealer Member responsibility to address conflicts of interest

(1) The Dealer Member must consider the implications of any existing or potential material conflicts of interest between the Dealer Member and the client.

(2) The Dealer Member must address the existing or potential material conflict of interest in a fair, equitable and transparent manner, and considering the best interests of the client or clients.

(3) Any existing or potential material conflict of interest between the Dealer Member and the client that cannot be addressed in a fair, equitable and transparent manner, and considering the best interests of the client or clients, must be avoided.

(4) The Dealer Member must adequately supervise how existing or potential material conflicts of interest between the Approved Person and the client are addressed by its Approved Persons pursuant to section 42.2.

42.4. Responsibility to disclose conflicts of interest

(1) Unless avoided, an existing or potential material conflict of interest must be disclosed to the client in all cases where a reasonable client would expect to be informed:

(a) for new clients, prior to opening an account for the client; and

(b) for existing clients, either as the conflict of interest occurs or, in the case of a transaction related conflict of interest, prior to entering into the transaction with the client.

42.5. Conflicts of interest policies and procedures

(1) Each Dealer Member shall develop and maintain written policies and procedures to be followed in identifying, avoiding, disclosing and addressing material conflict of interest situations.

Attachment C

Client Relationship Model

Amendments to Rule 1300 – Supervision of accounts

1. Rule 1300 subsections 1300.1(p) through (v) are repealed and replaced as follows:

"Suitability determination required when accepting order

(p) Subject to Rules 1300.1(t) and 1300.1(u), each Dealer Member shall use due diligence to ensure that the acceptance of any order from a client is suitable for such client based on factors including the client's current financial situation, investment knowledge, investment objectives and time horizon, risk tolerance and the account or accounts' current investment portfolio composition and risk level. If the order received from a client is not suitable, the client must, at a minimum, be advised against proceeding with the order.

Suitability determination required when recommendation provided

(q) Each Dealer Member, when recommending to a client the purchase, sale, exchange or holding of any security, shall use due diligence to ensure that the recommendation is suitable for such client based on factors including the client's current financial situation, investment knowledge, investment objectives and time horizon, risk tolerance and the account or accounts' current investment portfolio composition and risk level.

Suitability determination required for account positions held when certain events occur

(r) Each Dealer Member shall, subject to Rules 1300.1(t) and 1300.1(u), use due diligence to ensure that the positions held in a client's account or accounts are suitable for such client based on factors including the client's current financial situation, investment knowledge, investment objectives and time horizon, risk tolerance and the account or account(s)' current investment portfolio composition and risk level whenever one or more of the following trigger events occurs:

(i) Securities are received into the client's account by way of deposit or transfer; or

(ii) There is a change in the registered representative or portfolio manager responsible for the account; or

(iii) There has been a material change to the client's life circumstances or objectives that has resulted in revisions to the client's "know your client" information as maintained by the Dealer Member.

Suitability of investments in client accounts

(s) To comply with the requirements under Rules 1300.1(p), 1300.1(q) and 1300.1(r), the Dealer Member must use due diligence to ensure that:

(i) The suitability of all positions in the client's account is reviewed whenever a suitability determination is required; and

(ii) The client receives appropriate advice in response to the suitability review that has been conducted.

Suitability determination not required

(t) Each Dealer Member that has applied for and received approval from the Corporation pursuant to Rule 1300.1(v), is not required to comply with Rules 1300.1(p), 1300.1(r) and 1300.1(s), when accepting orders from a client where no recommendation is provided, to make a determination that the order is suitable for such client.

(u) Each Dealer Member that executes a trade on the instructions of another Dealer Member, portfolio manager, investment counsel, limited market dealer, bank, trust company or insurer, pursuant to Section I.B (3) of Rule 2700 is not required to comply with Rule 1300.1(p).

Corporation approval

(v) The Corporation, in its discretion, shall only grant such approval where the Corporation is satisfied that the Dealer Member will comply with the policies and procedures outlined in Rule 3200. The application for approval shall be accompanied by a copy of the policies and procedures of the Dealer Member. Following such approval, any material changes in the policies and procedures of the Dealer Member shall promptly be submitted to the Corporation."

2. References in Rules 1300 and 3200 to subsections 1300.1(p) and 1300.1(t) are amended as follows:

(a) References to existing subsection 1300.1(p) are repealed and replaced by references to new subsections 1300.1(p) and 1300.1(r); and

(b) References to existing subsection 1300.1(t) are repealed and replaced by references to new subsection 1300.1(v).

Attachment D

Client Relationship Model

Amendments to Rule 200.1 – Minimum records

1. Rule 200 is amended by renumbering existing subsections 200.1(d) through (n) as subsections 200.1(g) through (q).

2. Rule 200 is amended by adding new subsections 200.1(d), 200.1(e) and 200.1(f) as follows:

"(d) Client account cost reports for all accounts other than those held by institutional clients, itemizing security position cost information as follows:

(1) For all new security positions added to the account on or after the latest of:

(i) [Date of implementation],

(ii) The date the account was opened or

(iii) If applicable, the date the account was received in by the Dealer Member as a transferred account,

the original cost of the position.

(2) For all existing security positions in the account as of [Date of implementation], the original cost of the position. Where original cost information is unavailable or is known to be inaccurate, Dealer Members may elect to provide market value information as at [Date of implementation], or as at an earlier date (referred to as "point in time market value") instead of original cost information, provided that it is done for all similar accounts and as at the same date.

Where the account was received in by the Dealer Member as a transferred account, the market value of the positions as at the date the account was received in via transfer (also referred to as "point in time market value") may be used instead of original cost.

For each security position, the current market value as at the report date shall be provided as a comparison to the cost information. The basis for costing each position (either original cost or point in time market value) must be disclosed.

Client account cost reports shall be sent to clients annually, at a minimum.

(e) For all accounts other than those held by institutional clients, client account performance information disclosing the annual and cumulative realized and unrealized income and capital gains in the client's account. This account performance information shall be sent to clients annually, at a minimum.

(f) For all accounts other than those held by institutional clients, client account performance reports itemizing account annualized compound percentage returns for the net performance of the client's account.

Account annualized compound percentage return information

Where the account has existed for more than one year, account annualized compound percentage return information shall be provided indicating the account's net performance for the past one, three, five and ten year periods and for the period since account inception. Where the account has existed for less than one year, account annualized compound percentage return information shall not be provided.

The report containing the annualized compound percentage return information shall also contain:

(1) A definition of the term "compound percentage return"; and

(2) A description of the computational method used in determining the annualized compound percentage return information.

The computational method used in determining annualized compound percentage return information shall be a method acceptable to the Corporation. The report containing account annualized compound percentage return information shall be sent to clients annually, at a minimum."

3. The Guide to Interpretation of Rule 200.1 is amended by renumbering guide items (d) through (n) as guide items (g) through (q).

4. The Guide to Interpretation of Rule 200.1 is amended by adding new guide items (d) through (f) as follows:

"(d) "**Client account cost reports"**

Reports must include all client account security and other investment product positions held by the Dealer Member for the client in nominee name or physically in client name and all other client account positions for which the Dealer Member continues to receive compensation, subject to the exceptions below.

Where, pursuant to Rule 200.1(d)(2), the original cost information is unavailable and the point in time market value amount cannot be reliably measured for an individual position held, the cost information for the position shall be reported as not determinable.

Where the market value for a particular position cannot be reliably measured, the current market value information for the position shall be reported as not determinable. In such instance, a disclosure in the client account cost report shall inform the client that the information is not determinable and why the information is not determinable.

The information provided in the client account cost report may be provided to the client on either a dollar amount or dollar amount per share basis.

The client account cost report may be provided to the client as part of the client account statement, referred to in Rule 100.2(c), or separately.

(e) "**Cumulative account performance information"**

The cumulative account performance information must be determined based on all client account security and other investment product positions held by the Dealer Member for the client in nominee name or physically in client name and all other client account positions for which the Dealer Member continues to receive compensation, subject to the exceptions below.

Where there are one or more positions held in the client account for which the current market value is not determinable, the position(s) shall be considered to have no value in the determination of cumulative account performance. In such instance, a disclosure in the cumulative account performance information shall inform the client that the value of the positions has been set at nil for account performance calculation purposes and why.

Where multiple accounts of the same client have the same investment objectives, clients may be offered the alternative of portfolio level (portfolio level being a consolidation of all account positions and debit/credit money balances of the same client) cumulative account performance information. Where the client consents to this alternative, the Dealer Member would not be required to provide performance information for each of the accounts included in the portfolio level reporting.

At the option of the Dealer Member, clients may instead be provided with cumulative account performance information that delineates advised/non-advised account positions.

The cumulative account performance information may be provided to the client as part of the client account statement, referred to in Rule 100.2(c), or separately.

(f) "**Account annualized compound percentage return information"**

The account annualized compound percentage return information must be determined based on all client security and other investment product positions held by the Dealer Member for the client in nominee name or physically in client name and all other client account positions for which the Dealer Member continues to receive compensation, subject to the exceptions below.

Where there are one or more positions held in the client account for which the current market value is not determinable, the position(s) shall be considered to have no value in the determination of annualized compound

percentage returns. In such instance, a disclosure in the annualized compound percentage return information shall inform the client that the value of the position(s) has been set at nil for percentage calculation purposes and why.

At the option of the Dealer Member, clients may be provided with portfolio level (portfolio level being a consolidation of all account positions and debit/credit money balances of the same client) annualized compound percentage return information.

At the option of the Dealer Member, clients may instead be provided with annualized compound percentage return information that delineates advised/non-advised account positions.

Account annualized compound percentage return information may be provided to the client as part of the client account statement, referred to in Rule 100.2(c), or separately."

Attachment E

Client Relationship Model

Transition periods and effective implementation dates

Client Relationship Model Element	Transition Period	Effective Implementation Date
Relationship disclosure requirements		
Provision of relationship disclosure information to:		
(i) new clients	1 year	March 26, 2013
(ii) existing clients	2 years	March 26, 2014
Conflicts of interest management / disclosure requirements		
Provisions relating to conflict identification and avoiding and addressing conflicts	Immediate	March 26, 2012
Provisions relating to conflict disclosure:		
(i) prior to opening an account	Immediate	March 26, 2012
(ii) inclusion of conflicts disclosure in relationship disclosure information provided to new clients	1 year	March 26, 2013
(iii) inclusion of conflicts disclosure in relationship disclosure information provided to existing clients	2 years	March 26, 2014
(iv) prior to entering into a transaction	Immediate	March 26, 2012
Account suitability requirements		
Trigger event suitability assessment requirements	6 months	September 26, 2012

Attachment F

IIROC OCRCVM
Investment Industry Regulatory Organization of Canada
Organisme canadien de réglementation du commerce des valeurs mobilières

March 26, 2012

Re: IIROC response to comments on Client Relationship Model Rules and amendments to IIROC Dealer Member Rules 200 and 1300

We are publishing this letter in response to the comment letters received on the proposed Client Relationship Model (CRM) rules and amendments, which include proposed amendments to IIROC Dealer Member Rules 200 and 1300, the CRM guidance note ("Guidance Note") and the Know Your Client and Suitability guidance note ("Know your client and Suitability Guidance Note").

We received 13 comment submissions in response to the request for comments. We thank all of the commenters for their helpful submissions.

The comments have been summarized and grouped according to the issues raised. The response by IIROC staff follows each particular issue.

GENERAL

Consistency between IIROC and other proposals

1. We received 5 comments regarding the need for consistency between the IIROC proposals and those of the CSA and MFDA.

> ***IIROC staff response***
>
> IIROC staff consulted extensively with representatives of the CSA and the MFDA throughout the development of the proposed rules and has made several changes to its proposals to enhance consistency in the approaches, where applicable. Where there continues to be inconsistencies in the approaches taken, these are generally required to accommodate for the differences in the business models / account types typically offered by registrants under each registration category.

Cost versus benefits of proposed amendments

2. We received 5 comments which relate to potential costs versus benefits of the proposed amendments.

> ***IIROC staff response***
>
> Although it is difficult to quantify with any degree of precision, comments received from investors indicate that a significant benefit of these proposals will be to enhance investor protection through greater disclosure of account relationship, firm/advisor conflict of interest and account performance information and through more frequent assessment of the suitability of the account assets. IIROC staff have received considerable input on cost issues throughout the rule-making process. We believe that we understand and have fully considered the cost issues noted in the comments. Wherever possible, IIROC has developed its proposals to achieve the investor protection goals of the CRM project while minimizing the potential implementation costs and ongoing costs of compliance.

Need for further consultation

3. Three comments suggested that further consultation be conducted with respect to the challenges that would have to be addressed in complying with the proposed requirements.

IIROC staff response

IIROC staff has fully considered the challenges facing Dealer Members. Extensive consultations have been conducted with Dealer Members, Approved Persons and other industry participants throughout the development of the proposed rules. Further, industry representatives were directly involved in the drafting of the CSA-approved direction documents that set out the basis for the proposed changes. Joint SRO/industry committees were also consulted in the drafting of the proposed rule amendments. Finally, the proposed amendments have been published for public comment on three occasions.

Transition periods

4. We received the following comments regarding the transition periods:

- A minimum of 12 to 18 months should be provided for delivery of the relationship disclosure information to new clients.
- The time frame for performance reporting should be extended to a minimum of 3 years for all account performance reporting requirements from the date of implementation, or in the alternative, consider the use of a "phased in" approach for the performance reporting requirements.

IIROC staff response

IIROC staff has revised the transition periods to reflect the removal of the requirement for clients to acknowledge receipt of relationship disclosure information.

Also, as IIROC has been requested by the CSA to suspend the implementation of the performance reporting elements of its CRM proposals until the end of 2012, and has agreed to do so in order that the CSA performance reporting proposals can be finalized, the commencement of the implementation of the performance reporting elements has been deferred.

The following is a summary of the revised transition periods:

Relationship disclosure requirements	
New clients	1 year
Existing clients	2 years
Conflicts of interest management / disclosure requirements	
Provisions relating to conflict identification and avoiding and addressing conflicts	Immediate
Provisions relating to conflict disclosure:	
(i) prior to opening an account	Immediate
(ii) inclusion of conflicts disclosure in relationship disclosure information provided to new clients	1 year
(iii) inclusion of conflicts disclosure in relationship disclosure information provided to existing clients	2 years
(iv) prior to entering into a transaction	Immediate
Account suitability requirements	
Trigger event suitability assessment requirements	6 months
Account performance reporting requirements	
Security position cost disclosure	Implementation deferred
Account activity disclosure	Implementation deferred

Account percentage return disclosure	
(i) Where percentage return information is currently, provided, an IIROC approved calculation method must be used or the information may not be provided to any client	Implementation deferred
(ii) Mandatory percentage return reporting for all retail clients	Implementation deferred

RELATIONSHIP DISCLOSURE

Prescriptive nature of disclosure requirements

5. We received 4 comments suggesting that the proposed rules take a less prescriptive approach to the disclosure requirements in order to allow Dealer Members more flexibility in determining the material information to be provided to clients.

IIROC staff response

The relationship disclosure requirements are designed to address a fundamental objective of the Client Relationship Model project – to provide clients with a better understanding of what to expect from their Dealer Member and advisor when they open an investment account. However, balanced against the desire to state this objective in broad principles-based language is also the need to set clear, minimum standards regarding the nature and quality of such disclosure.

It is IIROC's view that the proposed requirements strike an appropriate balance, setting out clear minimum standards, while still allowing a sufficient degree of flexibility to accommodate differences in Dealer Members' business models.

Content requirements

We received the following comments relating to the required content for the proposed relationship disclosure information:

6. To ensure consistency, remove the word "form" from the term "KYC information form" and remove the words "collection form" from the term "know your client information collection form".

IIROC staff response

The proposed rules and Guidance Note have been revised to remove the word "form" from the term "KYC information form" and remove the words "collection form" from the term "know your client information collection form".

7. The Guidance Note should clearly provide that the obligation to provide the relationship disclosure document resides solely with the introducing broker.

IIROC staff response

The Guidance Note clearly states that the introducing broker is responsible for providing the relationship disclosure information to clients, as well as for supervising the suitability of all trading activity.

8. Relationship disclosure for retail accounts should provide more context about the advisor-client relationship and should be made on a consistent "rolling" basis.

IIROC staff response

We understand this to mean that the commenter believes that relationship disclosure should be provided on a consistent basis as opposed to only when there are changes. The proposed rules require that Dealer Members accurately describe the account relationship the client has entered into with the Dealer Member, as well as the advisory, suitability and performance reporting service levels the client will receive from the Dealer Member. Although there is a requirement to provide clients with updated relationship disclosure when significant changes to the account relationship have occurred, Dealer Members may choose to provide ongoing periodic relationship disclosure regardless of whether or not material changes have occurred.

9. Section XX05(2)(c)(i) has not been updated to reflect that firms are now required to consider a client's time horizon when providing a client with a description of how investment suitability is assessed.

IIROC staff response

We agree that "time horizon" should be disclosed to the client as an important suitability consideration and have added it to proposed Rule XX05(2)(c)(i).

10. The current wording of Rule XX05(2)(d)(iii) refers to the relationship disclosure document containing "a statement indicating whether or not the provision of account percentage return information will be an option available to the client" does not appear to be reflective of the new requirement to provide percentage return information.

IIROC staff response

Proposed rule XX05(2)(d)(iii) has been drafted to take into account both Dealer Members who currently provide account performance reporting information and Dealer Members who do not currently do so. In order to avoid having to regularly update the client relationship disclosure documents, it may be more efficient for Dealer Members who do not currently provide account performance reporting information to expressly state the performance reporting information that they plan to provide to clients over the implementation period of the IIROC requirements to provide clients with performance information.

11. There should be a mandatory, standardized suitability approach for accounts other than for "order-execution only" accounts.

IIROC staff response

IIROC staff believes that a Dealer Member's approach to assessing a client's financial situation, investment objectives and time horizon, risk tolerance and investment knowledge may vary from client to client and the Dealer Member should, therefore, be given the flexibility to select the process that best achieves the objective of the rule.

12. The utility of the requirement to describe the approach used by the Dealer Member to assess investment suitability, including a description of the process used to assess the client's 'know-your-client' information, given that advisors use different approaches, is questionable. Further discussion in the proposed CRM Guidance Note is required.

IIROC staff response

The intention of the proposed disclosure requirement is that the Dealer Member should not only tell the client that they are performing suitability assessments but also explain to the client, in general terms, how and when suitability assessments will be performed and what factors will be considered in making those assessments. Many clients may be unaware of this current obligation and the factors that are considered by Dealer Members in meeting this obligation. IIROC staff have reviewed draft guidance note and are satisfied that the need to provide this information to clients and the information that must be provided is adequately explained.

13. Dealer Members should be required to disclose charges in advance of the purchase or sale of a security.

IIROC staff response

The Guidance Note has been revised to encourage Dealer Members to adopt best practices, including the disclosure of charges specific to a transaction, prior to the acceptance of a client's order.

Delivery and client acknowledgment of documentation

We received the following comments regarding issues with the delivery requirements and client acknowledgment:

14. Proposed Rule XX07 relating to relationship disclosure information should be amended to remove the requirement to obtain client acknowledgment. In the alternative, a 'notice and access approach' should be taken to the delivery of the relationship disclosure information to existing clients.

IIROC staff response

The Proposed Rule XX07 and Guidance Note have been revised to remove the requirement to obtain client acknowledgment of the relationship disclosure information. As a result of these revisions, Dealer Members will only be required to obtain client acknowledgment of the "know your client" information that is collected from the client at the time of account opening.

15. Provide additional examples of acceptable methods of acknowledgment and, in particular, guidance on whether negative confirmation is an acceptable method of documenting the client's acknowledgment.

IIROC staff response

Dealer Members are required to obtain their client's positive acknowledgement of the "know your client" information at the time of account opening. To meet this obligation, Dealer Members may use whatever method best suits their business model, provided that compliance with the basic acknowledgement requirement can be demonstrated by the Dealer Member. Acceptable methods include, but are not limited to:

- a signature,
- a documented phone conversation during which the client acknowledges receipt of the information, and/or
- an email or letter from the client acknowledging receipt of the information.

16. Further guidance is required in the event Dealer Members fail to obtain client acknowledgement.

IIROC staff response

If a Dealer Member is unable to obtain positive acknowledgment at the time of account opening, the request to open the account must be declined. Use of a negative confirmation approach will not satisfy the account opening requirement to obtain client acknowledgement of the "know your client" information. Further, Dealer Members that intend to use an electronic acknowledgement approach would be expected to satisfy the requirements noted in IDA Member Regulation Notice MR-008.

Subsequent material changes to "know your client" information may be evidenced by either positive or negative confirmation. As a result, a Dealer Member may obtain a client signature, or alternatively, maintain notes in the client file detailing the client's instructions to change the information. Dealer Members are required to verify the client's instructions by providing written confirmation to the client with details of the instructions and providing an opportunity for the client to make corrections to any changes that have been made.

In situations where "know your client" information is missing entirely, or specific fields such as the client's current financial situation, investment knowledge, investment objectives and time horizon, and risk tolerance are missing, Dealer Members must restrict the client from entering into any further account transactions other than liquidating transactions until the missing information is received.

This further guidance has been added to the draft Guidance Note.

17. Clarify that a signature is indeed a "best practice"; however, firms can use whatever method suits their business model.

IIROC staff response

The draft Guidance Note states that acknowledgement of know your client information must be positively acknowledged and that, while obtaining a client signature is the preferred form of positive acknowledgement, other forms of positive acknowledgement such as a documented phone conversation or an e-mail are acceptable.

18. Further information is required on the interpretation of "in writing", "plain language" and "meaningful way".

IIROC staff response

The words "in writing", "plain language" and "meaningful way", are plain language terms and refer to the written communication of information that is most appropriate to your audience (i.e. it is easy to read, understand and use).

Requests for clarification of rule

We received the following comments requesting clarification of certain aspects of the proposed relationship disclosure requirements:

19. Provide further clarification of the level of disclosure of fees/charges to clients.

> ***IIROC staff response***
>
> As discussed in the proposed Guidance Note and consistent with National Instrument 31-103 ("NI 31-103"), the discussion of account operation and transaction fees/charges will include all charges a client may incur during the course of acquiring, selling or holding an investment product, including amounts to be paid indirectly to the Dealer Member by the client. For example, mutual fund fees/charges disclosure should include a discussion of the management expenses that are deducted from fund performance by the mutual fund manager as well as the types of fees/charges that may be paid to the Dealer Member by the mutual fund manager from these collected management expenses. This may be done through a fee schedule which lists all the fees/charges that may be borne by the client. A detailed description of the specific products and services provided and the processes Dealer Members put in place to deliver those products and services is also required. A customized relationship disclosure document must be provided according to account service offering.

20. Relationship disclosure information should be delivered to clients of order-execution service accounts after the new account is approved and trades are executed.

> ***IIROC staff response***
>
> IIROC staff does not believe there is a good rationale for adopting this suggestion. Specifically, while there is no suitability obligation as part of the order-execution only account service offering, there is an obligation to ensure that the order-execution only service clients are aware of the services they are receiving, the charges they may incur and the reporting they will receive at the time they open their account; the same obligation as with any other account type. As a result, we continue to believe that relationship disclosure information should be provided to all retail clients at the time they open their account, regardless of the account type. The rules do recognize however, that obligations of Dealer Members to provide specific disclosures will differ, as there is no suitability obligation regarding order-execution service accounts.

21. Where some advisors only offer fee-based products and not commission-based products, would the Dealer Member be required to develop different relationship disclosure documents for these advisors?

> ***IIROC staff response***
>
> The proposals mandate the information to be disclosed and set out general principles-based requirements to be complied with, relating to the form and format of the disclosure. These general principles-based requirements require that the disclosure, among other things, "be written in plain language that communicates the information to the client in a meaningful way". If a Dealer Member provides the same disclosure information to their clients with fee-based accounts as well as to their clients with commission-based accounts, we don't believe that this principles-based standard would be met, as the client would not be informed as to whether the account they opened was fee-based or commission-based and what the material differences would be relating to, for instance, services provided and fees charged.

22. Provide clarification on whether Investment Counselors will be responsible for providing their clients with relationship disclosure documents.

> ***IIROC staff response***
>
> Investment Counselors will be responsible for providing clients with relationship disclosure information. Where a firm is registered solely as a Portfolio Manager, the relationship disclosure requirements set out in NI 31-103 will apply. Where a firm is registered as both Portfolio Manager and an Investment Dealer, the IIROC relationship disclosure requirements will apply.

CONFLICTS RESOLUTION AND DISCLOSURE

Clarification of disclosure requirements

We received the following comments requesting clarification of the requirements relating to conflict disclosure:

23. The "best interests of the client" may be misinterpreted as creating a fiduciary duty in Canada, and there is no reason why IIROC should adopt a higher standard regarding conflicts of interest management / disclosure than that set out in NI 31-103. This "best interests of the client" language should be removed.

IIROC staff response

IIROC does not believe that the phrase "best interests of the client" on its own creates a fiduciary duty relating to existing or potential material conflicts of interest, and it is not IIROC's intention to do so. Whether or not a fiduciary duty exists in an account relationship depends on the facts of each case, including, among other things, the services being provided to the client and the degree to which the client relies on the firm/adviser in making investment decisions. While the standard of conduct established by the proposal is not as high as the fiduciary standard, it is intended to strengthen investor protection by clarifying IIROC's expectations on how existing or potential material conflicts of interest are to be addressed as between the Approved Person and the client, as well as between the Dealer Member and clients generally.

24. Further guidance is needed on whether only material conflicts need to be identified and disclosed or if all conflicts must be disclosed.

IIROC staff response

We have revised the language in proposed Rule XX04 to now clearly indicate that only material existing or potential conflicts of interest, unless avoided, need to be disclosed.

25. A strong emphasis should be placed on the immediate disclosure of all material conflicts.

IIROC staff response

Proposed Rule XX04 sets out when conflicts must be disclosed to both new and existing clients. For new clients, the proposed rule requires that conflicts of interest be disclosed prior to the opening of the account, which is effectively the same as immediate disclosure. For existing clients, the proposed rule requires that conflicts must be disclosed either when the conflict of interest occurs or, in the case of a proposed transaction, prior to entering into the transaction. Again, these requirements effectively mandate the immediate disclosure of conflicts of interest that are relevant to the client.

26. Provide additional guidance in understanding the meaning of materiality in the context of conflicts in the brokerage business.

IIROC staff response

Determining whether a conflict is material depends on the facts of each case. However, where the conflict is so significant that there is a reasonable likelihood that a client would want to know about it, this would be considered a material conflict of interest that must be addressed and disclosed. This is consistent with the approach adopted under proposed NI 31-103.

27. Guidance is required on what will be considered "reasonable steps".

IIROC staff response

This requirement was deliberately drafted to enable Dealer Members to determine the approaches that are most efficient for them in identifying material conflict of interest situations. Therefore, "reasonable steps" will depend on the specific facts and surrounding circumstances of each case.

28. To ensure consistency, the proposed relationship disclosure rule should be revised to require disclosure of "material" conflicts of interest situations.

IIROC staff response

The proposed relationship disclosure rule has been revised to require disclosure of "material" conflicts of interest situations.

29. A best practice guide for the industry on conflicts of interest which would outline various scenarios that dealers and advisors should be aware of is recommended.

IIROC staff response

IIROC staff will review the existing draft Guidance Note as an interim step to determine if dealers and advisors should be made aware of additional conflicts of interest scenarios. IIROC is also willing to work with the industry to develop a best practice guide as a longer term initiative, to be updated periodically as new conflict of interest situations common to the industry are identified. However, it is not felt to be practical to commit to providing guidance (either through the issuance of a guidance note or through the development of a best practice guide) on every possible conflict of interest situation, given that each situation will have a different set of facts. Furthermore, a "best practice" guide may also be misleading and may be interpreted as providing an exhaustive list of conflicts of interest situations that need to be addressed.

RETAIL CLIENT SUITABILITY

Request for clarification

We received the following comments regarding certain aspects of the proposed suitability assessment requirements:

30. Dealer Members should be allowed to implement "know your client" and suitability assessment processes using a risk-based approach approved by management.

IIROC staff response

IIROC staff encourages Dealer Members to use a risk based approach in determining which best practices should be incorporated into their "know your client" policies and procedures. This has been addressed in the Know Your Client and Suitability Guidance Note.

31. There is a typo in 1300.1(p) as reference to "1300.1(s)" should read "1300.1(u)".

IIROC staff response

The proposed rule has been revised accordingly.

32. Subsection 1300.1(t) should reference new suitability requirements 1300.1(r) and (s).

IIROC staff response

The proposed rule has been revised accordingly.

33. Clarification is required on whether suitability assessments should be conducted on an account level and as a best practice that suitability be assessed on a portfolio level.

IIROC staff response

The Know your client and Suitability Guidance Note addresses this point and specifies the conditions under which a suitability assessment may be performed on a multiple account or portfolio basis. Where these conditions are not met, a suitability assessment must be performed on an account basis.

34. Further guidance is required as to what type of process should be used and what outcome should be expected following one of the trigger events, as well as the responsibilities of each party involved in these "post trigger" reviews.

IIROC staff response

When a trigger event occurs, a suitability review must be conducted for all positions held in a client's account or, where the necessary conditions are met, a client's accounts. The account positions must be suitable for such client based on the client's:

- current financial situation,
- investment knowledge,

- investment objectives and time horizon,
- risk tolerance

as well as the account's current investment portfolio composition and risk level. Dealer Members are encouraged to adopt best practices, as outlined in the Know your client and Suitability Guidance Note. Doing so, would assist Dealer Members ensure the ongoing maintenance of a suitable client portfolio and would prompt Dealer Members to remind their clients to update previously collected information, if there is a material change in the client's circumstances.

35. Environmental, social and governance considerations should be included in the determination of investment objectives.

IIROC staff response

The factors set out in subsections 1300.1(p) and (q) are not exhaustive. Registered Representatives are required to conduct a suitability assessment based on the client's particular circumstances. This may include environmental, governance and social considerations.

36. Additional guidance is requested on how a Dealer Member is expected to set up a compliance structure to effectively supervise whether or not a suitability review of all positions in the client's account has occurred and the client has received appropriate advice.

IIROC staff response

It is not IIROC's intention to require a supervisory review of every suitability assessment that has been performed within the firm. The language in subsection 1300.1(s) has been amended to make it clear that the requirements apply to the performance of the suitability assessment and not to the supervision of the suitability assessment itself.

Limitations on suitability obligations

We received comments with respect to the requirement to perform a suitability assessment:

37. The proposed Rules 1300.1(p) and (r) continue to require that Dealer Members "ensure" that positions transferred are suitable. The words "to ensure" should be replaced with the words "in considering".

IIROC staff response

Replacing the words "to ensure" in the phrase "shall use due diligence to ensure" with the words "in considering" would effectively lessen the current and proposed suitability assessment obligations. As suitability assessment is a fundamental obligation in an advisory account, staff believes this change would inappropriately lessen this standard. Furthermore, there is no evidence to suggest that Dealer Members are unable to comply with the current suitability assessment requirements.

38. Individual advisors are not automatically notified of transfers or deposits and are only made aware of the deposit or transfer after it takes place. Suggested amendments to address this concern include (a) limiting the suitability assessment requirement to "material" deposited/transferred in positions, and/or (b) allow the suitability assessment of the deposited/transferred in positions to be performed at the time of the next trade recommendation or order acceptance.

IIROC staff response

IIROC staff believes that the proposed security deposit/transfer suitability requirement provides significant benefits to the client. Adding a process requiring that all security transfers/deposits be approved by the advisor before proceeding would ensure that the advisor is informed in advance and is able to assess whether any security position being transferred in or deposited is suitable for the client, prior to the transfer/deposit taking place.

IIROC staff believes that the issue of materiality is already adequately addressed by moving to a portfolio approach for suitability assessment. For example, if $1,000 worth of high risk securities is transferred into an account with a $1 million in account assets, it's unlikely that the position would be determined to be unsuitable as part of the overall account. The same could not be said for $100,000 worth of high risk securities. Further, to allow the suitability assessment of the deposited/transferred in positions to be performed at the time of the next trade recommendation or order acceptance would, in effect, eliminate the deposit/transfer triggered suitability assessment requirement. IIROC staff is of the view that suitability assessments should be performed whenever a security position is added to the client's account portfolio.

Timing of reviews

We received three comments requesting clarification of IIROC's expectations regarding timelines for completion of suitability assessments:

39. Further guidance is required in determining what constitutes a reasonable amount of time to conduct reviews where there has been a transfer in of a block of accounts to a new advisor. The date of transfer should be viewed as the starting point when determining whether or not the triggered suitability review was performed within a reasonable time.

> ***IIROC staff response***
>
> A reasonable time standard is an amount of time which is necessary, given the circumstances, to conduct a suitability review, while ensuring that the obligation to expediently service clients is met. Whether the amount of time taken to conduct a suitability review is unreasonable will depend on the nature, purpose and circumstances of each case. Although it would be optimal for the advisor to be informed of a pending transfer before it takes place, IIROC staff agrees that the date of transfer should be viewed as a reasonable starting point when determining whether or not the triggered suitability review was performed within a reasonable time.

ACCOUNT PERFORMANCE REPORTING

General issues regarding performance reporting

We received the following comments regarding the proposed requirement to provide performance reporting:

40. IIROC's performance reporting rules are still subject to approval or disapproval by the CSA. How can a Dealer Member inform clients of their performance reporting plans if the rules are not immediately confirmed?

> ***IIROC staff response***
>
> We understand this concern but believe that it can be addressed by disclosing the following as part of the relationship disclosure information: (a) how the dealer plans to adopt the IIROC and CSA performance reporting requirements once implemented, and (b) that the dealer will provide regular updates as part of its client newsletter (or by other means) on the performance information that will be provided to clients.
>
> The Guidance Note has been amended to provide further guidance as to how to initially inform clients about the account performance information they will be receiving.

41. The reporting requirements could result in attribution of multiple point-in-time market values to respective incoming batches of that same security. Would subsequent performance reporting isolate and reflect distinct point-in-time market values for each batch of the transferred-in position or would the reporting display a single weighted cost value for the entire holding?

> ***IIROC staff response***
>
> The amount disclosed would be a single weighted average cost value for the entire holding.

42. Do the proposed rules only apply to Canadian based clients or do they extend to international clients as well?

> ***IIROC staff response***
>
> The proposed performance reporting requirements apply to all clients, other than Institutional Customers, regardless of geographical location.

43. The use of an arbitrary market value will, by definition, provide the client with inaccurate information which may lead the client to make an incorrect assessment of their security's performance.

> ***IIROC staff response***
>
> Market value is only to be used for positions held as at implementation date when original cost information is unavailable. The implementation date market value will allow the client to determine how the value of the position has changed over time, from the value reported as at the date of implementation.

44. In determining the market value of a security should the bid, ask or close price be used?

IIROC staff response

The approach used to determine market value should be the same as the approach used to determine market value for the purposes of client statement reporting. Specific to the comment about valuing illiquid securities, the current approach used for client statement reporting is that if a particular position is determined to be "not readily marketable, no market value shall be assigned" to the position. It is also proposed that this approach should also be used to determine the market value of illiquid securities for the purposes of performance reporting.

45. How do we price an illiquid security where a market value is unavailable?

IIROC staff response

The current approach used to price an illiquid security where a market value is unavailable for client statement reporting is that if a particular position is determined to be "not readily marketable, no market value shall be assigned" to the position. It is also proposed that this approach should also be used to determine the market value of illiquid securities for the purposes of performance reporting.

46. The proposed requirement under Rule 200.1(f) is difficult to reconcile with Bulletin MR-087 which effectively prohibits Dealer Members from combining securities held in a client name with those held in firm name on a regular monthly statement. As a result, an additional "consolidated" statement would have to be generated for every client that held such securities in client name, adding to the cost and complexity of this requirement. Where investors hold mutual funds in client name they would already be receiving performance reporting directly from the fund company, so this requirement appears to be somewhat superfluous.

IIROC staff response

The scope of client assets that a Dealer Member must report performance on and the scope of client assets that a Dealer Member must report as "client holdings held in custody under Dealer Member control" are two distinct issues. Specifically, the guidance set out in IDA Member Regulation Notice MR-087 is not relevant to determining the scope of client assets to report performance on. That guidance applies to positions to be reported in a client account statement.

Carve-out from the performance reporting requirements

We received the following comments regarding the proposed requirement to provide performance reporting:

47. If performance reporting is made mandatory for all accounts, fewer individuals may continue to have access to a full-service advisor.

IIROC staff response

The proposals would apply to all account types – not just discretionary accounts (most of whom already get some form of performance reporting) and advisory accounts but also order-execution only accounts. It is our understanding that the additional costs of enhanced performance reporting will equally apply to both advisory account and order-execution only account service offerings.

48. There should be a carve-out from the application of performance reporting requirements for accounts valued under $100,000. These should be valued annually and reporting should be provided in the following calendar year.

IIROC staff response

Providing a blanket carve-out for accounts under a certain size means that the affected clients won't be given a choice as to whether or not they want to receive (and possibly pay for) account performance information.

Security position cost disclosure

49. We received 6 comments requesting that Dealer Members be allowed to decide which security cost information they disclose to clients or, failing that, that tax cost be disclosed.

IIROC staff response

IIROC staff believes that a security's original cost is the most accurate cost base to use when assessing individual account position performance. However, because the CSA is also developing its own proposals with respect to position cost disclosure, IIROC will harmonize its requirements with those of the CSA if it decides to adopt a different basis for cost reporting.

Issues relating to percentage return reporting

We received the following comments regarding the provision of percentage return performance reporting:

50. Calculating and reporting client portfolio returns should be provided more frequently, and the inclusion of returns and relevant benchmarks should be mandated.

IIROC staff response

Although there is a requirement to calculate and report client portfolio returns at least annually, Dealer Members may choose to provide more frequent reporting. We have not mandated that benchmark return information be provided, given that in many cases relevant benchmark return information is unavailable and/or the benchmark information that is available would be misleading. For example, the use of a benchmark may provide no meaningful information or may provide misleading information for complex portfolios, where no relevant reference benchmarks are available, or for simple portfolios containing relatively few securities.

51. Clarification is required that the 1, 3, 5 and 10 year reporting requirements are only mandated on a prospective basis, as the information becomes available.

IIROC staff response

As discussed in the Guidance Note, percentage return information must be provided to all retail clients by the end of the rule implementation transition period, as set out in proposed rule 200.1(f). The percentage return information must be provided on a 1, 3, 5 and 10 year and "since inception" basis, determined prospectively as information becomes available and must be calculated in accordance with a method acceptable to IIROC.

52. We request that an exemption from the account percentage return disclosure requirements be available for order execution service accounts.

IIROC staff response

IIROC's position is that all clients should receive position cost and account activity information to enable them to determine whether they have gained or lost money on the investments in their account(s) and to receive percentage return information to enable them to determine the reasonableness of any gain or loss earned/incurred.

Suggested enhancements to the CRM proposal

53. We received the following comments suggesting enhancements to the CRM proposal:

- It should be mandatory that a Point of Engagement Registrant Disclosure be provided to the client prior to the NAAF being signed.
- IIROC should adopt a principled Client First Model in place of the Client Relationship Model.

IIROC staff response

The Client Relationship Model rules and amendments illustrate IIROC's commitment to protect investors and set high quality regulatory and investment industry standards. IIROC staff will consider these suggestions for future rulemaking projects as we proceed with the enhancements we've developed to date.

Attachment G

~~Proposals to implement the core principles of the~~ Client Relationship Model

~~Proposed Amendments -~~ New Rule ~~XX00~~3500 - Relationship disclosure

~~XX01.~~3500.1. Objective of relationship disclosure requirements

(1) This Rule establishes the minimum industry standards for relationship disclosure to retail clients ~~at the time of opening an account or accounts~~. This Rule does not apply to accounts of institutional clients.

Relationship disclosure is a written communication from the Dealer Member to the client describing:

- the products and services offered by the Dealer Member;
- the nature of the account and the manner in which the account will operate; and
- the responsibilities of the Dealer Member to the client.

Relationship disclosure must be provided to a client at time of opening an account or accounts and when there is a significant change to relationship disclosure information previously provided to a client.

References in this Rule describing the obligations of the Dealer Member in relation to services provided on advisory and managed accounts apply equally to the Approved Persons of the Dealer Member providing services on such accounts.

This Rule should be reviewed in conjunction with:

- Rules 1300.1 and 1300.2 – "Know your client", suitability and supervision;
- Rules 1300.3 to 1300.21 – Discretionary and managed accounts;
- Rule 2500 – Minimum standards for retail account supervision; and
- Rule 3200 – Minimum requirements for Dealer Members seeking approval under Rule 1300.1(s) for suitability relief for trades not recommended by the Dealer Member.

~~XX02.~~3500.2. Definition of account relationship types

(1) An "advisory account" is an account where the client is responsible for investment decisions but is able to rely on advice given by a registered representative. The registered representative is responsible for the advice given. In providing this advice, the registered representative must meet an appropriate standard of care, provide suitable investment recommendations and provide unbiased investment advice.

(2) An "order-execution service account" is an account opened in accordance with "order-execution service" requirements set out in Rule 3200.

(3) A "managed account" is an account as defined in Rule 1300.3.

~~XX03.~~3500.3. Form of relationship disclosure

(1) Dealer Members have the choice of providing customized relationship disclosure to each client, or appropriate standardized relationship disclosure to separate classes of clients.

(2) Where standardized relationship disclosure is provided to the client the Dealer Member must determine that the disclosure is appropriate for the client. Specifically, the disclosure must accurately describe:

(a) the account relationship the client has entered into with the Dealer Member; and

(b) the advisory, suitability and performance reporting service levels the client will receive from with the Dealer Member.

(3) Where a client has more than one account, combined relationship disclosure information may be provided as long as the Dealer Member determines that the combined disclosure is appropriate for the client in light of the relevant circumstances, including the nature of the various accounts.

~~XX04.~~3500.4. Format of relationship disclosure

(1) The format of the relationship disclosure is not prescribed but:

(a) The relationship disclosure must be provided to the client in writing;

(b) The relationship disclosure must be written in plain language that communicates the information to the client in a meaningful way; and

(c) The relationship disclosure must include all the required content set out in Section ~~XX05.~~3500.5. or, where specific information has otherwise been provided to the client by the Dealer Member, a general description and a reference to the other disclosure materials containing the required information.

(2) Dealer Members may choose to provide the relationship disclosure as a separate document or to integrate it with other account opening materials.

~~XX05.~~3500.5. Content of relationship disclosure

(1) The relationship disclosure information must be entitled "Relationship Disclosure".

(2) Subject to subparagraphs (3) and (4), the relationship disclosure must contain the following information:

(a) A description of the types of products and services offered by the Dealer Member;

(b) A description of the account relationship;

(c) A description of the process used by the Dealer Member to assess investment suitability, including:

(i) a description of the approach used by the Dealer Member to assess the client's financial situation, investment objectives and time horizon, risk tolerance and investment knowledge and a statement that the client will be provided with a copy of the "know your client" information that is obtained from the client and documented at time of account opening and when there are material changes to the information;

(ii) a statement indicating that the Dealer Member will assess the suitability of investments in the client's account whenever:

(A) a trade is accepted,

(B) a recommendation is made,

(C) securities are transferred or deposited into the account,

(D) there is a change in the registered ~~representative, investment~~ representative or portfolio manager responsible for the account, or

(E) there is a material change to the client's "know your client" information; and

(iii) a statement indicating whether or not the suitability of the investments held in the account will be reviewed in the case of other triggering events not described in Rule 1300.1(r) and, in particular, in the event of significant market fluctuations;

(d) A description of the client account reporting that the Dealer Member will provide, including:

(i) a statement indicating when trade confirmations and account statements will be sent to the client;

(ii) a description of the Dealer Member's minimum obligations to provide performance information to the client and a statement indicating when account position cost and account activity information will be provided to the client; and

(iii) a statement indicating whether or not the provision of account percentage return information will be an option available to the client as part of the account service offering;

(e) A statement indicating Dealer Member and Approved Person conflicts of interest and stating that ~~future~~existing and potential material conflict of interest situations, where not avoided, will be disclosed to the client as they arise;

(f) A description of all account service fees and charges the client will or may incur relating to the general operation of the account;

(g) A description of all charges the client will or may incur in making, disposing and holding investments by type of investment product;

(h) A listing of the account documents required to be provided to the client with respect to the account; and

(i) A description of the Dealer Member's complaint handling procedures and a statement that the client will be provided with a copy of an IIROC approved complaint handling process brochure at time of account opening.

(3) For order-execution service accounts, the Dealer Member does not have to provide the relationship disclosure information required under subparagraph 2(c), provided that disclosure is made in compliance with the requirements in Rule 3200.

(4) For managed accounts, the required disclosure referred to in subparagraph 2(c)(iii) does not apply and the relationship disclosure provided by the Dealer Member must include a statement that ongoing suitability is provided as part of the managed account services.

~~XX06.~~3500.6. Review of relationship disclosure materials

(1) Pursuant to Rule 1300.2, the relationship disclosure provided to the client must be approved by a partner, director, officer or designated supervisor. This approval must occur regardless of the form the relationship disclosure takes. If the document is a standardized document, the supervisor who approves new accounts must ensure that the correct document is used in each client circumstance. If the relationship disclosure is a customized document for each client, the designated supervisor must approve each document.

~~XX07.Client~~3500.7. Audit trail and client acknowledgement ~~of receipt of account related documents~~requirements

(1) The Dealer Member must maintain an audit trail to evidence that account related documents required by IIROC Rules have been provided to the client. ~~In addition,~~

(2) Dealer Members must obtain their clients' acknowledgement of receipt of the "know your client" information~~ form and account relationship disclosure materials~~. A client signature acknowledging receipt is preferred, but not required. If the client's signature is not obtained, ~~some other~~another acceptable method of documenting the client's acknowledgement of receipt of this information must be used.

~~Proposals to implement the core principles of the~~ Client Relationship Model

~~Proposed Amendments -~~ New Rule ~~XX00~~42 - Conflicts of interest

~~XX01.~~ 42.1. Responsibility to identify conflicts of interest

(1) Each Dealer Member and, where applicable, Approved Person shall take reasonable steps to identify existing and potential material conflicts of interest between the interests of the Dealer Member or Approved Person and the interests of the client.

(2) Where an Approved Person becomes aware of an existing or potential material conflict of interest, the existing or potential conflict shall be reported immediately to the Dealer Member.

~~XX02.~~42.2. Approved Person responsibility to address conflicts of interest

(1) The Approved Person must consider the implications of any existing or potential material conflicts of interest between the Approved Person and the client.

(2) The Approved Person must address all existing or potential material conflicts of interest between the Approved Person and the client in a fair, equitable and transparent manner, and consistent with the best interests of the client or clients.

(3) Any existing or potential material conflict of interest between the Approved Person and the client that cannot be addressed in a fair, equitable and transparent manner, and consistent with the best interests of the client or clients, must be avoided.

~~XX03.~~42.3. Dealer Member responsibility to address conflicts of interest

(1) The Dealer Member must consider the implications of any existing or potential material conflicts of interest between the Dealer Member and the client.

(2) The Dealer Member must address the existing or potential material conflict of interest in a fair, equitable and transparent manner, and considering the best interests of the client or clients.

(3) Any existing or potential material conflict of interest between the Dealer Member and the client that cannot be addressed in a fair, equitable and transparent manner, and considering the best interests of the client or clients, must be avoided.

(4) The Dealer Member must adequately supervise how existing or potential material conflicts of interest between the Approved Person and the client are addressed by its Approved Persons pursuant to section ~~XX02.~~42.2.

~~XX04.~~42.4. Responsibility to disclose conflicts of interest

(1) Unless~~ a material conflict of interest has been~~ avoided, ~~the~~an existing or potential material conflict of interest must be disclosed to the client in all cases where a reasonable client would expect to be informed:

(a) for new clients, prior to opening an account for the client; and

(b) for existing clients, either as the conflict of interest occurs or, in the case of a transaction related conflict of interest, prior to entering into the transaction with the client.

~~XX05.~~42.5. Conflicts of interest policies and procedures

(1) Each Dealer Member shall develop and maintain written policies and procedures to be followed in identifying, avoiding, disclosing and addressing material conflict of interest situations.

~~Proposals to implement the core principles of the~~ Client Relationship Model

~~Proposed~~ Amendments ~~- Amended~~to Rule 1300 - Supervision of accounts

1. Rule 1300 subsections 1300.1(p) through (v) are repealed and replaced as follows:

"Suitability determination required when accepting order

(p) Subject to Rules 1300.1(t) and 1300.1(~~s~~u), each Dealer Member shall use due diligence to ensure that the acceptance of any order from a client is suitable for such client based on factors including the client's current financial situation, investment knowledge, investment objectives and time horizon, risk tolerance and the account or accounts'~~s~~ current investment portfolio composition and risk level. If the order received from a client is not suitable, the client must, at a minimum, be advised against proceeding with the order.

Suitability determination required when recommendation provided

(q) Each Dealer Member, when recommending to a client the purchase, sale, exchange or holding of any security, shall use due diligence to ensure that the recommendation is suitable for such client based on factors including the client's current financial situation, investment knowledge, investment objectives and time horizon, risk tolerance and the account or accounts'~~s~~ current investment portfolio composition and risk level.

Suitability determination required for account positions held when certain events occur

(r) Each Dealer Member shall, subject to Rules 1300.1(t) and 1300.1(u), use due diligence to ensure that the positions held in a client's account or accounts are suitable for such client based on factors including the client's current financial situation, investment knowledge, investment objectives and time horizon, risk tolerance and the account'~~s~~ or account(s)' current investment portfolio composition and risk level whenever one or more of the following trigger events occurs:

(i) Securities are received into the client's account by way of deposit or transfer; or

(ii) There is a change in the registered ~~representative, investment~~ representative or portfolio manager responsible for the account; or

(iii) There has been a material change to the client's life circumstances or objectives that has resulted in revisions to the client's "know your client" information as maintained by the Dealer Member.

Suitability of investments in client accounts

(s) To comply with the requirements under Rules 1300.1(p), 1300.1(q) and 1300.1(r), the Dealer Member must use due diligence to ensure that:

(i) The suitability of all positions in the client's account is reviewed whenever a suitability determination is required; and

(ii) The client receives appropriate advice in response to the suitability review that has been conducted.

Suitability determination not required

(t) Each Dealer Member that has applied for and received approval from the Corporation pursuant to Rule 1300.1(v), is not required to comply with ~~Rule~~Rules 1300.1(p), 1300.1(r) and 1300.1(s), when accepting orders from a client where no recommendation is provided, to make a determination that the order is suitable for such client.

(u) Each Dealer Member that executes a trade on the instructions of another Dealer Member, portfolio manager, investment counsel, limited market dealer, bank, trust company or insurer, pursuant to Section I.B (3) of Rule 2700 is not required to comply with Rule 1300.1(p).

Corporation approval

(v) The Corporation, in its discretion, shall only grant such approval where the Corporation is satisfied that the Dealer Member will comply with the policies and procedures outlined in Rule 3200. The application for approval shall be accompanied by a copy of the policies and procedures of the Dealer Member. Following

such approval, any material changes in the policies and procedures of the Dealer Member shall promptly be submitted to the Corporation."

2. References in Rules 1300 and 3200 to subsections 1300.1(p) and 1300.1(t) are amended as follows:

   (a) References to existing subsection 1300.1(p) are repealed and replaced by references to new subsections 1300.1(p) and 1300.1(r); and

   (b) References to existing subsection 1300.1(t) are repealed and replaced by references to new subsection 1300.1(v).

~~Proposals to implement the core principles of the~~ Client Relationship Model

~~Proposed~~ Amendments ~~Amended~~to Rule 200.1 – Minimum records

1. Rule 200 is amended by renumbering existing subsections 200.1(d) through (n) as subsections 200.1(g) through (q).

2. Rule 200 is amended by adding new subsections 200.1(d), 200.1(e) and 200.1(f) as follows:

"(d) Client account cost reports for all accounts other than those held by institutional clients, itemizing security position cost information as follows:

(1) For all new security positions added to the account on or after the latest of:

(i) [Date of implementation],

(ii) The date the account was opened or

(iii) If applicable, the date the account was received in by the Dealer Member as a transferred account,

the original cost of the position.

(2) For all existing security positions in the account as of [Date of implementation], the original cost of the position. Where original cost information is unavailable or is known to be inaccurate, Dealer Members may elect to provide market value information as at [Date of implementation], or as at an earlier date (referred to as "point in time market value") instead of original cost information, provided that it is done for all similar accounts and as at the same date.

Where the account was received in by the Dealer Member as a transferred account, the market value of the positions as at the date the account was received in via transfer (also referred to as "point in time market value") may be used instead of original cost.

For each security position, the current market value as at the report date shall be provided as a comparison to the cost information. The basis for costing each position (either original cost or point in time market value) must be disclosed.

Client account cost reports shall be sent to clients annually, at a minimum.

(e) For all accounts other than those held by institutional clients, client account performance information disclosing the annual and cumulative realized and unrealized income and capital gains in the client's account. This account performance information shall be sent to clients annually, at a minimum.

(f) For all accounts other than those held by institutional clients, client account performance reports itemizing account annualized compound percentage returns for the net performance of the client's account.

Account annualized compound percentage return information

Where the account has existed for more than one year, account annualized compound percentage return information shall be provided indicating the account's net performance for the past one, three, five and ten year periods and for the period since account inception. Where the account has existed for less than one year, account annualized compound percentage return information shall not be provided.

The report containing the annualized compound percentage return information shall also contain:

(1) A definition of the term "compound percentage return"; and

(2) A description of the computational method used in determining the annualized compound percentage return information.

The computational method used in determining annualized compound percentage return information shall be a method acceptable to the Corporation. The report containing account annualized compound percentage return information shall be sent to clients annually, at a minimum."

3. The Guide to Interpretation of Rule 200.1 is amended by renumbering guide items (d) through (n) as guide items (g) through (q).

4. The Guide to Interpretation of Rule 200.1 is amended by adding new guide items (d) through (f) as follows:

"(d) "**Client account cost reports"**

Reports must include all client account security and other investment product positions held by the Dealer Member for the client in nominee name or physically in client name and all other client account positions for which the Dealer Member continues to receive compensation, subject to the exceptions below.

Where, pursuant to Rule 200.1(d)(2), the original cost information is unavailable and the point in time market value amount cannot be reliably measured for an individual position held, the cost information for the position shall be reported as not determinable.

Where the market value for a particular position cannot be reliably measured, the current market value information for the position shall be reported as not determinable. In such instance, a disclosure in the client account cost report shall inform the client that the information is not determinable and why the information is not determinable.

The information provided in the client account cost report may be provided to the client on either a dollar amount or dollar amount per share basis.

The client account cost report may be provided to the client as part of the client account statement, referred to in Rule 100.2(c), or separately.

(e) "**Cumulative account performance information"**

The cumulative account performance information must be determined based on all client account security and other investment product positions held by the Dealer Member for the client in nominee name or physically in client name and all other client account positions for which the Dealer Member continues to receive compensation, subject to the exceptions below.

Where there are one or more positions held in the client account for which the current market value is not determinable, the position(s) shall be considered to have no value in the determination of cumulative account performance. In such instance, a disclosure in the cumulative account performance information shall inform the client that the value of the positions has been set at nil for account performance calculation purposes and why.

~~At the option of the Dealer Member~~Where multiple accounts of the same client have the same investment objectives, clients may be ~~provided with~~offered the alternative of portfolio level (portfolio level being a consolidation of all account positions and debit/credit money balances of the same client) cumulative account performance information. Where the client consents to this alternative, the Dealer Member would not be required to provide performance information for each of the accounts included in the portfolio level reporting.

At the option of the Dealer Member, clients may instead be provided with cumulative account performance information that delineates advised/non-advised account positions.

The cumulative account performance information may be provided to the client as part of the client account statement, referred to in Rule 100.2(c), or separately.

(f) "**Account annualized compound percentage return information"**

The account annualized compound percentage return information must be determined based on all client security and other investment product positions held by the Dealer Member for the client in nominee name or physically in client name and all other client account positions for which the Dealer Member continues to receive compensation, subject to the exceptions below.

Where there are one or more positions held in the client account for which the current market value is not determinable, the position(s) shall be considered to have no value in the determination of annualized compound percentage returns. In such instance, a disclosure in the annualized compound percentage return information shall inform the client that the value of the position(s) has been set at nil for percentage calculation purposes and why.

At the option of the Dealer Member, clients may be provided with portfolio level (portfolio level being a consolidation of all account positions and debit/credit money balances of the same client) annualized compound percentage return information.

At the option of the Dealer Member, clients may instead be provided with annualized compound percentage return information that delineates advised/non-advised account positions.

Account annualized compound percentage return information may be provided to the client as part of the client account statement, referred to in Rule 100.2(c), or separately."

13.1.3 IIROC Rules Notice – Guidance Note – Client Relationship Model

IIROC RULES NOTICE

GUIDANCE NOTE – CLIENT RELATIONSHIP MODEL

12-0108
March 26, 2012

INTRODUCTION

This Guidance Note provides guidance for Dealer Members on compliance with the new requirements introduced under the Client Relationship Model (CRM) project. The new Rules and amendments under the CRM project address:

1. Relationship disclosure;

2. Conflicts of interest management/disclosure;

3. Suitability assessment; and

4. Account performance reporting

[Note: Implementation of the account performance reporting requirements has been deferred pending finalization of the CSA account performance reporting requirements].

While each of these issues can be viewed in isolation, the intent of the CRM project is that the different elements work together within the larger CRM framework and the existing Rules. Essentially, each of the requirements is a part of the broader fundamental obligation of the Dealer Member and its representatives under securities legislation to deal fairly, honestly and in good faith with clients.

Wherever possible, the new CRM requirements have been created with the intent of allowing Dealer Members to leverage off of existing processes. However, certain aspects will require Dealer Members to develop new systems, which may pose some significant operational challenges.

Therefore, with the input of Dealer Members and other industry participants, IIROC staff has developed a transition plan for implementation of the CRM Rules and amendments. Details of the transition periods that have been approved by the IIROC Board are attached as Attachment E to the related IIROC Rule Notice 12-0107 announcing the implementation of IIROC's CRM requirements.

RELATIONSHIP DISCLOSURE REQUIREMENTS

Rule 3500 establishes minimum standards for client/firm relationship disclosure to be provided by Dealer Members to clients at the time of account opening. The policy rationale underlying the Rule is that all clients should have a good understanding of the services they will be provided when they open an account.

Form and format of relationship disclosure

The Rule provides for a degree of flexibility as to the form and format of the relationship disclosure, but in all cases the information must be in writing, in plain language and must contain all of the required elements set out in Section 3500.5. The Rule allows for standardized disclosure to be provided to particular groups of clients, or all clients. Where the Rule requires the Dealer Member to advise as to whether optional services can be obtained from the Dealer Member, the costs associated with such services must be provided.

Content of relationship disclosure

The relationship disclosure to be provided to the client must include a description of the products and services of the Dealer Member, the nature of the account and the responsibilities of the Dealer Member. IIROC staff understands that many Dealer Members are already providing clients with marketing information that includes at least some information on products, services and account types offered. However, to provide more complete information, the client should also be advised as to specific limitations and Dealer Member responsibilities that might exist for the different classes of accounts it offers (for example, an order-execution service account versus an advisory account). The relationship disclosure information will help the clients understand:

1. why the "know your client" information the client provides the Dealer Member is important;

2. what service levels the client can expect from the Dealer Member once the account has been opened; and

3. what information the Dealer Member will provide the client to update them on the status of the account.

One of the fundamentals in the advisory relationship is the requirement for the Dealer Member to satisfy the investment suitability requirements contained in Rule 1300.1. Accordingly, IIROC staff expects the Dealer Member to provide a fulsome, clear and meaningful explanation of its suitability obligation in the relationship disclosure information it provides to its clients (subparagraph (c) of Section 3500.5). To ensure accurate client understanding of this service, the relationship disclosure must include a description of both when and how suitability assessments will be made. Further, the client should be made aware of the limitations on the obligation and whether account suitability reviews will be performed in situations apart from those listed in the Rule. In particular, the Rule requires that clients be informed whether or not suitability reviews will be performed in response to significant market fluctuations. This will ensure that the client is aware of whether or not a portfolio suitability assessment will be performed during a period of significant market fluctuation.

The types of transaction, position and performance reporting to be provided to the client must also be disclosed to the client (subparagraph (d) of Section 3500.5). In the case of transaction and position reporting, the trade confirmation and account statement requirements themselves are unchanged; what has changed is that the client must be informed when this information will be sent to them. In the case of performance reporting, the requirements themselves are new and, once implementation is announced, will be implemented over a 2 year transition period.

As a result, in order to avoid having to regularly update the client relationship disclosures they are being provided, it may be more efficient for the Dealer Member to initially disclose to clients the following as part of the relationship disclosure information: (a) the type(s) of performance reporting they will provide immediately and the type(s) of reporting they can expect to receive over the next couple of years, and (b) that the Dealer Member will provide clients with regular updates as part of its client newsletter (or by other means) on the performance information they will be provided in the future.

The disclosure required under subparagraph (e) is an extension of the new conflicts of interest management standards also introduced as part of CRM. Refer to the separate "Conflicts of interest management / disclosure requirements" section of this Guidance Note for further guidance on these new standards.

The disclosures required under subparagraphs (f), (g), (h) and (i) of Section 3500.5 are an extension of existing requirements relating to account operation and transaction fees/charges, account related documentation and client compliant handling. The Dealer Member requirements in these areas are unchanged; what has changed is that the client must be informed as part of the relationship disclosures of the types of fees/charges they can expect to incur, the account related documentation they will receive and the complaint handling process in place at the Dealer Member. Consistent with the requirements of National Instrument 31-103 ("NI 31-103"), IIROC staff expects the discussion of account operation and transaction fees/charges will include all charges a client may incur during the course of acquiring, selling or holding an investment product position, including amounts to be paid indirectly to the Dealer Member by the client. For example, mutual fund fees/charges disclosure should include a discussion of the management expenses that are deducted from fund performance by the mutual fund manager and the types of fees/charges, such as trailing fees, that may be paid to the Dealer Member by the mutual fund manager from these collected management expenses.

Furthermore, it is consistent with good business practice to disclose to a client the charges specific to a transaction prior to recommending or accepting instructions from a client to purchase or sell a security in an account other than a managed account. Specifically, Dealer Members are encouraged to adopt best practices which include disclosing the following information prior to the acceptance of a client's order:

(a) the charges the client will be required to pay in respect of the purchase or sale, and

(b) in the case of a purchase, any deferred charges that the client might be required to pay on the subsequent sale of the security or any trailing commissions that the firm may receive in respect of the security.

In the case of the purchase of a mutual fund security on a deferred sales charge basis, the Dealer Member should advise clients that a charge may be triggered upon the redemption of the security if sold within the time period that a deferred sales charge would apply. The actual amount of the deferred sales charge, if any, would need to be disclosed once the security is redeemed.

Content differences for different account types

The obligations of Dealer Members to provide certain specific disclosures regarding suitability will vary for order-execution service accounts and managed accounts, in that there is no suitability obligation regarding order-execution service accounts and managed accounts must be monitored and supervised according to the specific standards imposed under Rules 1300 and 2500.

Apart from these limited exceptions for order-execution service accounts and managed accounts, all of the required elements listed in Rule 3500 must be addressed in the Dealer Member's relationship disclosure.

Other information that may be included in the relationship disclosure

Beyond the required content set out in Rule 3500, the Dealer Member may also elect to include additional information in the relationship disclosure. In consulting with Dealer Members in the rule development process, IIROC staff has noted that some Dealer Members currently recommend steps to be taken by their clients to maintain a successful relationship with the firm. These include:

1. Carefully and promptly reviewing all documentation provided by the Dealer Member that relates to the operation of the account, account investment recommendations, account investment transactions and account investment holdings. This would include the "know your client" information maintained by the Dealer Member for the account; conflicts of interest disclosures; descriptions of all transaction costs and account service fees and charges relating to the account; trade confirmations; and account statements.

2. Promptly informing the Dealer Member of changes to the client's life circumstances or objectives that may materially affect the accuracy of the "know your client" information maintained by the Dealer Member for the account.

3. Promptly informing the Dealer Member of any trade confirmation or account statement errors.

4. Proactively asking questions and requesting information about the account.

5. Contacting the Dealer Member immediately if the client is unsatisfied with the handling of the affairs in the account.

Client acknowledgement requirements

To reflect the importance of the "know your client" information, receipt of this document must be positively acknowledged by the client at the time of account opening. While obtaining the client's signature is preferred, the requirements recognize that this is not always possible to obtain, particularly when the client is opening an account over the internet or from another location. As a result, where a signature cannot be obtained other forms of positive acknowledgement of client receipt, such as a documented phone conversation or an e-mail or letter from the client, are acceptable. If a Dealer Member is unable to obtain positive acknowledgment at the time of account opening, the request to open the account must be declined.

Subsequent material changes to "know your client" information may be evidenced by either positive or negative acknowledgment. A Dealer Member may obtain a client signature, or alternatively, maintain notes in the client file detailing the client's instructions to change the information. Dealer Members are required to verify the client's instructions by providing written confirmation to the client with details of the instructions and providing an opportunity for the client to make corrections to any changes that have been made. In situations where "know your client" information is missing entirely, or specific fields such as risk tolerance or investment objectives are missing, Dealer Members must restrict the client from entering into any further account transactions other than liquidating transactions until the missing information is received.

Discussion of relationship disclosure and other account opening materials with clients

Although there are a variety of business models employed by Dealer Members, IIROC expects that in a typical initial face-to-face client meeting, the Registered Representative will sit down with the client and explain to him or her the purpose and use of important account opening information that is collected from the client and important account opening documents, including the relationship disclosure materials, that are provided to the client. As part of this meeting, "know your client" information would be collected from the client and, based on the information collected, the client would be provided with the relationship disclosure materials and other important account opening documentation that detail the account service and investment product offering that is most appropriate for the client. Sufficient time should be spent reviewing the relationship disclosure materials with the client to ensure that the client has a clear understanding of the account relationship they are being offered.

If the proposed account relationship is acceptable to the client, the Registered Representative would then complete the account opening forms and obtain the required client signatures and/or acknowledgements. The client would then be provided with a copy of the forms and disclosure documents. Ideally, throughout this process, the client will be raising any questions and the representative will be providing meaningful responses. The intent of the relationship disclosure is to ensure that all clients have answers to some basic questions on the account relationship, whether or not the client raises these questions with their representative.

Clients that must be provided with relationship disclosure information

Dealer Members are required to provide the relationship disclosure information to all retail clients. In the case of retail clients of Dealer Members that are introducing brokers, this obligation must be met by the introducing broker. It is expected that new clients will be provided with the information at the time of account opening. IIROC staff acknowledges that there are significant logistical concerns involved in distributing the information to existing clients but believe it is equally important that existing clients clearly understand the relationship they have with their Dealer Member and advisor. To enable Dealer Members to address the logistical issues involved in distributing the information to existing clients, a two-year transition period to provide the information to existing clients has been adopted. This two-year period is consistent with IIROC's current expectations regarding the updating of key account related documents.

Significant changes to disclosure information

Where significant changes to the relationship disclosure information have occurred, it is expected that the Dealer Member will provide timely notice to clients of any changes. This could be accomplished by including details of the updated information with a regular client communication, such as the client statements.

As noted in Section 3500.7, Dealer Members are required to maintain an audit trail that evidences that the client has acknowledged receipt of the "know your client" information. The "best practice" would be to obtain a signed client acknowledgement, but Dealer Members may also satisfy this requirement both for the initial disclosure and for subsequent updates through other means. Dealer Members that intend to rely on electronic delivery of the information would be expected to satisfy the requirements noted in IDA Member Regulation Notice MR-008.

CONFLICTS OF INTEREST MANAGEMENT / DISCLOSURE REQUIREMENTS

There are a number of provisions in the existing IIROC Rules that set out Dealer Member and Approved Person obligations relating to specific conflict of interest situations between Dealer Members and clients and between Approved Persons and clients. In addition to these existing specific obligations, Rule 42 further clarifies the existing obligations that Dealer Members and Approved Persons have to manage conflicts of interest with their clients. These obligations require Dealer Members to have written policies and procedures in place for identifying and addressing material conflicts of interest and to carry out these policies and procedures. Rule 42 also sets out a general framework for:

- identifying conflict of interest situations; and
- addressing conflict of interest situations through/by:
    - avoidance
    - disclosure
    - other approaches to control the situation

Approved Person responsibility to address conflicts of interest

- ***General requirement to address all material conflicts of interest***

  Subsection 42.2(2) requires that all existing or potential material conflicts of interest between an Approved Person and a client must be addressed by the Approved Person "in a fair, equitable and transparent manner, and consistent with the best interests of the client or clients." Conflicts can be addressed by avoiding, disclosing or otherwise controlling the conflict of interest situation. In addition to this general requirement to address material conflicts of interest between the Approved Person and the client:

    - Section 42.2(3) requires that "Any existing or potential material conflict of interest between the Approved Person and the client that cannot be addressed in a fair, equitable and transparent manner, and consistent with the best interests of the client or clients, must be avoided."; and
    - Section 42.4 requires that "Unless a material conflict of interest has been avoided, the conflict of interest must be disclosed to the client in all cases where a reasonable client would expect to be informed."

  As a result, the requirements collectively mandate when a conflict of interest between an Approved Person and a client must be addressed by avoiding the conflict, or must be addressed at least in part by disclosing the conflict of interest to the client. The requirements do not mandate the other approaches which must be used to further control the conflict of interest situation.

Sub-section 13.4(2) of N1 31-103 requires that "A registered firm must respond to an existing or potential conflict of interest".

Having said that, material conflict of interest situations can only be addressed / responded to by:

- avoiding the situation which gives rise to the conflict of interest; or
- controlling the situation as much as possible and/or disclosing the conflict of interest.

As with the other elements of the CRM project, the Rule requiring that material conflicts of interest be addressed should be read in light of the fundamental statutory obligation imposed on all registrants to deal with clients fairly, honestly and in good faith. The intent of IIROC Rule 42.2 is to provide greater clarity to Dealer Members as to how these basic principles can be satisfied when considering conflict of interest situations.

In a number of cases, Approved Persons will address conflict of interest situations by disclosing it to the affected clients. However, in other cases, to properly address a material conflict, the Dealer Member may need to implement policies and procedures and the Approved Person will need to carry out procedures that go beyond simple disclosure. For instance, NI 31-103 requires registrants to execute a written agreement as well as providing prescribed disclosure prior to entering into a referral arrangement. Other types of personal financial dealings, if permitted, may also necessitate additional measures, such as requiring the client to obtain independent advice before entering into a transaction.

- ***Conflict avoidance***

Subsection 42.2(3) requires that "Any existing or potential material conflict of interest between the Approved Person and the client that cannot be addressed in a fair, equitable and transparent manner, and consistent with the best interests of the client or clients, must be avoided." When determining whether a conflict of interest between an Approved Person and a client must be avoided, Approved Persons should consider:

- the interests of the client(s) involved; and
- whether it is feasible to address the conflict of interest in any way other than by avoiding the situation giving rise to the conflict of interest.

Further, the guidance in Companion Policy 31-103CP provides the following general examples of material conflict of interest situations that must be avoided:

- the conflict of interest involves confidential, commercially sensitive or material, non-public information which the Dealer Member is prohibited from disclosing to the client and a reasonable client would expect to be provided with this information
- the conflict of interest is inconsistent with the interests of the client and/or there is a high risk of harm to the client and the situation cannot be addressed in any fashion to reduce this inconsistency/risk of harm; and
- the situation that gives rise to the conflict of interest is unethical or otherwise contrary to capital markets integrity

Consistent with the avoidance standard set out in Section 42.2(3), the following are examples of specific rules that stipulate conflict of interest situations between an Approved Person and a client which must be avoided by the Approved Person:

1. A Registered Representative or Investment Representative may not engage in another gainful occupation if the specific occupation introduces inappropriate conflicts of interest, disrupts continuous client service or is disreputable [IIROC Dealer Member Rule 18].
2. A registered individual must not act as a director of another registered firm that is not an affiliate of an individual's sponsoring firm [NI 31-103, Section 4.1].

Conflict of interest situations between Dealer Members and clients

- ***General requirement to address all conflicts of interest***

  Subsection 42.3(2) requires that all existing or potential material conflicts of interest between a Dealer Member and a client must be addressed "in a fair, equitable and transparent manner, and considering the best interests of the client or clients." In applying this requirement, it is recognized that it is not always possible or practical for a Dealer Member to address all conflicts of interest in the best interests of each client when the conflict of interest situation involves multiple clients with competing interests.

  The general approaches used by Approved Persons to address conflicts of interest between themselves and their client(s) must also be followed by Dealer Members when addressing conflict of interest situations between Dealer Member(s) and their clients. As previously stated, material conflict of interest situations can only be addressed / responded to by:

  o avoiding the situation which gives rise to the conflict of interest; or

  o controlling the situation as much as possible and/or disclosing the conflict of interest.

  Companion Policy 31-103CP also sets additional guidance when the conflict of interest situation involves multiple clients with competing interests. Specifically, Dealer Members "should make reasonable efforts to be fair to all clients" and "should have internal systems to evaluate the balance of these [client] interests." The conflict of interest that arises between a Dealer Member's corporate client, issuing public securities and the Dealer Member's retail clients, who will be offered the new issue, is cited as an example of a competing interests scenario.

- ***Conflict avoidance***

  Subsection 42.3(3) requires that any "material conflict of interest between the Dealer Member and the client that cannot be addressed in a fair, equitable and transparent manner, and considering the best interests of the client or clients, must be avoided." In applying this subsection, Dealer Members should consider the same factors as an Approved Person would consider when assessing whether to avoid a conflict of interest with a client.

  Consistent with the avoidance standard set out in Subsection 42.3(3), the following are examples of specific rules that stipulate conflict of interest situations between a Dealer Member and a client which must be avoided by the Dealer Member:

  1. All client orders must be given priority over all proprietary orders for the same security at the same price in order to avoid a conflict of interest between the Dealer Member and its client with respect to that trading opportunity [IIROC Dealer Member Rule 29.3(A)].

  2. A Dealer Member shall not trade, or permit or arrange to trade, in reliance upon information regarding trades that have been made or which will be made for any discretionary or managed account [IIROC Dealer Member Rule 1300].

  3. A Dealer Member is prohibited from issuing a research report for an equity or equity related security relating to an issuer for which the Dealer Member acted as manager or co-manager of (i) an initial public offering of equity or equity related securities, for 40 calendar days following the date of the offering, or (ii) a secondary offering of equity or equity related securities, for 10 calendar days following the date of the offering [IIROC Dealer Member Rule 3400.14].

- ***Supervision***

  Subsection 42.3(4) requires that "The Dealer Member must adequately supervise how existing or potential material conflicts of interest between the Approved Person and the client are addressed by its Approved Persons pursuant to section 42.2." This requirement is consistent with the general expectation that Dealer Members should adequately supervise all activities they undertake; in this case the conflict of interest management activities of their Approved Persons.

Conflict of interest disclosure

As previously stated, Section 42.4 requires disclosure to the client of a material conflict of interest situation that has not been avoided "in all cases where a reasonable client would expect to be informed."

When determining whether a conflict of interest must be disclosed to the client, the guidance in Companion Policy 31-103CP requires Dealer Members to consider whether the conflict of interest affects the services that are being provided or that are proposed to be provided. As part of this guidance, the example of a registered individual recommending a security they own is cited and it is suggested that "this may constitute a material conflict which should be disclosed to the client before or at the time of the recommendation".

Consistent with the disclosure standard set out in 42.4, the following are examples of specific Rules that stipulate conflict of interest situations which must be disclosed to the client by the Dealer Member:

1. Where one client has guaranteed the account obligations of another client, such that there are potentially conflicting client interests, the Dealer Member must disclose to the guarantor in writing that the suitability of the transactions in the guaranteed client's account will not be reviewed in relation to the guarantor's risk tolerance or investment objectives [IIROC Dealer Member Rule 100].

2. Each confirmation issued for trades involving securities:

   - of the Dealer Member or a related issuer of the Dealer Member, in the course of a distribution to the public; or
   - of a connected issuer of the Dealer Member

   must state that the securities are issued by the Dealer Member, a related issuer of the Dealer Member or a connected issuer of the Dealer Member, as the case may be [IIROC Dealer Member Rule 200].

3. Dealer Members must comply with the following disclosure requirements for analyst research reports:

   (a) Dealer Members must disclose information in a research project which might reasonably be expected to indicate a potential conflict of interest on the part of the Dealer Member or the analyst in making a recommendation with regard to the issuer.

   (b) Any Dealer Member that distributes research reports to clients or prospective clients in its own name must disclose its research dissemination policies and procedures on its website or by other means.

   (c) Dealer Members must disclose in research reports if in the previous 12 months the analyst responsible for preparing the report received compensation based upon the Dealer Member's investment banking revenues.

   (d) Dealer Members must disclose in research reports if and to what extent an analyst has viewed the material operations of an issuer. Dealer Members must also disclose where there has been a payment or reimbursement by the issuer of the analyst's travel expenses for such visit.

   [IIROC Dealer Member Rule 3400]

In general, the guidance in Companion Policy 31-103CP concludes that the only scenario under which a material conflict (that has not been avoided) would not be disclosed to the client under the "reasonable client" test would be where the Dealer Member has taken other steps to control the conflict of interest and has effectively ensured, with reasonable confidence, that the risk of loss to the client has been eliminated. As a result, disclosure is fundamental in addressing / responding to material conflicts of interest.

The disclosure should be timely and meaningful to the client. Specifically, disclosure should be made before the product or service related to the conflict is sold or provided to the client. Further, the disclosure should be sufficient to provide the client with an understanding of the specific conflict. A generic form of disclosure simply stating that conflicts may arise will not satisfy the Dealer Member's obligation to respond to specific conflict of interest situations that may arise.

Furthermore, disclosure and informed consent is not an appropriate alternative to conflict avoidance in those cases where avoiding the conflict is the only reasonable response. Implied or expressed consent does not discharge a Dealer Member from the obligations to comply with their regulatory requirements.

Compensation-related conflicts of interest

Many conflict of interest situations are compensation-related, where the Approved Person's / Dealer Member's interest in being compensated for a transaction or service is inherently in conflict with a client's interest in growing their wealth. As part of the requirement to address these compensation-related conflicts of interest and consistent with the requirements set out in subsections 42.2(2) and 42.3(2) to address conflicts of interest:

- The Dealer Member should ensure its product and service offerings, including the fees associated with such offerings, are consistent with the overall wealth building objectives of its clientele; and

- The Approved Person should, in addition to determining, where applicable, whether a certain product or service is suitable for the client, ensure that the transaction, account and service fees and costs to be charged are fair and are properly disclosed to the client.

On the topic of compensation practices, Companion Policy 31-103CP states that "Registered firms should consider whether any particular benefits, compensation or remuneration practices are inconsistent with their obligations to clients, especially if the firm relies heavily on commission-based remuneration. For example, if there is a complex product that carries a high commission, the firm may decide that it is not appropriate to offer that product."

SUITABILITY ASSESSMENT

Trigger event suitability assessment requirements

Rule 1300 has been amended to expand the suitability obligations of the Dealer Member beyond the requirement to assess trade suitability at the time a trade recommendation is made. The intent is to provide investors with an added level of protection in situations where the risk profile of the client and the account portfolio diverge over time. Amended Rule 1300.1(r) requires that the account suitability be reviewed when any of the following additional triggering events occurs:

1. securities are transferred or deposited into the account,

2. there is a change of representative on the account, or

3. there is a material change to the "know your client" information for the account.

The general expectation is that all account suitability reviews required under Rule 1300 will be completed in a timely manner. In most cases, this means that the review should be completed within one day after the Dealer Member or its representative becomes aware of the fact that one of the triggering events noted in the Rule has occurred. Where warranted in a given case, such as a transfer of a block of accounts to a new advisor, a "reasonable time" standard would apply. In any case, and with the exception of automated transactions, the required account suitability reviews should be completed prior to, or at the time of, any subsequent trade within the account.

IIROC staff does not expect that Dealer Members would perform reviews in situations where a change in client information is not material or the Dealer Member is not made aware of the change in circumstances. The Dealer Member's policies and procedures should address the issue of materiality and ways to encourage clients to provide updates on changes to client information.

Additional "know your client" and suitability guidance

Additional guidance relating to the "know your client" and suitability obligations has been issued along with the CRM project.[1] IIROC Rules Notice 12-0109, *Know your client and suitability*, sets out IIROC's interpretation, expectations and suggested best practices relating to existing requirements in the IIROC Dealer Member Rules, as well as the additional suitability obligations introduced under the CRM project, including the requirements to:

1. provide each client a copy of their "know your client" information,

2. consider a client's time horizon when assessing suitability, and

3. supervise compliance with the new suitability requirements.

PERFORMANCE REPORTING

Note: Implementation of the account performance reporting requirements has been deferred pending finalization of the CSA account performance reporting requirements.

Pursuant to IIROC Rules Notice 12-0107 the implementation of the performance reporting elements of IIROC's CRM project proposals has been deferred. Guidance on the performance reporting elements of IIROC's CRM project proposals will therefore be published at a future date when these proposals are implemented.

[1] Guidance Note entitled "Know your client and suitability" has been included as Attachment G to the Client Relationship Model Project.

13.1.4 IIROC Rules Notice – Guidance Note – Know your Client and Suitability

IIROC RULES NOTICE

GUIDANCE NOTE – KNOW YOUR CLIENT AND SUITABILITY

12-0109
March 26, 2012

This Guidance Note does not purport to amend statutory requirements or applicable IIROC Dealer Member Rules relating to the "know your client" and suitability obligations. Rather, it sets out IIROC's interpretation, expectations and suggested best practices relating to existing requirements in the IIROC Dealer Member Rules, as recently amended to implement the Client Relationship Model project ("CRM").

While the best practices set out in this Guidance Note are intended to present acceptable methods that can be used to comply with the aforementioned IIROC requirements, they are not the only acceptable methods. Dealer Members may use alternative methods, provided that those methods demonstrably achieve the overall objective of the Rules. In any event, Dealer Members are encouraged to adopt a risk based approach when setting internal compliance procedures.

OVERVIEW OF THE REQUIREMENTS

Dealer Members and Registered Representatives are reminded that compliance with the suitability requirements is fundamental to compliance with general business conduct standards and is essential to good business practice. The suitability requirement is also complementary to the fundamental obligation under securities legislation for all Dealer Members and their representatives to deal fairly, honestly and in good faith with clients. The fundamental obligation includes a duty to disclose known or discoverable risks to the investor before entering into any transaction.

Most of the issues discussed in this Guidance Note apply to retail clients in an advisory relationship; however, some of the principles discussed may also be applicable when dealing with other types of clients or relationships. As previously noted, the Guidance Note does not purport to amend statutory requirements or applicable IIROC Dealer Member Rules relating to the "know your client" and suitability obligations. Accordingly, if a Rule does not apply to a particular type of client then any discussion or guidance provided with respect to that Rule will also not apply. For example, the following obligations and requirements apply to all clients:

- the obligation to deal fairly, honestly and in good faith with clients; and
- the requirement to update know your client information at the time of material change .

On the other hand, the following obligations and requirements either do not apply to certain clients or are applied differently to certain clients:

- the requirement to determine a client's investment objectives and risk tolerance does not apply to institutional clients, as they are subject to a different suitability standard, or to clients who trade through order execution-only accounts.
- while the general suitability assessment requirements for managed accounts are the same as those for advisory accounts, there are additional supervision requirements that must be adhered to in order to ensure that the investment objectives of each client are being diligently followed.

COMPLIANCE WITH KNOW YOUR CLIENT REQUIREMENTS

The first step in satisfying IIROC's suitability requirements is to satisfy the new account application and "know your client" requirements.

Collection of "know your client" information – New account application requirements

Pursuant to current IIROC Dealer Member Rules, a new account application is required for each client. IIROC Dealer Member Rule 1300.2 requires that each account be opened pursuant to a new account application which includes, at a minimum, the collection of applicable information required by Form 2, also referred to as the New Account Application Form. The information set out in Form 2 includes, among other things, the client's personal information, financial information, risk tolerance, investment objectives, and disclosure of whether the client is an insider of a public corporation. The information collected regarding risk tolerance and investment objectives should be sufficiently precise to enable the Dealer Member and the Registered Representative to meet their suitability assessment obligations.

Dealer Members should note that the recent amendments to IIROC Dealer Member Rules to implement the Registration Reform project eliminated the use of the word "form" from the term "new account application form" to recognize that the completion of account applications and the collection of "know your client" information is frequently completed/done electronically.

Conditions under which one account application may be used for more than one account:

Dealer Member Rule 2500 allows a Dealer Member to obtain one account application for multiple accounts (e.g. a client's cash, margin and certain registered accounts) of the same client. The use of a single account application may be appropriate provided that:

- in the case of individuals, the account beneficial owner is the identical individual for all of the accounts;
- in the case of non-individuals, the account beneficial owner is the identical legal entity for all of the accounts;
- the client's investment objectives, time horizon and risk tolerance are identical for all of the accounts;
- the Dealer Member has the ability to supervise each of the accounts, including the review of "know your client" information updates and orders for suitability purposes, on a multiple-account basis; and
- the client understands and acknowledges that the information collected in the one application will be used to assess suitability on a multiple-account basis.

Given these conditions, not all accounts of the same client can necessarily be opened using a single account application.

Examples of accounts where a separate account application would be required:

As explained above, in order to be able to rely on a single account application for multiple accounts of the same client, the beneficial owner of each account must be identical. Accordingly, a separate account application would be required if that same client held a beneficial interest in a joint, corporate or trust account.

Joint account - The beneficial owners of a joint account are not identical to the beneficial owner of an individual account.

Corporate account - Although the ultimate beneficial owner of a personal corporation may be the same individual as the client who has a cash or margin account, the same account application cannot be used to open a corporate account, given that the account holder is the corporation and not the corporation's beneficial owner / shareholder. The information required to complete the account application is therefore, the corporation's information. Furthermore, the shareholders (beneficial owners) of a corporation are separate and distinct from the corporate legal entity. The contractual relationship arising out of the creation of the account is between the Dealer Member and the corporation.

Trust accounts - Formal and informal "In Trust For" accounts also require a separate account application as they have unique investment objectives that are determined by the trustee, in accordance with the terms of the trust. Furthermore, there is no contractual relationship between the Dealer Member and the beneficial owner(s) of the trust. Rather, the contractual relationship is between the Dealer Member and the trustee, who is required to operate the account in accordance with the terms of the trust.

Know your client information items to be collected and assessed

Under the current rules, there are several questions that Registered Representatives must ask their clients in order to satisfy their "know your client" obligation and equip themselves to conduct a proper suitability assessment. Some of the information collected, such as client net worth, age and investment experience, can be readily obtained from the client. Other factors, such a client's risk tolerance and investment objectives may, however require further discussion and assessment. Registered Representatives are reminded that the client's investment objectives and risk tolerance are two separate but related factors; each factor must be assessed based on the client's financial and personal circumstances and must be reasonable in light of those circumstances. The reasonableness of such information should be reviewed by the Registered Representative and the Dealer Member during the account opening and account approval process. For example, designating an 80% high risk tolerance for an elderly client may be unreasonable if the client has a modest net worth and has opened the account to invest a substantial portion of her net worth. On the other hand, the 80% high risk tolerance may not be unreasonable if the elderly client has a substantial net worth and opens an account to invest a small fraction of her net worth.

Time horizon

As per Dealer Member Rule 1300.1, a client's current financial situation, investment knowledge, investment objectives and time horizon, risk tolerance and the account's current investment portfolio composition and risk level must be considered when assessing the suitability of orders and recommendations. In order to meet the "know your client" requirements, Registered

Representatives need to understand the client's personal circumstances which include understanding the client's time horizon. The client's age is one indication of the client's time horizon. Time horizon should be determined by considering when the client will need to access some or all of their money. Where a client identifies his / her time horizon, the Registered Representative has the responsibility to assess its feasibility and reasonableness in comparison to the client's age, investment objectives, risk tolerance, and other particular circumstances.

Periodic updates and review

The account information must be updated any time there is a material change in a client's circumstances. The following procedures are considered best practices for satisfying this requirement:

- Registered Representatives periodically inquire with each client as to whether there are any material changes in the client's circumstances. It is also acceptable for a Registered Representative to make such inquiries when the Registered Representative meets a client to review his/her portfolio, otherwise corresponds with the client to discuss other account related matters or annually contacts the client to verify the accuracy of the account information.

- The Dealer Member, in its account opening documentation, clearly informs clients of the client's obligation to notify their respective advisors any time there is a material change in their circumstances.

- Where Registered Representatives conduct periodic suitability reviews, use the review discussion as an opportunity to confirm with the client as to whether there are any material changes in the client's circumstances.

COMPLIANCE WITH THE SUITABILITY ASSESSMENT REQUIREMENTS

Pursuant to IIROC Dealer Member Rules, orders need to be assessed to ensure that they are suitable for the particular client; all recommendations must be suitable for the client. Suitability of orders and recommendations need to be considered based on factors including the client's current financial situation, investment knowledge, investment objectives and time horizon, risk tolerance and the account's current investment portfolio composition and risk level. Dealer Members are reminded that the factors set out in Dealer Member Rules 1300.1(p) and (q) are not exhaustive. The issue of whether the requisite suitability analysis should consider other investments in a client's *account* or *accounts* is discussed later in this Guidance Note. The regulatory obligation to ensure that orders and recommendations are suitable includes not only an obligation to ensure that the specific investment product is suitable for the client but also that the order type, trading strategy and method of financing the trade recommended and/or adopted are also suitable for the client. As an example, the risk profile of a client who fully pays for a position in a specific security as a core long term holding is significantly different from the risk profile of a client buying the same security on margin, as part of a day trading strategy.

Dealer Members are also reminded that the suitability analysis starts before the order is even received, recommended or executed. The Dealer Member and Registered Representatives, at the time of account opening, should ensure that the account type (margin, trust, option accounts, etc.) is appropriate for the client given the client's particular circumstances.

Furthermore, Dealer Members and Registered Representatives need to understand the risks and other characteristics associated with the investment products they approve or recommend for sale.

Product suitability

The suitability assessment obligations include a requirement to know and understand the characteristics and risks associated with any investment product approved or recommended to clients. Dealer Members have the responsibility to assess the risks associated with the products that Dealer Members approve for sale. Registered Representatives should understand, and be able to clearly explain to the client, the reasons that a specific security is appropriate and suitable for the client.

Furthermore, pursuant to section 3.4 of NI 31-103 and its Companion Policy, understanding the structures, features and risks of each security recommended to a client (known as know-your-product ("KYP") is a proficiency requirement. This requirement is imposed in addition to the suitability obligation and is applicable even where there is an exemption from the suitability obligations.

Please refer to the "Best Practices for product due diligence" Guidance Note 09-0087 published on March 25, 2009 which sets out IIROC's expectations regarding procedures and criteria that Dealer Members should consider when assessing and introducing products that they approve or recommend for sale. As explained in that Guidance Note, adequate procedures for reviewing products before they are offered to clients can greatly enhance the ability to detect unsuitable recommendations.

Account suitability vs. multiple account suitability

Consistent with the collection of "know your client" information for multiple accounts, a single set of "know your client" information may be used, for suitability assessment purposes, for multiple accounts held by the same client. Suitability may be assessed for multiple accounts held by the same client provided that:

- the beneficial owner is the identical individual or legal entity for all of the accounts;
- the client's investment objectives, time horizon and risk tolerance are identical for all of the accounts;
- the Dealer Member has the ability to supervise accounts, including the review of "know your client" information updates and orders for suitability purposes, on a multiple-account basis; and
- the client understands and acknowledges that the information collected in this single set of "know your client" information will be used to assess suitability on a multiple-account basis.

To clarify, the question of whether suitability must be assessed on either a single account or multiple-account basis will depend on: (i) whether the client has identical objectives, time horizon and risk tolerance for all of those accounts; (ii) the client's agreement or understanding with the Dealer Member in that regard; and (iii) the Dealer Member's ability to supervise on a multiple-account basis. Once that has been decided, the basis upon which suitability will be assessed should be evidenced on the client's account application and applied consistently throughout the relationship. This would also mean that once a Dealer Member sets up the account on a certain basis (for example that suitability of orders and recommendations will be assessed on a multiple-account basis) the Dealer Member and Registered Representative cannot assess suitability on a different basis from time to time (for example on a single account basis).

Unsuitable investments

An unsuitable investment and/or recommendation is one that is inconsistent with the client's personal circumstances including current financial situation, investment knowledge, investment objectives and time horizon, risk tolerance and the current investment portfolio composition and risk level of the other investments within the client's account or accounts at the time of the investment and/or recommendation.

Dealer Members and Registered Representatives have a general suitability requirement with respect to orders they accept or trades they recommend. Dealer Members and Registered Representatives also have a statutory obligation to deal with clients fairly, honestly and in good faith. As a result, whenever an unsuitable investment is identified within an account, either at the time of the investment is recommended or the investment order is accepted or subsequent to that time, there is an obligation to take appropriate action**.** An unsuitable investment may be identified by the Registered Representative at the time of updating the client's account information, to reflect a material change in the client's circumstances as required by IIROC Dealer Member Rule 2500, or when conducting a periodic suitability review. The Dealer Member may identify an unsuitable investment within an account when conducting supervisory activities, including account activity reviews as required by Dealer Member Rule 2500. The obligation to take appropriate action when an unsuitable investment is identified within an account is consistent with Dealer Member Rule 2500, which explains that the meaning of the term "review" includes a preliminary screening to detect items for further investigation.

An account may include an unsuitable investment for a variety of reasons, for instance there may have been a previously executed unsolicited order or an unsuitable recommendation by a former Registered Representative. Furthermore, a sector related change or material change in an issuer's circumstances may cause a shift in the risk associated with a particular security. Where an unsuitable investment is identified within an account, the Registered Representative should take appropriate measures to ensure the client receives advice considering the client's objectives, risk tolerance, and other particular circumstances. An appropriate measure or course of action may include contacting the client in a timely manner to recommend changes. Where a client does not want to dispose of the unsuitable investment, it may be appropriate to recommend changes to other investments within the account in order to ensure the suitability of the overall portfolio. In any event, Registered Representatives are encouraged to contact the client in order to discuss their concerns and to document any actions that they take in response to the issue. Registered Representatives should consult their Supervisor or Compliance Department personnel regarding the Dealer Member's internal policies in handling unsuitable investments.

Unsolicited unsuitable orders

Where a Registered Representative receives an unsolicited order that is unsuitable in relation to the client's objectives, risk tolerance, time horizon and other particular circumstances, it is not sufficient to merely mark the order as unsolicited. The Registered Representative needs to take appropriate measures to deal with the unsuitable order. The client must, at a minimum, be advised against proceeding with the order. The extent of the Registered Representative's obligation partially depends on his/her relationship with the client. Appropriate measures may include providing clients with cautionary advice and documenting

the details of the cautionary advice, or recommending changes to other investments within the account. In any event, Registered Representatives are encouraged to document any actions that they have taken. If the Registered Representative is unsure of how to deal effectively with an unsuitable order, they should consult their Supervisor or Compliance Department personnel in order to understand the Dealer Member's internal procedures for dealing with this issue.

Inappropriate updates

When a potentially unsuitable investment is identified within a client's account or a potentially unsuitable order is received from the client, the Registered Representative should discuss with the client whether there have been any changes to the client's circumstances that would warrant amendments to the "know your client" information.

Registered Representatives should note that it is inappropriate to update or alter the client's "know your client" information in an effort to justify the suitability of an investment, order or recommendation that is otherwise unsuitable for the client.

To clarify, the Registered Representative should remind the client of the "know your client" information previously collected and update that information only if there is a material change in the client's circumstances. The Registered Representative should not be soliciting the client's consent to change their "know your client" information if the purpose of the change is solely to create the appearance of a suitable order.

New triggering events requirements

Recent amendments to Dealer Member Rule 1300.1 require that a suitability analysis also be performed whenever one or more of the following triggering events occur:

- Securities are received into the client's account by way of deposit or transfer;
- There is a change in the Registered Representative or Portfolio Manager responsible for the account; or
- There is a material change in to the client's life circumstances or objectives that has resulted in revisions to the client's "know your client" information as maintained by the Dealer Member.

The principles set out in this Guidance Note apply to the suitability assessment that must be performed when one or more of the above noted triggering events occur.

Best practices for maintaining a suitable client account

It is advantageous to clients, Dealer Members and the industry as a whole, as well as consistent with good business practices, that Registered Representatives and Dealer Members conduct more holistic suitability reviews.

In other words, Dealer Members are encouraged to adopt best practices which would not only allow them to comply with the current order / recommendation-triggered suitability assessment requirements set out in IIROC Dealer Member Rule 1300.1, but also assist in the ongoing maintenance of a suitable client portfolio. The best practices would include considering:

- Adopting policies and procedures requiring, when appropriate, periodic suitability reviews of client accounts;
- Conducting suitability reviews of accounts that may be affected by significant market events; and
- Conducting suitability reviews of accounts holding securities of an issuer that has undergone a material change in its risk profile.

13.1.5 OSC Staff Notice of Approval –Amendments to the Universal Market Integrity Rules Respecting Dark Liquidity

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

AMENDMENTS TO THE UNIVERSAL MARKET INTEGRITY RULES RESPECTING DARK LIQUIDITY

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission approved proposed amendments to the Universal Market Integrity Rules (UMIR) respecting the use of dark liquidity on Canadian equity marketplaces (the UMIR Amendments). In addition, British Columbia Securities Commission did not object to, and the Alberta Securities Commission, the Autorité des marchés financiers, the Saskatchewan Financial Services Commission, the Financial Services Regulation Division of the Department of Government Services of Newfoundland and Labrador, the Nova Scotia Securities Commission and the New Brunswick Securities Commission have approved the UMIR Amendments.

The UMIR Amendments, effective October 10, 2012, will implement the regulatory framework for dark liquidity in Canada, which was developed jointly by the Canadian Securities Administrators (CSA) and IIROC and is the result of a lengthy consultation process with market participants. It consists of the following key elements:

1. a minimum size threshold for posting dark orders in a marketplace;

2. a minimum price improvement of one trading increment, or half a trading increment if the difference between the best bid and the best ask price of a security is one trading increment;

3. a requirement that orders below a certain size be provided price improvement in order to be executed against dark orders; and

4. a requirement that transparent orders must be executed before dark orders at the same price on the same marketplace.

The UMIR Amendments implement the majority of the components of the regulatory framework for dark liquidity by:

1. revising the UMIR definition of “better price” to mean a minimum of one trading increment or one-half of one trading increment when the difference between the best ask price and best bid price for a security is one trading increment;

2. providing that an order entered on a marketplace trade with visible order on that marketplace at the same price before trading with dark orders entered on that marketplace at the same price;

3. introducing price improvement requirements for orders entered on a marketplace in order to trade with dark orders on that marketplace, unless the former exceed a certain size threshold; and

4. introducing other related technical amendments to the UMIR.

One part of the regulatory framework for dark liquidity was implemented through amendments to National Instrument 21-101 *Marketplace Operation* which, subject to Ministerial approval, will be effective July 1, 2012. These amendments will introduce a minimum size threshold for posting orders in a marketplace that will be established by IIROC. The process for setting the size threshold will involve consultation with the CSA and market participants is described in IIROC Notice 12-0130 published today and included at Appendix A. While a size threshold has not been proposed at this time, the CSA and IIROC plan to monitor market developments, as well as the impact of the other components of the dark liquidity framework implemented through the UMIR Amendments, to determine whether a size threshold should be proposed and whether additional regulatory requirements are needed.

Throughout the consultation process on dark liquidity issues, market participants indicated that the CSA and IIROC should not focus their efforts solely on dark liquidity and should review other issues that impact market structure, such as the use of broker preferencing, dealer internalization of order flow, the marketplaces’ fee models and high-frequency trading. We acknowledge these concerns and note that a number of initiatives are currently in place to review these issues. Specifically:

- staff of the Ontario Securities Commission are reviewing information received from dealers relating to dealer internalization and broker preferencing practices and will be considering next steps.

- we are aware of the concerns raised regarding marketplace fees and marketplaces’ fee models, particularly the use of the maker-taker fee model, and are considering next steps to address the issues. A review of market data fees is currently underway.

- with respect to high-frequency trading, we support IIROC's work relating to high-frequency trading and its impact on market quality. In addition, proposed National Instrument 23-103 *Electronic Trading and Direct Electronic Access to Marketplaces* includes provisions that focus on the risks associated with automated trading and direct electronic access, including high-frequency trading.

The UMIR Amendments were published for comment on July 29, 2011. Non-material changes were made since their publication, mostly to address public comments. The summary of comments and IIROC's response, as well as a blacklined version of the UMIR amendments showing these changes are included at Appendix A.

13.1.6 IIROC Amendments to the Universal Market Integrity Rules Respecting Dark Liquidity

12-0130
April 13, 2012

Provisions Respecting Dark Liquidity

Executive Summary

On April 13, 2012, the applicable securities regulatory authorities approved amendments ("Amendments") to UMIR respecting dark liquidity on Canadian equity marketplaces.[1] The Amendments, which are ***effective October 10, 2012***:

- define "better price" to mean a minimum of one trading increment except, when the difference between the best ask price and the best bid price is one trading increment, the amount shall be a minimum of one-half of one trading increment;
- permit IIROC to designate a minimum size for orders that are not displayed in a consolidated market display;
- permit IIROC to designate a minimum size of an iceberg order that must be displayed in a consolidated market display;
- provide that an order entered on a marketplace must trade with visible orders on that marketplace at the same price before trading with dark orders at the same price on that marketplace;
- require, subject to certain exceptions, an order entered on a marketplace that trades with an order that has not be displayed in a consolidated market display to either:
    - receive a better price, or
    - be for more than 50 standard trading units or have a value of more than $100,000; and
- provide that a Participant or Access Person may not enter an order on a particular marketplace if they know that the handling of the order by the marketplace may result in the order or resulting trade not being in compliance with UMIR.

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

- there would be no impact on the systems of transparent marketplaces that do not provide for Dark Orders nor iceberg orders with less than one standard trading unit being displayed;
- since the Amendments do not require the marking of Dark Orders, there would be no impact on the systems of Participants, Access Persons or service providers; and
- Dark Pools and transparent marketplaces that permit Dark Orders or icebergs with less than one standard trading unit being displayed will be required to ensure that their trading system functionality provides:
    - execution priority for visible orders on their marketplace over Dark Orders on their marketplace at the same price, and
    - a "better price" to orders (other than "large" orders) that execute with Dark Orders.

The Amendments are the result of a joint initiative between IIROC and the Canadian Securities Administrators ("CSA") that commenced in 2009 with the publication of a consultation paper on dark pools, dark orders and other developments in market structure in Canada.[2] In addition to the Amendments, both IIROC and the CSA, either jointly or separately, are undertaking a number of complimentary initiatives to address certain issues and concerns raised during the consultation process.[3]

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1 Reference should be made to IIROC Notice 11-0225 – Rules Notice – Request for Comments – UMIR – *Provisions Respecting Dark Liquidity* (July 29, 2011) with which the proposed amendments were published for public comment (the "Proposed Amendments"). See Appendix B for the summary of comments received on the Proposed Amendments and the responses of IIROC. Column 1 of the table highlights the changes made to the Amendments as approved from the Proposed Amendments.

2 See "Development of Proposals for the Canadian Market" on pages 3 to 7 of this Rules Notice.

3 For more details of these initiatives, see "Related IIROC and CSA Initiatives" on pages 6 and 7 of this Rules Notice.

1. Development of Proposals for the Canadian Market

1.1 Joint CSA/IIROC Consultation Paper

The publication of this IIROC Notice is the last step in a process that began in late 2009. In the Joint CSA/IIROC Consultation Paper 23-404 *Dark Pools, Dark Orders, and Other Developments in Market Structure in Canada*[4] ("Consultation Paper"), comment was sought on a number of issues, particularly the general impact of marketplaces that offer no pre-trade transparency on any orders ("Dark Pools"), the introduction of dark order types, and the introduction of smart order routers. The Consultation Paper discussed these issues and their potential impact on the Canadian markets, including their impact on market liquidity, transparency, price discovery, fairness and integrity.[5]

1.2 Dark Liquidity Forum

On March 23, 2010, the CSA and IIROC hosted a forum to discuss the issues raised in the Consultation Paper and in the response letters ("Forum"). The themes discussed at the Forum included:

- whether Dark Pools should be required to provide price improvement and if so, what is meaningful price improvement;
- the use of market pegged orders and whether those orders "free-ride" off the visible market;
- the use of sub-penny pricing;
- broker preferencing at the marketplace level and dealer internalization of order flow;
- the use of Indications of Interest (IOIs) by Dark Pools to attract order flow; and
- the fairness of a marketplace offering smart order router services that use marketplace data that is not available to other marketplace participants.

More details regarding the Forum were included in Joint CSA/IIROC Staff Notice 23-308 *Update on Forum to Discuss CSA/IIROC Joint Consultation Paper 23-404 "Dark Pools, Dark Orders and Other Developments in Market Structure in Canada" and Next Steps* published on May 28, 2010 ("Update"). That notice included a discussion of ongoing initiatives, proposed next steps to address some of the issues, and a summary of the comments received in response to the Consultation Paper.

1.3 Joint CSA/IIROC Position Paper

On November 19, 2010, the CSA and IIROC published a joint position paper ("Position Paper")[6] that set out CSA and IIROC's position on the following questions:

- Under what circumstances should Dark Pools or marketplaces that offer dark orders be exempted from the requirements of pre-trade transparency under NI 21-101?
- Should Dark Orders be required to provide meaningful price improvement over the best bid price or the best ask price ("NBBO"), and under what circumstances?
- Should visible (lit) orders have priority over dark orders at the same price on the same marketplace?
- What is a "meaningful" level of price improvement?

The recommendations in the Position Paper regarding these four issues were as follows:

- The only exemption to pre-trade transparency should be for orders that meet a minimum size threshold.
- Two dark orders meeting the minimum size threshold should be able to execute at the NBBO. Meaningful price improvement should be required in all other circumstances, including all executions with orders not specifically marked in a manner indicating they are using the minimum size exemption.

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4 Published at (2009) 32 OSCB, beginning at page 7877.

5 See the Consultation Paper at page 7880.

6 IIROC Notice 10-0303 – Rules Notice – Request for Comments - UMIR – *Joint Canadian Securities Administrators/Investment Industry Regulatory Organization of Canada – Position Paper 23-405 - Dark Liquidity in the Canadian Marketplace* (November 19, 2010).

- Visible orders on a marketplace should execute before dark orders at the same price on the same marketplace. However, an exception could be made where two dark orders meeting the minimum size threshold can be executed at that price.

- Meaningful price improvement means that the price is improved over the NBBO by a minimum of one trading increment as defined in the UMIR, except where the NBBO spread is already at the minimum tick. In this case, meaningful price improvement would be at the mid-point of the spread.

1.4 Joint CSA/IIROC Regulatory Approach to Dark Liquidity in Canada

On July 29, 2011, concurrent with the publication of the Proposed Amendments, IIROC and the CSA published a joint notice on the regulatory approach to dark liquidity in Canada ("Joint Notice").[7] Reference should be made to the Joint Notice for a more detailed outline of the policy considerations underlying the Amendments. The Joint Notice also contains a discussion of:

- the final report of the Technical Committee of the International Organization of Securities Commissions ("IOSCO") entitled "Principles on Dark Liquidity", which contains principles to assist securities markets authorities in dealing with issues concerning dark liquidity; and

- other relevant current international initiatives, particularly proposals from the Australian Securities and Investments Commission, the European Securities and Markets Authority and the Joint CFTC-SEC Advisory Committee on Emerging Regulatory Issues.

1.5 Related IIROC and CSA Initiatives

The comments which IIROC received on the Proposed Amendments are summarized in Appendix B of this Notice. Following the comment period, IIROC reviewed with stakeholders that made submissions on the Proposed Amendments their comments that:

- dark liquidity does not pose a threat to the price discovery mechanism;

- regulators should focus on "more important issues", with the one most often mentioned being the effects of high frequency trading;

- orders, particularly those of "uninformed investors" or those initiated without the benefit of sophisticated technology, will face possible manipulation on displayed markets;

- active order fees will increase dealer costs;[8] and

- dealers will direct order flow to the United States to maintain favourable trading costs.[9]

IIROC acknowledges that the Amendments will not address a number of these concerns, particularly as some of the concerns are beyond the jurisdiction of IIROC. Therefore, in order to address:

- questions related to the impact of dark liquidity on the operation of the price discovery mechanism, IIROC proposes to continue to monitor trading trends with particular attention on bid-ask spreads;[10]

- concerns about new forms of "high tech" manipulations, IIROC will be issuing additional guidance on activities that may constitute manipulative and deceptive trading and introducing new surveillance alerts to monitor for such activities;

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7 IIROC Notice 11-0226- Rules Notice – Request for Comments – UMIR – *Joint Canadian Securities Administrators/Investment Industry Regulatory Organization of Canada Staff Notice 23-311 – Regulatory Approach to Dark Liquidity in the Canadian Market* (July 29, 2011). Appendix "A" to that notice contained a summary of the 20 comments received on the Position Paper and the responses of the CSA and IIROC.

8 Certain of the commentators believe that the Amendments will result in less liquidity being provided in Dark Pools or through Dark Orders. As a result, dealers would be required to send active orders to transparent markets that may charge higher fees for accessing liquidity thereby increasing trading costs to dealers.

9 Certain of the commentators stated that the Amendments would provide an incentive for dealers to "sell" their order flow to "wholesalers" in the U.S.

10 In the Joint Notice, IIROC and the CSA acknowledged that the historic levels of dark liquidity in Canada have not had a negative impact on the operation of the price discovery mechanism. See also footnote 13.

- other issues surrounding high frequency trading, IIROC will be:
    - completing and publishing the results of a study of high frequency trading and the impact of such activity on market quality in both transparent markets and Dark Pools, and
    - monitoring the impact of the new IIROC Regulation Fee model (which will recover the technology portion of the IIROC's costs based on message traffic) particularly on variations in order-to-trade ratios and strategies for trading on displayed marketplaces;
- possible impacts on trading costs, IIROC and the CSA continue to discuss next steps to examine this issue, though it should be noted that the CSA is presently undertaking a study of market data fees; and
- concerns that order flow may be directed away from the Canadian market, IIROC is proposing a separate anti-avoidance clarification of the Order Exposure Rule which would preclude the execution of certain orders on a foreign organized regulated market without either display or the execution of the order at a "better price".[11]

IIROC and the CSA acknowledge that the implementation of the Amendments will have an impact on existing trading activities in Canada and on the development of marketplaces, order types and features available in the Canadian market. For this reason, IIROC and the CSA will be monitoring the impact of the Amendments, which will help to determine whether a minimum size for Dark Orders is required or preferable and whether any adjustments may need to be made to the requirements of the Amendments.

2. Discussion of the Amendments

2.1 Definition of "Better Price"

Until the Amendments come into force on September 27, 2012, UMIR defines a "better price" simply as a lower price than the best ask price in the case of a purchase and a higher price than the best bid price in the case of a sale. The term "better price" is redefined by the Amendments to require at least one trading increment price improvement except when the difference between the best bid price and the best ask price is a single trading increment in which case a half-increment would be accepted. The revised definition sets the minimum amount of price improvement that would be acceptable for a "small" order (being 50 standard trading units or less which is 5,000 units of a security trading at $1.00 or more per unit, 25,000 units of a security trading at $0.10 or more per unit and less than $1.00 and 50,000 units when a security is trading at less than $0.10 per unit) when it executes with a Dark Order.

The revised definition is also applicable to the requirements under the Order Exposure Rule (Rule 6.3 which permits small orders to be withheld from an immediate entry on a marketplace if executed at a "better price") and the Client-Principal Trading Rule (Rule 8.1 which requires that principal trades with small client orders be undertaken at a "better price" in order to avoid conflicts) and the Amendments provide greater certainty in the application of those rules. The revised definition makes clear that a "better price" applies in respect of each trade resulting from an order. For example, a "better price" would not be achieved if an order to purchase or sell 1,000 shares of a security executed in two trades with 100 shares receiving a $0.01 price improvement and the balance of 900 shares executing at the NBBO. In order to be considered a "better price", all 1,000 shares must be executed with a minimum price improvement of a trading increment (or one-half of an increment if the NBBO spread is only a single trading increment).

2.2 Definition of "Dark Order"

The Amendments introduce a definition of Dark Order for use in a number of substantive UMIR provisions dealing with:

- the size of Dark Orders;
- priority of execution; and
- price improvement requirements.

However, the term Dark Order has been defined in such a manner that a separate regulatory order marker is not required. Instead, order types and functionality established by each marketplace would determine whether or not a particular order entered on that marketplace would be considered to be a Dark Order. An order for which no portion is displayed at the time of entry on a marketplace in a consolidated market display would be a Dark Order but any order which is immediately executed on entry or which is a "specialty" type of order that may execute at a price outside of the best bid price/best ask price spread would be excluded from the definition of Dark Order.

[11] See IIROC Notice 12-0131 – Rules Notice – Request for Comments – UMIR – *Provisions Respecting the Execution and Reporting of Certain "Off-Marketplace" Trades* (April 13, 2012).

Under the Amendments, a "Dark Order" means:

(a) an order no portion of which is displayed on entry on a marketplace in a consolidated market display; or

(b) that portion of an order which on entry to a marketplace is not displayed in a consolidated market display if that portion may trade at a price other than the price displayed by that portion of the order included in the consolidated market display

but does not include an order entered on a marketplace as:

(c) part of an intentional cross;

(d) a market order that is immediately executed in full on one or more marketplaces at the time of entry;

(e) a limit order that is immediately executed in full on one or more marketplaces at the time of entry;

(f) a Basis Order;

(g) a Call Market Order if that Call Market Order may only trade with other Call Market Orders and the matching of Call Market Orders occurs less frequently than once every minute;

(h) a Closing Price Order;

(i) a Market-on-Close Order;

(j) an Opening Order; or

(k) a Volume-Weighted Average Price Order.

It is important to note that a Call Market Order may be considered to be a Dark Order. Generally, a small order that executes with a Call Market Order would have to receive "price improvement" in the form of an execution at a "better price". It is also important to note that an iceberg order (a portion of which is displayed in a consolidated market display) will not be considered a Dark Order and, as such, the hidden portion of the order would not have to provide "price improvement" on execution. However, if the hidden portion of the order could trade at a price other than the price displayed by the visible portion, the hidden portion of the order will be a Dark Order.

2.3 Clarification of Requirements of the Order Exposure Rule

The Amendments make a clarification to the Order Exposure Rule. Since "transparent" marketplaces may introduce Dark Orders, the requirements under the Order Exposure Rule are amended to ensure that any order required to be entered on a transparent marketplace is "for display" in a consolidated market display. Under the Amendments, a "small" client order could not be entered on a transparent marketplace as a Dark Order except with the express instruction or consent of the client.

2.4 Size Requirements for Dark Orders and Icebergs

The CSA has amended National Instrument 21-101 to permit a regulation services provider to designate the minimum size of a Dark Order.[12] The Amendments add Rule 6.5 to UMIR and provide IIROC with the specific power to make such a designation. In order to avoid potential gaming of this provision and the requirement for Dark Orders to provide price improvement in certain

[12] Canadian Securities Administrators Notice of Amendments to National Instrument 21-101 Marketplace Operation and Companion Policy 21-101 CP and to National Instrument 23-101 Trading Rules and Companion Policy 23-101 CP (2012) 35 OSCB (Supp-1) (March 23, 2012).

In discussing the policy rationale for this proposed amendment to subsection 7.1(2) of NI 21-101, the CSA stated:

> We acknowledge that, to date, there has been limited activity in dark pools and no evidence that dark liquidity has had a negative impact on the Canadian capital markets. However, we are of the view that it is important and timely to establish a regulatory framework so that we are in a position to respond expeditiously to future market developments. For this reason, in the proposed amendments to NI 21-101, we propose to introduce a requirement that orders meet a minimum size established by a regulation services provider in order to be exempt from the transparency requirements in NI 21-101. However, at this time no minimum order size is being proposed. Any size threshold that may be proposed in the future would be set in consultation with the CSA and would follow the regular public comment process. The CSA and IIROC will continue to monitor the level of activity on non-transparent marketplaces and its impact on price discovery to determine whether and when to propose a specific size threshold.

See Canadian Securities Administrators Notice of Proposed Amendments to National Instrument 21-101 Marketplace Operation and National Instrument 23-101 Trading Rules (2011) 34 OSCB (Supp-1) (March 18, 2011).

circumstances, Rule 6.5 also provides that an iceberg order must display at least one standard trading unit or such greater size as designated by IIROC.

In the event that IIROC proposes at some future time to designate, or to change any designation of, a number of units of a security for the purposes of Rule 6.5, IIROC will consult with the applicable securities regulatory authorities and will issue a notice requesting public comment during a comment period of at least 30 days. Following the comment period and upon the approval of the designation or change by the applicable securities regulatory authorities, IIROC will issue a notice of the number of units of a security that have been designated for the purposes of clause (a) or (b) of Rule 6.5 and the effective date of the designation which would allow for an appropriate notice period.

IIROC will ensure that there will be full public consultation prior to the initial establishment of any size requirements. As noted in section 1.5 of this Notice (Related IIROC and CSA Initiatives), IIROC and the CSA will be conducting an analysis of the impact of the Amendments. The results of this analysis will inform the deliberations on any future proposed designation of minimum sizes for Dark Orders. IIROC would expect to publish the results of the analysis as part of any initiative to designate any minimum size for Dark Orders or to propose any revisions to the Amendments or any other provisions of UMIR specifically related to dark liquidity.

Unless and until IIROC designates a minimum size, a Dark Order may be any size. However, the effect of the Order Exposure Rule means a client order to purchase or sell 50 standard trading units or less of a security that is not immediately executed at a better price or otherwise exempted from the requirements of the Order Exposure Rule[13] may only be entered on a marketplace as a Dark Order with the express instruction or consent of the client. In addition, Dark Orders for 50 standard trading units or less may be entered on a marketplace by or for:

- a principal account;
- a non-client account;
- an Access Person (essentially a subscriber to an alternative trading system that is not a dealer);
- a client account if the order entered as a Dark Order is part of a larger client order for the particular security which, when provided to the Participant, was for more than 50 standard trading units.

2.5 Price Improvement by a Dark Order

Under the Amendments, any order which trades with a Dark Order would have to receive price improvement on the execution unless the order, as entered on the marketplace, is for more than 50 standard trading units or has a value of more than $100,000. If the order meets either of these requirements, the order could trade with the Dark Order at the market price, provided no displayed orders are available on that marketplace at the market price.[14] If the order as entered on the marketplace

[13] Rule 6.3 - *Exposure of Client Orders* requires that an order for 50 trading units or less must be immediately entered on a transparent marketplace unless otherwise exempted. Permitted exemptions include:

(a) if the client has specified different instructions;
(b) if the order is executed immediately at a better price;
(c) if the order is returned for the terms of the order to be confirmed;
(d) if the order is withheld pending confirmation that the order complies with applicable securities requirements;
(e) if entering the order based on market conditions would not be in the interests of the client;
(f) if the order has a value greater than $100,000;
(g) if the order is part of a trade to be made in accordance with Rule 6.4 by means other than entry on a marketplace; or
(h) if the client has directed or consented that the order be entered on a marketplace as a Call Market Order, an Opening Order, a Special Terms Order, a Volume-Weighted Average Price Order, a Market-on-Close Order, a Basis Order, or a Closing Price Order.

IIROC has proposed an amendment to clause (g) of Rule 6.3 which is intended to be an anti-avoidance provision to ensure that an execution on a foreign organized regulated market is not undertaken to avoid the application of the Order Exposure Rule or the Amendments. See IIROC Notice 12-00** - Rules Notice – Request for Comments – UMIR – *Provisions Respecting the Execution and Reporting of Certain "Off-Marketplace" Trades* (April 13, 2012). In particular, clause (g) of Rule 6.3 would be amended to read as follows:

(g) the order is part of a trade to be made in accordance with Rule 6.4 by means other than entry on a marketplace provided, if the order was executed on a foreign organized regulated market, the order was:
  (i) entered on a market which publicly displays and provides timely information on orders and the order executed on entry or was displayed, or
  (ii) executed at a better price.

[14] Upon the Amendments becoming effective, previous guidance issued by IIROC to the effect that an order "routed to a non-transparent marketplace or facility to determine if liquidity is available on that marketplace or facility at prices that are the same or better than displayed in a consolidated market display would comply with the requirements of Rule 6.3" will be repealed since such order would not be able to

exceeds the size parameters, any portion of the order which does not execute with visible orders on that marketplace may execute with a Dark Order provided that are no visible orders on that marketplace at that price and there are no visible orders at a "better price" on another marketplace. This provision provides execution priority to visible orders on a marketplace at the same price as Dark Orders on that marketplace. Under the Amendments, a "large" order entered on a marketplace will be able to execute with a Dark Order at a particular price even though visible orders may be displayed on other marketplaces at that price.

There are a number of additional exceptions if the order that trades with the Dark Order is one of the "specialty" orders that can otherwise trade outside of the best bid – best ask spread (being: a Basis Order; a Call Market Order; a Closing Price Order; a Market-on-Close Order; an Opening Order or a Volume-Weighted Average Price Order).

The hidden portion of an "iceberg" order is not considered to be a Dark Order as at least one standard trading unit of the iceberg order must be displayed in a consolidated market display and thereby contribute directly to the price discovery mechanism by being eligible to establish the best ask price or the best bid price for the purposes of UMIR. For this reason, the hidden portion of an iceberg order is not required to provide price improvement.

2.6 Inability to Rely on Marketplace Functionality

The Amendments add a new provision to UMIR which prohibits a Participant or Access Person from relying on marketplace functionality that they know will result in an order or trade failing to comply with UMIR. A Participant or Access Person will have breached UMIR if they enter an order on a marketplace and know or ought reasonably to have known that the functionality of that marketplace would permit the order to execute with a Dark Order without receiving price improvement if required by UMIR or without providing priority to visible orders on that marketplace on the same side of the market. This provision is consistent with current guidance that IIROC has issued (in particular in connection with "locked" and "crossed" markets[15]) regarding the obligation of the Participant or Access Person when entering orders on a particular marketplace.

IIROC acknowledges that marketplaces presently offer functionality and orders types that would not guarantee sufficient price improvement to constitute a "better price" for the purposes of the proposed amendments. As of September 27, 2012, the effective date of the Amendments, each marketplace will have to ensure that its system functionality and order types comply with the applicable requirements in the Amendments; otherwise Participants and Access Persons would be precluded from using such functionality or order types. (See "Technological Implications and Implementation Plan" on page 15.)

2.7 Execution Price of Orders

With the change to the definition of "better price" under the Amendments, UMIR will specifically acknowledge that trades may execute at a fraction of a trading increment. Marketplaces will be able to introduce order types or functionality that allows for the execution of orders at a "better price". For example, when the NBBO spread is at one trading increment, executions could occur at the mid-point. If the spread is more than one trading increment execution could occur at the mid-point or at another price level that would provide price improvement for both sides of the trade.

For this reason, the Amendments revise the provisions regarding the reporting of the trade price to allow any trade (and not just the trade price of a Basis Order, Call Market Order or a Volume-Weighted Average Price Order as contemplated by the current policy under Policy 6.1) to be reported at the execution price provided that, if required by the information processor or information vendor, the reported trade price shall be rounded to the nearest trading increment[16].

2.8 Better-Priced Intentional Cross

Rule 6.1 of UMIR requires that orders entered on a marketplace be at a price which is a full cent unless the price of the order is less than $0.50 when the price may be one-half of one cent. Since the Amendments will permit executions at fractional trading increments, they introduce the exception to the "full trading increment" rule for an order entered as an intentional cross at a better price. Intentional crosses may be entered on a marketplace at a price which is a fraction of a trading increment provided the execution price is a better price for both the order to purchase and the order to sell. For example, if the spread between the best bid price and the best ask price for a security trading above $0.50 is $0.03, an intentional cross could be completed at the mid-point or at any other price permitted by the marketplace that is at least $0.01 above the best bid price and $0.01 below the best ask price.

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execute at the "same" price displayed in a consolidated market display. See the response to question 1 under Market Integrity Notice 2007-019 – *Guidance – Entering Client Orders on Non-Transparent Marketplaces and Facilities* (September 21, 2007).

[15] In particular, see the response to question 8 in IIROC Notice 11-0043 - Rules Notice – Guidance Note – UMIR – *Guidance on "Locked" and "Crossed" Markets* (February 1, 2011).

[16] If the trade executed at one-half of a trading increment, the price shall be rounded up to the next trading increment.

3. Changes from the Proposed Amendments

Based on comments received from the public and the CSA, and the repeal of the tick test for short sales effective September 1, 2012,[17] the Amendments as approved vary from the Proposed Amendments in a number of areas including:

- clarifications to the proposed definition of Dark Order to include:
  - the non-disclosed portion of an iceberg order that is "pegged" and can trade at a different price than the disclosed portion,
  - a market order that does not fully execute on entry, and
  - a Call Market Order that is matched more often than once every minute;
- permitting reported trade prices and the "last sale price" to be a fraction of a trading increment;
- permitting the entry of an intentional cross at a fractional trading increment that is a better price to facilitate compliance with the requirements of the Order Exposure Rule and the Client-Principal Trading Rule;
- amending the Order Exposure Rule to clarify that an order which is withheld from entry for display "based on market conditions" cannot be entered as a Dark Order; and
- clarifying that a Dark Order when executing at the bid or the ask does not owe an obligation to any order on that marketplace that is not used to determine the best bid price or best ask price (e.g. odd lot- or Special Terms Orders).

4. Summary of the Impact of the Amendments

The most significant impacts of the adoption of the Amendments are to:

- ensure that visible orders on a marketplace are given execution priority over Dark Orders on that marketplace at the same price;
- require Dark Orders to provide a better price, except when executing with "large" orders; and
- provide that a better price is at least one trading increment and, when the displayed market has a spread of only one trading increment, at least one-half of a trading increment.

5. Technological Implications and Implementation Plan

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

- there will be no impact on the systems of transparent marketplaces that do not provide for Dark Orders nor iceberg orders with less than one standard trading unit being displayed;
- since the Amendments do not require the marking of Dark Orders, there will be no impact on the systems of Participants, Access Persons or service providers; and
- Dark Pools and transparent marketplaces that permit Dark Orders or icebergs with less than one standard trading unit being displayed will be required to ensure that their trading system functionality provides:
  - execution priority for visible orders on their marketplace over Dark Orders on their marketplace at the same price, and
  - a better price to orders (other than "large" orders) that execute with Dark Orders.

The Amendments have been approved by the Recognizing Regulators as of the date of this Rules Notice. However, implementation of the Amendments has been deferred and they will become effective on ***October 10, 2012*****,** being one hundred and eighty (180) days following the date of this Rules Notice.

[17] The "tick test" under Rule 3.1 of UMIR has been repealed effective September 1, 2012. See IIROC Notice 12-0079 – Rule Notice – Notice of Approval – UMIR – *Provisions Respecting the Regulation of Short Sales and Failed Trades* (March 2, 2012).

Appendix A – Text of Provisions Respecting Dark Liquidity

The Universal Market Integrity Rules are hereby amended as follows:

1. Rule 1.1 is amended by:

(a) deleting the definition of "better price" and substituting the following:

"better price" means, in respect of each trade resulting from an order for a particular security:

(a) in the case of a purchase, a price that is at least one trading increment lower than the best ask price at the time of the entry of the order to a marketplace provided that, if the best bid price is one trading increment lower than the best ask price, the price shall be at least one-half of one trading increment lower; and

(b) in the case of a sale, a price that is at least one trading increment higher than the best bid price at the time of the entry of the order to a marketplace provided that, if the best ask price is one trading increment higher than the best bid price, the price shall be at least one-half of one trading increment higher.

(b) adding the following definition of "Dark Order":

"Dark Order" means:

(l) an order no portion of which is displayed on entry on a marketplace in a consolidated market display; or

(m) that portion of an order which on entry to a marketplace is not displayed in a consolidated market display if that portion may trade at a price other than the price displayed by that portion of the order included in the consolidated market display

but does not include an order entered on a marketplace as:

(n) part of an intentional cross;

(o) a market order that is immediately executed in full on one or more marketplaces at the time of entry;

(p) a limit order that is immediately executed in full on one or more marketplaces at the time of entry;

(q) a Basis Order;

(r) a Call Market Order if that Call Market Order may only trade with other Call Market Orders and the matching of Call Market Orders occurs less frequently than once every minute;

(s) a Closing Price Order;

(t) a Market-on-Close Order;

(u) an Opening Order; or

(v) a Volume-Weighted Average Price Order.

2. Rule 6.1 is amended by adding the following as subsection (3):

(3) Notwithstanding subsection (1), an intentional cross may be entered on a marketplace at a price which is a fraction of a trading increment provided the execution price is a better price for both the order to purchase and the order to sell.

3. Rule 6.3 is amended by:

(a) inserting in subsection (1) the phrase "for display" immediately following the word "enter";

(b) inserting in clause (e) of subsection (1) the phrase “on a marketplace” immediately following the word “order”); and

(c) inserting in subsection (2) the phrase “on a marketplace” immediately before the word “based”.

4. Part 6 is amended by adding the following as Rule 6.5:

Minimum Size Requirements of Certain Orders Entered on a Marketplace

A Participant or Access Person shall not enter an order for the purchase or sale of a security on a marketplace if:

(a) the order is a Dark Order and the order does not exceed the number of units as designated from time to time by the Market Regulator for the purposes of this clause; or

(b) less than one standard trading unit of the order or such greater number of units as designated from time to time by the Market Regulator for the purposes of this clause will be displayed in a consolidated market display on the entry of the order on the marketplace and at any time prior to the full execution of the order.

5. Part 6 is amended by adding the following as Rule 6.6:

Provision of Price Improvement by a Dark Order

(1) If a Participant or Access Person enters an order on a marketplace for the purchase or sale of a security that order may execute with a Dark Order provided the order entered by the Participant or Access Person is executed:

(a) at a better price;

(b) in the case of a purchase, at the best ask price if:

(i) the order on entry to the marketplace is for more than 50 standard trading units or has a value of more than $100,000, and

(ii) on the execution of the trade with the Dark Order, no orders for the sale of the security included in the calculation of the best ask price are displayed on that marketplace at that best ask price; or

(c) in the case of a sale, at the best bid price if:

(i) the order on entry to the marketplace is for more than 50 standard trading units or has a value of more than $100,000, and

(ii) on the execution of the trade with the Dark Order, no orders for the purchase of the security included in the calculation of the best bid price are displayed on that marketplace at that best bid price.

(2) Subsection (1) does not apply if the order entered by the Participant or Access Person is:

(a) a Basis Order;

(b) a Call Market Order;

(c) a Closing Price Order;

(d) a Market-on-Close Order;

(e) an Opening Order; or

(f) a Volume-Weighted Average Price Order.

6. Part 7 is amended by adding the following as Rule 7.12:

Inability to Rely on Marketplace Functionality

A Participant or Access Person shall not enter an order on a particular marketplace if the Participant or Access Person knows or ought reasonably to know that the handling of the order by the marketplace and the trading systems of the marketplace may result in the display of the order or the execution of the order not being in compliance with any of the applicable requirements of UMIR.

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

1. Part 1 of Policy 6.1 is deleted and the following substituted:

Part 1 – Execution Price of Orders

An order may execute at such price increment as established by the marketplace for the execution of such orders and the marketplace shall report the execution price to the information processor and information vendor provided, if required by the information processor or information vendor, the marketplace shall report the price at which the trade was executed as the nearest trading increment and if the price results in one-half of a trading increment the price shall be rounded up to the next trading increment.

Appendix B
Comments Received in Response to Rules Notice 11-0225 – Request for Comments
– UMIR – ***Provisions Respecting Dark Liquidity***

On July 29, 2011, the Investment Industry Regulatory Organization of Canada ("IIROC") issued Rules Notice 11-0225 requesting comments on Provisions Respecting Dark Liquidity ("Proposed Amendments"). IIROC received comments on the Proposed Amendments from:

Alpha ATS ("Alpha")
Canadian Foundation for Advancement of Investor Rights (FAIR Canada) ("Fair")
Canadian Security Traders Association, Inc. ("CSTA")
Connor, Clark Lunn ("CCL")
Edward Jones ("EJ")
Investment Industry Association of Canada ("IIAC")
ITG Canada Corp. ("ITG")
Morgan Stanley ("MS")
RBC Dominion Securities Inc. ("RBC")
RBC Global Asset Management Inc. ("RBCGAM")
Scotia Capital Inc. ("Scotia")
Securities Industry and Financial Markets Association ("SIFMA")
TD Securities ("TD")
TMX Group Inc. ("TMX")
TriAct Canada Marketplace LP ("TriAct")

A copy of the comment letter in response to the Proposed Amendments is publicly available on the website of IIROC (www.iiroc.ca under the heading "Policy" and sub-heading "Market Proposals/Comments"). The following table presents a summary of the comments received on the Proposed Amendments together with the responses of IIROC to those comments. Column 1 of the table highlights the revisions to the Proposed Amendments made on the approval of the Amendments.

Text of Provision Following Adoption of the Proposed Amendments (Suggested Revisions to the Proposed Amendments Highlighted)	Commentator and Summary of Comment	IIROC Response to Commentator and Additional IIROC Commentary
1.1 Definitions **"better price"** means, in respect of each trade resulting from an order for a particular security: (a) in the case of a purchase, a price that is at least one trading increment lower than the best ask price at the time of the entry of the order to a marketplace provided that, if the best bid price is one trading increment lower than the best ask price, the price shall be at least one-half of one trading increment lower; and (b) in the case of a sale, a price that is at least one trading increment higher than the best bid price at the time of the entry of the order to a marketplace provided that, if the best ask price is one trading increment higher than the best bid price, the price shall be at least one-half of one trading increment higher.	**Alpha, CSTA, EJ** and **TD –** Believe that the amended definition of better price will constrain growth of dark pools to large sized orders and leave retail orders with less available liquidity.	The revision to the definition of better price is designed not only to offer smaller orders the opportunity to receive meaningful price improvement, but also to protect those small orders displayed in a consolidated market display. As such, IIROC believes it is an appropriate balance. IIROC notes that "retail orders" will continue to be able to check dark pools for the possibility of execution at a "better" price even if a minimum size is prescribed for Dark Orders.
	CCL – Supports the amended definition of better price, and believes it will reward dark pool liquidity providers with order flow if they contribute value.	IIROC acknowledges the comment.
	EJ – Believes that the proposal will prevent orders from receiving price improvement for partial fills, and that this is less advantageous for the retail investor.	Smaller orders, including small retail orders of less than 50 standard trading units (generally 5,000 shares), will still be able to receive price improvement in partial fills, but the balance of the order must be executed with displayed orders on a visible market. This has not changed from current requirements. Currently, a small client order that is

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		subject to the Order Exposure Rule may "pass through" a dark marketplace in search of an execution at a better price while on route to entry on a transparent marketplace. The Amendments prevent a Dark Order from providing a small order with price improvement only for a partial fill, and the marketplace then subsequently executing the balance of the small order with a Dark Order at the best ask price (in the case of a purchase by the small order or the best bid price (in the case of a sale).
	Fair and **TMX –** Supports the amended definition of better price to ensure that incentives to enter orders on visible markets are not undermined.	IIROC acknowledges the comments.
	IIAC, ITG and **TriAct –** Believe that the definition does not account for access and trading fees charged by visible markets, and that these fees should be considered in determining a definition for better price. IIAC also notes that there are no price improvement requirements in the U.S. which has a more developed dark liquidity market.	The definition of "better price" reflects the execution price of an order on a marketplace. IIROC maintains that any fees or rebates associated with the execution of that order may or may not be passed on by the executing dealer, and therefore cannot be considered in the determination of a better execution price. IIROC recognizes that the price improvement rules are different in the U.S. market, and notes that this does not necessarily mean that the same rules must be applied identically in all cases in Canada particularly given the differences in market liquidity and the need to protect the working of the price discovery mechanism in Canada.
	ITG, MS, Scotia and **SIFMA –** Believe that the better price increments proposed could result in loss of passive Dark Order flow to other jurisdictions, and would undermine the ability for Canadian marketplaces to compete.	IIROC notes the concern with respect to the potential loss of passive liquidity to other jurisdictions. However, the offsetting factor will be that the opportunity to obtain meaningful price improvement may attract more active order flow to "check" dark pools before being entered on a transparent market. Increased active flow checking a dark pool would, in turn, provide an incentive to post passive Dark Orders.
	ITG – Notes market makers on the TSX are able to participate in small trades without posting visible orders and offering price	Market makers on the TSX are able to participate in certain trades as a result of the Minimum Guaranteed Fill and automated market maker

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	improvement, and the broker preferencing feature allows visible orders to jump the queue on lit markets.	participation features. However, market makers also have associated obligations not required of other participants. The market maker orders are system-generated by the trading system of the TSX in accordance with marketplace rules that have been approved by the applicable securities regulatory authorities and which are transparent to the public. The market makers orders are generated at the same price as the visible order. The concept of broker preferencing is a separate area of consideration in Canadian market structure. As indicated in Staff Notice 23-311, the concepts of broker preferencing and internalization of order flow are currently under review by the CSA and IIROC.
	MS – Believes current rule framework creates an "unlevel" playing field as visible marketplaces can execute Dark Orders at the NBBO without price improvement.	The Amendments address this imbalance by ensuring the same rules for provision of price improvement by Dark Orders are applicable to both visible and dark marketplaces. See Rule 6.6 introduced by the Amendments.
	RBC – Agrees that Dark Orders should have to provide price improvement over the NBBO, but disagrees with the increments proposed. Believes that an amount should be based on a "percentage of spread" concept.	The Amendments do not preclude the use of a "percentage of spread" concept but they merely impose a minimum amount to ensure that the price improvement is "meaningful". The increments proposed recognize that spreads are often at the minimum increments allowable under UMIR, and have provided for the ability to offer a "percentage of spread" in those instances (subject to a minimum improvement of at least one trading increment or half of one trading increment when the spread is the minimum one increment). IIROC does not consider price improvement less than a full trading increment to be meaningful when the spread is wider than one trading increment.
	TD – Does not support the proposed definition of better price and believes that marketplaces will merely modify their fee structures to get around the price improvement increments. Believes that a high level of price improvement subsidized by dealers is a	IIROC notes that marketplace fee structures are beyond the jurisdiction of UMIR. The focus of UMIR is to ensure that clients receive the best available price and best execution. However, IIROC is also aware of the potential impact of trading fees on order routing decisions. IIROC will be monitoring the impact of the

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	violation of principles of fairness.	Amendments and the inter-play between the Amendments and changes in fee structures on trading activity will be one of the areas under analysis.
1.1 Definitions **"Dark Order"** means: (a) an order no portion of which is displayed on entry on a marketplace in a consolidated market display; or (b) that portion of an order which on entry to a marketplace is not displayed in a consolidated market display if that portion may trade at a price other than the price displayed by that portion of the order included in the consolidated market display but does not include an order entered on a marketplace as: (c) part of an intentional cross; (d) a market order that is immediately executed in full on one or more marketplaces at the time of entry; (e) a limit order that~~, based on orders displayed in a consolidated market display,~~ is immediately executed in full on one or more marketplaces at the time of entry; (f) a Basis Order; (g) a Call Market Order, provided such order may only trade with other Call Market Orders and the matching of Call Market Orders does not occur more frequently than once every minute; (h) a Closing Price Order; (i) a Market-on-Close Order; (j) an Opening Order; or (k) a Volume-Weighted Average Price Order.	**Alpha -** The definition of "Dark Order" does not exclude either call market orders or special terms orders. Call market orders are generally treated the same as the other excluded order types for all other purposes, and this is inconsistent and could lead to unintended consequences. Odd lot executions have been considered special terms orders and questions whether the Proposed Amendments intended to include odd lot orders as Dark Orders.	IIROC is of the opinion that it is not appropriate to exclude Call Market Orders and Special Terms Orders from the definition of a Dark Order. Such orders may execute against order flow that are market orders or would otherwise be booked as transparent orders. However, the Amendments were revised from the Proposed Amendments to exclude a Call Market Order from the definition to the extent that such order may only trade with other Call Market Orders. Odd lot orders and other Special Terms Orders may be displayed in a consolidated market display. To the extent that such odd lot orders and other Special Terms Orders are not displayed (but rather executed prior to the order being displayed by a market participant with odd lot or terms obligations) the orders will be considered Dark Orders.
	MS and **SIFMA –** Does not believe the proposed definition captures all forms of dark liquidity and could result in unintended consequences and potential ways to circumvent the intent of the regulation. Notes that the proposed definition excludes immediately executable orders, market orders, and VWAP orders, but that entire dark pools can be created solely for the execution of these order types.	The definition of "Dark Order" is designed to refer to passive liquidity resting on a marketplace with no pre-trade transparency, and as a result excludes certain immediately executable orders which are not displayed on entry (among other types). With respect to dark pools being created solely for the execution of certain order types, IIROC notes that the Amendments capture the passive orders entered by dark liquidity providers.
	TD – Supports the definition of Dark Orders but believes that marketplaces should publish statistics on iceberg orders to gain a more complete picture of dark liquidity in Canada.	IIROC acknowledges the comment.
		The definition of Dark Order has been modified to reflect the expectation that any hidden reserve portion of a partially displayed order that would trade at a price other than that of the displayed portion would be considered a Dark Order for the

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		purposes of UMIR. The Amendments were also revised to clarify that any portion of a market order that does not fully execute on entry may qualify as a Dark Order unless the unexecuted portion is included in a consolidated market display.
1.1 Definitions **"last sale price"** means the price of the last sale of at least one standard trading unit of a particular security displayed in a consolidated market display ~~provided that, if the trade executed at a price other than a trading increment, the price shall be rounded to the nearest trading increment and, if the trade executed at one-half of a trading increment, the price shall be rounded up to the next trading increment~~ but does not include the price of a sale resulting from an order that is: (a) a Basis Order; (b) a Call Market Order; (c) a Closing Price Order; (d) a Special Terms Order unless the Special Terms Order has executed with an order or orders other than a Special Terms Order; or (e) a Volume-Weighted Average Price Order.	**EJ –** Agrees with the proposed definition of last sale price, as it promotes greater clarity for rules relying on last sale price.	IIROC acknowledges the comment. However, based on the responses to Question 1 and the repeal of restrictions on short sales, IIROC has determined that the change to the definition of "last sale price" set out in the Proposed Amendments is not required.
	MS – Notes that a uniform definition of last sale price across all markets would make compliance with regulation simpler. Proposes that the definition reference the consolidated last sale price in the Canadian marketplace.	The consolidated market display only contains order and trade information from exchanges, QTRSs and alternative trading systems in Canada. UMIR has been structured to allow market participants to make decisions about "last sale price", "best ask price" and "best bid price" based on the information which they have at the relevant time. IIROC recognizes that for various reasons, including data latencies, that not all market participants will "see" the market the same at any point in time.
6.1 Entry of Orders to a Marketplace (3) Notwithstanding subsection (1), an intentional cross may be entered on a marketplace at a price which is a fraction of a trading increment provided the execution price is a better price for both the order to purchase and the order to sell.		The Amendments were revised to specifically permit the entry of an intentional cross at a fraction of a trading increment if both the buy and the sell side of the cross receive a "better price". See Question 2 below.
6.3 Exposure of Client Orders (1) A Participant shall immediately enter for display on a marketplace that displays orders in accordance with Part 7 of the Marketplace Operation Instrument a client order to purchase or sell 50 standard trading units or less of a security unless: … (e) the Participant determines based on market conditions that entering the order on a marketplace would not be in the best interests of the client; …. (2) If a Participant withholds a client order from entry on a marketplace based on market conditions in accordance with clause (1)(e), the Participant may enter the order in parts over a period of time or adjust the	**EJ –** Supportive of this clarification as it should be ensured that retail orders are reflected appropriately and fairly.	IIROC acknowledges the comment.
	RBC – Believes that given the Proposed Amendments, the requirement for client consent on an order-by-order basis is not practical or necessary given the best execution obligations of dealers.	As a general rule, IIROC believes that the mandatory exposure of small (retail-sized) client orders supports the working of the price discovery mechanism. Rule 6.3 permits the withholding of the small client order from a transparent marketplace with the specific consent of the client. Under the current provisions of UMIR and going forward, if the initial order received from a client is for more than 50 standard trading units, the Participant may enter on a marketplace all or any portion of that order as a Dark Order.

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terms of the order prior to entry but the Participant must guarantee that the client receives: … **6.5 Minimum Size Requirements of Certain Orders Entered on a Marketplace** A Participant or Access Person shall not enter an order for the purchase or sale of a security on a marketplace if: (a) the order is a Dark Order and the order does not exceed the number of units as designated from time to time by the Market Regulator for the purposes of this clause; or (b) less than one standard trading unit of the order or such greater number of units as designated from time to time by the Market Regulator for the purposes of this clause will be displayed in a consolidated market display on the entry of the order on the marketplace and at any time prior to the full execution of the order.		The Amendments added the phrase "for display" to subsection (1). The revisions to clause (1)(e) and subsection (2) clarifies that the effect of the addition of this phrase does not permit the entry of the order as a Dark Order under clause (e).
	Alpha - Recommends clarifying that orders posted as Dark Orders cannot be amended to a size below the minimum size and if the volume of a Dark Order is reduced below the minimum size by partial fills, it can continue to be booked as a Dark Order.	In the ordinary course, IIROC would consider the entry of an order that met the minimum size requirement for a Dark Order that is followed immediately by an amendment of the order to reduce the size below the minimum size threshold to be behaviour that would constitute failure to conduct trading "openly and fairly".
	Alpha – Notes that under the Proposed Amendments, the reserve volume of iceberg orders could execute ahead of a lit order at the same price, and that Price Improvement Icebergs could lead to dark liquidity trading with small active orders at the NBBO without truly contributing to the price discovery process.	IIROC notes that any changes in functionality which would allow the reserve volume of an iceberg order to trade ahead of a visible order at the same price would require CSA approval prior to implementation. The definition of "Dark Order" has been amended to reflect the expectation that the discretionary portion of a Price Improvement Iceberg would only be excluded from the definition of a Dark Order for executions at a price equal to that of the displayed portion of the order.
	Alpha, EJ, IIAC, ITG, MS, Scotia, RBC and **TD –** Believe that a minimum size threshold could reduce the number of liquidity providers in dark pools, and limit the options available for investors and traders.	IIROC recognizes the potential for reduced dark liquidity provision, but believes this provision of liquidity cannot come at the expense of the visible market and the price discovery process. On the other hand, the opportunity to receive meaningful price improvement in the form of a "better price" may result in additional flow "checking" dark pools and the possibility of this increased flow may encourage liquidity providers to stay in the dark pool.
	CCL – Supportive of a minimum size requirement to avoid negative effects on visible market through increased trading of small Dark Orders.	IIROC, in conjunction with the CSA, will be monitoring the impacts of the Amendments on trading patterns and the development of "dark" orders and marketplaces. IIROC believes that it is appropriate to consider those impacts prior to making a determination on the designation of a minimum size for Dark Orders.
	CSTA, IIAC, ITG and **SIFMA –** Believe there should be an exemption for small child orders	IIROC acknowledges the concern. When proposing any minimum size threshold for Dark Orders, IIROC will

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	which are part of a larger parent order.	also consider what exemptions, if any, may be appropriate given any size that may be designated.
	EJ and **IIAC –** Do not believe a minimum size for Dark Orders is necessary, as the Order Exposure Rule already requires small client orders to be entered into a visible market.	The Order Exposure Rule applies to client orders only, and allows clients to "opt-out" on an order-by-order basis. A minimum size requirement would apply to all Dark Orders.
	Fair – Supports limiting the exemption of Dark Orders to those meeting a size threshold to encourage transparency. Also believes that IIROC should designate a size threshold at the same time as other proposed amendments.	IIROC acknowledges the comment. However, IIROC believes that it is appropriate to undertake an analysis of the impact of the Amendments prior to making a determination on the designation of a minimum size for Dark Orders. IIROC also believes that it is appropriate for the results of this analysis to be available as part of the public consultation on any proposed minimum size for Dark Orders.
	ITG – Concerned that a minimum size threshold would result in migration of dark liquidity on inter-listed order flow to the U.S.	Please see the response to Alpha, EJ et. al. above.
	RBC – Would prefer that any restrictions on the minimum size of iceberg disclosure be established by individual marketplaces, rather than regulators.	The requirement for the minimum disclosure of "iceberg" volume is an anti-avoidance provision to prevent gaming of the minimum Dark Order size when established. Based on the current requirements of UMIR, there would be no reason to establish a size greater than one standard unit.
	RBCGAM – Supportive of the establishment of a minimum size threshold for Dark Orders, but believes that the minimum size should apply to both passive resting orders as well as the active orders.	It is the opinion of IIROC that smaller sized orders should still be able to benefit from the potential price improvement provided by dark liquidity. IIROC is aware that the imposition of a size limit on passive Dark Orders may result in "gaming" opportunities through the misuse of small active orders. This factor will be taken into account in the determination of any proposed size requirement.
	Alpha and **Scotia –** Concerned that a minimum size of 5000 shares would result in significant information leakage.	IIROC recognizes the information leakage or gaming issue associated with any proposed minimum size, whether that threshold is 5,000 shares or otherwise. IIROC will consider this as part of the process in determining a minimum size, and weigh this risk against the ability of a market participant to protect their own orders using minimum fill

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		options provided by certain marketplaces.
	Scotia – Believes that if a minimum size must be implemented, that it should not be a fixed size across all securities.	The Amendments are merely designed to allow IIROC the flexibility to designate a minimum size. In the future, the determination process for such a threshold would examine various alternatives and would be subject to both public comment and CSA approval.
	SIFMA – Notes there is in fact a minimum size requirement being established already, in that an order entered for more than 50 standard trading units or $100,000 can execute at the NBBO with Dark Orders, but smaller orders must be price improved. Believes that Dark Orders of any size should be able to execute at the NBBO.	There is no minimum size being proposed on Dark Orders at this time. The size restrictions noted by the commenter are restrictions with respect to the provision of price improvement to liquidity removing orders. Smaller active orders must be provided with meaningful price improvement when executing against a passive Dark Order, but this passive Dark Order can currently be of any size. Similarly, a small passive Dark Order could execute at the NBBO against a contra order meeting the size requirements for execution without price improvement.
	TD – Believes that a minimum size threshold (as well as the proposed levels of price improvement) will cause dealers to route Canadian retail order flow to the U.S. markets to obtain better trading economics.	IIROC notes that any routing of retail order flow to other jurisdictions will still be subject to best execution and other obligations under UMIR. IIROC, in conjunction with the CSA will be monitoring the impacts of the Amendments on trading patterns following implementation.
	TMX – Supports the proposal to allow IIROC to establish a minimum size, and believes that this will promote a strong visible market and prevent further costly fragmentation.	IIROC acknowledges the comment.
	TriAct – Believes that the order exposure rule already accomplishes the objective of directing small orders to visible markets. Disagrees with dealers being bound to a hardcoded minimum size requirement when the order exposure rule currently allows for some flexibility in order placement by determining what is in the best interests of the client.	Although similar in outcome, the spirit of the Order Exposure Rule is different from that of a minimum size threshold for Dark Orders. The Order Exposure Rule is designed to protect the small orders of investors by ensuring that the executing dealer is not unnecessarily withholding them from the market without meeting one of the exceptions. A minimum size threshold is designed to ensure that the decision to place an order in a manner not contributing to the pre-trade price discovery process requires the commitment of a greater level of immediately achievable

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		liquidity than that required of displayed orders.
6.6 Provision of Price Improvement by a Dark Order (1) If a Participant or Access Person enters an order on a marketplace for the purchase or sale of a security that order may execute with a Dark Order provided the order entered by the Participant or Access Person is executed: (a) at a better price; (b) in the case of a purchase, at the best ask price if: (i) the order on entry to the marketplace is for more than 50 standard trading units or has a value of more than $100,000, and (ii) on the execution of the trade with the Dark Order, no orders for the sale of the security <u>included in the calculation of the best ask price</u> are displayed on that marketplace at that best ask price; or (c) in the case of a sale, at the best bid price if: (i) the order on entry to the marketplace is for more than 50 standard trading units or has a value of more than $100,000, and (ii) on the execution of the trade with the Dark Order, no orders for the purchase of the security <u>included in the calculation of the best bid price</u> are displayed on that marketplace at that best bid price. (2) Subsection (1) does not apply if the order entered by the Participant or Access Person is: (a) a Basis Order; (b) a Call Market Order; (c) a Closing Price Order; (d) a Market-on-Close Order; (e) an Opening Order; or (f) a Volume-Weighted Average Price Order.	**Alpha -** It is not clear whether the intention of the Proposed Amendments was to measure the active order size before or after the best price routing for non-DAO orders.	The intention is to measure the active order size on entry to a marketplace, meaning after any routing decisions have been made.
	Alpha, Fair and **CCL –** Support the principle that an order entered on a marketplace that trades with a Dark Order should receive price improvement, unless it meets a certain size threshold.	IIROC acknowledges the comments.
	Fair, CSTA, EJ, IIAC, ITG, MS, RBCGAM, Scotia, SIFMA, TD and **TMX –** Support principle that visible orders should execute before Dark Orders at the same price on the same marketplace, as this will encourage visible liquidity, and protect orders in the lit market.	IIROC acknowledges the comments.
	EJ, IIAC, MS- Do not support the size restrictions proposed for an order to be able to execute with dark liquidity with no price improvement. Believe that allowing orders of any size to interact with Dark Orders at the NBBO is not harmful to the market (provided the visible orders are executed first).	Allowing orders of any size to interact with Dark Orders at the NBBO after displacement of visible orders, would provide a dark pool the means to execute any small marketable order with no price improvement (as they would have no visible orders to displace first). This is not consistent with the policy objectives of the Amendments.
	IIAC – Concerned that the matching priority requirement may provide a business advantage to visible venues which provide dark liquidity.	In the view of IIROC, a displayed order that has contributed directly to price discovery should be protected and have priority for execution at the displayed price. The Amendments permit "large" active orders to be executed at the same price on fully-dark marketplaces and visible venues with dark liquidity. The Amendments merely protect the visible orders on the particular marketplace at the execution price.
	RBCGAM – Supportive of large Dark Orders being able to match at the NBBO without first having to displace visible orders as this is consistent with the underlying purpose of Dark Order types.	Although this concept was originally proposed in the Joint CSA/IIROC Position Paper 23-405 *Dark Liquidity in the Canadian Market*[18], the CSA and IIROC have reconsidered their position and believe that visible orders should always have priority

[18] Published at (2010) 33 OSCB, beginning at page 10764.

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		over Dark Orders at the same price on the same marketplace.
	TD – Requests clarification on the definition of "same marketplace" in the context of a single marketplace offering two separate order books.	The term "that marketplace" imposes a restriction on the ability of one order book with Dark Orders to execute a trade if visible orders at the same price are in another "order" book or facility offered by that marketplace. The definition of marketplace includes all order books and facilities of a particular exchange, QTRS or ATS.
	TMX – Accepts the proposal that an order entered on a marketplace that trades with a Dark Order should receive price improvement, unless it meets a certain size threshold.	IIROC acknowledges the comment.
		The Amendments have been revised to clarify the orders to which a Dark Order may owe an execution obligation. The Dark Order would have no obligation to a "visible" order on that marketplace that was of a "type" that was not included in the calculation of the "best ask price" or "best bid price" even if they were at a "better price". The price of a Basis Order, Call Market Order, Closing Price Order, Market-on-Close Order, Opening Order, Special Terms Order or Volume-Weighted Average Price Order is excluded from the calculation of "best ask price" and "best bid price". "Odd lots" are a type of "Special Terms Order". The obligation has been clarified by adding in Rule 6.6(1)(b) (ii) after the word "security" the phrase "included in the calculation of the best ask price" and in the case of (c)(ii) "included in the calculation of the best bid price".
7.12 Inability to Rely on Marketplace Functionality A Participant or Access Person shall not enter an order on a particular marketplace if the Participant or Access Person knows or ought reasonably to know that the handling of the order by the marketplace and the trading systems of the marketplace may result in the display of the order or the execution of the order not being in compliance with any of the applicable requirements of UMIR.	**EJ, MS, SIFMA –** Believe that IIROC should consider placing the compliance burden on marketplaces, and not the participant. Concerned about ability for participants to meet best execution and Order Protection Rule requirements if they are unable to route orders to a marketplace with deficient functionality.	While IIROC is the regulation services provider for all marketplaces, IIROC does not have jurisdiction over any which are exchanges or QTRSs and therefore cannot make impose a requirement that functionality be in accordance with UMIR requirements. "Best execution" is only achieved when the transaction is being done in accordance with regulatory requirements and therefore excluding the ability of a Participant or Access

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		Person to rely on marketplace functionality in certain circumstances does not result in a breach of best execution.
Policy 6.1 – Entry of Orders to a Marketplace **Part 1 – Execution Price of Orders** An order may execute at such price increment as established by the marketplace for the execution of such orders and the marketplace shall report the execution price to the information processor and information vendor provided, if required ~~unless otherwise permitted~~ by the information processor or information vendor, ~~that~~ the marketplace shall report the price at which the trade was executed ~~to the information processor or an information vendor~~ as the nearest trading increment and if the price results in one-half of a trading increment the price shall be rounded up to the next trading increment.	**RBC –** Believes that reporting of fractional execution prices should be mandatory, as the rounding-up of trade prices skews the operation of VWAP-based executions resulting in price discrepancies between execution prices and reported prices.	The existing requirement permits the reporting of a fractional execution price. The Amendments were revised to provide that a fractional execution price shall be reported to the information processor and any information vendor unless otherwise required by the information processor or information vendor. See the responses to Question 1 below.
Questions: 1. If the restrictions at which a short sale may be made are repealed, do the other uses of the "last sale price" under UMIR justify the continuation of the restriction that the last sale price must be a full trading increment?	**Alpha, CCL** and **Triact –** Do not believe that the last sale price must be a full trading increment.	The consensus of the commentators is in favour of removing the "full increment" restriction on the execution and reporting of trade prices. In light of the repeal of price restrictions on short sales effective September 1, 2012, the Amendments were revised to eliminate the requirement that the "last sale price" be a full trading increment. Without the regulatory reason (short sale compliance) for the full increment, the preference of IIROC is to provide for full post-trade transparency while recognizing any limitations which may be imposed by the information processor or information vendors.
	CSTA – Does not believe that the last sale price must be a full trading increment, and believes that all market data providers should be mandated to report the actual execution price.	See response above.
	RBCGAM – Believes that the full trading increment restriction should remain in place.	See response above.
	Scotia – Believes it is more straightforward to allow sub-tick increments on last sale prices, but expects system changes and development will be required to accommodate changes.	See response above.

Text of Provision Following Adoption of the Proposed Amendments (Suggested Revisions to the Proposed Amendments Highlighted)	Commentator and Summary of Comment	IIROC Response to Commentator and Additional IIROC Commentary
	TD – Recommends removing the requirement that the last sale price be a full trading increment, in the spirit of market transparency.	See response above.
	TMX – Believes that the full trading increment should remain in place to avoid unnecessary complexity, and that there are a number of marketplace rules which function more effectively with a full-tick last sale price.	The change in the definition of "last sale price" for the purposes of UMIR does not preclude marketplaces from adopting a "revised" definition which the marketplaces believe is better suited for the purposes of their own requirements.
2. Presently UMIR provides that all orders entered on a marketplace must be priced at a "trading increment". With the adoption of the definition of "better price" which will permit orders to execute at partial trading increments, should UMIR allow the entry of a "Better-Priced Intentional Cross" at a partial trading increment to facilitate compliance with the "better price" requirements of the Order Exposure Rule (Rule 6.3) and the Client-Principal Trading Rule (Rule 8.1)?	**Alpha, CCL, CSTA, RBCGAM, Scotia** and **TD –** Believes that UMIR should allow the entry of a Better-Priced Intentional Cross.	IIROC recognizes that traders can adopt various strategies which would permit this result (such as splitting the orders and trading half on each side of the market). However, the Amendments have been revised to permit an automated solution. Market participants should be aware that IIROC is presently preparing a comprehensive proposal on order types and order markings that IIROC expects to publish for comment in the near future. Since the Amendments would not otherwise require any systems changes by Participants, Access Persons or service providers, market participants may wish to address this change in the context of the broader proposal on order types and order markings.
	TMX – Does not believe a Better-Priced Intentional Cross is necessary or valuable at this time. Believes that the better price definition serves to add clarity to executions against Dark Orders, but should not trigger further UMIR amendments that could have an impact on market structure.	See response above.
	TriAct – Believes that the entry of a Better-Priced Intentional Cross for the purposes of the Client-Principal Trading Rule requires further consideration. Believes that sufficient price improvement for internalized client-principal orders may be different than what is necessary to when executing as agent with Dark Orders.	See response above.
General Comments	**Alpha –** Notes that the implementation of a minimum size would become effective ten	IIROC acknowledges the concern and recognizes that a longer implementation period may be

Text of Provision Following Adoption of the Proposed Amendments (Suggested Revisions to the Proposed Amendments Highlighted)	Commentator and Summary of Comment	IIROC Response to Commentator and Additional IIROC Commentary
	days after the notice, and believes this is insufficient time to complete the technological work required.	required for technological changes to be completed when the threshold is first designated, and that any subsequent changes could likely be made at a shorter interval. The initial designation will only be made after full public consultation. IIROC intends to release as part of the public consultation the results of IIROC's evaluation of the impact of the other components of the Amendments
	Alpha, CSTA, ITG and **SIFMA –** Concerned that changes to dark liquidity rules are suggested with no evidence and/or data that it will improve the situation in Canada.	In the opinion of IIROC, the operation of dark markets in certain jurisdictions has had a negative impact on the operation of price discovery. IIROC has acknowledged that dark liquidity in Canada has to date not had a negative impact on price discovery. The Amendments are designed to ensure that the anticipated growth of dark liquidity does not have such a negative impact. IIROC will be monitoring the impact of the Amendments and expects to publish the results of that analysis.
	CCL – Encourages IIROC to address the issue of the fees paid by retail brokers to avoid the potential loss of order flow to U.S. trading venues.	While fees are one of the factors which a Participant may take into account in determining best execution, the over-riding requirement of a Participant is for the client to receive the highest net proceeds in the case of a sale or the lowest net cost in the case of a purchase. IIROC is aware that differences in the cost of executing a trade on each of the marketplaces is one of the factors considered by market participants in making order routing decisions. IIROC also recognizes that the ability of the marketplaces to compete on the basis of fees was one of the principal tenets of the introduction of multiple marketplaces. As indicated in the Update on Forum to Discuss Consultation Paper 23-404 – *Dark Pools, Dark Orders and Other Development in Market Structure in Canada*: "The CSA are currently conducting a review of all fees charged by marketplaces, including data fees. CSA staff's goal is to ensure that the costs involved with accessing services provided by marketplaces, including data, trading

Text of Provision Following Adoption of the Proposed Amendments (Suggested Revisions to the Proposed Amendments Highlighted)	Commentator and Summary of Comment	IIROC Response to Commentator and Additional IIROC Commentary
		and routing are compliant with fair access provisions in NI 21-101."
	Fair – Believes it is important for regulators to continue to monitor impact of dark pools as the market evolves.	IIROC will continue to monitor dark pools and Dark Order usage. In particular, IIROC will be monitoring the impact of the Amendments as part of the consideration of an "appropriate" minimum size to be proposed for Dark Orders.
	TD – Recognizes the concern about protection of the visible markets, but believes the most effective approach for protection is to eliminate the price distortions caused by the make/take model, which have encouraged active orders to be directed away from the visible markets.	IIROC would also note that not all marketplaces employ a make/take model for trading fees and that trading fees were intended as one of the means by which marketplaces would be able to compete. Trading fees charged by a marketplace are not taken into account in determining the "best ask price" or "best bid price" and since such fees must be less than the minimum trading increment prescribed by UMIR (see section 8.2(4) of 21-101CP), the displayed price will always result for a client in the highest net proceeds or lowest net cost.

13.1.7 OSC Staff Notice of Approval – MFDA amendments to MFDA Rule 3.3.2 and Internal Control Policy Statement 4

OSC STAFF NOTICE OF COMMISSION APPROVAL

MUTUAL FUNDS DEALERS ASSOCIATION OF CANADA

MFDA AMENDMENTS TO MFDA RULE 3.3.2 (SEGREGATION OF CLIENT PROPERTY – CASH) AND INTERNAL CONTROL POLICY STATEMENT 4 (CASH AND SECURITIES) CONTAINED IN POLICY NO. 4

The Ontario Securities Commission approved the MFDA's amendments to MFDA Rule 3.3.2 (Segregation of Client Property – Cash) and Internal Control Policy Statement 4 (Cash and Securities) contained in Policy No. 4; subject to the condition that the MFDA must not implement the amendments to Rule 3.3.2 and Policy No. 4 until the amendments to NI 81-102 Mutual Funds (NI 81-102) are in force.

The Alberta Securities Commission, Saskatchewan Financial Services Commission, Manitoba Securities Commission, Nova Scotia Securities Commission and New Brunswick Securities Commission have approved the amendments, and the British Columbia Securities Commission did not object to the MFDA's amendment.

Summary of Material Rule

The amendments remove the existing requirements to hold client cash for investment in mutual funds separately from client cash for other investments. These funds may now be commingled with other client assets, but must still be segregated from dealer property through the use of a trust account.

In addition, the amendments would allow for the MFDA member to disclose whether interest will be paid on client cash held in trust and, if so, at what rate. Any changes to the interest rate may only be made on at least 60 days written notice to the client. Interest received that is owed to clients must also be segregated as client property.

Summary of Public Comments

The OSC published the amendments for comment on June 25, 2010 at (2010) 33 OSCB 5963 for a 91-day comment period. The MFDA received three public comment letters. We attach the MFDA's summary of public comments received and responses as Attachment A.

Attachment A

Summary of Public Comments Respecting Proposed Amendments to MFDA Rule 3.3.2 (Segregation of Client Property) and Responses of the MFDA

On June 25, 2010, the British Columbia Securities Commission and Ontario Securities Commission published proposed amendments to MFDA Rule 3.3.2 (Segregation of Client Property) (the "Proposed Amendments") for a 90-day public comment period.

The public comment period expired on September 24, 2010.

3 submissions were received during the public comment period:

1. BMO Investments Inc. ("BMOII")
2. IGM Financial Inc. ("IGM")
3. Manulife Securities Investment Services Inc. ("Manulife")

Copies of comment submissions may be viewed at the offices of the MFDA, 121 King Street West, Suite 1000, Toronto, Ontario by contacting Ken Woodard, Director, Communications and Membership Services, (416) 943-4602.

The following is a summary of the comments received, together with the MFDA's responses.

Support for Amendments

All the commenters expressed support for the Proposed Amendments, noting that they will provide clarity and transparency for investors, promote greater efficiency in the administration of trust accounts by MFDA Members, hence reducing Member costs, and help create harmonization within the industry by creating similar rules to those that are in place for members of the Investment Industry Regulatory Organization of Canada ("IIROC").

MFDA Response

We acknowledge the support for the Proposed Amendments.

Requirement to Provide 60 Days Notice of Changes in Interest Rate

IGM expressed the view that the requirement to provide 60 days' prior notice to the client of any changes to the interest rate is impractical, noting that, in practice, all such deposits with any financial institution will be deposited to an account with a floating rate of interest as opposed to a fixed rate instrument such as a term deposit. IGM noted that because the interest paid by financial institutions on these accounts changes frequently, it is impractical to advise the client of the actual interest rate at the time of account opening, or with any notice of changes in the future. IGM suggested that is should be sufficient if, at the time of account opening, the client receives information as to whether or not interest will be paid on the account and is advised that current information regarding the rate, or how it is set, will be available on the Member's website or by other means. IGM noted that this is consistent with how IIROC members and banks provide their clients with information regarding interest paid or charged on their accounts.

MFDA Response

Members may satisfy the requirement of proposed Rule 3.3.2(e) by disclosing to the client, on account opening, the fact that the interest rate paid is a variable rate (e.g. prime plus 1%). If the interest rate is variable, the requirement with respect to written notification of subsequent changes to the rate would not apply, unless there is a change in the basis upon which the rate is calculated. MFDA staff will provide this clarification in a companion Member Regulation Notice.

Use of Client Free Credit Balances

BMOII noted that it is favour of revisiting with the MFDA, in concept, a discussion regarding Members ability to use free credit balances, suggesting that this would include consideration of clear, plain language and periodic disclosure to clients, internal and regulatory controls and supervision that could be implemented to ensure investor protection (having regard to the IIROC regime and experience) and capital requirements that would be appropriate in the circumstances. BMOII commented that opportunities to further create a level playing field among members of self-regulatory organizations can and should be explored in order to ensure that competitiveness among dealers is based on product and service rather than regulatory differentiation.

MFDA Response

Amendments to allow Members to use client free credit balances would have a number of impacts requiring careful study. In addition to the considerations noted by the commenter, MFDA staff would need to consider whether allowing Members to use free credit balances would result in a benefit to the membership commensurate with the added cost of regulating two different systems (i.e. Members using free credit balances and those who are not). When sufficient regulatory resources are available having regard to the number of Rules that would be impacted, and other issues that would need to be considered, MFDA staff will bring this matter forward for discussion.

13.1.8 Alpha Exchange Inc. – Notice of Proposed Changes and Request for Feedback

ALPHA EXCHANGE INC.
NOTICE OF PROPOSED CHANGES AND REQUEST FOR FEEDBACK

The Board of Directors of Alpha Exchange Inc. ("Alpha") has approved amendments ("Amendments") to the Alpha Exchange Trading Policies ("Trading Policies"). The Amendments, shown as blacklined text, are attached as Appendix "A".

Alpha is publishing this Notice of Proposed Changes ("Notice") in accordance with the requirements set out in the rule protocol attached to its Recognition Order. Market participants are invited to provide the Commission with feedback on the amendments.

Feedback on the proposed amendments should be in writing and submitted by May 14, 2012 to:

Market Regulation Branch
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

And to:

Randee Pavalow
Alpha Exchange Inc.
70 York Street, Suite 1501
Toronto, Ontario M5J 1S9
Fax: (416) 642-2120
e-mail: randee.pavalow@alpha-group.ca

Comments received will be made public on the OSC website. Upon completion of the review by OSC staff, and in the absence of any regulatory concerns, notice will be published to confirm the completion of Commission staff's review and to outline the intended implementation date of the changes.

Terms not defined in this Notice are defined in the Alpha Exchange Inc. Trading Policies.

DESCRIPTION OF THE RULE AND ITS IMPACT[1]

Changes to IntraSpread™

Alpha is proposing to amend the IntraSpread™ functionality to allow for matching among Dark orders at the mid-point of the NBBO.

The Amendments include two new attributes for Dark orders:

(1) A Contra Order Type Matching Preference (COMP) attribute, which determines which of the types of orders the Dark order will trade against:

- Trade only with incoming SDL™ orders
- Trade only with other Dark orders, whether resting or incoming
- Trade with both SDL™ and Dark orders

Dark orders with COMP attribute that supports matching with Dark orders can only be priced at 50 per cent of the spread.

(2) A Minimum Acceptable Quantity (MAQ) attribute, which optionally limits the size that the Dark order will trade against, when trading with other Dark orders. The MAQ condition does not apply to trades against SDL orders.

Under the Amendments, a Dark order marked for Self Trade Management (STM) will not trade with a matching STM Dark order on the other side of the book. Two such orders will remain in the book, and continue to be eligible for trading with other orders, but will not trade with each other.

Changes to the Opening

Alpha is proposing to amend the Opening Auction functionality to provide additional validation of the Calculated Opening Price (COP) and to provide more flexibility for managing the delayed opening state of the CLOB.

(1) Validating the COP

Existing functionality validates the COP to ensure it falls within the Opening Deviation Price Band, which is determined as previous day's Adjusted Closing Price plus/minus the Opening Deviation parameter.
The Amendments include an additional validation of the COP to ensure it falls within the Opening Market Conditions Price Band, which is determined as the highest/lowest of the NBB, NBO and NLSP plus/minus the Opening Market Conditions parameter. The NBB and NBO represent the best displayed prices of any market with the exception of Alpha and any halted or frozen markets.

COP Validation Example

Adjusted Closing Price is $4.99
Opening Deviation parameter is 10% .
= > Opening Deviation Price Band= $4.99 ± (0.1* $4.99) = [$4.49, $5.49]

NLSP is $4.99, NBB is $5.01 and NBO is $5.00.
Min (NLSP, NBB, NBO) = $4.99
Max (NLSP, NBB, NBO) = $5.01
Opening Market Conditions parameter is $0.02.
= > The Opening Market Conditions Price Band = [$4.97, $5.03]

The symbol will open without delay if the COP falls within both price bands, which is between $4.97 and $5.03.

Opening Market Conditions Price Band validation is optional and is enabled on a security by security basis.
Securities where the COP is validated against the Opening Market Conditions Price Band will open with a price which is in line with the current market conditions on other markets.

[1] For examples, please see IntraSpread™ Product Sheet and Opening Product Sheet at Alpha Exchange web site: www.alpha-group.ca

(2) Managing the Delayed Opening

When the COP is not within applicable price bands, the opening is delayed.

With current functionality, when the book is in the delayed opening state, Members can only cancel orders. With the Amendments, Members can also enter new and amend existing orders. With every order change in the book, the COP is recalculated and re-validated using updated market conditions. In the absence of user activity, the re-validation is performed periodically by the system.

Under proposed Amendments, the book will automatically transition into Continuous Trading session once the COP falls within the applicable price bands. In addition, as with the current functionality, Alpha Trading Services can manually force the opening at the COP if deemed necessary.

NATURE, PURPOSE AND INTENDED EFFECT OF THE RULE

Changes to IntraSpread™

The proposed changes to IntraSpread™ functionality are intended to promote block trading, and attract more natural institutional flow in IntraSpread™ to achieve additional benefits for participants.

Changes to the Opening

With the Amendments, the price of the opening trades will better reflect the current environment of a multi-marketplace environment and be more in line with the market conditions at the time of the opening.

The new mechanism will also allow for a speedy resolution of a delayed opening state through natural market activity, as opposed to the current, manual intervention by Alpha Trading Services, thus reducing the market risk for Members and end investors.

POSSIBLE EFFECTS OF THE RULE ON MARKETPLACE PARTICIPANTS, COMPETITION AND COSTS OF COMPLIANCE

Changes to IntraSpread™

Access to proposed additional IntraSpread™ functionality by Members is optional, there are no compliance requirements. Marketplace participants interested in matching larger sized orders in IntraSpread™ will need to adjust their trading strategies to properly account for the new features.

Changes to the Opening

The new rule should improve the quality of the opening at Alpha as well as price discovery among all marketplaces at this key time in the day.

DESCRIPTION OF HOW RULE WAS DEVELOPED

Changes to IntraSpread™

The IntraSpread™ functionality was developed based on requests and comments from Alpha clients to allow institutional order flow to participate on the active side in IntraSpread™.

Changes to the Opening

The proposed changes were developed after observing the problems of the current, traditional Opening Auction mechanism in the context of multiple marketplaces. Multiple solutions were analyzed internally and discussed with clients, including the options to re-price trades executed outside of a price band, as well as to re-route orders that violate the opening price band to other markets for execution. The final proposal was elected as an efficient solution to a complex issue and reduces the risks associated with multiple opening auctions on separate marketplaces.

TECHNOLOGY IMPACT AND IMPLEMENTATION:

Changes to IntraSpread™

The Amendments include low-risk changes for the Alpha Exchange trading system.

Members and vendors interested in accessing the new functionality will need to include the new attributes in the interface with Alpha Exchange and adjust their trading strategies to incorporate new Dark order types. The default behavior corresponds to the existing functionality; therefore Members accessing IntraSpread™ today that are not interested in the new functionality will not need to make any changes.

Changes to the Opening

The change to the opening mechanism is transparent to the Members. All technology changes are to be done by Alpha Exchange, and there are no changes to the data protocols. The proposed changes are low-risk technology changes for the Alpha trading system.

EXISTENCE OF COMPARABLE RULES IN CANADA OR OUTSIDE OF CANADA

Changes to IntraSpread™

Numerous dark pool examples focused on block-trading exist today in and outside of Canada.

The MAQ condition is a standard order attribute applicable to non-transparent orders, supported in Canada by MatchNow, TMX, Goldman Sachs, BATS, Turquoise and others.

COMP attribute as proposed is tailored to IntraSpread™ implementation, but similar concepts are implemented by BIDS and Credit Suisse liquidity pools.

Changes to the Opening

No directly comparable models were found in or outside of Canada. The Nasdaq Options Market Opening Auction market is one example of an opening model that takes into account NBBO conditions when determining the COP.

The Canadian market still dominantly depends on the listing market for the opening price regardless of where the majority of trading occurs. In the US, the rules allow for an environment where dealers can internalize retail orders and guarantee the opening price of any given marketplace, and therefore few models were developed to harmonize opening prices across multiple marketplaces.

CATEGORIZATION AS PUBLIC INTEREST RULE

Alpha believes the proposed changes not only add trading choices but also are not contrary to the public interest.

APPENDIX A

The following sets out the proposed black lined amendments to the Alpha Exchange Inc. Trading Policies. A complete version of the black lined Trading Policies can be found at www.alpha-group.ca

1.1 DEFINITIONS

Contra Order Matching Preference (COMP)	Dark order designation identifying which orders in the IntraSpread™ facility the Dark order will trade against.
Minimum Acceptable Quantity (MAQ)	Optional minimum acceptable execution quantity condition attached to a Dark order.
Opening Market Condition Security (OMC Security)	A security identified by Alpha through a Trading Notice as subject to an Opening Market Conditions price band validation.

5.16 SELF TRADE MANAGEMENT

(1) Alpha Self Trade Management is a designation that suppresses trades that occur in the Continuous Trading Session in the CLOB from the public feed, and prevents trades between two Dark orders in the IntraSpread™ facility, where orders on both sides of the trade are from the same Member and contain the same "self trade key" set by the Member.

(2) Self Trade Management applies only to unintentional trading (e.g. does not apply to intentional crosses).

(3) The designation is only applicable in Continuous Trading in CLOB and IntraSpread™.

(4) Self trades that occur in the CLOB Continuous Trading Session are not disseminated on the public trade messages and do not update the last sale price, daily volume and turnover, or other trading statistics.

5.23 ALPHA INTRASPREAD™ FACILITY

(1) Scope

(a) Alpha IntraSpread™ facility allows Members to seek order matches without pre-trade transparency, with guaranteed price improvement for active orders.

(b) The IntraSpread™ facility is available to all Members and for all symbols traded on Alpha ATS.

(c) Order types in the Alpha IntraSpread™ facility include Dark orders and Seek Dark Liquidity™ (SDL™) orders.

(2) Dark Orders

(a) The Dark order is a fully hidden order, ~~used to manage passive interest~~ with no pre-trade transparency. ~~It offers price improvement to tradable incoming orders. Dark orders trade only with incoming SDL™ orders that are tradable at the calculated price of the Dark order and do not trade with other Dark orders.~~

Commentary: Dark orders have no pre-trade transparency as information on Dark orders is not disseminated on any public feeds.

(b) Based on the COMP attribute, the Dark order can trade as follows:

(i) Only with incoming SDL™ orders

(ii) only with other Dark orders, or

(iii) with both SDL™ and Dark orders.

(c) The price of a Dark order is calculated as an offset of the NBBO by adding the price offset to the national best bid for a buy order and subtracting it from the national best offer for a sell order.

(i) The price offset is calculated as a percentage of the NBBO spread with one of two values: 10 % (capped to one standard price increment), or 50% (with no tick cap); however, Dark

orders with a COMP attribute that supports trading with other Dark orders can only have the 50% price offset value.

(ii) The price of the Dark order can be optionally capped.

(iii) If either side of the NBBO is not set, or the NBBO is locked or crossed, Dark orders will not trade.

(d) Dark orders must be for a board lot quantity and are day only orders.

(e) Dark orders cannot be Iceberg, On-Stop, Inside Match, FOK, FAK, MOO, LOO, MOC, Special Terms, Bypass, Passive Only, TTM or ROC.

(f) Dark orders can be amended for quantity, price offset and price cap, in addition to other standard amendable order attributes.

(g) Dark order marked with the MAQ attribute may specify the minimum acceptable number of shares that it will trade against when trading with another Dark order. The MAQ condition does not apply to trades against SDL orders.

(h) Dark orders marked with the STM attribute will not trade with a matching STM marked Dark order from the same Member account.

All of the following examples have been removed.

~~Example of IntraSpread™ Matching~~

Alpha IntraSpread Book							
Order #	RR Priority	Time of Entry	Order Type	Bid Broker	Bid Size	NBBO Offset	Calculated Price
2	2	10:10am	Dark	A	200	50%	25.035
~~3~~	~~3~~	~~10:15am~~	~~Dark~~	~~A~~	~~800~~	~~50%~~	~~25.035~~
4	4	10:20am	Dark	B	600	50%	25.035
5	5	10:25am	Dark	A	1,000	50%	25.035
1	1	10:00am	Dark	A	500	10%	25.023

~~If dealer A enters SDL order #6 to sell 300 at 25.02, the following trade will occur:~~

- ~~300 @ 25.035 (order #6/order #3)~~

~~Priority:~~

- ~~Orders #2, #3, #4, and #5 have priority over #1 based on price~~
- ~~Orders #2,#3, and #5 have priority over #4 based on broker preferencing~~
- ~~Orders #3 and #5 have priority over #2 based on smart size~~
- ~~Order #3 has priority over #5 based on round robin~~

~~The state of the book is now as follows:~~

Alpha IntraSpread Book							
Order #	RR Priority	Time of Entry	Order Type	Bid Broker	Bid Size	NBBO Offset	Calculated Price
2	2	10:10am	Dark	A	200	50%	25.035
~~4~~	~~4~~	~~10:20am~~	~~Dark~~	~~B~~	~~600~~	~~50%~~	~~25.035~~
5	5	10:25am	Dark	A	1,000	50%	25.035
3	6	10:15am	Dark	A	500	50%	25.035
1	1	10:00am	Dark	A	500	10%	25.023

~~If dealer A then enters SDL order #7 to sell 300 at 25.02, the following trade will occur:~~

- ~~300 @ 25.035 (order #5/order #7)~~

~~Priority:~~

- ~~Orders #2, #3, #4, and #5 have priority over #1 based on price~~
- ~~Orders #2,3, and #5 have priority over #4 based on broker preferencing~~
- ~~Orders #3 and #5 have priority over #2 based on smart size~~

- ~~Order #5 has priority over #3 based on round robin~~

~~The state of the book is now as follows:~~

Alpha IntraSpread Book							
Order #	RR Priority	Time of Entry	Order Type	Bid Broker	Bid Size	NBBO Offset	Calculated Price
2	2	10:10am	Dark	A	200	50%	25.035
~~4~~	~~4~~	~~10:20am~~	~~Dark~~	~~B~~	~~600~~	~~50%~~	~~25.035~~
3	6	10:15am	Dark	A	500	50%	25.035
5	7	10:25am	Dark	A	700	50%	25.035
1	1	10:00am	Dark	A	500	10%	25.023

~~If dealer A then enters SDL order #8 to sell 900 at 25.02, the following trades will occur:~~

- ~~200 @ 25.035 (order #2/order #8)~~
- ~~500 @ 25.035 (order #3/order #8)~~
- ~~200 @ 25.035 (order #5/order #8)~~

~~Priority:~~

- ~~Orders #2, #3, #4, and #5 have priority over #1 based on price~~
- ~~Orders #2,#3, and #5 have priority over #4 based on broker preferencing. No orders have priority based on smart size~~
- ~~Order #2 has priority over #3, and #3 over #5 based on round robin~~

~~The state of the book is now as follows:~~

Alpha IntraSpread Book							
Order #	RR Priority	Time of Entry	Order Type	Bid Broker	Bid Size	NBBO Offset	Calculated Price
~~4~~	~~4~~	~~10:20am~~	~~Dark~~	~~B~~	~~600~~	~~50%~~	~~25.035~~
5	8	10:25am	Dark	A	500	50%	25.035
1	1	10:00am	Dark	A	500	10%	25.023

~~If dealer C then enters SDL order #9 to sell 1,800 at 25.02, the following trades will occur:~~

- ~~600 @ 25.035 (order #4/order #9)~~
- ~~500 @ 25.035 (order #5/order #9)~~
- ~~500 @ 25.023 (order #1/order #9)~~

~~Priority:~~

- ~~Orders #4 and #5 have priority over #1 based on price~~
- ~~No orders have priority based on broker preferencing~~
- ~~No orders have priority based on smart size~~
- ~~Order #4 has priority over #5 based on round robin~~

~~The book is now empty.~~

5.25 OPENING CALL

(3) The Opening Call for each security will occur at a random time between 9:30:00 a.m. and a time specified by Notice.

(4) Each security will open at the COP.

Commentary: The COP is calculated to maximize the traded volume. If there are two prices at which the same volume will trade, the COP is the price that will leave the smallest imbalance. If there is more than one price that satisfies the second rule, then the price that does not leave the better priced order in the book will be the COP. If the imbalances are equal, and no price leaves better priced orders in the book, the price will be the one closest to the previous day's closing price. For the purposes of determining the COP, Market Orders are assigned the worst price on the opposite side of the book, or if that price is not available, the best price of its own side.

5.26 DELAYED OPENINGS

(5) Alpha may delay the opening of a security for trading on Alpha ~~if~~for the following reasons:

(a) Opening Deviation Price Band Validation. If ~~T~~the COP differs from the previous day's ACP (adjusted to the Closing price of the listing marketplace) by an amount greater than the price band parameters set by Alpha and provided to Members by way of a Member Notice, or

(b) Opening Markets Conditions Price Validation. If the COP of an OMC Security is

(i) Lower than the minimum of the NBB, NBO and NLSP by more that the market conditions price variation parameter, or

(ii) Higher than the maximum of the NBB, NBO and NLSP by more than the market conditions price variation parameter.

(c) Alpha determines that it is appropriate due to market conditions.

Commentary: If a security is listed on both Alpha and another Canadian exchange, the ACP will be based on the closing price of the initial listing marketplace.

(6) During a delayed opening, a Member may place new orders and cancel or amend existing orders regarding the security that is subject to the delay.

Commentary: With every change in the book, the COP is recalculated and revalidated using the updated pricing band validation and can move out of the delayed state immediately.

13.3 Clearing Agencies

13.3.1 Notice of Commission Order – FundSERV Inc. – Application for Recognition

FUNDSERV INC.

APPLICATION FOR RECOGNITION

NOTICE OF COMMISSION ORDER

On April 10, 2012, the Commission granted an order recognizing FundSERV Inc. (FundSERV) as a clearing agency pursuant to section 21.2 of the *Securities Act* (Ontario).
d
The Commission published the FundSERV application and proposed recognition order for comment on March 2, 2012 at (2012), 35 OSCB 2250. No comments were received.

A copy of the recognition order is published in Chapter 2 of this Bulletin.

Index

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