

TABLE OF CONTENTS

1	RULE 1A. APPLICATION, INTERPRETATION, EXEMPTIONS, AND DEFINITIONS	5
1	RULE 1 - BUSINESS STRUCTURES AND QUALIFICATIONS	<u>911</u>
1.1	Business Structures	<u>911</u>
1.2	Individual Qualifications	<u>1619</u>
1.3	Outside Activity	<u>1922</u>
1.4	Reporting Requirements	<u>2023</u>
2	RULE 2 – BUSINESS CONDUCT	<u>2225</u>
2.1	General	<u>2225</u>
2.2	Client Accounts	<u>2427</u>
2.3	Control or Authority	<u>3135</u>
2.4	Remuneration, Commissions and Fees	<u>3236</u>
2.5	Minimum Standards of Supervision	<u>3639</u>
2.6	Borrowing for Securities Purchases	<u>3942</u>
2.7	Advertising and Sales Communications	<u>3942</u>
2.8	Client Communications	<u>4043</u>
2.9	Internal Controls	<u>4144</u>
2.10	Policies and Procedures Manual	<u>4145</u>
2.11	Complaints	<u>4145</u>
2.12	Transfers of Account	<u>4245</u>
2.13	Disclosure of {Corporation} Membership	<u>4245</u>
3	RULE 3 – FINANCIAL AND OPERATIONS REQUIREMENTS	<u>4347</u>
3.1	Capital	<u>4347</u>
3.2	Capital and Margin	<u>4347</u>

3.3	Segregation of Client Property	4650
3.4	Early Warning	4852
3.5	Filing Requirements	5155
3.6	Audit Requirements	5256
4	RULE 4 - INSURANCE	5761
4.1	Financial Institution Bond	5761
4.2	Notice of Termination	5761
4.3	Termination or Cancellation	5862
4.4	Amounts Required	5862
4.5	Provisos	5862
4.6	Qualified Carriers	5963
4.7	Global Financial Institution Bonds	5963
5	RULE 5 - BOOKS, RECORDS AND REPORTING	6165
5.1	Requirement for Records	6165
5.2	Storage Medium	6367
5.3	Client Reporting	6367
5.4	Trade Confirmations	6973
5.5	Access to Books and Records	7074
5.6	Record Retention	7074
6	RULE 6 - EXAMINATIONS AND INVESTIGATIONS	7175
6.1	Power to Conduct Examinations and Investigations	7175
6.2	Examinations and Investigatory Powers	7175
6.3	Co-operation with Other Authorities	7276
7	RULE 7 - DISCIPLINE	7478
7.1	Hearing Committees	7478
7.2	Hearing Panels	7680

7.3	Disciplinary Hearings.....	77 <u>81</u>
7.4	Discipline Powers.....	80 <u>84</u>
7.5	Review of Decisions.....	92 <u>96</u>
7.6	Ombudservice.....	93 <u>97</u>
8	RULE 8 - MEMBERSHIP MATTERS.....	94 <u>98</u>
8.1	Applications – Submission of Financial Information.....	94 <u>98</u>
8.2	Review.....	94 <u>98</u>
8.3	Resignations.....	95 <u>99</u>
8.4	Ownership.....	96 <u>100</u>
8.5	Annual Fee.....	97 <u>101</u>
8.6	Other Fees.....	97 <u>101</u>
<u>8.7</u>	<u>Effect of Non-Payment of Fees</u>	<u>102</u>
9	RULE 100 – NEW REGISTRANT TRAINING AND SUPERVISION.....	99 <u>103</u>
10	RULE 200 - MINIMUM STANDARDS FOR ACCOUNT SUPERVISION.....	103 <u>107</u>
11	RULE 300 - COMPLAINT HANDLING, SUPERVISORY INVESTIGATIONS AND INTERNAL DISCIPLINE.....	119 <u>123</u>
12	RULE 400 - INTERNAL CONTROL RULE STATEMENTS.....	126 <u>130</u>
13	RULE 500 - BRANCH REVIEW REQUIREMENTS.....	137 <u>140</u>
14	RULE 600 – INFORMATION REPORTING REQUIREMENTS.....	144 <u>147</u>
15	RULE 700 – PERFORMANCE REPORTING.....	152 <u>155</u>
16	RULE 800 – PROFICIENCY STANDARD FOR APPROVED PERSONS SELLING EXCHANGE TRADED FUNDS (“ETFS”).....	158 <u>161</u>
17	RULE 900 – CONTINUING EDUCATION (“CE”) REQUIREMENTS.....	166 <u>169</u>
18	RULE 1000 – DISCLOSURE OF CORPORATION MEMBERSHIP.....	176
	<u>RULE 1000 - PROFICIENCY STANDARDS FOR THE SALE OF ALTERNATIVE MUTUAL FUNDS</u>	<u>176</u>

1 RULE 1A. APPLICATION, INTERPRETATION, EXEMPTIONS, AND DEFINITIONS

Application / Interpretation

- (i) Requirements under these Rules apply to Dealer Members registered as mutual fund dealers and their Approved Persons under securities legislation. ~~except for mutual fund dealers only registered in Québec.~~
- (ii) Notwithstanding paragraph (i), where a Dealer Member is registered under securities legislation as a mutual fund dealer and an investment dealer, the Dealer Member ~~is~~ and its Approved Persons are exempt from these Rules, except for Rules 8.5 (Annual Fees), 8.6 (Other Fees) and 8.7 (Effect of Non-Payment of Fees), provided they are in compliance with corresponding requirements established by the Corporation that are applicable to Investment Dealer Members.

Exemptions

The Board of Directors may exempt any Member, Approved Person, or any other person subject to the jurisdiction of the Corporation from the requirements of any Rule provided that the Board is satisfied that doing so would not be prejudicial to the interests of Members, their clients, or the public. In granting an exemption, the Board may impose any terms or conditions that it considers necessary.

Transitional Provisions

(1) The Corporation is the corporation continuing from the amalgamation effective January 1, 2023 of the Mutual Fund Dealers Association of Canada and the Investment Industry Regulatory Organization of Canada and as a result, for greater certainty:

- (i) any reference in these Rules to the Corporation includes the Mutual Fund Dealers Association of Canada prior to January 1, 2023;
- (ii) any person subject to the jurisdiction of the Mutual Fund Dealers Association of Canada prior to January 1, 2023 remains subject to the jurisdiction of the Corporation in respect of any action or matter that occurred while that person was subject to the jurisdiction of the Mutual Fund Dealers Association of Canada at the time of such action or matter;
- (iii) any individual that was an Approved Person under the Rules of the Mutual Fund Dealers Association of Canada immediately prior to January 1, 2023 continues to be an Approved Person in respect of these Rules if that individual has not ceased to be approved by the Corporation; and
- (iv) the provisions of the articles, by-laws, rules, policies and any other instrument or requirement prescribed or adopted by the Mutual Fund Dealers Association of Canada pursuant to such articles, by-laws, rules or policies and any approval, ruling or order granted or issued by the Mutual Fund Dealers Association of Canada, in each case while a person was subject to the jurisdiction of the Mutual Fund Dealers Association of Canada, will continue to be applicable, whether presently effective or

effective at a later date, to that person in accordance with their terms and may be enforced by the Corporation.

- (2) Any exemption from a Rule of the Corporation, including for greater certainty, an exemption granted by the Mutual Fund Dealers Association of Canada, in effect prior to the coming into effect of these Rules shall remain in effect subsequent to the coming into effect of these Rules:

 - (i) subject to any condition included in the exemption, and
 - (ii) provided that the applicable prior rule of the Corporation on which the exemption is based, substantially continues in these Rules.
- (3) The Corporation shall continue the regulation of persons subject to the jurisdiction of the Mutual Fund Dealers Association of Canada formerly conducted by the Mutual Fund Dealers Association of Canada, including any enforcement or review proceedings, in accordance with the by-laws, rules and policies of the Mutual Fund Dealers Association of Canada, and any other instrument or requirement prescribed or adopted by the Mutual Fund Dealers Association of Canada pursuant to such by-laws, rules or policies, in each case in effect at the time of any action or matter that occurred while that person was subject to the jurisdiction of the Mutual Fund Dealers Association of Canada.
- (4) Each individual who on December 31, 2022 was a member of a Regional Council of the Mutual Fund Dealers Association of Canada shall be automatically deemed to be a member of a District Hearing Committee of the Corporation as of January 1, 2023 and the term of each such individual as a member of a District Hearing Committee of the Corporation shall expire on the date that his or her term as a member of a Regional Council of the Mutual Fund Dealers Association of Canada would have expired or at such other time as the Appointments Committee of the Corporation shall otherwise determine.
- (5) Any enforcement or review proceeding commenced by the Mutual Fund Dealers Association of Canada in accordance with its by-laws and rules prior to January 1, 2023:

 - (i) in respect of which a hearing panel has been appointed, shall proceed in accordance with the by-laws, decisions, directions, policies, regulations, rules, rulings and practice and procedure of the Mutual Fund Dealers Association of Canada in effect and applicable to such enforcement or review proceeding at the time it was commenced and shall continue to be heard by the same hearing panel; and
 - (ii) in respect of which a hearing panel has not been appointed, shall proceed in accordance with the by-laws, decisions, directions, policies, regulations, rules, rulings and practice and procedure of the Mutual Fund Dealers Association of Canada, in effect and applicable to such enforcement or review proceeding at the time it was commenced, provided that, despite any provision of the by-laws, decisions, directions, policies, regulations, rules, rulings and practice and procedure of the Mutual Fund Dealers Association of Canada in effect and applicable to such enforcement or

review proceeding, these Rules shall apply to the appointment of the hearing panel.

Definitions

In these Rules unless the context otherwise specifies or requires:

"**affiliate**" "affiliated" or "**affiliated corporation**" means in respect of two corporations, either corporation if one of them is the subsidiary of the other or if both are subsidiaries of the same corporation or if each of them is controlled by the same person;

"**Appointments Committee**" means the committee, appointed in accordance with Rule 7.1.6, composed of:

- (i) four members of the Governance Committee established by the Board, including its Chair, as set out in General By-law No.1, section 12.2,
- (ii) two Non-Independent Directors of the Board as set out in General By-law No.1, section 1.1, and
- (iii) the President of the Corporation as set out in General By-law No. 1, section 1.1.

"**Approved Person**" means an individual who is a partner, director, officer, compliance officer, branch manager, or alternate branch manager, employee or agent of the Member who (i) is registered or permitted, where required by applicable securities legislation, by the securities commission having jurisdiction, or (ii) submits to the jurisdiction of the Corporation;

"**assets under administration**" means the ~~assets under administration of the business of a Member as prescribed by the Board of Directors from time to time~~ market value of all mutual funds reflected in the client accounts (nominee and client name) of a Member in all provinces of Canada, excluding Quebec;

"**branch office**" means any office or location from which any dealer business of a Member is conducted;

"**By-laws**" means any By-law of the Corporation from time to time in force and effect;

"**carrying dealer**" means a Member or Investment Dealer Member that carries customer accounts in accordance with Rule 1.1.6 to the extent, at a minimum, of clearing and settling trades, maintaining books and records of customer transactions and the holding of client cash, securities and other property;

"**client name**" means in respect of an account or client property, an account established by a Member for a client in accordance with the By-laws and Rules, and the cash, securities or other property held for such account, where the cash, securities and property is held in the name of and by a person other than the Member, its agent or custodian;

"**control**" or "**controlled**", in respect of a corporation by another person or by two or more corporations, means the circumstances where:

- (a) voting securities of the first-mentioned corporation carrying more than 50% of the votes for the election of directors are held, other than by way of security only, by or for the benefit of the other person or by or for the benefit of the other corporations; and
- (b) the votes carried by such securities are entitled, if exercised, to elect a majority of the Board of Directors of the first-mentioned corporation,

but where the Board of Directors orders that a person shall, or shall not, be deemed to be controlled by another person, then such order shall be determinative of their relationships in the application of the By-laws, Rules and Forms with respect to that Member;

"**Corporation**" means [Name of New SRO];

"**Form 1**" means the Form 1 prescribed for Members;

"**hearing committee**" means a hearing committee of a District appointed in accordance with Rule 7.1;

"**Hearing Panel**" means a hearing panel appointed pursuant to Rule 7.2;

"**individual**" means a natural person;

"**industry member**" means a current or former director, officer, partner or employee of a Member, or an individual who is otherwise suitable and qualified for appointment to a hearing committee.

"**introducing dealer**" means a Member that introduces customer accounts to a carrying dealer in accordance with Rule 1.1.6;

"**Investment Dealer Member**" means a Dealer Member that is registered as an investment [dealer or an investment dealer that it also registered as a mutual fund](#) dealer in accordance with securities legislation;

["Investment Dealer Member Rules" means the Corporation's Investment Dealer and Partially Consolidated Rules and Universal Market Integrity Rules;](#)

"**Member**" means a Dealer Member that is registered as a mutual fund dealer in accordance with securities legislation [and is not also registered as an investment dealer;](#)

"**monitor**" means a person or company appointed to oversee and report on a Member's activities and to act in furtherance of powers granted by a Hearing Panel;

"**mutual fund dealer**" means a person registered or licensed by a securities commission to deal in mutual fund or investment fund securities, other than a securities dealer;

"**nominee name**" means, in respect of an account or client property, other than client cash held in a trust account of a Member, an account established by a Member for a client in accordance with the By-laws and Rules in which the securities or other property is held by the Member, its agent or its custodian in the name of the Member or its agent or its custodian, for the benefit of the client;

"**Notice of Hearing**" means a notice of hearing given pursuant to Rule 7.3.1;

"**ownership interest**" means all direct or indirect ownership of the securities of a Member;

"person" means an individual, a partnership, a corporation, a government or any of its departments or agencies, a trustee, an incorporated or unincorporated organization, an incorporated or unincorporated syndicate or an individual's heirs, executors, administrators or other legal representatives;

"**public member**" means, in relation to a hearing committee:

- (i) a current or retired member of the law society of a province, other than Québec, who is in good standing at the law society, or
- (ii) in Québec, a current or retired member of the Barreau du Québec, who is in good standing at the Barreau;

"**records**" means, for the purposes of Rule 6.2, recorded information of every description of a Member or Approved Person of the Member or other person under the jurisdiction of the Corporation pursuant to the By-laws or Rules, including all books of accounts, securities, cash, documents, banking and investment account records, trading and supervisory records, client files and records, accounting and financial statements, audio and video recording, data, minutes, notes and correspondence, whether written, electronically stored or recorded by any other means;

"**related Member**" means a partnership or corporation which:

- (a) is a Member; and
- (b) is related to a Member in that either of them, or their respective partners, directors, officers, shareholders and employees, individually or collectively, have at least a 20% ownership interest in the other of them, including an interest as a partner or shareholder, directly or indirectly, and whether or not through holding companies;

provided that the Board of Directors may, from time to time, include in, or exclude from this definition any person, and change those included or excluded;

"**Rules**" means these Rules made pursuant to General By-law No.1 and any Forms prescribed thereunder applicable to Members and Approved Persons;

- (d) the agent is in compliance with the legislation, By-laws and Rules applicable to the agent;
- (e) the financial institution bonds and insurance policies required to be maintained by the Member pursuant to Rule 4 cover and relate to the conduct of the agent;
- (f) all books and records prepared and maintained by the agent in respect of such business of the Member shall be in accordance with Rule 5 and applicable legislation, shall be the property of the Member and shall be available for review by and delivery to the Member during normal business hours;
- (g) all such business conducted by the agent is in the name of the Member subject to the provisions of Rule 1.1.7;
- (h) the agent shall not conduct securities related business with or in respect of any person other than the Member;
- (i) if the agent is engaged in or carrying on any business or activity other than business conducted on behalf of the Member, including any business or activity which is subject to regulation by any regulatory authority other than a securities commission, compliance with the terms of the agreement referred to in paragraph (k) shall be monitored and enforced directly by the Member and not by or through any other person including another employer or principal of the agent;
- (j) the terms or basis on which the agent may be engaged in or carry on any business or activity other than business conducted on behalf of the Member shall not prevent or impair the ability of the Member or the Corporation from monitoring and enforcing compliance by the agent with the terms of the agreement referred to in paragraph (k) or the By-laws or Rules; and
- (k) the Member and the agent shall have entered into an agreement in writing, which shall be provided promptly to the Corporation upon request, containing terms which include the provisions of paragraphs (a) to (j), inclusive, and which do not include provisions which are inconsistent with paragraphs (a) to (j), and shall provide the Corporation with a certificate signed by an officer or director of such Member and, upon request by the Corporation, shall provide an opinion of counsel, confirming the agreement is in compliance with such provisions.

1.1.6 Introducing and Carrying Arrangement

- (a) General Requirements. A Member may enter into an arrangement with another dealer pursuant to which the accounts of the Member (the “introducing dealer”) are carried by another dealer (the “carrying dealer”) provided:
 - (i) The carrying dealer is another Member and the arrangement complies with Rule 1.1.6 (b) and (c); or

(ii) The carrying dealer is an Investment Dealer Member and the arrangement complies with Rule 1.1.6 (d) and (e).

(b) **Member Carrying Dealer.** A Member may enter into an arrangement with another Member pursuant to which the accounts of one Member (the "introducing dealer") are carried by the other Member (the "carrying dealer") provided that:

(i) the arrangement shall satisfy the requirements of a carrying arrangement described in Rule 1.1.6(~~bc~~);

~~(ii) an introducing dealer may not introduce accounts to more than one Member, except that a Level 2, 3 or 4 Member may introduce to another Member accounts of clients which are self directed plans registered for income tax purposes;~~

~~(iii)~~

(ii) the Members shall enter into a written agreement evidencing the arrangement and reflecting the requirements of Rule 1.1.6(b) and such other matters as may be required by the Corporation;

~~(iviii)~~ the arrangement (including the form of agreement referred to in Rule 1.1.6(b)) and any amendment to or termination of the arrangement or agreement, shall have been approved by the Corporation before it is to become effective; and

~~(v)~~(iv) the arrangement shall be in compliance with the Rules and the securities legislation applicable to either of the Members

(bc) **Terms of Arrangement.** A Member may enter into an agreement with another Member in accordance with Rule 1.1.6(~~ab~~) if it satisfies the following requirements:

(i) *Minimum Capital.* The carrying dealer shall maintain at all times minimum capital of a Level 4 Dealer, and the introducing dealer shall maintain at all times minimum capital of a Level 1, 2, 3 or 4 Dealer, as the case may be;

(ii) *Reporting of Client Balances.* In calculating the risk adjusted capital required pursuant to Rule 3.1.1 and Form 1, the carrying dealer shall report all accounts of the clients (introduced by the introducing dealer to the carrying dealer and for whom assets are held in nominee name) on the carrying dealer's Form 1 and Monthly Financial Report;

(iii) *Comfort Deposit.* Any deposit (other than deposits on behalf of clients) provided to the carrying dealer by the introducing dealer pursuant to the terms of the agreement between them shall be segregated in accordance with Rule 3.3 by the carrying dealer and shall be held by the carrying dealer in a separate designated trust account for the introducing dealer; The deposit provided by the introducing dealer to the carrying dealer shall be reported by the introducing dealer as an allowable asset on its Form 1 and Monthly Financial Report;

(iv) *Segregation of Client Cash and Securities.* The carrying dealer shall be responsible for holding and segregating in accordance with the

carrying dealer for the purposes of complying with the Rules to the extent of the services provided by the carrying dealer;

- (xii) *Responsibility for Reporting.* The carrying dealer shall be responsible for sending account statements and confirmations to clients introduced to it by the introducing dealer as required by the Rules to the extent such statements and confirmations relate to trading or account positions in respect of which the carrying dealer has provided services. The carrying dealer need not send a written confirmation of a trade in a security of a mutual fund where the manager of the mutual fund sends the client a written confirmation containing the information required to be sent under Rule 5.4.3; and
- (xiii) *Responsibility for Compliance.* Unless otherwise specified in Rule 2 or in this Rule 1.1.6, the introducing dealer which is a Level 1 Dealer and its carrying dealer shall be jointly and severally responsible for compliance with the Rules for each account introduced to the carrying dealer by the introducing dealer, and in all other cases the introducing dealer shall be responsible for such compliance, subject to the carrying dealer being also responsible for compliance with respect to those functions it agrees to perform under the arrangement entered into under this Rule 1.1.6.

(~~e~~) **Investment Dealer Member Carrying Dealer.** A Member may introduce accounts to an Investment Dealer Member ~~subject to~~provided that:

- (i) the Member and Investment Dealer Member shall enter into a written agreement evidencing the arrangement and reflecting the requirements of Rule 1.1.6(e) and such other matters as may be required by the Corporation;
- (ii) the arrangement (including the form of agreement referred to in Rule 1.1.6(e)) and any amendment to or termination of the arrangement or agreement, shall have been approved by the Corporation before it is to become effective; and
- (iii) the arrangement shall be in compliance with the Rules and the Investment Dealer Rules and the securities legislation applicable to the introducing and carrying dealer or, where for a particular activity the introducing dealer or carrying dealer cannot comply with the requirements applicable to them the introducing and carrying dealer must request exemptive relief from the Corporation that specifies the manner in which the activity must be performed.

(e) **Terms of Arrangement.** A Member may enter into an agreement with an Investment Dealer Member in accordance with Rule 1.1.6(d) if it satisfies the following requirements:

~~(i) where the business being carried by the Investment Dealer Member is limited to exchange-traded funds, or platform-traded funds, and does not represent a significant portion of the Member's overall business, the Member shall comply with requirements established by the Corporation that are applicable to Members;~~

~~(ii) where a significant portion of the Member's business or business other than trading in exchange-traded funds or platform-traded funds is being carried by the Investment Dealer Member, the Member shall comply with requirements established by the Corporation that are applicable to Investment Dealer Members.~~

the introducing dealer will be subject to and comply with the Rules;

(ii) The introducing dealer must perform its activities in a manner that does not interfere with the carrying dealer's ability to comply with its obligations under the Investment Dealer Rules;

(iii) The carrying dealer will be subject to and comply with the Investment Dealer Rules;

(iv) The carrying dealer must perform its activities in a manner that does not interfere with the introducing dealer's ability to comply with its obligations under the Rules;

(v) Each client introduced to the carrying dealer by the introducing dealer shall be considered a client of the carrying dealer for the purposes of complying with the Rules to the extent of the services provided by the carrying dealer.

1.1.7 Business Names, Styles, Etc.

(a) **Use of Member Name.** Except as permitted pursuant to Rule 1.1.6 with respect to introducing dealers and carrying dealers and subject to Rule 1.1.7(b) and (c), all business carried on by a Member or by any person on its behalf shall be in the name of the Member or a business or trade or style name owned by the Member or an affiliated corporation of the Member.

(b) **Contracts, Account Statements and Confirmations.** Notwithstanding the provisions of paragraph (a), the legal name of the Member shall be included on any contracts, account statements or confirmations of the Member.

(c) **Use of Approved Person Trade Name.** Notwithstanding the provisions of paragraph (a), an Approved Person may conduct any business of the Member in a business or trade name or style name that is not that of, or owned by, the Member or its affiliated corporation if:

(i) the Member has given its prior written consent; and

- (c) “cycle” means any 24-month period beginning on December 1st of an odd-numbered year.
 - (d) “Compliance Credit” means a continuing education activity in an Mutual Fund Dealer Compliance topic area, as prescribed under ~~Policy No.~~[Rule](#) 900.
 - (e) “Professional Development Credit” means one hour of continuing education activity in a professional development topic area, as prescribed under Rule 900.
- (2) The CE Program referred to in subsection (1)(a) above, consists of the following components: (i) business conduct; (ii) professional development; and (iii) Mutual Fund Dealer compliance.

1.2.1 Compliance with Corporation Requirements

Each Member shall ensure that any Approved Person executes and delivers to the Member an agreement in a form as prescribed from time to time by the Corporation agreeing, among other things, to be subject to, comply with and be bound by the By-laws and Rules.

1.2.2 Registration

An Approved Person must have satisfied any applicable proficiency and other registration requirements set out in securities legislation and established by the securities regulatory authority having jurisdiction.

1.2.3 Education, Training and Experience

An Approved Person must not perform an activity that requires registration under securities legislation unless the Approved Person has the education, training and experience that a reasonable person would consider necessary to perform the activity competently.

1.2.4 Training and Supervision

- (1) **General.** A Member must provide training to its Approved Persons on compliance with Corporation requirements, securities ~~laws,~~[legislation](#) and applicable laws including, without limitation, requirements under Rules 2.2.1 (Know-Your-Client), 2.2.5 (Know-Your-Product), 2.2.6 (Suitability), and 2.1.4 (Identifying, Addressing, and Disclosing Material Conflicts of Interest);
- (2) **New Registrant Training and Supervision.** Upon commencement of trading or dealing in securities for the purposes of any applicable legislation on behalf of a Member, all Approved Persons who are salespersons shall complete a training program within 90 days of such commencement and a concurrent six month supervision period in accordance with such terms and conditions as may be prescribed from time to time by the Corporation, unless he or she has completed a training program and supervision period in accordance with this Rule with another Member or was licensed or registered in the

- (ii) in the case of a partnership or trust, exercises control over the affairs of the partnership or trust.

2.2.2 New Accounts

- (a) Each new account for a client must be opened by the Member within a reasonable time of the client's instruction to do so. Account numbers must not be assigned unless they are accompanied by the proper name and address for the client.
- (b) A New Account Application Form must be completed for each new account of a client. If the New Account Application Form does not include know-your-client information, this must be documented on a separate Know-Your-Client form. Such form or forms shall be duly completed to conform with the requirements of Rule 2.2.1 and shall be signed by the client and dated.
- (c) Where accounts are received by the Member from an affiliated Member or Investment Dealer Member, the Member may use the documentation maintained by the affiliated Member or Investment Dealer Member to meet the requirement in Rule 2.2.2 (b) provided:
 - (i) the account offering, investment products and services to be made available to the client at the Member are materially the same as those at the affiliated Member or Investment Dealer Member,
 - (ii) the following fees and charges associated with the account offering and investment products and services are the same or lower as those at the affiliated Member or Investment Dealer Member:
 - (a) account service fees and charges the client will or may incur relating to the general operation of the account, and
 - (b) charges the client will or may incur in making, disposing and holding investment products,
 - (iii) the know-your-client information collected by the Member and the approach used by the Member to assess the know-your-client information collected are materially the same as at the affiliated Member or Investment Dealer Member, and
 - (iv) the affiliated Member or Investment Dealer Member's account agreement has an acceptable assignment clause that in substance protects the client's interests in the same manner as if the client had signed a new account agreement with the Member.

2.2.3 New Account Approval

Each Member shall designate a trading partner, director or officer or, in the case of a branch office, a branch manager reporting directly to the designated partner, director or officer, who shall be responsible for approval of the opening of new accounts and the supervision of account activity. The designated person shall, no later than one business

Member and a receiving Member shall act diligently and promptly in order to facilitate the transfer of the account in an orderly and timely manner.

2.13 Disclosure of ~~Corporation~~ Membership

2.13.1 Definition.

For the purposes of complying with the Corporation membership disclosure requirements under this Rule,

“Corporation Membership Disclosure Policy” means the policy setting out the Corporation’s membership disclosure requirements for Members, as made available on the Corporation’s website;

“Corporation Logo” means the logo ~~prescribed by the Corporation, from time to time, and related disclosure~~ for use by Members as set out in the Corporation Membership Disclosure Policy.

2.13.2 Account Statement.

~~2.13.3~~ Members must include the Corporation Logo on the front of each account statement followed by the web address of the ~~official website of the Corporation~~ Member Corporation as set out in the Corporation Membership Disclosure Policy.

2.13.3 Member Website.

Members must include the Corporation Logo on the Member’s homepage followed by a link to the ~~official~~ website of the Corporation as set out in the Corporation Membership Disclosure Policy.

manner and form, including electronically, as may reasonably be prescribed by such commission, authority, organization, exchange or market.

~~6.3.2—Agreements~~

~~The Corporation may enter into in its own name agreements or arrangements with any securities commission or regulatory authority, law enforcement agency, self regulatory organization, stock exchange, other trading market, customer or investor protection or compensation fund or plan or other organization regulating or providing services in connection with securities trading located in Canada or any other country for the exchange of any information (including information obtained by the Corporation pursuant to the By laws or Rules or otherwise in its possession) and for other forms of mutual assistance for market surveillance, investigation, enforcement and other regulatory purposes.~~

~~6.3.3—Assistance~~

~~The Corporation may provide to any securities commission or regulatory authority, law enforcement agency, self regulatory organization, stock exchange, other trading market, customer or investor protection or compensation fund or plan or other organization regulating or providing services in connection with securities trading located in Canada or any other country any information obtained by the Corporation pursuant to the By laws or Rules or otherwise in its possession and may provide other forms of assistance for surveillance, investigation, enforcement and other regulatory purposes.~~

7 RULE 7 - DISCIPLINE

7.1 Hearing Committees

7.1.1 Establishment

A hearing committee must be appointed for each District.

7.1.2 Resident in District

A member of a hearing committee of a District must reside in the District.

7.1.3 Composition of Hearing Committees

7.1.3.1 Industry

Two thirds of the members of a hearing committee, to the extent practicable, must be industry members.

7.1.3.2 Public

One third of the members of a hearing committee, to the extent practicable, must be public members.

7.1.4 Chair

The chair of a hearing committee must be a public member.

7.1.5 Nomination of Hearing Committee Members

7.1.5.1 The Corporation must nominate individuals to be public members and industry members of the hearing committee in its District.

7.1.6 Appointment of Hearing Committee members

7.1.6.1 The Appointments Committee must appoint to the hearing committee of each District a number of suitable and qualified individuals sufficient to conduct hearings in the District.

7.1.6.2 In considering the suitability and qualifications of an individual who is nominated for membership on a hearing committee, the Appointments Committee must take into account the individual's:

- (a) general knowledge of business practices and securities ~~laws~~ [legislation](#),
- (b) experience,

continue as a registered holder or to hold such interest for such period as the Corporation may permit.

8.5 Annual Fee

8.5.1 Calculation of Annual Fee

The Annual Fee for each Member shall be such amount, not less than \$~~3,000~~1,500 for Members designated as being in Level 1, 2 or 3 under Rule 3.1.1, and not less than \$10,000 for Members designated as being in Level 4, determined in accordance with a formula which is based upon the assets under administration of the business of the Member. The Board of Directors in its discretion shall from time to time prescribe such formula and the basis on which the assets under administration of a business are to be determined.

8.5.2 Re-determination of Annual Fee

The Board of Directors may from time to time re-determine the Annual Fee to be payable by any Member. Before any such determination or re-determination is made, the Board of Directors shall obtain, but shall not be obliged to act upon, the recommendation of the Corporation.

8.5.3 Timing of Payment

The Annual Fee shall be paid in quarterly instalments (~~on the 15th day of July, October, January and April in each year~~) a due date established by the Corporation by each Member beginning not later than the first quarter after admission to Membership of such Member and any additional or redetermined Annual Fee shall be paid in its entirety on or before ~~July 31~~April 30th in each year.

8.5.4 Exemption from Payment

Notwithstanding the foregoing, in the event that:

8.5.4.1 an applicant for Membership has acquired the whole or a substantial part of the business and assets of a Member or Members in good standing whose Annual Fee for the then current fiscal year has been paid in full and who is or are resigning from Membership concurrently with the admission of the applicant to Membership; and

8.5.4.2 at least a majority in number of the partners of the applicant, in the case of a firm, or at least a majority in number of the directors and at least a majority in number of the officers of the applicant, in the case of a corporation, are partners, or directors and officers, as the case may be, of the retiring Member or Members;

then the applicant, if the Board of Directors so approves, shall be exempted from payment of the Annual Fee for the then current fiscal year.

8.6 Other Fees

8.6.1 Power to Make Assessment

Notwithstanding Rule 8.5, the Board of Directors shall have power to make an assessment in any fiscal year upon each Member on account of:

8.6.1.1 any extraordinary costs and expenses of the Corporation incurred in connection with the review and/or approval of any reorganization, takeover or other substantial change in the business, structure or affairs of a Member;

8.6.1.2 fees levied by the Corporation in connection with:

- (a) exemption application filings or any other such filing fees which the Board of Directors in its discretion may determine from time to time;
- (b) a Member changing its name from that which is shown on the most recent Membership List; or
- (c) an application for Membership under Section 3.5 of General By-law No. 1; or

8.6.1.3 assessments or levies made by any customer or investor protection or compensation fund or plan in respect of which Members of the Corporation are required to participate.

8.6.1.4 assessments or levies in respect of Members of the Corporation made by the Ombudservice approved by the Board of Directors.

8.6.2 Timing of Payment

Each Member shall pay the amount so assessed upon it within thirty days after receiving written notification thereof from the Corporation.

8.7 Effect of Non-Payment of Fees

If the amount assessed upon any Member pursuant to Rule 8.5 or 8.6.1.1 has not been paid within 30 days after the date specified in the written notification thereof received from the Corporation, the Corporation shall, by registered mail, request the Member pay the same and draw the Member's attention to the provisions of this Rule 8.7. If the entire amount owing by the Member has not been paid within 30 days from the date the Corporation has mailed the request, the Corporation shall notify the Board of Directors to this effect and the Board of Directors may, in its discretion, terminate the Membership of the Member in default. If the Board of Directors decides to terminate the Membership of a Member pursuant to the provisions of this Rule 8.7, the Corporation will notify the Member, by registered mail, of the decision of the Board of Directors. A former Member whose Membership has been terminated pursuant to the provisions of this Rule 8.7 shall cease to be entitled to exercise any of the rights and privileges of Membership but shall remain liable to the Corporation for all amounts due to the Corporation from the former Member.

1. A New Account Application Form (“NAAF”) must be completed for each new account. Where accounts are received by the Member from an affiliated Member or Investment Dealer Member, the Member may use the documentation maintained by the affiliated Member or Investment Dealer Member to meet the new account documentation requirement in Rule 2.2.2 (b) provided the requirements set out under Rule 2.2.2(c) are met.
2. A complete set of documentation relating to each client’s account must be maintained by the Member. Registered salespersons must have access to information and documentation relating to the client’s account as required to service the account. In the case of a Level 1 Introducing Dealer and corresponding Carrying Dealer, both Members must maintain a copy of each client's NAAF.
3. For each account of a client that is a natural person, the Member must obtain, at a minimum, the following information:
 - (a) name;
 - (b) type of account;
 - (c) residential address and contact information;
 - (d) date of birth;
 - (e) employment information;
 - (f) number of dependants;
 - (g) other persons with trading authorization on the account;
 - (h) other persons with a financial interest in the account;
 - (i) investment knowledge;
 - (j) risk profile;
 - (k) investment needs and objectives;
 - (l) investment time horizon;
 - (m) financial circumstances, including income and net worth;
 - (n) for non-registered leveraged accounts, details of the net worth calculation, specifying liquid assets plus any other additional assets less total liabilities;
 - (o) information required by other laws and regulations applicable to the Member’s business as amended from time to time including information required for relevant tax reporting; information required for compliance

12 RULE 400 - INTERNAL CONTROL RULE STATEMENTS

INTERNAL CONTROL RULE STATEMENT 1 - GENERAL MATTERS

This Rule Statement is one in a series that prescribes requirements for and provides guidance on compliance with Rule 2.9 that states "every Member shall establish and maintain adequate internal controls as prescribed by the Corporation from time to time."

"Internal control" is defined as follows:

"Internal control consists of the policies and procedures established and maintained by management to assist in achieving its objective of ensuring, as far as practical, the orderly and efficient conduct of the entity's business. The responsibility for ensuring adequate internal control is part of management's overall responsibility for the ongoing activities of the entity." (CICA Handbook, 5200.03)

The effectiveness of specific policies and procedures is affected by many factors, such as management philosophy and operating style, the function of the board of directors (or equivalent) and its committees, organizational structure, methods of assigning authority and responsibility, management control methods, system development methodology, personnel policies and practices, management reaction to external influences, and internal audit. These and other aspects of internal control affect all parts of the Member firm.

In addition to compliance with required policies and procedures set out in these Rule Statements, a Member must consider the following, to the extent that they suggest a higher standard than would otherwise be required:

- (i) Recommended provisions set out in these Rule Statements;
- (ii) ~~Publications of the Chartered Professional Accountants Canada~~ Authoritative literature such as publications of Canadian professional accounting bodies;
- (iii) Comments on internal control that may have been made by internal and external auditors and by industry regulators, and actions that the Member has taken as a result;
- (iv) Industry practice; and
- (v) The balance struck between preventive and detective controls. Preventive controls are those which prevent, or minimize the chance of occurrence of, fraud or error. Detective controls do not prevent fraud and error but rather detect them, or maximize the chance of their detection, so that corrective

14 RULE 600 – INFORMATION REPORTING REQUIREMENTS

1. Introduction

This Rule establishes minimum requirements concerning events that Approved Persons are required to report to Members and events that Members are required to report to the Corporation pursuant to Rule 1.4.

Part A of this Rule, entitled “*Approved Person Reporting Requirements*”, sets out details regarding the reporting of information under Rule 1.4(b) by Approved Persons.

Part B of this Rule, entitled “*Electronic Reporting Requirements for Members*”, sets out details regarding reporting of information under Rule 1.4(a)(i) and Rule 1.4(a)(ii) by Members. All reporting under Part B must be submitted through the electronic reporting system provided by the Corporation. The reporting of events that are required to be submitted electronically by any other means is a failure to report the event and a failure to comply with this Rule.

Part C of this Rule, entitled “*Other Reporting Requirements for Members*”, sets out details regarding reporting of information under Rule 1.4(a)(iii) by Members. All reporting under Part C must be submitted to the Corporation in writing.

In addition to these reporting requirements, Members are required to comply with other reporting requirements which may change from time to time, and which include but are not limited to:

- (a) The following reporting requirements, some of which may also require approval by the Corporation:

~~(i)~~ (i) General By-law No. 1, section 3.7 — Amalgamation of Members;

~~(ii)~~ (ii) General By-law No. 1, section 3.8 – Dealer Member Resignation;

~~(iii)~~ (iii) General By-law No.1 , section 3.10 – Transferability, Reorganizations;

~~(iv)~~ (iv) Rule 8.4 – Ownership;

~~(v)~~ (v) Rule 1.1.6 – Introducing/Carrying dealer arrangements;

~~(vi)~~ (vi) Rule 3.1.1 – Change in dealer level;

~~(vii)~~ (vii) Rule 3.1.2 – Risk adjusted capital less than zero;

~~(viii)~~ (viii) Rule 3.2.5 – Accelerated payment of long term debt; and

~~(ix)~~ (ix) Rule 3.5 – Financial filing requirements

- (b) reporting requirements under applicable provincial securities ~~laws~~legislation in connection with a Member's mutual fund dealer registration.

2. Definitions

“any jurisdiction” means any jurisdiction inside or outside of Canada.

“business day” means a day other than Saturday, Sunday or any officially recognized Federal or Provincial Statutory holiday.

“civil claim” includes civil claims pending before a court or tribunal and arbitration.

“client” means a person who is a client of the Member.

“compensation” means the payment of a sum of money, securities, reversal or inclusion of a securities transaction (whether the transaction has a realized or unrealized loss) or any other equivalent type of entry which is intended to compensate a client or offset an act of a Member or Approved Person. A correction of a client account or position as a result of good faith trading errors and omissions is not considered to be “compensation” for the purposes of this Rule.

“event” means a matter that is reportable under this Rule by a Member or Approved Person.

“law” includes, but is not limited to, all legislation of any jurisdiction and includes any rules, policies, regulations, rulings or directives of any securities regulatory authority of any jurisdiction.

“member business” means all business activities conducted by and through the Member, whether securities related or otherwise.

“misrepresentation” means:

- (i) an untrue statement of fact, either in whole or in part; or
- (ii) an omission to state a fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

“regulatory body” means, but is not limited to, any regulatory or self-regulatory organization that grants persons or organizations the right to deal with the public in any capacity.

“regulatory requirements” means, but is not limited to, the by-laws, rules, policies, regulations, rulings, orders, terms and conditions of registration, or agreements of any regulatory body in any jurisdiction.

“securities” includes exchange contracts, commodity futures contracts and commodity futures options.

“service complaints” means:

- (i) any complaint by a client which is founded on customer service issues and is not the subject of any securities ~~law~~[legislation](#) or regulatory requirements; or
- (ii) any complaint by a client as a result of a good faith trading error or omission.

3. General Reporting Requirements

- 3.1. Events regarding Members that must be reported shall not be limited solely to securities related business, but shall include all member business.
- 3.2. Events regarding Approved Persons that are reported by Approved Persons to the Member shall not be limited solely to securities related business and member business, but shall include all business conducted by the Approved Person.
- 3.3. The obligation to report an event under this Rule is limited to events of which a Member or Approved Person has become aware regardless of the means by which the Member or Approved Person became aware of the event. If the reporting timeframes have expired before the Member or Approved Person has become aware of the event, the event shall be reported immediately after the Member or Approved Person has become aware of such event.
- 3.4. A Member is expected to be aware of events relating to Approved Persons by the receipt of reports from Approved Persons and by carrying out the Member’s supervisory, monitoring and review obligations over the conduct of its business.
- 3.5. All requirements to report events regarding former Approved Persons are limited to events which occurred while the Approved Person was an Approved Person of the Member.
- 3.6. A Member shall designate a compliance officer at its head office (or another person at head office) to whom reports made by Approved Persons, as required by section 4, shall be submitted.
- 3.7. Documentation associated with each event required to be reported under this Rule shall be maintained for a minimum of 7 years from the resolution of the matter and made available to the Corporation upon request.

PART A

APPROVED PERSON REPORTING REQUIREMENTS

4. Approved Person Reporting Requirements

4.1. An Approved Person shall report the following events to his or her current Member in such detail as required by the Member, within 2 business days:

- (a) the Approved Person is the subject of a client complaint in writing;
- (b) the Approved Person is aware of a complaint from any person, whether in writing or any other form, and with respect to him or herself, or any other Approved Person, involving allegations of:
 - (i) theft, fraud, misappropriation, forgery, money laundering, market manipulation, insider trading, misrepresentation, or unauthorized trading;
 - (ii) a breach of client confidentiality;
 - (iii) engaging in securities related business outside of the Member;
 - (iv) engaging in an undeclared outside activity ; or
 - (v) personal financial dealings with a client.
- (c) whenever the Approved Person has reason to believe that he or she has or may have contravened, or is named as a defendant or respondent in any proceeding, in any jurisdiction, alleging the contravention of:
 - (i) any securities ~~law~~[legislation](#); or
 - (ii) any regulatory requirements.
- (d) the Approved Person is charged with, convicted of, pleads guilty or no contest to, any criminal offence, in any jurisdiction;
- (e) the Approved Person is named as a defendant in a civil claim, in any jurisdiction, relating to the handling of client accounts or trading or advising in securities;
- (f) the Approved Person is denied registration or a license that allows the Approved Person to deal with the public in any capacity by any regulatory body, or has such registration or license cancelled, suspended or terminated, or made subject to terms and conditions;
- (g) the Approved Person becomes bankrupt or suspends payment of debts generally or makes an arrangement with creditors or makes an assignment or is deemed insolvent;
- (h) there are garnishments outstanding or rendered against the Approved Person.

PART B

ELECTRONIC REPORTING REQUIREMENTS FOR MEMBERS

5. General Member Electronic Reporting Requirements

- 5.1. Members shall report the following events to the Corporation, through an electronic reporting system provided by the Corporation, within 5 business days of the occurrence of the event, except for events reported under section 6.1(a) of this Rule, which must be reported to the Corporation within 20 business days.

6. General Events to be Reported

- 6.1. Members shall report to the Corporation:

- (a) all client complaints in writing, against the Member or a current or former Approved Person, relating to member business, except service complaints;
- (b) whenever a Member is aware, through a written or verbal complaint or otherwise, that the Member or any current or former Approved Person has or may have contravened any law or regulatory requirement, relating to:
 - (i) theft, fraud, misappropriation, forgery, money laundering, market manipulation, insider trading, misrepresentation, or unauthorized trading;
 - (ii) a breach of client confidentiality;
 - (iii) engaging in securities related business outside of the Member;
 - (iv) engaging in an undeclared outside activity; or
 - (v) personal financial dealings with a client.
- (c) whenever the Member, or a current or former Approved Person, is:
 - (i) charged with, convicted of, pleads guilty or no contest to, any criminal offence, in any jurisdiction;
 - (ii) named as a defendant or respondent in, or is subject of, any proceeding or disciplinary action, in any jurisdiction, alleging contravention of any securities ~~law~~[legislation](#);
 - (iii) named as a defendant or respondent in, or is the subject of, any proceeding or disciplinary action, in any jurisdiction, alleging contravention of regulatory requirements;
 - (iv) denied registration or a license that allows a person to deal with the public in any capacity by any regulatory body, or has such registration or license cancelled, suspended or terminated, or made subject to terms and conditions;

18 **RULE 1000 – DISCLOSURE OF CORPORATION MEMBERSHIP-
PROFICIENCY STANDARDS FOR THE SALE OF ALTERNATIVE
MUTUAL FUNDS**

INTRODUCTION

~~This Rule establishes minimum requirements for disclosure of Membership pursuant to Corporation Rule 2.13 (Disclosure of Corporation Membership). The Rule requires Members to include the Corporation Logo on account statements and on the Member's website. Members must use the Corporation Logo prescribed in this Rule to satisfy the membership disclosure requirements set out in Rule 2.13.~~

~~The purpose of Rule 2.13 and this Rule is to promote client awareness of the regulatory oversight exercised by the Corporation in respect of Members and their Approved Persons.~~

DEFINITION OF THE Corporation LOGO

~~Pursuant to Rule 2.13, the Corporation Logo means the logo prescribed by the Corporation, from time to time, for use by Members. For the purpose of the disclosure requirements prescribed in Rule 2.13, the Corporation Logo includes the image of the Corporation's trademark design and the English words "Regulated by Corporation" or the French words "Réglementée par".~~

CORPORATION LOGO ON ACCOUNT STATEMENTS AND ON THE MEMBER'S WEBSITE

~~Members must include the Corporation Logo on the front of each account statement that is sent to clients. Members must also include the Corporation Logo on the Member's website homepage. Where the Member's site or internet presence is part of a combined financial institution group website, the Corporation Logo must be included on the Member's main page.~~

~~In addition, the Corporation Logo must be followed by the web address of the official website of the Corporation, which is www., on both the account statement and on the Member's website.~~

~~For the purposes of complying with Rule 2.13 and this Rule Members may determine the size of the Corporation Logo depending on what would reasonably be considered to be an appropriate size for the individual layout of the account statement or website. However, Members must ensure that the Corporation Logo is clearly visible and prominently included on the front of the account statement and on the Member's website.~~

~~Specifically, the Corporation Logo that Members are required to include on account statements and on their website is reproduced below:~~

~~**PROHIBITIONS ON USE OF THE Corporation LOGO**~~

~~A Member will be prohibited from including the Corporation Logo on account statements and on its website upon suspension of the Member's membership in the Corporation or upon the termination of the Member's membership in the Corporation.~~