

CANADIAN INVESTOR PROTECTION FUND (CIPF)

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COVERAGE POLICY

A. OVERVIEW

1. CIPF provides coverage to customers of members of New Self-Regulatory Organization of Canada, as it is currently named or as it may be renamed from time to time (“**New SRO**”) accepted for membership in CIPF (“**New SRO Members**”) for financial losses in respect of property held in customers’ account caused solely by the insolvency of a New SRO Member. CIPF's objective is to either return assets to customers or, where assets are not available from the insolvent New SRO Member, provide compensation for their value as at the date of the insolvency. This Policy describes who is eligible as a customer, the kind of losses and property covered, the limits of coverage and how claims are determined and made.
2. CIPF has discretion in determining the customers eligible for protection and the financial loss covered by CIPF in the event of an insolvency of a New SRO Member. This Policy has been adopted to describe the way in which such discretion is intended to be exercised. CIPF reserves the right in the appropriate circumstances to authorize or withhold any payments in a manner other than as described in this Policy.

B. FUNDING FOR COVERAGE

1. CIPF maintains two segregated funds designed to provide coverage to eligible customers of New SRO Members (each a “**Fund**”). The Fund designated as the “**Investment Dealer Fund**” is available to satisfy potential claims for coverage under this Policy by customers of New SRO Members duly registered under Canadian securities legislation in the category of “investment dealer” or in the categories of both “investment dealer” and “mutual fund dealer” (“**Investment Dealers**”). The Fund designated as the “**Mutual Fund Dealer Fund**” is available to satisfy potential claims for coverage under this Policy by customers of New SRO Members duly registered under Canadian securities legislation only in the category of “mutual fund dealer” (“**Mutual Fund Dealers**”).
2. New SRO maintains on its website at [**insert CIPF website**] a list of New SRO Members whose customers are entitled to protection subject to the terms of this Policy, identifying whether each New SRO Member is an Investment Dealer or a Mutual Fund Dealer.
3. CIPF will, in its discretion, assess Investment Dealers for contributions to the Investment Dealer Fund and arrange for discrete sources of liquidity for the Investment Dealer Fund (including lines of credit or insurance policies). Likewise, CIPF will, in its discretion, assess Mutual Fund Dealers for contributions to the Mutual Fund Dealer Fund and arrange

for discrete sources of liquidity for the Mutual Fund Dealer Fund (including lines of credit or insurance policies).

4. *Only the Investment Dealer Fund is available to satisfy claims for coverage under this Policy by eligible customers of Investment Dealers, and in no event will claims made by customers of an insolvent Mutual Fund Dealer be satisfied from the Investment Dealer Fund. Similarly, only the Mutual Fund Dealer Fund is available to satisfy claims for coverage under this Policy by eligible customers of Mutual Fund Dealers, and in no event will claims made by customers of an insolvent Investment Dealer be satisfied from the Mutual Fund Dealer Fund.*

C. CUSTOMERS AND ACCOUNTS

Eligible Customers and Eligible Accounts

1. A customer eligible for coverage under this Policy (“**Customer**”) is an individual, corporation, partnership, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator or other legal representative who has an account with an insolvent New SRO Member used for transacting securities or commodity and futures contracts business with the New SRO Member (dealing as principal or agent) (an “**Account**”). An Account must be fully disclosed in the records of the New SRO Member and is normally evidenced by receipts, contracts and statements that have been issued by the New SRO Member.
2. Customers introduced to a New SRO Member by a foreign affiliate of the New SRO Member, in accordance with the requirements of New SRO, are considered Customers of the New SRO Member eligible for coverage. Accounts with entities other than a New SRO Member (but including, for greater certainty, a New SRO Member’s affiliates or related organizations) are not Accounts for the purposes of this Policy.

Persons Excluded as Customers

3. A Customer does not include:
 - i) a domestic or foreign securities or mutual fund dealer registered with a Canadian securities regulatory authority or foreign equivalent;
 - ii) any individual or corporation to the extent that such person has a claim for cash or securities which by contract, agreement, or understanding, or by operation of law, is part of the capital of the insolvent New SRO Member such that the claim represents five percent or more of any class of equity securities of the insolvent New SRO Member, or any individual who has a claim which is subordinated to the claims of any or all creditors of the insolvent New SRO Member;
 - iii) a general partner or director of the insolvent New SRO Member;

- iv) a limited partner with a participation of five percent or more in the net assets or net profits of the insolvent New SRO Member;
- v) a person with the power to exercise a controlling influence over the management or policies of the insolvent New SRO Member;
- vi) a clearing corporation;
- vii) a customer of an institution, securities dealer or other party dealing with a New SRO Member on an omnibus basis (being an account in which the transactions of two or more persons are combined without disclosure to the New SRO Member of the identity of such persons);
- viii) a person who caused or materially contributed to the insolvency of a New SRO Member, including, but not limited to, a person who has been declared by a court of competent jurisdiction to be a deferred customer pursuant to the provisions of the *Bankruptcy and Insolvency Act* (Canada); and
- ix) a person who does not deal at arm's length (as determined by CIPF) with either an insolvent New SRO Member or a person who is excluded as a Customer.

Québec

- 4. While New SRO is recognized as a self-regulatory organization of which Mutual Fund Dealers operating in the Province of Québec are required to be members, those Mutual Fund Dealers are not required to contribute to the Mutual Fund Dealer Fund in respect of Customer Accounts located in Québec. Accordingly, these Customer Accounts will not be eligible for coverage by CIPF. Generally, a Customer Account is considered to be located in Québec for these purposes if the office serving the Customer is located in Québec.

D. LOSSES

- 1. Losses eligible for coverage by CIPF (“**Losses**”) must be financial losses of a Customer caused solely by the insolvency of a New SRO Member. These losses must arise from the failure of the insolvent New SRO Member to return or account for Property (as defined below) of the Customer previously received, acquired or held by, or in the control of, the New SRO Member, including any such Property unlawfully converted.
- 2. Losses which do not result from the insolvency of a New SRO Member, such as losses from changing market values of securities, unsuitable investments or the default of an issuer of securities are not covered. Losses in a Customer’s Account arising from business financing activities of the New SRO Member are also not covered.

E. PROPERTY COVERED

Types of Property

1. The property of a Customer for which CIPF coverage may be available in accordance with the provisions of this Policy includes securities, commodity and futures contracts, cash, cash equivalents and segregated funds received, acquired or held by, or in the control of, the New SRO Member (“**Property**”).

Eligible Property

2. CIPF coverage may be available in respect of Property that is or should have been held by, or in the control of, an insolvent New SRO Member for the account of a Customer at the date of insolvency and which the insolvent New SRO Member is obliged to return to the Customer. This kind of Property is commonly referred to as being in the “nominee name” of the New SRO Member (as opposed to “client name” as described below).

Ineligible Property

Customer (or Client) Name

3. Property that is not held by the New SRO Member, or not recorded in a Customer's Account as being held by a New SRO Member, such as securities that are registered directly in the name of the Customer with the issuer or deposits with financial institutions, is not eligible for CIPF coverage even though it was sold through the New SRO Member to the Customer. This kind of Property is commonly referred to as being in “client name” (as opposed to the “nominee name” of the New SRO Member), may appear on Customer account statements and is not eligible for coverage unless it is otherwise in the custody or control of the New SRO Member. Such custody or control may arise where a New SRO Member or its representatives have ostensible control over assets of a customer holding client name Property by virtue of a power of attorney, trading authorization or temporary receipt of cash intended to be received by an issuer.

Crypto Assets

4. Property received, acquired or held by, or in the control of, a New SRO Member that consists of crypto assets, crypto contracts, or other crypto-related property is not eligible for CIPF coverage. For greater certainty, Property consisting of securities of a mutual fund or exchange traded fund that invests in or holds crypto assets, crypto contracts or other crypto-related property is, however, eligible for CIPF Coverage.

Non-Compliant Property

5. Property received, acquired or held by, or in the control of, a New SRO Member in relation to which the New SRO Member is not permitted to trade under Canadian securities legislation is not eligible for CIPF Coverage.

F. LIMITS OF COVERAGE

Maximum for each Account

1. The maximum amount of coverage for eligible Property in a Customer's General Account (defined below), and in each Separate Account (defined below), is \$1,000,000, subject to the aggregation of such Accounts as described below.

General Accounts

2. Each Account of a Customer shall be considered a General Account unless held in a capacity or circumstance set out below under "Separate Accounts" such that it qualifies as a Separate Account. All General Accounts of a Customer, or any interest the Customer may have in a General Account, shall be combined or aggregated so as to constitute a single General Account of such Customer for the purposes of determining the payments to be made to the Customer. The interest of a Customer in an Account which is held on a joint or shared ownership basis shall be treated as if it were a General Account and similarly combined with the other General Accounts of the Customer. An Account held by a nominee or agent for another person as a principal or beneficial owner shall, except as otherwise provided in this Policy, be deemed to be the Account of the principal or beneficial owner. All Accounts of a Customer opened with a New SRO Member by one or more domestic advisers registered with a Canadian securities regulatory authority, where those accounts are fully disclosed in the records of the New SRO Member, shall also be combined or aggregated to constitute a single General Account and combined with other General Accounts of the Customer, unless any such Accounts are otherwise Separate Accounts under this Policy. For the purposes of determining the maximum coverage available, the General and Separate Accounts that a Customer has with a New SRO Member will not be combined with the General and Separate Accounts that the same Customer may have with another New SRO Member, including another New SRO Member who has an introducing / carrying agreement with the first New SRO Member.

Separate Accounts

3. Each Account of a Customer held by it in the capacity or circumstance set out below shall be considered a Separate Account of the Customer. Unless otherwise indicated below, each Separate Account held by a Customer in the same capacity or circumstance shall be combined or aggregated so as to constitute a single Separate Account. The burden shall be on the Customer to establish each capacity or circumstance in which the Customer claims to hold Separate Accounts. An Account of a Customer shall not be a Separate Account if it existed on the date of insolvency primarily for the purpose of increasing protection by CIPF.
 - i) **Registered Retirement Plans:** *accounts of registered retirement or deferred income plans such as registered retirement savings plans (RRSPs), registered retirement income funds (RRIFs), life income funds (LIFs), locked-in retirement accounts or*

plans (LIRAs or LIRSPs) and locked-in retirement income funds (LRIFs) established for the account of a customer (excluding spousal plans) which comply with the requirements under the Income Tax Act (Canada) for such plans and which have been accepted by the Minister under such Act, where the customer is entitled to the benefits of the plan. Accounts established with respect to a customer through the same or different trustees shall be combined and aggregated.

- ii) **Registered Education Savings Plans:** *accounts of education savings plans which comply with the requirements under the Income Tax Act (Canada) for registered education savings plans and which have been accepted by the Minister under such Act, where the customer is the subscriber of the plan. Accounts established with respect to a customer through the same trustee shall be combined and aggregated by trustee, but not if established through different trustees.*
- iii) **Testamentary Trusts:** *accounts held in the name of a decedent, his or her estate or the executor or administrator of the estate of the decedent. Accounts of testamentary trusts held by the same executor or administrator shall not be combined or aggregated unless held in respect of the same decedent.*
- iv) **Inter-vivos Trusts and Trusts Imposed by Law:** *accounts of inter-vivos trusts which are created by a written instrument and trusts imposed by law. Such Separate accounts of customers shall be distinct from the trustee, the settlor or any beneficiary.*
- v) **Guardians, Custodians, Conservators, Committees, etc.:** *accounts maintained by a person as a guardian, custodian, conservator, committee or similar capacity in respect of which accounts such person has no beneficial interest. Such accounts held by the same person in any such capacity shall not be combined or aggregated unless held in respect of the same beneficial owner.*
- vi) **Holding Corporation:** *accounts of corporations controlled by a customer provided that the beneficial ownership of a majority of the equity capital of the corporation is held by persons other than the customer.*
- vii) **Partnerships:** *accounts of partnerships controlled by a customer provided that the beneficial ownership of a majority of the equity interests in the partnership is held by persons other than the customer.*
- viii) **Unincorporated Associations or Organizations:** *accounts of unincorporated associations or organizations controlled by a customer provided that the beneficial ownership in a majority of the assets of the association or organization is held by persons other than the customer.*

Timing of Payments

4. The time of payment of the maximum amount of coverage available for Claims (as defined below) may be affected by the amount of assets immediately available in the relevant Fund at the relevant time. While CIPF has the legal ability to assess New SRO Members for additional contributions, CIPF may not have on hand in the relevant Fund at any time sufficient assets to make immediate payment of the maximum amount of coverage available for Claims, such that payment may be delayed until such time as the assets of the

relevant Fund are sufficient to fund the payments of coverage to which Customers are entitled in accordance with this Policy.

G. CLAIMS

Claims and Determination of Customer Losses

1. The claim of a Loss of a Customer in respect of which CIPF may authorize payment (a “**Claim**”) shall be determined as at the applicable date of insolvency (as fixed by CIPF in its discretion) after taking into account the delivery of any Property to which the Customer is entitled and the distribution of any assets of the insolvent New SRO Member. Accordingly, the maximum payment which CIPF may make to a Customer shall be calculated as the balance of the Customer's financial Loss as a result of the insolvency of the New SRO Member net of such deliveries. The amount of a Customer's Claim may be reduced, at CIPF's discretion, to the extent that the Customer is entitled to deposit insurance or other compensation from any source in respect of any Property to which the Loss relates. To be eligible for coverage, the Claim must be filed with CIPF or the trustee in bankruptcy, the receiver or similar official of the insolvent New SRO Member within 180 days of the date of insolvency.

Date of Loss

2. The date at which the financial Loss of a Customer is determined shall be fixed by CIPF as the date of insolvency of the New SRO Member, which may be the date of the New SRO Member's bankruptcy, or the date on which, in the opinion of CIPF, the New SRO Member became insolvent. The amount of Property delivered to a Customer in satisfaction of a Claim shall be the amount of Property to which the Customer was entitled as at such date for determining financial loss without regard to subsequent market fluctuations. In *lieu* of satisfying a Claim by the delivery of Property, cash in an amount equal to the value of the Property as at the date for determining financial Loss may be paid to the Customer even though the amount of such cash is not equal to the value of such Property as at the date of payment. Open positions in a Customer's Account may, with or without notice, be closed out or liquidated pursuant to the terms of the account with the New SRO Member or correspondent broker, clearing house or exchange requirements or applicable insolvency legislation or orders.

Insolvency Legislation

3. The determination of the amount of financial Loss suffered by a Customer of an insolvent New SRO Member for the purposes of payment by CIPF and the maximum limits of such payments shall be in accordance with this Policy. In addition, CIPF may exercise its discretion, in respect of determining Customers eligible for protection and the amount of financial Loss suffered, in a manner that is consistent with the right and extent to which a person may be entitled to claim against the customer pool fund of a New SRO Member under the *Bankruptcy and Insolvency Act* (Canada), subject to other restrictions in this

Policy and the sole discretion of CIPF to determine protection by CIPF. CIPF may rely on the trustee in bankruptcy, the receiver or similar official under applicable law in determining the amount and validity of claims of a Customer and for the purpose of calculating financial Loss.

Determination by CIPF Conclusive

4. In the case of any question or dispute as to the interpretation or application of this Policy, including, without limitation, eligibility of the Customer, the amount of the financial Loss incurred by a Customer for the purposes of payment by CIPF of a Claim, the timing of payment and the maximum amounts to be paid to a Customer, the interpretation of CIPF of this Policy shall be final and conclusive. An appeal from a decision of CIPF may be available in accordance with the Claims Procedures.

DATED January 1, 2023