

13.1.3 Investment Industry Regulatory Organization of Canada - Rule No. 41 and Form 1 Amendments to Reflect Changes to CIPF Oversight Role

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA
RULE NO. 41 AND FORM 1
AMENDMENTS TO REFLECT CHANGES TO CIPF OVSIGHT ROLE

BLACK-LINE COPY

BY-LAW NO. 41
CANADIAN INVESTOR PROTECTION FUND

- 41.1 The Association is authorized to enter into and perform its obligations under agreements or other arrangements with the Canadian Investor Protection Fund as may be, in the discretion of the Board of Directors, consistent with the objects of the Association including, without limitation, the Industry Agreement dated •, 2006 made in effect between the Association and the Canadian Investor Protection Fund, as the same may be amended from time to time (the Industry Agreement). The President, his or her staff or any other person designated by the Board of Directors shall be authorized to execute and deliver any such agreements, or make any such arrangements, and to do all acts and things as may be necessary to permit the Association to exercise its rights or perform its obligations thereunder.
- 41.2 In respect of the Industry Agreement or other agreements and arrangements entered into by the Association in accordance with By-law 41.1 from time to time, each Member:
- (a) shall promptly pay to the Association its regular and special Canadian Investor Protection Fund assessments;
 - (b) shall provide to the Canadian Investor Protection Fund or to the Association all information required to assess its financial condition or Canadian Investor Protection Fund risk of loss;
 - (c) acknowledges and consents to the exchange of information relating to its operations, including information pertaining to its partners, directors, officers, shareholders, employees and agents, or any other persons permitted by law, or its customer's affairs, between the Association and the Canadian Investor Protection Fund, in accordance with any information sharing agreements or arrangements made by them;
 - (d) shall permit the Canadian Investor Protection Fund to conduct reviews of its operations in respect of Industry Agreement Reportable Conditions or other agreement or arrangement Reportable Conditions and shall fully cooperate with the Canadian Investor Protection Fund, and its staff and advisers, in connection with such reviews;
 - (e) shall comply with such actions as the Canadian Investor Protection Fund may direct the Association to take, or with such actions as Canadian Investor Protection Fund may take on behalf of the Association as authorized.

FORM 1

GENERAL NOTES AND DEFINITIONS

1. Each Member shall comply in all respects with the requirements outlined in this prescribed Joint Regulatory Financial Questionnaire and Report as approved and amended from time to time by the Board of Directors of the Joint Regulatory Bodies and Canadian Investor Protection Fund.

These statements are to be prepared in accordance with generally accepted accounting principles, except as modified by the requirements of the appropriate regulatory body.

These statements and schedules are to be completed by members of the Joint Regulatory Bodies as follows:

- The Montreal Exchange
- The Toronto Stock Exchange
- Investment Dealers Association of Canada

Firms may have multiple memberships in the above bodies. When this is the case and the requirements of such bodies are not consistent in a specific area, the firm must adhere to the most stringent requirement. The "appropriate Joint Regulatory Body" refers to the institution that maintains the primary audit jurisdiction for the firm and its affiliates.

2. These statements and schedules should be read in conjunction with the bylaws, rules and regulations of the Joint Regulatory Bodies and Canadian Investor Protection Fund including, but not limited to, Margin Rates, Early Warning System, Segregation, Free Credit Segregation, Insurance, Concentration of Securities and Audit Requirements.

NOTES AND INSTRUCTIONS TO STATEMENT B, NOTES TO LINE 21

Line 21 - This item should include all margin requirements not mentioned above as outlined in the bylaws, rules and regulations of the Joint Regulatory Bodies.

NOTES AND INSTRUCTIONS TO STATEMENT C, NOTES TO LINES 1, 3 AND 5

Line 1 - If Risk Adjusted Capital of the firm is less than:

- (a) 5% of total margin required (line 4 above), then the firm is designated as being in Early Warning category **Level 1**, or
- (b) 2% of total margin required (line 4 above), then the firm is designated as being in Early Warning category **Level 2**,

and the applicable sanctions outlined in the bylaws, rules and regulations of the Joint Regulatory Bodies will apply.

Line 3 - If Early Warning Excess is negative, the firm is designated as being in Early Warning category **Level 2** and the sanctions outlined in the applicable bylaws, rules and regulations of the Joint Regulatory Bodies will apply.

Line 5 - If the Early Warning Reserve is negative, the firm is designated as being in Early Warning category **Level 1** and the sanctions outlined in the applicable bylaws, rules and regulations of the Joint Regulatory Bodies will apply.

NOTES AND INSTRUCTIONS TO SCHEDULE 2, NOTE 1

1. All securities are to be valued at market (see General Notes and Definitions) as of the reporting date. The margin rates to be used are those outlined in the bylaws, rules and regulations of the Joint Regulatory Bodies.

NOTES AND INSTRUCTIONS TO SCHEDULE 2B, NOTE 1

1. The purpose of this schedule is to disclose all unsold portions of new and secondary issues held by underwriters, other than issues disclosed on Statement A, lines 9 and 53, **that are margined at less than the normal margin rates** applicable to those securities as permitted in the bylaws, rules and regulations of the Joint Regulatory Bodies. Expiry date refers to the date of any out clause or the expiry date on a bank letter.

NOTES AND INSTRUCTIONS TO SCHEDULE 10, NOTE 1

1. Member firms must maintain minimum insurance in type and amounts as outlined in the bylaws, rules and regulations of the Joint Regulatory Bodies.