

CSA Staff Notice and Request for Comment 25-305
Application for Approval of the New Investor Protection Fund

May 12, 2022

1. Background

Following extensive public consultations, the Canadian Securities Administrators (**CSA**) published [CSA Position Paper 25-404 – New Self-Regulatory Organization Framework \(CSA Position Paper\)](#), recommending amalgamation of the Investment Industry Regulatory Organization of Canada (**IIROC**) and the Mutual Fund Dealers Association of Canada (**MFDA**) into a single self-regulatory organization (**SRO**) in order to provide a framework for efficient and effective regulation in the public interest, including an enhanced governance structure, improved investor protection and education, and strengthened industry proficiency. The CSA also recommended in the Position Paper to amalgamate the two current compensation / contingency funds, the Canadian Investor Protection Fund (**CIPF**) and the MFDA Investor Protection Corporation (**MFDA IPC**), into a single compensation / contingency fund, known at this time as New IPF, which will be independent from the new SRO. The SRO amalgamation and related request for comment are addressed in a separate notice (CSA Staff Notice and Request for Comment 25-304).

CIPF and MFDA IPC have been working collaboratively to amalgamate their operational activities into the New IPF and have made representations on behalf of the New IPF for its approval and acceptance as a compensation / contingency fund by the securities regulators in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, Québec, Saskatchewan and Yukon (**the Regulators**).

The Regulators are publishing for comment the following documents:

- **Appendix A** – Application for approval and acceptance of the New IPF (**Application**), which includes the below schedules:
 - Schedule 1** – Draft By-Law Number 1 of the New IPF
 - Schedule 2** – Draft Coverage Policy
 - Schedule 3** – Draft Claims Procedures
 - Schedule 4** – Draft Appeal Committee Guidelines
- **Appendix B** - Draft Approval Order for the New IPF setting out the terms and conditions of approval as well as reporting requirements for the New IPF. Following the comment process and resolution of any issues, each Regulator will issue a substantially similar order approving or accepting the New IPF.
- **Appendix C** – Draft Memorandum of Understanding (**MOU**) among the Regulators regarding oversight of the New IPF. The MOU includes detailed protocols for the review and approval of amendments to the New IPF by-laws, certain policies and the agreement with

the New SRO, and procedures for performance of periodic oversight reviews of the New IPF.

The Autorité des marchés financiers (**AMF**) is publishing simultaneously for comments its proposed transition plan for mutual fund dealers registered in Québec (**Québec MFDs**) and their registered individuals. Québec MFDs will not be required to contribute to the New IPF's Mutual Fund Dealer Fund in respect of customer accounts located in Québec and those accounts will not be eligible for coverage by the New IPF. However, Québec MFDs will continue to contribute to the Québec financial services compensation fund, as required by law, and their clients will continue to be eligible for the payment of indemnities by this fund¹.

2. Approval of the New IPF

The Application, published below, outlines how the New IPF will comply with the terms and conditions of the draft Approval Order.

3. Comment Process

We are seeking comments on all aspects of the New IPF Application and related documents. Please submit your written comments on or before June 27, 2022. If you are not sending your written representations by email, please send us an electronic file containing submissions provided (in Microsoft Word format).

Please address your submission to all of the CSA as follows:

Alberta Securities Commission

Autorité des marchés financiers

British Columbia Securities Commission

Manitoba Securities Commission

Financial and Consumer Services Commission of New Brunswick

Office of the Superintendent of Securities, Digital Government and Services,
Newfoundland and Labrador

Office of the Superintendent of Securities, Northwest Territories

Nova Scotia Securities Commission

Office of the Superintendent of Securities, Nunavut

Ontario Securities Commission

Prince Edward Island Office of the Superintendent of Securities

Financial and Consumer Affairs Authority of Saskatchewan

Office of the Yukon Superintendent of Securities

¹ Please see the following for additional details: <https://lautorite.qc.ca/en/general-public/compensation-and-deposit-protection/submit-a-claim-to-the-fonds-dindemnisation-des-services-financiers>

Please send your written representations only to the addresses below. Your written representations will be forwarded to the other CSA member jurisdictions. Your comments relating to the schedules will also be shared with CIPF and MFDA IPC.

The Secretary
Ontario Securities Commission
20 Queen Street West 22nd Floor
Toronto, Ontario M5H 3S8
Fax: 416-593-2318
Email: comments@osc.gov.on.ca

Me Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1
Fax : 514- 864-638
Email: consultation-en-cours@lautorite.qc.ca

Certain CSA jurisdictions require publication of the comments received during the comment period. All written comments received will be posted on the websites of each of the ASC at www.albertasecurities.com, the AMF at www.lautorite.qc.ca and the OSC at www.osc.gov.on.ca. Please do not include personal information directly in written representations to be published and state on whose behalf you are making the submission.

Questions

If you have any comments or questions, please contact any of the CSA staff listed below.

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TO: Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Manitoba Securities Commission
Financial and Consumer Services Commission of New Brunswick
Office of the Superintendent of Securities, Digital Government and Services,
Newfoundland and Labrador
Office of the Superintendent of Securities, Northwest Territories
Nova Scotia Securities Commission
Office of the Superintendent of Securities, Nunavut
Ontario Securities Commission
Prince Edward Island Office of the Superintendent of Securities
Financial and Consumer Affairs Authority of Saskatchewan
Office of the Yukon Superintendent of Securities
(collectively, the “**Regulators**”)

Dear Sirs/Mesdames:

Re: [New IPF] (“New IPF” or the “Corporation”)

This letter sets out the application of the Canadian Investor Protection Fund (“**CIPF**”) and the MFDA Investor Protection Corporation (“**MFDA IPC**”) (the “**Applicants**”) for approval, designation or consideration, as the case may be, pursuant to the applicable securities legislation (the “**Legislation**”), of New IPF, a corporation to be formed by the amalgamation of CIPF and MFDA IPC, as a compensation fund for customers of investment dealers and mutual fund dealers which are members of the new single self-regulatory organization (“**New SRO**”) to be formed from the amalgamation of Investment Industry Regulatory Organization of Canada (“**IIROC**”), the Mutual Fund Dealers Association of Canada (the “**MFDA**”). Differences in coverage for mutual fund dealer activities in Québec are noted in this application.

Approval Criteria

The Regulators have identified certain criteria (the “**Criteria**”) which are to be satisfied in regard to any order approving New IPF. The Criteria are discussed in relevant sections of this application and were provided to the Applicants as Terms and Conditions proposed for the approval orders of the Regulators. References herein to the “**Approval Order**” are references to the draft approval order for New IPF attached as **Appendix B** to the CSA Notice and Request for Comments for this application (the “**CSA Notice**”).

The proposed Memorandum of Understanding Regarding Oversight of New IPF, among the Regulators (the “**MOU**”) is attached as **Appendix C** to the CSA Notice.

Capitalized terms that are not defined herein have the meaning given to them in the Approval Order.

Dual Registration

The Criteria contemplate a regulatory environment with two registration categories under the New SRO: investment dealers and mutual fund dealers. The documents contemplated in this application have been prepared on that basis. Where a single legal entity operates as both a registered investment dealer and a registered mutual fund dealer, the Investment Dealer Fund would be available to fund coverage for both of those categories. The actual implementation and documentation will depend in part on the rules adopted by the New SRO and amendments made to the Industry Agreement, as required, to accommodate the dual registration.

All specific references herein to a document that is currently in draft are subject to change to reflect amendments made to the draft.

For convenience this application is divided into the following sections:

1. Background to the Amalgamation
2. Corporate Structure and Authority
3. Corporate Governance
4. Conflicts of Interest
5. Funding and Maintenance of New IPF
6. Customer Protection

7. Financial and Operational Viability
8. Risk Management
9. Agreement between New IPF and New SRO
10. Assistance to New SRO
11. Collection of Information
12. Information Sharing and Regulatory Cooperation
13. Ongoing Reporting Requirements
14. Approval of Amendments
15. Submissions

Submitted with this application are the following supporting documents:

Schedule 1 – Draft By-Law No. 1 of New IPF

Schedule 2 – Draft Coverage Policy

Schedule 3 – Draft Claims Procedures

Schedule 4 – Draft Appeal Committee Guidelines

1. BACKGROUND TO THE AMALGAMATION

In its Position Paper 25-404 “New Self – Regulatory Organization Framework”, dated August 3, 2021 (the “**Position Paper**”), the CSA advised that it had decided to move forward in combining IIROC and the MFDA to form a new, single, enhanced self-regulatory organization (referring to New SRO), and the consolidation MFDA IPC and CIPF into a single legal entity that is independent from New SRO (i.e., New IPF).

CIPF and MFDA IPC are both corporations existing under the *Canada Not-for-profit Corporations Act* (the “**CNCA**”). CIPF and MFDA IPC have determined that the most effective way to consolidate their operations, while also meeting the CSA’s objectives for New IPF, is to amalgamate CIPF and MFDA IPC to form New IPF under the CNCA (the “**Amalgamation**”).

The Amalgamation will be subject to the terms of an Amalgamation Agreement between CIPF and MFDA IPC (the “**Amalgamation Agreement**”), which is discussed in more detail in sections below addressing particular criteria. Since New IPF will be formed by the Amalgamation which cannot become effective until New SRO is formed, approval in respect of New IPF is being sought before New IPF is formed.

2. CORPORATE STRUCTURE AND PURPOSE

Relevant Criteria: *Authority and Purpose*

[New IPF] has, and must continue to have, the appropriate authority and capacity to carry out the [New IPF] Mandate.

[New IPF] Mandate - to provide protection to customers of SRO Members who have suffered or may suffer financial losses as a result of the insolvency of the SRO Member, all on such terms and conditions as may be determined by [New IPF] in its sole discretion and, in connection with such coverage, to engage in risk management activities to minimize the likelihood of such losses.

2.1 The Corporation

The Amalgamation Agreement provides for the amalgamation of CIPF and MFDA IPC to form New IPF under the CNCA. New IPF will be a not-for-profit corporation with no share capital. By adopting a federal not-for-profit corporation structure New IPF will be subject to the governance and other legal requirements of the CNCA. The Applicants are of the view that the functions and

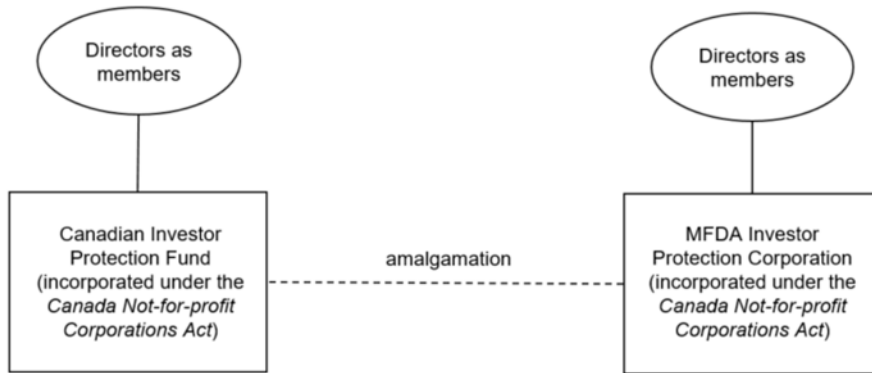
role of New IPF can be best accommodated with the proposed corporate form. Both CIPF and MFDA IPC are not-for-profit corporations with no share capital existing under the CNCA.

2.2 Articles of Amalgamation

The document that will create New IPF is the Articles of Amalgamation. Among other things, the Articles of Amalgamation sets out the purposes of New IPF, giving it the legal authority to carry them out. The proposed form of Articles of Amalgamation will be attached to the Amalgamation Agreement.

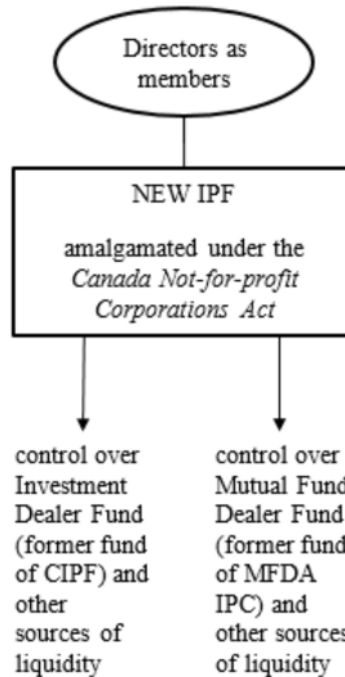
A diagram illustrating the corporate structure before (pre) and after (post) the proposed amalgamation is set out below:

Pre-amalgamation:



Note: Dashed line represents transaction step

Post-amalgamation:



2.3 Purposes of the Corporation

The purposes of New IPF are set out in the Articles of Amalgamation as follows:

- a) To provide protection to clients of eligible registered investment dealers and registered mutual fund dealers which are members, approved participants or other similar participating organizations of the [New SRO] (“SRO Members”) who have suffered or may suffer financial loss as a result of the insolvency of the SRO Member, all on such terms and conditions as may be determined by the Corporation in its sole discretion.
- b) For the purposes of the Corporation, to receive, acquire, hold, purchase, convert, lease, mortgage, sell or dispose of any asset or property of the Corporation of any kind and from any source whatsoever; and to invest and reinvest any of the assets or property of the Corporation in investments which the directors in their discretion consider appropriate.
- c) To do all such other things as may be necessary or incidental to the furtherance of the foregoing purposes.

3. CORPORATE GOVERNANCE

Relevant Criteria: *Corporate Governance*

- a) *The Board must be selected in a fair and reasonable manner and must fairly represent the interests of all SRO Members and their customers and properly balance the interests of SRO Members and their customers.*
- b) *The Board must be composed of Industry Directors, Public Directors and the chief executive officer. The number of Public Directors must exceed the number of Industry Directors by at least one. The Board must include no more than 15 directors.*
- c) *The [New IPF]'s governance structure must provide for:*
 - (i) *fair, meaningful and diverse representation on the Board and any committees of the Board, having regard to the differing interests between SRO Members and their customers;*
 - (ii) *appropriate representation of Public Directors on [New IPF] Board committees and on any executive committee or similar body;*
 - (iii) *appropriate qualification, remuneration and conflict of interest provisions, and limitation of liability and indemnification protections for directors, officers and employees of [New IPF] generally; and*
 - (iv) *a governance, nominating and human resources committee and an audit, finance and investment committee, each of which must be constituted by a majority of Public Directors, including the chair.*

3.1 General

The manner in which the affairs of New IPF are governed is critical to its ability to achieve its objectives and fulfil the purposes and functions expected of it.

3.2 Members

As a non-share capital corporation under the CNCA, New IPF will have members rather than shareholders. Section 2.1 of the proposed By-Law No. 1 of New IPF (the “**By-Law**”) provides that membership in the Corporation shall consist only of the persons who compose the Board from time to time. This is for ease of administration as it is impractical for a broader membership to be admitted. A copy of the draft By-Law is attached to this application as **Schedule 1**.

The Articles of Amalgamation provides for one class of members, all of whom will be voting members. The primary role of members is to elect directors, appoint the auditor of the corporation, receive the financial statements of the corporation and confirm by-laws. The members are required to meet at least annually.

The corporate membership structure of New IPF will help ensure its independence from New SRO and is consistent with the membership structure of each of CIPF and MFDA IPC.

3.3 Composition and Size of Board of Directors

The Board will consist of not fewer than 8 or more than 12 directors, provided that the Board may initially consist of 15 directors with such number of directors reduced (to the maximum number of 12 directors) upon the expiry of terms of office held at the time of the Amalgamation (and all renewals thereof contemplated for the transition period). *[By-Law, Section 4.1]*

The Board shall be composed of Industry Directors, Public Directors and New IPF's Chief Executive Officer ("CEO"), subject to their election by the members or appointment by the Board in accordance with the By-law. The number of directors, including the number of Industry Directors and Public Directors, shall be determined from time to time by a resolution passed at a meeting of the members of the Corporation, provided that the number of Public Directors shall exceed the number of Industry Directors by at least one. *[By-Law, Section 4.1]*

3.4 Governance, Nominating & Human Resources Committee

The Board will appoint a Governance, Nominating & Human Resources Committee which shall be composed of 3 or more directors (including one or both of the Chair and Vice-Chair of the Board), a majority of whom shall be Public Directors, and carry out such duties and tasks as set out in the By-law or as determined by the Board from time to time. The chair of the Governance, Nominating & Human Resources Committee shall be a Public Director. The Governance, Nominating & Human Resources Committee shall recommend nominations to the Board for Industry Directors, Public Directors, Chair, Vice-Chair, CEO, and any other nomination as requested by the Board from time to time. *[By-Law, Section 5.1]*

3.5 Audit, Finance & Investment Committee

The Board will appoint an Audit, Finance & Investment Committee composed of 3 or more directors, a majority of whom shall be Public Directors. The chair of the Audit, Finance & Investment Committee shall be a Public Director. The Audit, Finance & Investment Committee shall be responsible for the review of the Corporation's financial statements and such other functions as the Board may determine. *[By-Law, Section 5.2]*

3.6 Other Committees

The By-Law allows the Board to appoint other committees. Among those that will be established are the Risk Committee and the Coverage Committee, both of which are discussed further below. *[By-Law, Section 5.3]*

3.7 Mandate of the Governance, Nominating & Human Resources Committee

The duties delegated by the Board to the Governance, Nominating & Human Resources Committee will include:

- a) Manage the process for identifying and recruiting candidates to be nominated for election or appointment to the Board, taking into consideration cultural, disability, gender, racial, regional and sexual orientation diversity, among other factors.
- b) Oversee the evaluation of the Board and of its committees and directors.
- c) Oversee the ability of New IPF to attract and maintain the appropriate complement of personnel to fulfill its mandate and provide for succession of the Board and its committees and directors.
- d) Recommend to the Board for approval a process for the selection of new directors and biennially review such process and recommend any changes thereto to the Board for approval. The process must be done in a fair and reasonable manner.
- e) Develop and maintain a pool of potential candidates for directors who meet the established criteria.
- f) Review, and recommend to the Board for approval:
 - (i) The selection of the CEO through, if considered appropriate, a recruitment process or such other method determined by the Board.

- (ii) The annual performance goals for the CEO.
 - (iii) The annual performance and compensation for the CEO
- g) Review at least once annually, and approve:
- (i) Succession plans for officers.
 - (ii) The annual performance goals for officers (excluding the CEO).
 - (iii) The annual performance and compensation for officers (excluding the CEO).

3.8 Limitation of Liability and Indemnification Protections for Directors, Officers and Employees

The By-Law provides that no past or present member of the Board or any committee or sub-committee thereof or of the Corporation, nor any past or present officer, employee or agent of any of them shall be liable for any loss, damage or misfortune that happen in the execution of the duties of their office or in relation thereto, provided that the standard of care required of the director or officer under the CNCA and the By-Law has been satisfied, and provided that nothing therein shall relieve any such person from the duty to act in accordance with the CNCA and the regulations thereunder or from liability for any breach thereof. *[By-Law, s. 7.2]*

A standard corporate indemnity is also provided to those persons, provided that:

- a) the person acted honestly and in good faith with a view to the best interests of the Corporation or, as the case may be, to the best interests of the other entity for which the individual acted as director or officer or in a similar capacity at the Corporation's request; and
- b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the person had reasonable grounds for believing that the conduct was lawful. *[By-Law, s. 7.3]*

The Corporation is authorized to purchase and maintain insurance for the benefit of any person referred to above against such liabilities and in such amounts as the Board may from time to time determine and are permitted by the CNCA. *[By-Law, s. 8.1]*

4. CONFLICTS OF INTEREST

Relevant Criteria: *Conflicts of Interest*

Subject to applicable legislation, [New IPF] must identify and avoid real, potential or perceived conflicts of interest between its own interests, or the interests of its directors, officers, or employees and the [New IPF] Mandate.

4.1 Conflicts of Interest

Section 6.1 of the By-Law establishes a policy and procedures for disclosure of and accountability for conflicts of interest for directors and officers of New IPF. The Board will implement the policy and procedures through codes of conduct for directors and for employees *[By-Law, s. 6.1]*

Directors are required by the CNCA and the By-Law to disclose the nature and extent of any interest in a material contract or transaction with New IPF that the director may have. The code of conduct will provide that, apart from a director's interest in contracts or transactions with New IPF, existing or proposed activities, appointments or commercial arrangements may constitute a conflict of interest if they might interfere with, or appear to interfere with, the director's ability to exercise independent judgment in matters pertaining to New IPF. If one or more activities, appointments or commercial arrangements give rise to an actual or potential conflict of interest (or the appearance of such a conflict) by reason of interfering with, or appearing to interfere with, a candidate for the Board's ability to exercise independent judgment in matters pertaining to New IPF, New IPF expects that it will only be an unusual and exceptional circumstance for such candidate to be considered eligible to serve on the Board. Certain exceptions will be made for Industry Directors.

If a director becomes aware of an actual or potential conflict of interest or other matter such as an interest in a contract or transaction or an activity, proceeding, appointment or commercial arrangement, the director will be required to disclose to, and discuss with, the Chair and the CEO of New IPF.

5. FUNDING AND MAINTENANCE OF NEW IPF

Relevant Criteria: *Funding and Maintenance of [New IPF]*

- a) *[NEW IPF] must institute and publish one or more fair, transparent, and reasonable methodologies of establishing assessments for contribution for each category of SRO Members, which are investment dealers and mutual fund dealers (**Assessment Policies**).*
- b) *[New IPF] will conduct the analysis of risks associated with each category of SRO Members and, following which, determine whether a single assessment methodology is appropriate for all categories of SRO Members. Until such time as the analysis is completed,*
 - (i) *the funds available to satisfy potential claims for coverage by customers of each category of SRO Members must be segregated;*
 - (ii) *the assessments must be calculated and levied discretely on the basis of independent assessment methodologies for each category of SRO Members and contributed to the segregated funds (each, a **Fund**); and*
 - (iii) *[New IPF] must ensure a moratorium on any changes to the current assessment methodologies applied to fees or assessments that would result in a material increase to the assessments levied by [New IPF] on each category of SRO Members, unless authorized by the Commission.*
- c) *The assessments must:*
 - (i) *reflect an equitable allocation among SRO Members, which may be based on the level of risk to which each SRO Member exposes [NEW IPF]; and*
 - (ii) *balance the need for [NEW IPF] to have sufficient revenues to satisfy claims in the event of an insolvency of any member of the relevant category of SRO Members and to have sufficient financial resources to satisfy its operational costs against the goal that there be no unreasonable financial barriers to becoming a member of the SRO.*
- d) *[NEW IPF] must make all necessary arrangements for the notification to each category of SRO Members of [NEW IPF]'s assessments and the collection of such assessments, either directly or indirectly through the SRO.*
- e) *The Board must determine the appropriate level of assets for each of the Funds. The Board will conduct an annual review of the adequacy of the Coverage Assets, assessment amounts and assessment methodologies; and will ensure that the level of Coverage Assets of each Fund remains adequate to cover potential claims of customers of the relevant category of SRO Members.*
- f) *Moneys in each Fund must be invested in accordance with the relevant policies, guidelines or other instruments (**Investment Policies**) applicable to that Fund and*

approved by the Board, who will be responsible for regular monitoring of the investments. The Investment Policies must require safety of principal and a reasonable income while at the same time ensuring that sufficient liquidity is available to pay potential claims in accordance with the Coverage Policies. All moneys and securities must be held by a qualified custodian, which are those entities considered suitable to hold securities on behalf of an SRO Member, for both inventory and client positions, without capital penalty, pursuant to the bylaws, rules or regulations of the SRO.

- g) *[NEW IPF] must implement an appropriate accounting system, including a system of internal controls for maintaining [NEW IPF] Coverage Assets.*

5.1 Two Fund Structure

In this application, “**Coverage Policy**” means the Coverage Policy attached to this application, as **Schedule 2**.

The Amalgamation Agreement sets out the following definitions:

“**CIPF Liabilities**” means liabilities, whether accrued, contingent or otherwise, that may be legally enforced against CIPF as at the time immediately prior to the Amalgamation.

“**MFDA IPC Liabilities**” means liabilities, whether accrued, contingent or otherwise, that may be legally enforced against the MFDA IPC as at the time immediately prior to the Amalgamation.

“**Investment Dealer Fund**” means the segregated fund available to satisfy potential claims for coverage by customers of registered investment dealers in accordance with the Coverage Policy which shall be comprised of, without duplication: (i) the CIPF Fund net of the CIPF Liabilities; (ii) all investment dealer assessments and other amounts received or receivable by the Amalgamated Corporation specifically for the benefit of the Investment Dealer Fund from and after the effective time of the Amalgamation net of liabilities incurred by the Amalgamated Corporation from and after the effective time of the Amalgamation specifically for the benefit of the Investment Dealer Fund together with such proportion of the remaining liabilities incurred by the Amalgamated Corporation from and after the effective time of the Amalgamation (and not otherwise incurred specifically for the benefit of the Mutual Fund Dealer Fund) as may have been determined by the Board to be referable to the Investment Dealer Fund from time to time; and (iii) all net income, proceeds and (re)investments of the assets identified in (i) and (ii) above.

“**Mutual Fund Dealer Fund**” means the segregated fund available to satisfy potential claims for coverage by customers of registered mutual fund dealers in accordance with the Coverage Policy which shall be comprised of, without duplication: (i) the MFDA IPC Fund net of the MFDA IPC Liabilities; (ii) all mutual fund dealer assessments and other amounts received or receivable by the Amalgamated Corporation specifically for the benefit of the Mutual Fund Dealer Fund from and after the effective time of the Amalgamation net of liabilities incurred by the Amalgamated Corporation from and after the effective time of the Amalgamation specifically for the benefit of the Mutual Fund Dealer Fund together with such proportion of the remaining liabilities incurred by the Amalgamated Corporation from and after the effective time of the Amalgamation (and not otherwise incurred specifically for the benefit of the Investment Dealer Fund) as may have been determined by the Board to be referable to the Mutual Fund Dealer Fund from time to time; and (iii) all net income, proceeds and (re)investments of the assets identified in (i) and (ii) above.

On the effective date of the Amalgamation,

- a) the property of CIPF includes cash, securities and receivables held or maintained by CIPF as at the time immediately prior to the Amalgamation for purposes of satisfying claims or potential claims made in accordance with the CIPF Coverage Policy (the “**CIPF Fund**”) and, from and after the effective time of the Amalgamation, the CIPF Fund will be designated as (and form part of) the Investment Dealer Fund of New IPF, and
- b) the property of MFDA IPC includes cash, securities and receivables held or maintained by the MFDA IPC as at the time immediately prior to the Amalgamation for purposes of satisfying claims or potential claims made in accordance with the MFDA IPC Coverage Policy (the “**MFDA IPC Fund**”) and, from and after the effective time of the Amalgamation, the MFDA IPC Fund will be designated as (and form part of) the Mutual Fund Dealer Fund of New IPF.

New IPF will maintain the Investment Dealer Fund and the Mutual Fund Dealer Fund as segregated funds such that:

- a) the Investment Dealer Fund will be available to satisfy:

- (i) claims that may be made by clients of a registered investment dealer for compensation from the Investment Dealer Fund in accordance with the Coverage Policy,
 - (ii) CIPF Liabilities, and
 - (iii) those liabilities incurred by the Amalgamated Corporation from and after the effective time of the Amalgamation specifically for the benefit of the Investment Dealer Fund together with such proportion of the remaining liabilities incurred by the Amalgamated Corporation from and after the effective time of the Amalgamation (and not otherwise incurred specifically for the benefit of the Mutual Fund Dealer Fund) as may have been determined by the Board to be referable to the Investment Dealer Fund from time to time;
- b) the Mutual Fund Dealer Fund will be available to satisfy:
 - (i) claims that may be made by clients of a registered mutual fund dealer for compensation from the Mutual Fund Dealer Fund in accordance with the Coverage Policy,
 - (ii) MFDA IPC Liabilities, and
 - (iii) those liabilities incurred by the Amalgamated Corporation from and after the effective time of the Amalgamation specifically for the benefit of the Mutual Fund Dealer Fund together with such proportion of the remaining liabilities incurred by the Amalgamated Corporation from and after the effective time of the Amalgamation (and not otherwise incurred specifically for the benefit of the Investment Dealer Fund) as may have been determined by the Board to be referable to the Mutual Fund Dealer Fund from time to time;
- c) in no event will claims made by customers of an investment dealer or any CIPF Liabilities be satisfied from the Mutual Fund Dealer Fund or from any source of additional liquidity maintained for the benefit of the Mutual Fund Dealer Fund; and

- d) in no event will claims made by customers of a mutual fund dealer or any MFDA IPC Liabilities be satisfied from the Investment Dealer Fund or from any source of additional liquidity maintained for the benefit of the Investment Dealer Fund.

New IPF may only vary these provisions if required by amendments to the Coverage Policy approved by the Board and by each Regulator. [*Amalgamation Agreement, s. 9*]

5.2 Assessment Policy and Appeals

Subject to a transitional moratorium on changes to assessment methodology(ies), New IPF will, in its discretion, adopt (and may approve amendments to) one or more policies establishing the formula(e) or methodology(ies) for, or principles governing, assessments of each category of SRO Members (the “**Assessment Policies**”).

In accordance with the Assessment Policies, New IPF will determine and calculate, from time to time, the basis and rate of assessments levied on each category of SRO Members.

The Assessment Policies may also establish the dates by which assessments are due and payable by New SRO to New IPF and such other terms and conditions relating to the payment of assessments as may be desirable.

The Assessment Policies (and any amendment and proposed amendment thereto) will be in writing and promptly be provided to New SRO. New IPF will consult with, and afford New SRO a reasonable opportunity to comment on, and otherwise provide input to, each amendment proposed to the Assessment Policies. Following such consultation, New IPF will provide written notice of the amendment to be made to the Assessment Policies to the CSA no less than 60 days, and to New SRO no less than 90 days (or such shorter period as may be agreed by New SRO), prior to the effective date of such amendment.

A Risk Committee will be established by the Board of New IPF and its mandate will provide that the Board will delegate to it the duty to oversee and monitor the methodologies used to determine New IPF’s requirements for Coverage Assets and the adequacy of New IPF’s available Coverage Assets given the risk exposure associated with the failure of an SRO Member, as well as to oversee and monitor New IPF’s management of enterprise risk. Among its other duties, the Risk

Committee will provide recommendations to the Board in respect the annual assessment targets to be paid by the SRO Members as described in the Assessment Policies (Target Assessments).

Responsibility for approving procedures for the appeal of assessments (the “**Assessment Appeal Procedures**”) will reside with the Board. However, the Risk Committee’s mandate will include the duty for monitoring and overseeing compliance with the Assessment Appeal Procedures, and for deciding appeals, on behalf of the Board. Every fifth year, or as required, the Risk Committee will review, and provide recommendations to the Board in respect of, the Assessment Policies and the Assessment Appeals Procedures.

5.3 Moratorium on Changes to Assessment Methodology

Initially maintaining separate Funds will allow time for an assessment of risks associated with each category of SRO Members. The approval of the Regulators will be required for any change in the formula(e) or methodology(ies) for, or principles governing, the assessments to be levied on each category of SRO Members, or on any SRO Member or SRO Members individually, where such change could result in a material increase in the assessment(s) levied on the category of SRO Members (or SRO Member or SRO Members individually) in accordance with the Industry Agreement and the Assessment Policy, but only for as long as the approval of the Regulators is required for such changes under the terms of the Approval Order.

5.4 Mutual Fund Dealers with Customer Accounts in Québec

There is currently no coverage by MFDA IPC for mutual fund dealer activities in Québec. Consequently, mutual fund dealers are not subject to assessment to fund MFDA IPC in relation to accounts located in Québec. Mutual fund dealers operating exclusively in Québec are not required to be members of the MFDA, while mutual fund dealers with activities in one or more remaining jurisdictions must be members of the MFDA. It is the Applicants’ understanding that all mutual fund dealers in Canada will be members of New SRO. However, until it is required to do so, New IPF will not provide coverage for mutual fund dealer customer accounts in Québec and SRO Members will not be subject to assessments to contribute to the Mutual Fund Dealer Fund of New IPF in relation to mutual fund dealer customer accounts located in Québec.

5.5 Liquidity Resource (Coverage Asset) Requirements

Upon recommendation of the Risk Committee, the Board will: (i) set the methodologies used to determine the levels of Coverage Assets required for New IPF; (ii) establish New IPF's target Coverage Assets; and, (iii) set the level and mix of available Coverage Assets, taking into account the different purposes of New IPF's two Funds and associated Coverage Assets. The Risk Committee will be responsible for monitoring and overseeing the parameters, inputs, and methodologies used to determine New IPF's Coverage Assets requirements and reviewing the adequacy of New IPF's available Coverage Assets in relation to New IPF's targets, taking into account the different purposes of New IPF's two separate Funds and associated Coverage Assets.

5.6 Investment Policies

The Board will establish appropriate policies and procedures for investment. The mandate of the Audit, Finance & Investment Committee will include monitoring the performance of the investments and compliance with the investment policies. At least once every three years, the Audit, Finance & Investment Committee will review the investment policies and recommend amendments to the Board as necessary.

5.7 Accounting System

The Audit, Finance & Investment Committee will assist the Board in fulfilling its oversight responsibilities regarding the integrity of financial reporting and disclosure, the associated accounting policies, internal controls, and compliance and legal regulatory requirements, and to assess the financial and investment risks to which New IPF's Coverage Assets are exposed and to ensure that adequate management controls are in place to minimize such risk.

6. CUSTOMER PROTECTION

Relevant Criteria: ***Customer Protection***

- a) *[New IPF] must establish and maintain Coverage Policies which:*
 - (i) *provide for fair and adequate coverage, on a discretionary basis, for all customers of SRO Members, for losses of property comprising securities, cash, and other property (to the extent not specifically excluded or held in accounts located in Québec) held by SRO Members resulting from the*

insolvency of an SRO Member, including criteria for who is an eligible customer;

(ii) include fair and reasonable procedures for assessing claims made to [New IPF]. [New IPF] will respond as quickly as practicable in assessing and paying claims made pursuant to those procedures; and

(iii) allow [New IPF] to adequately disclose to customers of SRO Members, either directly or indirectly through the SRO, the principles and policies on which coverage will be available, including, but not limited to, the process for making a claim and the maximum coverage available per customer account.

b) In a case where a claim is not accepted for payment by [New IPF] staff or by an appointed committee, the claim must be reconsidered by an internal appeal committee if such a review is requested by a customer of an SRO Member or by [New IPF] staff. [New IPF] must establish within its Coverage Policies fair and reasonable internal claim review procedures for this purpose. An appeal committee will be comprised of one or more adjudicators who may or may not be directors. The Coverage Policies or other documentation must include criteria established by the Board for the selection of appeal committee members, including criteria that no director involved in the initial decision will be involved in reconsidering that decision.

c) The Coverage Policies must not prevent a customer of an SRO Member from taking legal action against [New IPF] in a court of competent jurisdiction in Canada. [New IPF] must not contest the jurisdiction of such a court to consider a claim where the claimant has exhausted [New IPF]'s internal appeals or review process.

6.1 Coverage Policies

The Board will establish a Coverage Committee with responsibilities for coverage policies and procedures. The following draft Coverage Policies are included with this application:

- Draft Coverage Policy, as **Schedule 2**
- Draft Claims Procedures, as **Schedule 3**
- Draft Appeal Committee Guidelines, as **Schedule 4**

The Coverage Policy offers fair and adequate coverage, on a discretionary basis, for losses arising from the insolvency of SRO Members, for all customers of SRO Members (except in relation to customer accounts in Québec maintained with mutual fund dealers). Initially, discrete coverage will be afforded (i) to customers of SRO Members who are in the category consisting of investment dealers, whose coverage will be funded only through the Investment Dealer Fund, and (ii) to

customers of SRO Members who are in the category consisting of mutual fund dealers, whose coverage is funded only through the Mutual Fund Dealer Fund.

Coverage will not be available to customers in relation to their accounts in Québec maintained with mutual fund dealers.

The Disclosure Policy will describe the requirements, prescribed formats, and acceptable practices for disclosure of New IPF membership by an SRO Member (other than with respect to a mutual fund dealer's customer accounts in Québec).

The Claims Procedures develop fair and reasonable procedures for assessing claims and to pay eligible claims pursuant to these procedures, and allow for an internal appeal process if requested by the customer or by New IPF staff. A customer will not be precluded from taking legal action against New IPF where the customer has exhausted New IPF's internal appeal process.

The Appeal Committee Guidelines detail the appeal procedures and the establishment of appeal committees.

7. FINANCIAL AND OPERATIONAL VIABILITY

Relevant Criteria: *Financial and Operational Viability*

[New IPF] must maintain adequate financial and operational resources, including adequate staff resources or external professional advisers, to permit [New IPF] to:

- a) exercise its rights and perform its duties under this Approval Order; and*
- b) review, in accordance with the Industry Agreement, the business and operations of any SRO Member, or designated groups of SRO Members, where a situation has occurred that in the opinion of [New IPF] constitutes a reportable condition, as defined in the Industry Agreement.*

7.1 Risk Committee

The Risk Committee will be responsible for monitoring and overseeing:

- a) the parameters, inputs, and methodologies used to determine New IPF's Coverage Asset requirements and reviewing the adequacy of New IPF's available Coverage Assets in relation to New IPF's target level of Coverage Assets, taking into account

the different purposes of New IPF's two separate Funds and associated Coverage Assets.

- b) the procedures New IPF will have in place to monitor the adequacy of the New SRO capital requirements for SRO Members, and changes thereto.
- c) the procedures New IPF has in place to identify and respond to member firms that may pose a risk to New IPF's available Coverage Assets.

7.2 Assessments

New IPF will levy assessments (including Regular Assessments, Replenishment Assessments, Asset Location Assessments and Additional Assessments) sufficient to meet New IPF's operating costs, to maintain Coverage Assets in the Investment Dealer Fund and the Mutual Fund Dealer Fund and to meet New IPF's obligations, when due, under any credit facility provided to New IPF.

8. RISK MANAGEMENT

Relevant Criteria: ***Risk Management***

- a) *[New IPF] must ensure that it has policies and procedures, including a process to identify and request all necessary information from the SRO, in order for [New IPF] to:*
 - (i) *fulfill [New IPF]Mandate and manage risks to the public and to [New IPF] assets;*
 - (ii) *assess whether the prudential standards and operations of [New IPF] are appropriate for the coverage provided and the risk incurred by [New IPF]; and*
 - (iii) *identify and deal with SRO Members that may be in financial difficulty.*
- b) *While [New IPF] may rely on SRO to conduct reviews of SRO Members for [New IPF] purposes, [New IPF] must reserve the right to conduct reviews of SRO Members, in particular situations where [New IPF] has concerns about the integrity of the Coverage Assets or possible claims.*

8.1 Rules Regarding Financial Strength and Business Conduct of Members

New SRO will prepare rules regarding the business and financial strength of SRO Members in order to minimize their risk of insolvency and losses to their customers, as well as rules regarding

the business conduct of SRO Members to ensure SRO Members handle customers' business within the bounds of ethical conduct (“**Rules**”).

New SRO will provide prior written notice of, and permit New IPF an opportunity to comment on any new, amended or deleted Rule. New IPF may, whenever it considers necessary or desirable in the context of changing industry or market practices, changing products, changing circumstances or risks or otherwise, propose to New SRO for consideration by it, its board of directors (or corresponding body) or committees any new Rules, or amendments or deletions to existing Rules, that are in order to enhance protection by New IPF of customers of SRO Members and to reduce risk of loss to be covered by New IPF.

New SRO will enforce the Rules against its SRO Members. The Rules will contain provisions requiring SRO Members (other than with respect to a mutual fund dealer's customer accounts in Québec) to adhere to the Rules and to permit the exercise of New SRO's and New IPF's respective rights and performance of their respective obligations under the Industry Agreement.

8.2 Action Where Member in Financial Difficulty

When an SRO Member (other than mutual fund dealers that exclusively maintain their customer accounts in Québec) is considered to be in financial difficulty by New IPF, New IPF may recommend to New SRO to take such action with respect to such SRO Member which is reasonable in the circumstances (and which is not contrary to law or to the requirements or order of any securities regulatory authority having jurisdiction in the matter) or take its own appropriate action as agreed to in the Industry Agreement.

8.3 Remedial Action For Compliance With Rules

New IPF determines may recommend to New SRO to take certain measures (other than such action that may be contrary to law to or to the requirements or order of any securities regulatory authority having jurisdiction in the matter) to ensure that SRO Members (other than mutual fund dealers that exclusively maintain their customer accounts in Québec) are complying with its Rules, or take its own appropriate action as agreed to in the Industry Agreement.

8.4 New SRO Reviews

New IPF will be entitled, with respect to each review of an SRO Member by New SRO: (i) to rely upon New SRO's findings; (ii) to review the working papers of the auditors of the SRO Member; (iii) to require the Audited Form 1s and any comparable reporting form approved by New SRO to be addressed to New IPF and available for review by New IPF; and (iv) to require auditor's reports and any special reports prepared by the auditors of the SRO Member or any other professionals in relation to the SRO Member, its financial position, its operations or its business to be addressed to New IPF.

9. AGREEMENT BETWEEN NEW IPF AND NEW SRO

Relevant Criteria: *Agreement between [New IPF] and the SRO*

[New IPF] must comply with the Industry Agreement signed with the SRO.

9.1 Industry Agreement

New IPF will comply with the Industry Agreement when signed with New SRO. In addition to the Industry Agreement, New IPF and New SRO are expected to enter into a Transitional Services Agreement to confirm the termination of the Services Agreement dated July 1, 2005, as revised on October 3, 2012, between the MFDA and MFDA IPC.

10. ASSISTANCE TO NEW SRO

Relevant Criteria: *Assistance to the SRO*

[New IPF] must assist the SRO when an SRO Member is in or is approaching financial difficulty. Such assistance will be provided in any way [New IPF] determines to be appropriate.

10.1 Industry Agreement

When an SRO Member (other than mutual fund dealers that exclusively maintain their customer accounts in Québec) is considered to be in financial difficulty by New IPF, New IPF may recommend to New SRO to take such action with respect to such SRO Member which is reasonable in the circumstances (and which is not contrary to law or to the requirements or order of any

securities regulatory authority having jurisdiction in the matter) or take its own appropriate action as agreed to in the Industry Agreement.

11. COLLECTION OF INFORMATION

Relevant Criteria: ***Collection of Information***

Subject to applicable legislation, [New IPF] must:

- a) collect, use and disclose personal information only to the extent reasonably necessary to carry out [New IPF] regulatory activities and [New IPF] Mandate; and*
- b) protect personal information and confidential business information in its custody or under its control.*

11.1 Privacy Policies

New IPF will implement, through codes of conduct and otherwise, privacy policies that comply with applicable Canadian personal information legislation.

12. INFORMATION SHARING AND REGULATORY COOPERATION

Relevant Criteria: ***Information Sharing and Regulatory Cooperation***

- a) [New IPF] must provide the Commission¹ with reports, documents and information as the Commission or its staff may request.*
- b) [New IPF] shall have mechanisms in place to enable it to share information and otherwise co-operate with the Commission.*

12.1 Cooperation with the Commission

New IPF will provide to the Commission such reports, documents and information as the Commission or its staff may request. New IPF will have procedures and mechanisms in place to share information and otherwise co-operate with the Commission.

¹ “Commission” refers to any Regulator in its draft Approval or Acceptance Order.

13. ONGOING REPORTING REQUIREMENTS

Relevant Criteria: *Ongoing Reporting Requirements*

[New IPF] must comply with the reporting requirements set out in Schedule B of this Approval Order, as amended from time to time by the Commission.

13.1 Reporting to the Commission

New IPF will have procedures and mechanisms in place to meet the reporting requirements of the Commission referenced in Schedule B to the Approval Order.

14. APPROVAL OF AMENDMENTS

Relevant Criteria: *Approval of Amendments*

- (a) *Prior Commission approval is required for any amendment to the following:*
 - (i) *[New IPF]'s Coverage Policies; or*
 - (ii) *[New IPF's by-laws.*
- (b) *Prior Commission approval is required for any material change to the Industry Agreement. A material change is one that directly affects the [New IPF] Mandate.*
- (c) *When seeking Commission approval of any amendments or material change pursuant to (a) or (b) above, [New IPF] must comply with the processes outlined in Schedule B of the MOU, as amended from time to time.*

14.1 Commission Approval

New IPF will seek Commission approval prior to making any amendment to its Coverage Policies or by-laws. Prior Commission approval will be obtained prior to any amendment to the Industry Agreement that directly affects the New IPF Mandate. When seeking such approval, New IPF will comply with the processes outlined in Schedule B of the MOU, as amended from time to time.

15. SUBMISSIONS

The Applicants respectfully submit that the proposed structure, policies and operations of New IPF satisfy the Criteria and request that New IPF be approved/accepted as a customer compensation/contingency fund under the applicable securities legislation referred to at the

beginning of this letter. The Applicants consent to the publication of this application for public comment by any of the Regulators.

Yours very truly,

“Rozanne Reszel”

“Odarka Decyk”

Schedule 1

Draft By-Law No. 1 of New IPF

Schedule 2

Draft Coverage Policy

Schedule 3

Draft Claims Procedures

Schedule 4

Draft Appeal Committee Guidelines

[English Name for “New IPF”/
French Name for “New IPF”]

BY-LAW NUMBER 1

BE IT ENACTED as a by-law of the [English Name for “New IPF”/French Name for “New IPF”], which was amalgamated under the *Canada Not-for-profit Corporations Act* (the “Act”) or a predecessor thereof, as follows:

1. DEFINITIONS

1.1 Any capitalized terms used in this By-law that are not defined below shall have the meaning attributed thereto in the Act. In this By-law, the following words and terms shall have the meanings set out below:

“**Affiliate**” has the meaning of an affiliated body corporate under the Act;

“**Amalgamation**” means the amalgamation of the Predecessor Corporations to form the Corporation;

“**Articles**” means the articles of amalgamation of the Corporation;

“**Associate**”, where used to indicate a relationship with any person, means:

- (a) any body corporate of which such person beneficially owns, directly or indirectly, voting securities carrying more than ten percent (10%) of the voting rights attached to all voting securities of the body corporate for the time being outstanding;
- (b) a partner of that person;
- (c) any trust or estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar capacity;
- (d) any relative of that person who resides in the same home as that person;
- (e) any person who resides in the same home as the person and to whom that person is married or with whom that person is living in a conjugal relationship outside of marriage; or
- (f) any relative of a person mentioned in clause (e) above, who has the same home as that person.

“**Board**” means the board of directors of the Corporation;

“**By-law**” means this by-law and any other by-laws of the Corporation;

“**Chief Executive Officer**” means the person appointed by the Board, from time to time, as Chief Executive Officer of the Corporation;

“Corporation” means the [English Name for “New IPF”/French Name for “New IPF”] amalgamated under the Act;

“Directors” means the persons comprising the Board;

“Governance, Nominating & Human Resources Committee” means the committee established pursuant to Section 5 of this By-law;

“Industry Director” means a Director elected (or appointed to fill a vacancy) and holding office pursuant to Section 4.2.1 of this By-law and who:

- (a) is not, and has not been within the 12 month period prior to their election or appointment, an officer (other than the Chair or the Vice-Chair) or employee of the Corporation, and
- (b) is actively engaged in the securities industry as a partner, director, officer or employee or person acting in a similar capacity of an SRO Member or of an Affiliate or Associate of an SRO Member.

For all purposes of this By-law, an Industry Director of a Predecessor Corporation who is appointed as an Industry Director of the Corporation as at the date of the Amalgamation but does not qualify as an Industry Director under such definition shall be deemed to qualify as an Industry Director and to continue so qualified as long as and until the end of their current 2 year term, calculated to include time served as an Industry Director of a Predecessor Corporation in accordance with Section 4.2.3;

“Members” means the members of the Corporation;

“Predecessor Corporation” means the Canadian Investor Protection Fund/Fonds canadien de protection des épargnants and the MFDA Investor Protection Corporation/Corporation de protection des investisseurs de l’ACFM;

“Public Director” means a Director elected (or appointed to fill a vacancy) and holding office pursuant to Section 4.2.2 of this By-law and who is not, and has not been within the 12 month period prior to their election or appointment:

- (a) an officer (other than the Chair or the Vice-Chair) or employee of the Corporation;
- (b) a director, officer, employee or person acting in a similar capacity of an SRO;
- (c) a person who is a partner, director, officer, employee or a person acting in a similar capacity of, or the holder of a significant interest in, an SRO Member or of an Affiliate or Associate of an SRO Member; or
- (d) an Associate of a person described in subparagraph (a), (b) or (c) or of an SRO Member.

For all purposes of this By-law, a Public Director of a Predecessor Corporation who is appointed as a Public Director of the Corporation as at the date of the Amalgamation and who subsequently ceases to qualify as a Public Director under such definition shall be deemed to qualify as a Public Director and to continue so qualified as long as and until the end of their current 2 year term, calculated to include time served as a Public Director of a Predecessor Corporation in accordance with Section 4.2.3. For the purposes of this definition of a Public Director, a “significant interest” means in respect of any person the holding, directly or indirectly, of the securities of such person carrying in aggregate ten percent (10%) or more of the voting rights attached to all of the person’s outstanding voting securities;

“**SRO**” means the [English Name for “New SRO”/French Name for “New SRO”];

“**SRO Member**” means a registered investment dealer or registered mutual fund dealer, which is a member, approved participant or similar participating organization of the SRO, provided that the Board may exclude any person or class of persons from this definition of SRO Member.

2. CONDITIONS OF MEMBERSHIP

- 2.1 **Membership.** Membership in the Corporation shall consist only of the persons who compose the Board from time to time. Subject to the terms of this By-law and the Act, each Member shall have equal voting rights.
- 2.2 **Termination of Membership.** The membership of a Member shall terminate upon their resignation or removal from, or otherwise ceasing to hold, office as a Director of the Corporation.

3. HEAD OFFICE

- 3.1 **Head Office.** Until changed in accordance with the Act, the head office of the Corporation shall be in the City of Toronto in the Province of Ontario.

4. BOARD OF DIRECTORS

- 4.1 **Composition of Board.** The property and business of the Corporation shall be managed by a Board consisting of not fewer than 8 or more than 12 Directors, provided that the Board may initially consist of 15 Directors with such number of Directors reduced (to the maximum number of 12 Directors) upon the expiry of terms of office held at the time of the Amalgamation (and all renewals thereof contemplated by Section 4.2.3) to the extent such reduction permits the Board to otherwise remain in compliance with the provisions of this Section 4. The Board shall be composed of Industry Directors, Public Directors and the Chief Executive Officer, subject to their election by the Members or appointment by the Board in accordance with this By-law. The number of Directors, including the number of Industry Directors and Public Directors, shall be determined from time to time by a resolution passed at a meeting of the Members of the Corporation, provided that the number of Public Directors shall exceed the number of Industry Directors by at least one. Directors must be individuals who are at least 18 years of age who are not incapable, within the

meaning of the Act, and who do not have the status of a bankrupt. The nomination and election of Directors shall be made bearing in mind the desirability of appropriate and timely regional representation and, in the case of Industry Directors, experience with the various aspects of the nature of the business carried on by SRO Members.

4.2 **Election and Term**

4.2.1 **Industry Directors.** Industry Directors shall be nominated by the Board for election by the Members at an annual meeting of Members, provided that each Industry Director shall satisfy the criteria in the definition of “Industry Director”. An Industry Director shall hold office for a term of 2 years and shall be eligible for re-appointment or re-election for three additional 2-year terms. Notwithstanding the foregoing, Industry Directors may be appointed or elected for a term of less than 2 years in order to accommodate staggered terms of office among all Industry Directors. An Industry Director holding office who ceases to qualify as an Industry Director after the date of their election or appointment shall be deemed to continue to qualify as an Industry Director until the expiry of the current term of office held by them on the date they cease to qualify as an Industry Director.

4.2.2 **Public Directors.** Public Directors shall be nominated by the Board for election by the Members at an annual meeting of Members, provided that each Public Director shall satisfy the criteria in the definition of “Public Director”. A Public Director shall hold office for a term of 2 years and be eligible for re-appointment or re-election for three additional 2-year terms. Notwithstanding the foregoing, Public Directors may be elected for a term of less than 2 years in order to accommodate staggered terms of office among all Public Directors. A Public Director holding office who ceases to qualify as a Public Director after the date of their election or appointment shall no longer be eligible to serve as a Public Director effective on the date they ceased to qualify as a Public Director.

4.2.3 **Transition.** The terms of office of Directors who were directors of a Predecessor Corporation at the time of the Amalgamation shall continue according to the length of such terms in accordance with their election or appointment and, on the expiration of the term of office of any such Director, they shall be eligible for re-election or re-appointment for a further 2 year term or terms to a maximum of 4 terms; provided that in no event shall any such Director (other than the Chair or Vice-Chair in accordance with Section 4.3) be eligible to serve in aggregate for more than 8 years (including for greater certainty, any years served prior to the Amalgamation (other than any partial years served) by Directors who were directors of a Predecessor Corporation at the time of the Amalgamation).

4.3 **Chair, Vice-Chair and Lead Public Director**

4.3.1 **Chair.** The Chair shall be appointed by the Board from time to time (with the initial Chair being that individual identified in the agreement setting out the terms of the Amalgamation). The person appointed as Chair shall be a person who qualifies as either an Industry Director or a Public Director. The term of office of the Chair shall be as determined by the Board provided that the Chair shall not serve for longer than 2 consecutive 2-year terms (calculated without reference to any terms served as a Director or Vice-Chair); provided that in no event shall the Chair be eligible to serve in aggregate

as a Director, the Chair or Vice-Chair for more than 10 years (including, for greater certainty, any years served prior to the Amalgamation (other than any partial years served) by Directors who were directors of a Predecessor Corporation at the time of the Amalgamation). Where the Chair ceases to be a Director for any reason, the Chair's term of office as Chair shall terminate concurrently with the end of their term as Director.

- 4.3.2 **Vice-Chair** . The Board may also appoint from time to time a Vice-Chair (with the initial Vice-Chair being that individual identified in the agreement setting out the terms of the Amalgamation). The person appointed as Vice-Chair shall be a person who qualifies as either an Industry Director or Public Director. The term of office of the Vice-Chair shall be as determined by the Board provided that the Vice-Chair shall not serve for longer than 2 consecutive 2-year terms (calculated without reference to any terms served as a Director or Chair); provided that in no event shall the Vice-Chair be eligible to serve in aggregate as a Director or the Vice-Chair for more than 10 years (including, for greater certainty, any years served prior to the Amalgamation (other than any partial years served) by Directors who were directors of a Predecessor Corporation at the time of the Amalgamation). Where the Vice-Chair ceases to be a Director for any reason, the Vice-Chair's term of office as Vice-Chair shall terminate concurrently with the end of their term as Director.
- 4.3.3 **Lead Public Director**. The Public Directors shall appoint from time to time a Lead Public Director. The person appointed as Lead Public Director shall be a person who qualifies as a Public Director, and may be the Chair or Vice-Chair. The term of office of the Lead Public Director shall be the term of the Public Director pursuant to Section 4.2. The Lead Public Director's responsibilities shall be determined from time to time by the Board.
- 4.4 **Chief Executive Officer**. The Board shall appoint a Chief Executive Officer of the Corporation who, unless determined otherwise by the Board, shall also be the President of the Corporation. The Chief Executive Officer shall not, directly or indirectly, while so serving the Corporation, be engaged by, be in the employ of, or be an officer, director, direct or indirect shareholder or partner, as the case may be, of an SRO or of an SRO Member (other than, in the case of indirect shareholdings, an SRO Member forming part of a diversified financial services group). The Chief Executive Officer appointed by the Board shall be nominated by the Board for election as a Director at each annual meeting of Members for a term ending at the conclusion of the next following annual meeting of Members.
- 4.5 **Vacancies**. The office of Director shall be automatically vacated:
- (a) if the Director shall resign such office by delivering a written resignation to the Secretary of the Corporation;
 - (b) if the Director is found by a court to be incapable within the meaning of the Act;
 - (c) if the Director becomes bankrupt;
 - (d) if, at a meeting of the Board, the Directors are of the opinion that due cause exists, including the fact that the Director, without reasonable grounds, has not attended a sufficient number of Board meetings;

- (e) if the Director becomes ineligible to be a Director subsequent to their appointment;
- (f) on death;

provided that if any vacancy shall occur for any reason contained in this Section, and if a quorum of Directors remains in office, the Board, by majority vote, may, by appointment, fill the vacancy with a qualified person who will serve until the next annual meeting of Members.

- 4.6 **Retiring Director.** Unless the office of a Director has been automatically vacated pursuant to Section 4.5, a Director shall remain in office until the dissolution or adjournment of the meeting at which a successor is elected or appointed.
- 4.7 **Removal.** Subject to Section 131 of the Act, the Members may, by ordinary resolution passed at a special meeting of Members, remove any Director from office before the expiration of the Director's term and may elect a qualified individual to fill the resulting vacancy for the remainder of the term of the Director so removed, failing which such vacancy may be filled by the Board.
- 4.8 **Place of Meeting, Notice, Voting and Quorum.** Meetings of the Board will be held in Toronto unless otherwise determined by the Board. Meetings of the Board may be called by the Chair, the Vice-Chair, the Chief Executive Officer or any two (2) Directors at any time, provided that 24 hours' written notice of such meeting shall be given, other than by mail, to each Director. Notice by mail shall be sent at least 14 days prior to the meeting. There shall be at least 4 meetings of the Board per calendar year. No error or omission in giving notice of any meeting of the Board or any adjourned meeting of the Board shall invalidate such meeting or make void any proceedings taken thereat and any Director may at any time waive notice of such meeting and may ratify, approve and confirm any or all proceedings taken or had thereat. Each Director is authorized to exercise one vote provided that in the event of an equality of votes on any question at a meeting of the Board, the Lead Public Director shall have a second or casting vote. A quorum for the transaction of all business of the Board shall be a majority of the Directors, provided that at least two Industry Directors are present and the number of Public Directors present shall exceed the number of Industry Directors present by at least one. A quorum may be comprised in whole or in part of Directors attending a meeting of the Directors by means of teleconference or by other electronic means in accordance with Section 4.9. Notwithstanding anything contained herein, any Director may, if in the opinion of the Chair, Vice-Chair or Chief Executive Officer, the financial condition of an SRO Member is such that immediate action by the Directors may be required, call a meeting of Directors to consider the action to be taken by giving three hours' prior notice of such meeting by teleconference or other electronic means to each Director, but no such notice shall be required where all of the Directors are in attendance personally or by teleconference or other electronic means, as the case may be, in the manner referred to in Section 4.9 at a meeting so called.
- 4.9 **Meetings by Teleconference.** Directors may hold meetings by teleconference or by other electronic means that permit all persons participating in the meeting to hear each other.

- 4.9.1 If all of the Directors of the Corporation consent thereto generally or in respect of a particular meeting, a Director may participate in a meeting of the Board or of a committee of the Board by means of such conference telephone or other electronic communications facilities to which all Directors have equal access and which permit all persons participating in the meeting to hear and communicate with each other. A Director participating in a meeting by such means is deemed to be present at the meeting.
- 4.9.2 At the commencement of each such meeting, the secretary of the meeting will record the names of those persons in attendance in person or by electronic communications facilities and the chair of the meeting will determine whether a quorum is present. The chair of each such meeting shall determine the method of recording votes thereat, provided that any Director present may require all persons present to declare their votes individually. The Directors shall take such reasonable precautions as may be necessary to ensure that any electronic communications facilities used are secure from unauthorized interception or monitoring.
- 4.10 **Resolutions and Conduct of Meetings.** Resolutions will be passed by a majority of the Directors present and voting on the resolution by a verbal vote recorded by the secretary of the meeting, unless the Act or this By-law otherwise provides. If permitted by law, a resolution in writing signed by all of the Directors entitled to vote on that resolution at a meeting of Directors or committee of Directors is as valid as if it had been passed at a meeting of Directors or committee of Directors. In the absence of the Chair or the Vice-Chair at any meeting of Directors, the chair of the meeting shall be selected by the Directors present. The Directors may make such other regulations governing their meetings, proceedings and any other administrative matters as they consider necessary or desirable.
- 4.11 **Remuneration of Directors.** The Public Directors and Industry Directors shall be entitled to receive such remuneration as the Board may determine from time to time; and a Director may be paid reasonable expenses incurred by the Director in the performance of their duties.
- 4.12 **Agents, Employees and Advisors.** The Board may appoint such agents, employees and advisors as it shall deem necessary from time to time and such persons shall have such authority and shall perform such duties as shall be prescribed by the Board at the time of such appointment.
- 4.13 **Remuneration of Officers, Agents, Employees and Committee Members.** A reasonable remuneration of all officers, agents and employees and committee members may be fixed by the Board or committee authorized by the Board.

5. COMMITTEES

- 5.1 **Governance, Nominating & Human Resources Committee.** The Board shall appoint a Governance, Nominating & Human Resources Committee which shall be composed of 3 or more Directors (including one or both of the Chair and Vice-Chair), a majority of whom shall be Public Directors, and carry out such duties and tasks as set out in the By-law or as determined by the Board from time to time. The chair of the Governance, Nominating &

Human Resources Committee shall be a Public Director. The Governance, Nominating & Human Resources Committee shall recommend nominations to the Board for Industry Directors, Public Directors, Chair, Vice-Chair, Chief Executive Officer, and any other nomination as requested by the Board from time to time.

- 5.2 **Audit, Finance and Investment Committee.** The Board shall appoint an Audit, Finance and Investment Committee composed of 3 or more Directors, a majority of whom shall be Public Directors. The chair of the Audit, Finance and Investment Committee shall be a Public Director. The Audit, Finance and Investment Committee shall be responsible for the review of the Corporation's financial statements and such other functions as the Board may determine.
- 5.3 **Other Committees.** The Directors may in their sole discretion at any time and from time to time appoint from among their number committees consisting of one or more Directors and may delegate to such committees any authority of the Directors. Notwithstanding the foregoing sentence and for greater certainty (i) in the case of any committee with the responsibility for making coverage determinations a person who has ceased to be a Director and who was a member of any such committee immediately prior to ceasing to be a Director may continue to be a member of the committee with full rights to vote and participate for such period of time as determined by the Board in order to complete any business of the committee in which the Director was engaged prior to their ceasing to be a Director and (ii) any committee with the responsibility for hearing and deciding claims appeals shall not be, or be considered to be, a committee of the Board.

6. **INTEREST OF DIRECTORS AND OFFICERS IN CONTRACT**

- 6.1 (a) **Conflict of Interest.** Any Director or officer of the Corporation who:
- (i) is a party to a material contract or material transaction or proposed material contract or proposed material transaction with the Corporation; or
 - (ii) is a director or officer of or has a material interest in any body corporate or business firm, whether direct or indirect, who is a party to a material contract or material transaction or proposed material contract or proposed material transaction with the Corporation,
- shall disclose in writing at the Directors' meeting, or have entered in the minutes, the nature and extent of such Director or officer's interest in such actual or proposed material contract or material transaction with the Corporation. An Industry Director shall not have or be deemed to have an interest in an actual or proposed material contract or transaction with the Corporation for the purposes of this Section 6 by virtue only of being an officer or director of, or having a material interest in, an SRO Member or an Affiliate of an SRO Member.
- (b) The disclosure required by sub-section (a) above, shall be made, in the case of a Director:

- (i) at the Directors' meeting at which a proposed contract or proposed transaction is first considered;
 - (ii) if the Director was not then interested in a proposed contract or proposed transaction, at the first Directors' meeting after such Director becomes so interested; or
 - (iii) if the Director becomes interested after a contract or transaction is made, at the first Directors' meeting held after the Director becomes so interested; or
 - (iv) if an individual who is interested in a contract or transaction later becomes a Director, at the first Directors' meeting held after the individual becomes a Director.
- (c) The disclosure required by sub-section (a) above, shall be made, in the case of an officer who is not a Director:
- (i) immediately after the officer becomes aware that the contract, transaction, proposed contract, or proposed transaction is to be considered or has been considered at a Directors' meeting;
 - (ii) if the officer becomes interested after a contract or transaction is made, immediately after the officer becomes so interested; or
 - (iii) if an individual who is interested in a contract or transaction later becomes an officer, immediately after the individual becomes an officer.
- (d) If a material contract or material transaction, whether entered into or proposed, is one that, in the ordinary course of carrying on the Corporation's purposes, would not require approval by the Directors or Members, a Director or an officer shall, immediately after becoming aware of the contract or transaction, disclose in writing to the Corporation or request to be entered into the minutes of a meeting of the Directors, the nature and extent of the interest.
- (e) A Director required to make a disclosure in sub-section (a) above shall not vote on any resolution to approve the contract or transaction unless the contract or transaction
- (i) relates primarily to the Director's remuneration as a Director, an officer, an employee, or an agent of the Corporation or an Affiliate;
 - (ii) is for indemnity or insurance under Section 151 of the Act; or
 - (iii) is with an Affiliate.
- (f) For the purposes of this Section 6.1, a general written notice to the Directors declaring that a Director or officer is to be regarded as interested, for any of the

following reasons, in a contract or transaction made with a party, is a sufficient declaration of interest in relation to the contract or transaction, if:

- (i) the Director or officer is a director or officer, or acting in a similar capacity, of a party referred to in sub-section 6.1(a)(ii);
 - (ii) the Director or officer has a material interest in the party; or
 - (iii) there has been a material change in the nature of the Director's or the officer's interest in the party.
- (g) A contract or transaction for which disclosure is required is not invalid, and the Director or officer is not accountable to the Corporation or its Members for any profit realized from the contract or transaction, because of the Director's or officer's interest in the contract or transaction or because the Director was present or was counted to determine whether a quorum existed at the meeting of Directors that considered the contract or transaction if
- (i) disclosure of the interest was made in accordance with this Section;
 - (ii) the Directors approved the contract or transaction; and
 - (iii) the contract or transaction was reasonable and fair to the Corporation when it was approved.
- (h) Even if the conditions under Section 6.1(g) above are not met, a Director or an officer, acting honestly and in good faith, is not accountable to the Corporation or to its Members for any profit realized from a contract or transaction for which disclosure is required, and the contract or transaction is not invalid by reason only of the interest of the Director or officer in the contract or transaction, if:
- (i) the contract or transaction is approved or confirmed by special resolution at a meeting of Members;
 - (ii) disclosure of the interest was made to the Members in a manner sufficient to indicate its nature and extent before the contract or transaction was approved or confirmed by the Members; and
 - (iii) the contract or transaction was reasonable and fair to the Corporation when it was approved or confirmed by the Members.
- (i) A contract is not void by reason only of the failure of a Director or officer to comply with the provisions of this Section 6.1 but a court may, upon the application of the Corporation or a Member, set aside or annul the contract or transaction on any terms that it thinks fit, require the Director or officer to account to the Corporation for any profit or gain realized on the contract or transaction, or make any other order that the court thinks fit.

7. PROTECTION OF OFFICERS AND DIRECTORS

- 7.1 **Standard of Care.** Every Director and officer of the Corporation, in exercising such person's powers and discharging such person's duties, shall act honestly and in good faith with a view to the best interests of the Corporation and shall exercise the care, diligence, and skill that a reasonably prudent person would exercise in comparable circumstances. Every Director and officer of the Corporation shall comply with the Act, the regulations, Articles, and By-law.
- 7.2 **Limitation of Liability.** Provided that the standard of care required of the Director or officer under the Act and the By-law has been satisfied, no past or present member of the Board or any committee or sub-committee thereof or of the Corporation, nor any past or present officer, employee or agent of any of them, shall be liable for the acts, receipts, neglects or defaults of any other of such persons, or for joining in any receipt or other act for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Corporation shall be deposited, or for any loss occasioned by any error of judgment or oversight on their part, or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of their office or in relation thereto; provided that nothing herein shall relieve any such person from the duty to act in accordance with the Act and the regulations thereunder or from liability for any breach thereof.
- 7.3 **Indemnity.** Each past and present member of the Board or any committee or sub-committee thereof or of the Corporation, and each past and present officer, employee or agent of the Corporation, and any other person who has undertaken or is about to undertake any liability on behalf of the Corporation or any company controlled by it, and their heirs, executors and administrators, and estate and effects, respectively, shall from time to time and at all times, be indemnified and saved harmless out of the funds of the Corporation, from and against:
- (a) all costs, charges, fines and penalties and expenses which such Board, committee or sub-committee member, officer, employee, agent or other person sustains or incurs in or about or to settle any action, suit or proceeding which is threatened, brought, commenced or prosecuted against him or her, or in respect of any act, deed, matter or thing whatsoever, made, done or permitted by him or her, in or about the execution of the duties of their office or in respect of any such liability; and
 - (b) all other costs, charges and expenses which they sustain or incur in or about or in relation to the affairs thereof, including an amount representing the value of time any such Board, committee or sub-committee member, officer employee, agent or other person spent in relation thereto and any income or other taxes or assessments

incurred in respect of the indemnification provided for in this By-law, except such costs, charges or expenses as are occasioned by their own wilful neglect or default,

if:

- (c) the person acted honestly and in good faith with a view to the best interests of the Corporation or, as the case may be, to the best interests of the other entity for which the individual acted as director or officer or in a similar capacity at the Corporation's request; and
- (d) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the person had reasonable grounds for believing that the conduct was lawful.

The Corporation shall also indemnify such persons in such other circumstances as the Act permits or requires. Nothing in this By-law shall limit the right of any person entitled to indemnity apart from the provisions of this By-law.

- 7.4 **Action, Suit or Proceeding Threatened, Brought, etc. by the Corporation.** Where the action, suit or proceeding referred to in Section 7.3(a) above is threatened, brought, commenced or prosecuted by the Corporation against a Board, committee or sub-committee member, officer, employee, agent or other person who has undertaken or is about to undertake any liability on behalf of the Corporation or any company controlled by it, the Corporation shall make application at its expense for approval of the court to indemnify such persons, and their heirs, executors and administrators, and estates and effects respectively, on the same terms as outlined in Section 7.3.

8. INSURANCE

- 8.1 **Insurance.** The Corporation may purchase and maintain insurance for the benefit of any person referred to in Section 7.3 against such liabilities and in such amounts as the Board may from time to time determine and are permitted by the Act.

9. POWERS OF DIRECTORS

- 9.1 **Powers.** The Directors may administer the affairs of the Corporation in all things and make or cause to be made for the Corporation, in its name, any kind of contract which the Corporation may lawfully enter into and, save as hereinafter provided, generally, may exercise all such other powers and do all such other acts and things as the Corporation is by its Articles or otherwise authorized to exercise and do.
- 9.2 **Expenditures.** The Directors shall have power to authorize expenditures on behalf of the Corporation from time to time and may delegate by resolution to an officer or officers of the Corporation the right to employ and pay salaries to employees on behalf of the Corporation.
- 9.3 **Funding.** The Board shall take such steps as they may deem requisite to enable the Corporation to acquire, accept, solicit or receive contributions, assessments, fines, levies,

legacies, gifts, grants, settlements, bequests, endowments and donations of any kind whatsoever for the purpose of furthering the objects of the Corporation.

10. OFFICERS

- 10.1 **Appointment.** The officers of the Corporation, which shall include the offices of Chief Executive Officer and may include the offices of President, Senior Vice-President, Vice-President, Secretary and Chief Financial Officer and any such other officers as the Board may determine by by-law, shall be appointed by resolution of the Board at the first meeting of the Board following the annual meeting of Members in which the Directors are elected. A person may hold more than one office. Each Director, by reason of being such, shall be regarded an officer of the Corporation in addition to any other officers who may from time to time be appointed by the Board.
- 10.2 **Term and Removal of Officers.** The officers of the Corporation, other than those who are officers solely by reason of being members of the Board, shall hold office for such terms as the Board may determine or until their successors are elected or appointed in their stead and shall be subject to removal by resolution of the Board at any time.

11. DUTIES OF OFFICERS

- 11.1 **Chair.** The Chair shall be appointed pursuant to Section 4.3 and shall preside at all meetings of Members and of the Board and shall oversee the general management of the affairs of the Corporation.
- 11.2 **Vice-Chair.** The Vice-Chair shall be appointed pursuant to Section 4.3 and in the absence of the Chair shall preside at meetings of the Members and of the Board and shall have such other duties as may be determined by the Board.
- 11.3 **Chief Executive Officer.** The Chief Executive Officer's responsibilities, duties, remuneration, term and duration of employment shall be determined from time to time by the Board. The Chief Executive Officer shall not, directly or indirectly, while so serving the Corporation, be engaged by, be in the employ of, or be an officer, director, direct or indirect shareholder or partner, as the case may be, of an SRO or of an SRO Member (other than, in the case of indirect shareholdings, an SRO Member forming part of a diversified financial services group). The Chief Executive Officer may, unless determined otherwise by the Board, engage as employees of the Corporation such number of persons as the Chief Executive Officer may in their discretion deem necessary to assist the Chief Executive Officer in the performance of their duties. The Chief Executive Officer will also hold the office of President, unless determined otherwise by the Board, in which case the President's responsibilities, duties, remuneration, term and duration of employment shall be determined from time to time by the Board.
- 11.4 **Senior Vice-President and Other Vice-Presidents.** A Senior Vice-President, if appointed and to the extent authorized by the Board, shall, in the absence or disability of the Chief Executive Officer perform the duties and exercise the powers of the Chief Executive Officer and shall perform such other duties as shall from time to time be imposed upon such Senior Vice-President by the Board. A Vice-President, if any, shall perform such

duties as shall from time to time be imposed upon the Vice-President by the Board. If, in the absence or disability of the Chief Executive Officer, a Senior Vice-President has not been appointed or authorized by the Board to perform the duties and exercise the powers of the Chief Executive Officer, the Board may impose such duties on, and delegate such powers to, a Vice-President.

- 11.5 **Chief Financial Officer.** The Chief Financial Officer shall be responsible for the financial administration and controls of the Corporation and shall perform such other duties as shall from time to time be imposed by the Board.
- 11.6 **Secretary.** The Secretary may be empowered by the Board, upon resolution of the Board, to carry on the affairs of the Corporation generally under the supervision of the officers thereof and shall attend all meetings and act as clerk thereof and record all votes and minutes of all proceedings in the books to be kept for that purpose. The Secretary shall give or cause to be given notice of all meetings of the Members and of the Board and shall perform such other duties as may be prescribed by the Board or by the President, under whose supervision the Secretary shall be. The Secretary shall be custodian of the seal of the Corporation, if any, which the Secretary shall deliver only when authorized by a resolution of the Board to do so and to such person or persons as may be named in the resolution.
- 11.7 **Duties of Officers.** The duties of all other officers of the Corporation shall be such as the terms of their engagement call for or as the Board requires of them.

12. EXECUTION OF DOCUMENTS

- 12.1 **Execution of Documents.** Contracts, documents or any instruments in writing requiring the signature of the Corporation shall be signed by any two of the Chair, a Vice-Chair, the Chief Executive Officer, the President, the Senior Vice-President, a Vice-President, or Director, or a combination thereof. All contracts, documents and instruments in writing so signed shall be binding upon the Corporation without any further authorization or formality. The Directors shall have power from time to time by resolution to appoint persons on behalf of the Corporation to sign specific contracts, documents and instruments in writing. The Directors may give the Corporation's power of attorney to any registered dealer in securities for the purposes of the transferring of and dealing with any stocks, bonds, and other securities of the Corporation. The seal of the Corporation when required may be affixed to contracts, documents and instruments in writing signed as aforesaid or by any person authorized to sign any such contract, document or instrument.

13. MEMBERS' MEETINGS

- 13.1 **Time and Place of Meetings.** Meetings of the Members shall be held at least once a year or more often if necessary at the head office of the Corporation or at any place in Canada as the Board may determine and on such day as the Board shall appoint. If all the Members entitled to vote at a meeting agree, such meeting may be held at any place outside Canada determined by the Board.

- 13.2 **Annual Meetings.** At every annual meeting, in addition to any other business that may be transacted, the report of the Directors, the financial statement and the report of the auditors shall be presented and auditors appointed for the ensuing year. The Members may consider and transact any business either special or general at any meeting of the Members. The Board, the Chair or the Chief Executive Officer shall have power to call, at any time, a general meeting of the Members. The Board shall call a special general meeting of Members on written requisition of at least 2 Members. A majority of the Members entitled to vote will constitute a quorum at any meeting of Members, provided that at least two Members present are also Industry Directors and a majority of the Members present are also Public Directors.
- 13.3 **Written Resolutions.** A resolution in writing, signed by all the Members entitled to vote on that resolution at a meeting of Members, is as valid as if it had been passed at a meeting of Members, provided that the matter dealt with by the resolution in writing is one which is not required by the Act to be dealt with at a meeting of Members.
- 13.4 **Means of Meetings.** Members may hold meetings by teleconference or by other electronic means that permit all persons participating in the meeting to hear each other and communicate adequately. If all the Members of the Corporation consent thereto generally or in respect of a particular meeting, a Member may participate in a meeting of the Members by means of such conference telephone or other electronic communications to which all Members have equal access and such as permit all persons participating in the meeting to hear and communicate with each other, and a Member participating in such a meeting by such means is deemed to be present at the meeting. At the commencement of each such meeting the secretary of the meeting will record the names of those persons in attendance in person or by electronic communications facilities and the chair of the meeting will determine whether a quorum is present. The chair of each such meeting shall determine the method of recording votes thereat, provided that any Member present may require all persons present to declare their votes individually. The chair of such meetings shall be satisfied that Members have taken such reasonable precautions as may be necessary to ensure that any electronic communications facilities used are secure from unauthorized interception or monitoring.
- 13.5 **Resolutions.** Resolutions will be passed by a majority of the Members entitled to vote by a verbal vote recorded by the secretary of the meeting, unless the Act or this By-law otherwise provides.
- 13.6 **Notice.** Notice of every meeting of Members must be given to each Member, Director, and the Corporation's public accountant or auditor. Any notice required pursuant to this By-law or the Act shall be sufficiently given:
- (a) if delivered by mail, courier, or personal delivery during a period of 21 to 60 days before the day on which the meeting is to be held; or
 - (b) by electronic, telephonic, or other communication facility during a period of 21 to 35 days before the day on which the meeting is to be held.

Notice of any meeting where special business will be transacted should contain sufficient information to permit the Member to form a reasoned judgment on the decision to be taken.

A notice shall be deemed to have been given when it is delivered personally or to the recorded address; a notice mailed shall be deemed to have been given when deposited in a post office or public letter box; and a notice sent by any means of electronic or similar communication shall be deemed to have been given when delivered to the appropriate electronic server or equivalent facility. The declaration by the Secretary that notice has been given pursuant to this By-law shall be sufficient and conclusive evidence of the giving of such notice.

- 13.7 **Voting of Members.** Each Member entitled to vote and who is present at a meeting shall have the right to exercise one vote.
- 13.8 **Errors or Omissions in Giving Notice.** No error or omission in giving notice of any meeting or any adjourned meeting, whether annual or general, of the Members shall invalidate such meeting or make void any proceedings taken thereat and any person entitled to receive notice may at any time waive notice of any such meeting and may ratify, approve and confirm any or all proceedings taken or had thereat. For purpose of sending notice to any Member, Director, or officer for any meeting or otherwise, the address of the Member, Director, or officer shall be that person's last address recorded on the books of the Corporation.

14. **POLICIES AND AGREEMENTS**

- 14.1 **Policies.** The Board may exercise any of its powers and authority in accordance with policies, guidelines or other instruments adopted by it from time to time, and as repealed and amended in its discretion, including, without limitation, in respect of:
- (a) the principles and criteria for payments by the Corporation to customers of insolvent SRO Members;
 - (b) definitions of customers who are eligible for payments referred to in (a);
 - (c) the rights or obligations of SRO Members to hold out the availability of coverage by the Corporation and the use of advertising materials in that regard; and
 - (d) the persons or classes of persons to be excluded from the definition of SRO Member in Section 1.1.
- 14.2 **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 or 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 its authority or otherwise in its possession) and for other forms of mutual

assistance for market surveillance, investigation, enforcement and other regulatory purposes relating to trading in securities in Canada or elsewhere.

- 14.3 **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-law or rules or otherwise in its possession and may provide other forms of assistance for surveillance, investigation, enforcement and other regulatory purposes.

15. FINANCIAL YEAR

- 15.1 **Financial Year.** Until determined otherwise by the Board, the financial year-end of the Corporation shall be the last day of December in each year.

16. AMENDMENT OF BY-LAWS

- 16.1 **Amendment of By-laws.** The Board may, by resolution, make, amend, or repeal any by-law that regulates the activities or affairs of the Corporation. Any such by-law, amendment, or repeal shall, subject to its terms, be effective from the date of the resolution of the Board until the next meeting of Members where it may be confirmed, rejected, or amended by the Members by ordinary resolution. If the by-law, amendment, or repeal is confirmed or confirmed as amended by the Members, it remains effective in the form in which it was confirmed. The by-law, amendment, or repeal ceases to have effect if it is not submitted to the Members at the next meeting of Members or if it is rejected by the Members at the meeting. This Section does not apply to a by-law, amendment, or repeal that requires a special resolution of the Members and such by-law, amendment, or repeal will only be effective when confirmed by the Members.

17. AUDITOR

- 17.1 **Auditor.** The Members shall at each annual meeting appoint an auditor to audit the accounts of the Corporation for report to the Members at the next annual meeting. The auditor shall hold office until the next annual meeting, provided that the Directors may fill any casual vacancy in the office of auditor. The remuneration of the auditor shall be fixed by the Board.

18. BOOKS AND RECORDS

- 18.1 **Books and Records.** The Directors shall ensure that all necessary books and records of the Corporation required by the By-law of the Corporation or by any applicable statute or law are regularly and properly kept.

19. RULES AND REGULATIONS

19.1 **Rules and Regulations.** The Board may prescribe such rules and regulations not inconsistent with this By-law relating to the management and operation of the Corporation as they deem expedient.

20. INTERPRETATION

20.1 **Interpretation.** In this By-law and in all other by-laws of the Corporation hereafter passed, unless the context otherwise requires, words importing the singular number shall include the plural number and vice versa, and references to persons shall include firms and corporations.

[New IPF]

100 King Street West, Suite 2610, Toronto, Ontario M5X 1E5 Telephone: 416-866-8366 Fax: 416-360-

8441

COVERAGE POLICY

A. OVERVIEW

1. [New IPF] provides coverage to customers of members of [New SRO] accepted for membership in New IPF ("New SRO Members") for financial losses in respect of property held in customers' account caused solely by the insolvency of a New SRO Member. New IPF'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. New IPF has discretion in determining the customers eligible for protection and the financial loss covered by New IPF 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. New IPF 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. New IPF 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 New IPF 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. New IPF 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, New IPF 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 New IPF) 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, Customer Accounts of Mutual Fund Dealers located in Québec will not be eligible for coverage by New IPF. 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 New IPF (“**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 New IPF 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. New IPF 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 New IPF 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 New IPF 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 New IPF 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 New IPF 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 New IPF.
 - 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 New IPF has the legal ability to assess New SRO Members for additional contributions, New IPF 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 New IPF may authorize payment (a “**Claim**”) shall be determined as at the applicable date of insolvency (as fixed by New IPF 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 New IPF 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 New IPF'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 New IPF 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 New IPF 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 New IPF, 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 New IPF and the maximum limits of such payments shall be in accordance with this Policy. In addition, New IPF 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 New IPF to determine protection by New IPF. New IPF 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 New IPF 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 New IPF of a Claim, the timing of payment and the maximum amounts to be paid to a Customer, the interpretation of New IPF of this Policy shall be final and conclusive. An appeal from a decision of New IPF may be available in accordance with the Claims Procedures.

DATED ●

Claims Procedures

Dated ●

1. *Introduction*

1.1. The Claims Procedures should be read in conjunction with New IPF's "Coverage Policy". The coverage by New IPF of losses suffered by customers of insolvent member of New SRO accepted for membership in New IPF ("New SRO Members") is at the discretion of New IPF. The Coverage Policy states that New IPF reserves the right to authorize or withhold payments in a manner other than as prescribed in the Coverage Policy. In the case of any question or dispute as to the interpretation or application of the policy (including the eligibility of a customer, the amount of loss incurred by a customer for purposes of payment of a claim and the maximum amounts to be paid to a customer), New IPF's interpretation of the Coverage Policy shall be final and conclusive.

1.2. The orders issued by members of the Canadian Securities Administrators approving New IPF as a compensation fund each require New IPF to develop fair and reasonable procedures for assessing claims and to pay eligible claims pursuant to these procedures. It has also undertaken to establish a fair and reasonable internal claim review process whereby customer claims that are not accepted for coverage by New IPF shall be reconsidered by the Appeal Committee (as described in section 3.2.1.5.2 of these Claims Procedures), if requested by the customer. This document describes the general process for the administration of claims.

2. *New IPF Establishes Date of Insolvency*

2.1. The date at which the financial loss of a customer is determined by New IPF is the date on which New IPF determines, in its discretion, the New SRO Member became insolvent.

2.2. For purposes of New IPF coverage, a New SRO Member will generally be considered to be insolvent on or about the date a trustee is appointed, or if a trustee¹ is not appointed, the date customers cease to have unrestricted access to their accounts, for example, because the New SRO Member has been suspended by New SRO.

3. *Claims Administration*

3.1. **Where Trustee Appointed**

3.1.1. Where New IPF has information that there are eligible customers of an insolvent New SRO Member that may require New IPF coverage, New IPF may ask the Court to appoint a trustee, and will participate in the trustee's claims process so that all customers are advised how to submit claims to the estate of the insolvent New SRO Member.

3.1.2. Claims to the trustee are considered claims to New IPF to the extent consistent with New IPF's Coverage Policy.

3.1.3. New IPF will work with the trustee to ensure that proved claims of eligible New SRO customers that have demonstrated that they will suffer undue hardship if

¹ For the purposes of these Claims Procedures and New IPF coverage for customers of an insolvent New SRO Member, a trustee in bankruptcy, receiver, liquidator or similar insolvency official is generally referred to as a trustee, unless the context provides otherwise.

their claim is not dealt with immediately are dealt with on a priority basis.

3.1.4. When the trustee determines the estate does not have sufficient resources to satisfy customer claims, New IPF may settle the losses of eligible New SRO customers by providing the trustee with additional resources, up to the limit of New IPF's coverage, and subject to availability of sufficient New IPF resources. The time of payment may be affected by a number of factors, including the amount of assets immediately available in the Fund (as defined in the Coverage Policy) maintained and designated by New IPF for the benefit of customers of the insolvent New SRO Member (the "Designated Fund"), such that payment may be delayed until such time as the assets of such Fund are sufficient to make the necessary payment. Certain operational considerations may also delay the time of payment in the case of "customer name" property in the custody or control of the insolvent New SRO Member.²

3.1.5. Payments made to customers may be made by New IPF or by the trustee depending on the individual circumstances of the insolvency.

3.1.6. Where any amount of a customer's claim has been disallowed by the trustee, an eligible New SRO customer can make a request within 60 days of the date of the disallowance to the Appeal Committee (see Appeal Procedures) to review the disallowance. Customers should also be aware of the availability of any court review under applicable legislation or court procedures, which must be filed within prescribed time limits including, in some cases, within 30 days of the notice of disallowance.

3.2.Trustee Not Appointed

3.2.1. Where a trustee has not been appointed, claims can be made directly to New IPF.

3.2.1.1. Identification of Claims Against the Estate

- New IPF will take appropriate steps so that all customers that have a cash balance and/or security position on or around the date of insolvency are advised on how to submit a claim to New IPF. This may be by a notice on the final customer account statement, a letter from New IPF, notices in the media, or any other means deemed appropriate by New IPF given the circumstances of the insolvency. New IPF may also rely on the New SRO Member's primary regulator to notify customers on New IPF's behalf.
- Customers requesting compensation from New IPF must submit a proof of claim to New IPF along with all documents and information to support the claim within 180 days of the date of insolvency.

3.2.1.2. Claim Information

² 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 (commonly referred to as "client name" property) is not eligible for New IPF coverage unless it is in the custody or control of the New SRO Member. Where client name property is in the custody or control of the New SRO Member, payment to customers may, by reason of administrative processes, take longer than payments made in respect of property held, or recorded as being held, by a New SRO Member.

- The information required to make a claim, including a proof of claim form, will be available from the New IPF website or upon request. Customers should refer to the Coverage Policy to determine if their claim is eligible for payment by New IPF before submitting a claim.
- New IPF will endeavour to post other relevant information to its website on the New SRO Member's insolvency and the claims process, as it becomes available.
- Documents and information to support a customer's claim should include, but not be limited to, account statements, correspondence and other documentation provided by the New SRO Member to the customer.

3.2.1.3. Priority of Claim Handling

- New IPF will give priority to the proved claims of customers that have demonstrated that they will suffer undue hardship if their claim is not dealt with immediately.
- All other claims will be dealt with in the order in which the information needed to assess the claim is made available.

3.2.1.4. Claims Handling

- New IPF will acknowledge all claims in writing, as received.
- The burden is on a customer of an insolvent New SRO Member to establish eligibility and the amount of a claim, but New IPF will use its reasonable efforts to collect the available information required to assess the eligibility of the claim for New IPF coverage.
- New IPF may require the customer to provide additional information that was not requested in the proof of claim form, or was requested but not supplied. The customer will usually be given 30 days to comply with any such requests. If the customer does not comply within the required time, New IPF may assess the claim based on the information in its possession.
- Prior to deciding on a claim, New IPF may require the customer to confirm the accuracy and completeness of the information it will use to assess the eligibility of the claim. In this situation, New IPF will prepare a summary of the claim and provide it to the customer for confirmation that the information is accurate and complete, and if not, to amend it accordingly.

3.2.1.5. Claims Decisions

3.2.1.5.1 Claims Eligible for Payment

- New IPF will advise the customer in writing of its decision on the claim eligibility for payment including the reasons.
- Where a claim is determined to be eligible for payment, New IPF requires a signed agreement in prescribed form by which the claimant subrogates the claim to New IPF before payment is made by New IPF to the claimant.
- A customer can request changes to the form of subrogation agreement, but any such requests must be approved by New IPF and the customer will be obligated to

reimburse New IPF for any additional expenses incurred in relation to the requested change.

- The time of payment of the claim may be affected by a number of factors, including the amount of assets immediately available in the designated Fund maintained by New IPF for the benefit of customers of the insolvent New SRO Member, such that payment may be delayed until such time as the assets of such Fund are sufficient to make the payment of the claim. Certain operational considerations may also delay the time of payment in the case of “client name” property in the custody or control of the insolvent New SRO Member. However, New IPF will endeavour to pay claims that are determined to be eligible for coverage within 30 days after the subrogation is received from the customer.

3.2.1.5.2 Claims Not Eligible for Payment

- New IPF will advise the customer in writing of its decision on the claim eligibility for payment including the reasons.
- If New IPF determines that the claim is not eligible for coverage, it will advise the customer that New IPF’s decision is eligible for reconsideration by the Appeal Committee. The Appeal Committee will be established by the Board of Directors, and will be comprised of one or more adjudicators that may or may not be New IPF Directors.
- Appeal requests must be made in writing within 60 days of the date the decision letter is sent and must specify the format of appeal hearing requested, namely, an appeal conducted by written submissions, an appeal conducted by teleconference hearing or an appeal conducted by an in-person hearing.

3.3. Discretion of New IPF. Notwithstanding the provisions of these Claims Procedures and their application, whether or not a trustee has been appointed, New IPF reserves the right in its sole discretion to administer claims in any other manner consistent with its Coverage Policy from time to time.

4. Appeal Procedures

4.1. Appeal Handling

4.1.1. New IPF will acknowledge all appeals, and the format of appeal elected, in writing as received.

4.1.2 New IPF will endeavour to conduct all appeals within six months of receiving the customer’s appeal request and submissions, or as soon as reasonably possible thereafter given the number of appeal requests received at any particular time. The customer will be notified, in writing, of the date and, where relevant, the time and place the appeal is to be conducted. The Appeal Committee may impose specific time limits for a hearing and submissions, if any, as appropriate in the circumstances. If a customer has not specified an appeal format within 30 days of the date of their appeal request, the customer will be deemed to have elected an appeal by written submissions.

4.1.3 Regardless of the appeal format elected by the customer, the Appeal Committee may, in its discretion:

- request the customer and New IPF staff to appear before the Appeal Committee either in person or by teleconference; or
- direct that any part of an appeal will be in writing.

4.1.4 The customer and New IPF staff may have legal counsel or other advisers present at any in-person or teleconference hearing, but the presence of legal counsel or other advisers is optional.

4.1.5 Written submissions on appeal will include all information used by New IPF to make its eligibility determination, any other information the customer requests be considered by the Appeal Committee and a summary of any other evidence including oral evidence to be provided by either New IPF staff or the customer. New IPF staff will provide the customer with the information it has in its possession regarding the claim.

4.1.6 The customer, or its legal counsel or other advisers, may take notes or transcripts of the meeting at their own expense.

4.1.7 Any costs incurred by the customer relating to an appeal will be for the account of the customer, not New IPF.

4.2 Appeal Deliberations

4.2.1 The Appeal Committee will conduct its deliberations and make its determination in the absence of New IPF staff, the customer, and the customer's legal counsel or other advisers.

4.2.2 If the Appeal Committee is comprised of two or more members, the decision of the Appeal Committee will be decided by simple majority but, in the case of an evenly split decision amongst members, the decision of the Chair of the Appeal Committee, as appointed by the Board of Directors, shall prevail.

4.2.3 Once a decision has been made, the customer and New IPF staff will be advised in writing of the Appeal Committee's decision and provided with its written reasons.

4.2.4 If the claim is eligible for coverage, prior to payment, the customer must provide New IPF with a signed agreement in prescribed form by which the claimant subrogates the claim to New IPF before payment is made by New IPF to the claimant.

4.2.5 A customer can request changes to the form of subrogation agreement, but any such requests must be approved by New IPF and the customer will be obligated to reimburse New IPF for any additional expenses incurred in relation to the requested change.

4.3 Payment Timing

4.3.1 The time of payment may be affected by a number of factors including the amount of assets immediately available in the Designated Fund maintained by New IPF for the benefit of customers of the insolvent New SRO Member, such that payment may be delayed until such time as the assets of such Fund are sufficient to make the payment of the claim. Certain operational considerations may also delay the time of payment in the case of "customer name" property in the custody or control of the insolvent New SRO Member. However, New IPF will endeavour to pay claims that are determined to be eligible for coverage after an appeal within 30 days after the required subrogation is received from the customer.

[NEW IPF]

**Guidelines for [New IPF] (“New IPF”) Appeal Committees Hearings
Dated ●, 2023**

A. GENERAL

1. This document sets out non-binding guidelines for Appeal Committees hearing in-person appeals, appeals by teleconference and appeals in writing (the “**Guidelines**”).
2. These Guidelines are applicable to in-person appeal hearings, appeal hearings by teleconference and appeal hearings in writing, unless a specific type of hearing is referred to in the particular guideline.
3. Where there is any inconsistency between the Guidelines and the relevant Claims Procedures (the “**Claims Procedures**”), the Claims Procedures prevail.
4. Nothing in these Guidelines restricts an Appeal Committee from:
 - a) conducting an appeal in a manner other than the manner described in the Guidelines, if such a change is necessary to ensure a fair procedure for the appeal; and
 - b) deciding an appeal in the manner that they believe is just and appropriate in the circumstances and in accordance with the New IPF Coverage Policy.

B. CUSTOMER’S ELECTION OF HEARING TYPE

5. The customer may request to have their appeal heard in-person, by teleconference (with or without video) or in writing.
6. An Appeal Committee may decline to hold a hearing by teleconference or in writing if satisfied that an in-person hearing would be preferable to promote a fair and efficient adjudication of the claim.

C. COMPOSITION OF APPEAL COMMITTEES

7. The New IPF Board of Directors has identified qualified individuals to adjudicate appeals as members of Appeal Committees. These qualified individuals include members of the Board of Directors of New IPF as well as individuals external to New IPF.
8. Each member of an Appeal Committee (a “**Committee Member**”) will be:
 - a) either:

- i) a Director of New IPF who was not involved in the initial claim decision; or
 - ii) an adjudicator appointed by the New IPF Board of Directors for the purpose of adjudicating appeal hearings; and
 - b) selected at the time of the relevant insolvency in accordance with criteria established by the New IPF Board of Directors, through the New IPF Coverage Committee, a subcommittee of the New IPF Board of Directors.
9. An Appeal Committee may be composed of:
- a) one Committee Member; or
 - b) two or more Committee Members.
10. When an Appeal Committee is comprised of two or more Committee Members, the New IPF Board of Directors will appoint a Chair of the Appeal Committee from among the Committee Members.

D. THE PARTICIPANTS TO AN APPEAL

11. The participants to an appeal hearing are:
- a) the customer who has submitted a request for appeal in accordance with the Claims Procedures; and
 - b) New IPF staff.
12. The participants to an appeal hearing may have legal counsel or other advisers, but their participation is optional.

E. ROLE OF INDEPENDENT LEGAL COUNSEL

13. With the approval of the New IPF Board of Directors, an Appeal Committee may engage independent legal counsel (to be compensated by New IPF) for the purpose of providing legal advice to each Appeal Committee.
14. The role of independent legal counsel is to advise an Appeal Committee in relation to both the conduct of the appeal hearing and decision-making in a well-reasoned manner that is fair, efficient and consistent with the New IPF Coverage Policy and accords with the law.
15. Independent legal counsel will act independently of the customer and New IPF staff (the “**participants**”) and will not provide legal advice for or otherwise represent the participants.
16. An Appeal Committee may seek legal advice from independent legal counsel with respect to general issues arising from an appeal, including:

- a) procedural issues related to the conduct of an appeal;
 - b) consistency with the New IPF Coverage Policy; and
 - c) applicable legal principles.
17. If an Appeal Committee has obtained legal advice from independent legal counsel that relates to any particular appeal at any time after receiving materials with respect to the appeal, the Appeal Committee will:
- a) disclose to the participants the fact that legal advice has been obtained;
 - b) provide to the participants a summary of the content of that legal advice; and
 - c) offer an opportunity to the participants to make submissions in relation to that legal advice.
18. When independent legal counsel offers advice to an Appeal Committee in the drafting of written reasons for the disposition of an appeal, he or she will do so in the manner set out in paragraphs 47 and 48 below.

F. PREPARATIONS FOR APPEAL HEARINGS

19. An administrative coordinator, under the supervision of the Chair of the Coverage Committee of the New IPF Board of Directors, will schedule appeals in advance (having regard to the schedules and availability of participants), but in no event will the scheduling of an appeal be delayed unreasonably by a participant by reason of participant availability or scheduling. Where the scheduling of an appeal is not possible in a timely manner having regard to the schedules and availability of participants, the administrative coordinator may, in their discretion, elect to modify the hearing type or select the hearing date and time, provided that the administrative coordinator determines that such modification is reasonable for the parties involved. The administrative coordinator shall advise Committee Members and the participants of the date, and where relevant, the time and place that the appeal is to be conducted.
20. The customer will provide to New IPF any contact information or other information necessary for the hearing by teleconference.
21. The customer and any representative participating in the appeal will make themselves available at the scheduled time of the appeal.
22. For an appeal in writing, a written submissions schedule, which includes the date upon which each participant's submissions (including any relevant evidence) are due and the address for delivery of the submissions (the "**Written Submissions Schedule**") will be provided once the date of the appeal has been set.
23. The Written Submissions Schedule will generally indicate that submissions be provided in the following order:

- a) Claimant's (Appellant) submissions;
 - b) New IPF's (Respondent) submissions; and
 - c) Claimant's (Appellant) reply, if any.
24. An Appeal Committee and the participants to the appeal hearing will be provided in advance of the appeal hearing with:
- a) the New IPF Coverage Policy;
 - b) the New IPF Claims Procedures;
 - c) Guidelines for the New IPF Appeal Committees; and
 - d) relevant background information.
25. An Appeal Committee and the participants to the appeal hearing will also be provided in advance of the appeal hearing with:
- a) any evidence and submissions provided by the customer in support of the appeal; and
 - b) any evidence and submissions provided by New IPF staff in support of staff's recommendation to recommend or deny coverage, in whole or in part, which will include:
 - i) the summary of facts prepared by staff;
 - ii) the decision letter issued by staff; and
 - iii) a review and analysis of the basis of each claim in relation to the New IPF Coverage Policy.

G. PROCEDURES AND PRACTICES DURING APPEAL HEARINGS

26. Each Appeal Committee has the power to determine its own procedures and practices and to select from among the Committee Members those Committee Member(s) who will hear each appeal, ensuring fairness and reasonableness. Nevertheless, in most

instances, it may be advisable for an Appeal Committee to commence an in-person appeal hearing or an appeal hearing by teleconference by:

- a) welcoming and introducing the Committee Member(s) (including any Committee Members referred to in paragraph 27 below), the customer, New IPF staff and any legal counsel that are present; and
 - b) identifying the purpose of the appeal hearing (i.e. the review of an initial staff recommendation to recommend or deny New IPF coverage).
27. A Committee Member who is not hearing the appeal, may attend an in-person appeal hearing or an appeal hearing by teleconference as an observer, but may not participate in any way in the adjudication of the appeal.
28. In a hearing by teleconference, all the participants and Committee Members should be able to hear one another and any witnesses throughout the hearing.

H. EVIDENCE

29. Following any introduction provided as referenced in paragraph 26 above, an Appeal Committee will:
- a) identify any evidence and submissions provided by the customer in support of the appeal;
 - b) identify any evidence and submissions provided by NewIPF staff in support of staff's recommendation to recommend or deny coverage, in whole or in part; and
 - c) confirm that the customer was provided with a copy of New IPF staff's evidence and submissions, including the summary of facts and decision letter.
30. An Appeal Committee may allow the participants to introduce any evidence the Committee considers appropriate in the circumstances, including:
- a) any documents that were not previously provided to the Appeal Committee; and
 - b) any other evidence offered with respect to the appeal.
31. In the case of a hearing in writing, any evidence referred to in paragraph 30 is to be received on or before the date of the scheduled appeal hearing.
32. An Appeal Committee may, at its own discretion, restrict oral evidence from being given at an in-person hearing or a hearing by teleconference in the interests of fairness.
33. Each participant is entitled to receive every document that an Appeal Committee receives in the appeal proceeding, and will be given reasonable time to review each such document.

34. An Appeal Committee may ask questions with respect to any evidence offered by any participant.

I. SUBMISSIONS

35. At an in-person hearing or a hearing by teleconference, an Appeal Committee will invite the participants to make submissions relating to the appeal.
36. At an in-person hearing or a hearing by teleconference, an Appeal Committee may ask at any time questions with respect to the submissions or positions taken by any participant.
37. After the close of the Written Submissions Schedule referred to in paragraph 22, an Appeal Committee may write to the participants with any questions in relation to the submissions or positions taken by any participant.
38. If an Appeal Committee requests any additional evidence or submissions in relation to an issue, all participants will have an opportunity to submit further written submissions on that issue.

J. CONCLUSION OF IN-PERSON APPEAL HEARING OR APPEAL HEARING BY TELECONFERENCE

39. An Appeal Committee will customarily thank the customer and New IPF staff for their participation.
40. An Appeal Committee will advise that:
 - a) it has made its decision, which will be communicated verbally to the participants, with written reasons to follow; or
 - b) it will reserve its decision and inform the participants of the decision notification process, including the issuance of written reasons.

K. DELIBERATIONS

41. An Appeal Committee will, without the presence of any participants to the appeal hearing, convene to determine the outcome of the appeal.
42. If an Appeal Committee is comprised of two or more Committee Members, the decision of the Appeal Committee will be decided by simple majority but, in the case of an evenly split decision among Committee Members, the decision of the Chair of the Appeal Committee, as appointed by the New IPF Board of Directors, will prevail.
43. An Appeal Committee will select a Committee Member to prepare a draft of written reasons for the decision.

L. REMOVAL OF A COMMITTEE MEMBER

44. If a Committee Member is unable to continue to serve on an Appeal Committee for any reason before the completion of the appeal hearing, which includes the rendering of a decision, the remaining Committee Member(s) will continue to hear the matter and render a decision.
45. If there are no remaining Committee Members available to continue with an appeal hearing, an appeal hearing de novo will be scheduled to be heard by another Appeal Committee.
46. If the Chair of an Appeal Committee is unable to continue to serve as the Chair of the Appeal Committee, a new Chair of the Appeal Committee will be appointed from among the remaining Committee Members, in accordance with paragraph 10 above.

M. ADVICE FROM INDEPENDENT LEGAL COUNSEL

47. When an Appeal Committee seeks advice from independent legal counsel in connection with the preparation of written reasons, the Appeal Committee may ask independent legal counsel to review a draft of any written reasons for the purpose of advising the Appeal Committee in relation to:
 - a) issuing written reasons that are:
 - i) consistent with the New IPF Coverage Policy;
 - ii) in accordance with the law; and
 - b) ensuring that the written reasons accurately reflect the rationale for the Appeal Committee's decision.
48. With respect to advice offered by independent legal counsel to an Appeal Committee relating to the preparation of written reasons, the Appeal Committee and independent legal counsel will ensure: (a) that the decision of the Appeal Committee and its reasons are determined in accordance with the New IPF Coverage Policy and New IPF Claims Procedures; and (b) that independent legal counsel does not detrimentally impact the fairness or integrity of the appeal process.
49. If, during the course of seeking legal advice in connection with the preparation of written reasons, new issues arise that were not raised during the appeal hearing, an Appeal Committee will allow the participants to make submissions on those issues following the relevant procedure set out in Section I.

N. CUSTOMER NOTIFICATION OF THE DECISION

50. An Appeal Committee will endeavor to provide its decision and issue its written reasons within 90 days of the date of the appeal hearing.

51. An administrative coordinator, under the supervision of the Chair of the Coverage Committee of the New IPF Board of Directors, will advise the customer and New IPF staff in writing of the decision of an Appeal Committee.
52. An administrative coordinator, under the supervision of the Chair of the Coverage Committee of the New IPF Board of Directors, will provide the customer and New IPF staff with written reasons for the decision of an Appeal Committee.

**In the Matter of
the Securities Act, R.S.N.S. 1989, Chapter 418, as amended (the Act)**

and

**In the Matter of
[New IPF]
([New IPF])**

**Approval Order
(Section 27 of the General Securities Rules)**

Background

1. Pursuant to Section 27 of the General Securities Rules, all investment dealers and mutual fund dealers, shall participate in a compensation fund or contingency trust fund approved by the Commission and established in accordance with the General Securities Rules.
2. The Nova Scotia Securities Commission (the **Commission**) issued an order dated October 17, 2002, as amended on September 26, 2008, August 27, 2019, and December 23, 2020, approving the Canadian Investor Protection Fund (**CIPF**) as a compensation fund for customers of investment fund dealers that were members of the Investment Industry Regulatory Organization of Canada (**IIROC**).
3. The Commission issued an order dated May 3, 2005, as amended on August 10, 2006, March 31, 2015, August 27, 2019, and December 23, 2020, approving the MFDA Investor Protection Corporation (**MFDA IPC**) as a compensation fund for customers of mutual fund dealers that were members of the Mutual Fund Dealers Association of Canada (**MFDA**).
4. Following extensive public consultation, the Canadian Securities Administrators (**CSA**) published CSA Position Paper 25-404 – *New Self-Regulatory Organization Framework*, recommending amalgamation of IIROC and the MFDA into a single self-regulatory organization, [New SRO].
5. The CSA also recommended amalgamating CIPF and the MFDA IPC into a single compensation fund, [New IPF], which will be independent from [New SRO].
6. [New IPF] will operate as a successor to CIPF and the MFDA IPC following their statutory amalgamation under the *Canada Not-for profit Corporations Act*.
7. [New IPF] will provide protection within prescribed limits to eligible customers of SRO Members, as defined in Schedule A of this order (**Approval Order**), where such customers suffered financial loss to their property as a result of insolvency of an SRO Member; and, in

connection with such coverage, [New IPF] will engage in risk management activities to minimize the likelihood of such losses.

8. Upon amalgamation, [New IPF] will maintain two segregated funds, where each of such funds will be available exclusively to eligible customers of either investment dealers or mutual fund dealers until such time as further analysis is completed and it is determined that the segregation of funds is no longer necessary.
9. [New IPF] will enter into an agreement with [New SRO], pursuant to which [New SRO] will levy assessments on its members and pay to [New IPF] the amount of these assessments.
10. CIPF and the MFDA IPC made representations on behalf of [New IPF] regarding its approval as a compensation fund to the Alberta Securities Commission; Autorité des marchés financiers; British Columbia Securities Commission; Manitoba Securities Commission; Financial and Consumer Services Commission of New Brunswick; Office of the Superintendent of Securities, Digital Government and Services, Newfoundland and Labrador; Office of the Superintendent of Securities, Northwest Territories; Nova Scotia Securities Commission; Office of the Superintendent of Securities, Nunavut; Ontario Securities Commission; Prince Edward Island Office of the Superintendent of Securities; Financial and Consumer Affairs Authority of Saskatchewan; and Office of the Yukon Superintendent of Securities (together with the Commission, the **Regulators**).
11. The Regulators have entered into a Memorandum of Understanding (**MOU**) regarding oversight of [New IPF] effective [●], as amended from time to time.
12. CIPF and the MFDA IPC are consolidating through statutory amalgamation to continue as [New IPF], references to CIPF and the MFDA IPC in the existing regulations, rules, orders, policies, notices, or other instruments (**Provisions**) in the jurisdictions of the Regulators will be treated and interpreted as references to [New IPF] until the appropriate consequential amendments are implemented, if considered necessary. Whenever a Provision assigns requirements or privileges exclusively to either investment dealers or mutual fund dealers, who, prior to the amalgamation, were members of IIROC and the MFDA respectively, it is to be understood that such requirements and privileges shall apply exclusively to either investment dealers or mutual fund dealers of [New SRO], as applicable.
13. The Commission may, if it is satisfied that to do so would not be prejudicial to the public interest, make an order revoking or varying this Approval Order or any orders for CIPF and the MFDA IPC.
14. Based on the representations made by CIPF and the MFDA IPC, the Commission is satisfied that approving [New IPF] as a compensation fund is in the public interest.

IT IS ORDERED that [New IPF] is approved as a compensation fund pursuant to Section 27 of the General Securities Rules, subject to the terms and conditions set out in Schedule A to this Approval Order and the applicable provisions of the MOU.

Dated this [●], effective [●].

Paul E. Radford
Chair
Nova Scotia Securities Commission

Schedule A - Terms and Conditions

1. Definitions

Unless otherwise defined or interpreted in this Approval Order, every term used in this Approval Order that is defined in subsection 1.1(3) of National Instrument 14-101 – *Definitions* has the meaning ascribed to it in that subsection.

“Board” means the board of directors of [New IPF].

“Coverage Assets” has the meaning ascribed to that term in the Industry Agreement.

“Coverage Policies” include, but are not limited to, the coverage policy, claims procedures, appeal committee guidelines and disclosure policy of [New IPF].

“Industry Agreement” means the agreement between [New IPF] and [New SRO] regarding the basis on which [New IPF] provides protection to customers of SRO Members.

“Industry Director” has the meaning ascribed to that term in [New IPF] By-Law Number 1.

“MOU” means the Memorandum of Understanding among the Regulators regarding oversight of [New IPF].

“[New IPF] Mandate” is to provide protection to customers of SRO Members who have suffered or may suffer financial losses as a result of the insolvency of the SRO Member, all on such terms and conditions as may be determined by [New IPF] in its sole discretion and, in connection with such coverage, to engage in risk management activities to minimize the likelihood of such losses.

“Public Director” has the meaning ascribed to that term in [New IPF] By-Law Number 1.

“Regulators” means the Alberta Securities Commission; Autorité des marchés financiers; British Columbia Securities Commission; Manitoba Securities Commission; Financial and Consumer Services Commission of New Brunswick; Office of the Superintendent of Securities, Digital Government and Services, Newfoundland and Labrador; Office of the Superintendent of Securities, Northwest Territories; Nova Scotia Securities Commission; Office of the Superintendent of Securities, Nunavut; Ontario Securities Commission; Prince Edward Island Office of the Superintendent of Securities; Financial and Consumer Affairs Authority of Saskatchewan; and Office of the Yukon Superintendent of Securities.

“Self-regulatory organization (SRO)” means [New SRO].

“SRO Member” means a registered investment dealer or registered mutual fund dealer, which is a member, approved participant, or similar participating organization of the SRO, provided that the Board may exclude any person or class of persons from this definition of SRO Member.

2. Authority and Purpose

[New IPF] has, and must continue to have, the appropriate authority and capacity to carry out [New IPF] Mandate.

3. Approval of Amendments

- (a) Prior Commission approval is required for any amendment to the following:
 - (i) [New IPF]’s Coverage Policies; or
 - (ii) [New IPF]’s by-laws.
- (b) Prior Commission approval is required for any material change to the Industry Agreement. A material change is one that directly affects [New IPF]’s Mandate.
- (c) When seeking Commission approval of any amendments or material change pursuant to (a) or (b) above, [New IPF] must comply with the processes outlined in Schedule B of the MOU, as amended from time to time.

4. Corporate Governance

- (a) The Board must be selected in a fair and reasonable manner and must fairly represent the interests of all SRO Members and their customers and properly balance the interests of SRO Members and their customers.
- (b) The Board must be composed of Industry Directors, Public Directors, and the chief executive officer. The number of Public Directors must exceed the number of Industry Directors by at least one. The Board must include no more than 15 directors.
- (c) [New IPF]’s governance structure must provide for:
 - (i) fair, meaningful and diverse representation on the Board and any committees of the Board, having regard to the differing interests between SRO Members and their customers;
 - (ii) appropriate representation of Public Directors on [New IPF] Board committees and on any executive committee or similar body;

- (iii) appropriate qualification, remuneration and conflict of interest provisions, and limitation of liability and indemnification protections for directors, officers, and employees of [New IPF] generally; and
- (iv) a governance, nominating and human resources committee and an audit, finance and investment committee, each of which must be constituted by a majority of Public Directors, including the chair.

5. Conflicts of Interest

Subject to applicable legislation, [New IPF] must identify and avoid real, potential, or perceived conflicts of interest between its own interests, or the interests of its directors, officers, or employees and [New IPF]'s Mandate.

6. Funding and Maintenance of [New IPF]

- (a) [New IPF] must institute and publish one or more fair, transparent, and reasonable methodologies of establishing assessments for contribution for each category of SRO Members, which are investment dealers and mutual fund dealers (**Assessment Policies**).
- (b) [New IPF] will conduct the analysis of risks associated with each category of SRO Members and, following which, determine whether a single assessment methodology is appropriate for all categories of SRO Members. Until such time as the analysis is completed,
 - (i) the funds available to satisfy potential claims for coverage by customers of each category of SRO Members must be segregated;
 - (ii) the assessments must be calculated and levied discretely on the basis of independent assessment methodologies for each category of SRO Members and contributed to the segregated funds (each, a **Fund**); and
 - (iii) [New IPF] must ensure a moratorium on any changes to the current assessment methodologies applied to fees or assessments that would result in a material increase to the assessments levied by [New IPF] on each category of SRO Members, unless authorized by the Commission.
- (c) The assessments must:
 - (i) reflect an equitable allocation among SRO Members, which may be based on the level of risk to which each SRO Member exposes [New IPF]; and

- (ii) balance the need for [New IPF] to have sufficient revenues to satisfy claims in the event of an insolvency of any member of the relevant category of SRO Members and to have sufficient financial resources to satisfy its operational costs against the goal that there be no unreasonable financial barriers to becoming a member of the SRO.
- (d) [New IPF] must make all necessary arrangements for the notification to each category of SRO Members of [New IPF]'s assessments and the collection of such assessments, either directly or indirectly through the SRO.
- (e) The Board must determine the appropriate level of assets for each of the Funds. The Board will conduct an annual review of the adequacy of the Coverage Assets, assessment amounts and assessment methodologies; and will ensure that the level of Coverage Assets of each Fund remains adequate to cover potential claims of customers of the relevant category of SRO Members.
- (f) Moneys in each Fund must be invested in accordance with the relevant policies, guidelines, or other instruments (**Investment Policies**) applicable to that Fund and approved by the Board, who will be responsible for regular monitoring of the investments. The Investment Policies must require safety of principal and a reasonable income while at the same time ensuring that sufficient liquidity is available to pay potential claims in accordance with the Coverage Policies. All moneys and securities must be held by a qualified custodian, which are those entities considered suitable to hold securities on behalf of an SRO Member, for both inventory and client positions, without capital penalty, pursuant to the bylaws, rules or regulations of the SRO.
- (g) [New IPF] must implement an appropriate accounting system, including a system of internal controls for maintaining [New IPF] Coverage Assets.

7. Customer Protection

- (a) [New IPF] must establish and maintain Coverage Policies which:
 - (i) provide for fair and adequate coverage, on a discretionary basis, for all customers of SRO Members, for losses of property comprising securities, cash, and other property (to the extent not specifically excluded or held in accounts located in Québec) held by SRO Members resulting from the insolvency of an SRO Member, including criteria for who is an eligible customer;
 - (ii) include fair and reasonable procedures for assessing claims made to [New IPF]. [New IPF] will respond as quickly as practicable in assessing and paying claims made pursuant to those procedures; and

- (iii) allow [New IPF] to adequately disclose to customers of SRO Members, either directly or indirectly through the SRO, the principles and policies on which coverage will be available, including, but not limited to, the process for making a claim and the maximum coverage available per customer account.
- (b) In a case where a claim is not accepted for payment by [New IPF] staff or by an appointed committee, the claim must be reconsidered by an internal appeal committee if such a review is requested by a customer of an SRO Member or by [New IPF] staff. [New IPF] must establish within its Coverage Policies fair and reasonable internal claim review procedures for this purpose. An appeal committee will be comprised of one or more adjudicators who may or may not be directors. The Coverage Policies or other documentation must include criteria established by the Board for the selection of appeal committee members, including criteria that no director involved in the initial decision will be involved in reconsidering that decision.
- (c) The Coverage Policies must not prevent a customer of an SRO Member from taking legal action against [New IPF] in a court of competent jurisdiction in Canada. [New IPF] must not contest the jurisdiction of such a court to consider a claim where the claimant has exhausted [New IPF]'s internal appeals or review process.

8. Financial and Operational Viability

[New IPF] must maintain adequate financial and operational resources, including adequate staff resources or external professional advisers, to permit [New IPF] to:

- (a) exercise its rights and perform its duties under this Approval Order; and
- (b) review, in accordance with the Industry Agreement, the business and operations of any SRO Member, or designated groups of SRO Members, where a situation has occurred that in the opinion of [New IPF] constitutes a reportable condition, as defined in the Industry Agreement.

9. Risk Management

- (a) [New IPF] must ensure that it has policies and procedures, including a process to identify and request all necessary information from the SRO, in order for [New IPF] to:
 - (i) fulfill [New IPF]'s Mandate and manage risks to the public and to [New IPF]'s assets;

- (ii) assess whether the prudential standards and operations of [New IPF] are appropriate for the coverage provided and the risk incurred by [New IPF]; and
 - (iii) identify and deal with SRO Members that may be in financial difficulty.
- (b) While [New IPF] may rely on the SRO to conduct reviews of SRO Members for [New IPF] purposes, [New IPF] must reserve the right to conduct reviews of SRO Members in particular situations where [New IPF] has concerns about the integrity of the Coverage Assets or possible claims.

10. Agreement between [New IPF] and the SRO

[New IPF] must comply with the Industry Agreement signed with the SRO.

11. Assistance to the SRO

[New IPF] must assist the SRO when an SRO Member is in or is approaching financial difficulty. Such assistance will be provided in any way [New IPF] determines to be appropriate.

12. Collection of Information

Subject to applicable legislation, [New IPF] must:

- (a) collect, use, and disclose personal information only to the extent reasonably necessary to carry out [New IPF]'s regulatory activities and [New IPF]'s Mandate; and
- (b) protect personal information and confidential business information in its custody or under its control.

13. Information Sharing and Regulatory Cooperation

- (a) [New IPF] must provide the Commission with reports, documents and information as the Commission or its staff may request.
- (b) [New IPF] shall have mechanisms in place to enable it to share information and otherwise co-operate with the Commission.

14. Ongoing Reporting Requirements

[New IPF] must comply with the reporting requirements set out in Schedule B of this Approval Order, as amended from time to time by the Commission.

Schedule B - Reporting Requirements

1. Prior Notification

- (a) [New IPF] will provide the Commission with at least 12 months' written notice prior to completing any transaction that would result in [New IPF]:
 - (i) ceasing to perform its functions;
 - (ii) discontinuing, suspending, or winding up, all or a significant portion of its operations; or
 - (iii) disposing of all or substantially all of its assets.
- (b) In situations where, in the opinion of [New IPF], the notice period in subsection (a) is considered unreasonable, [New IPF] will inform the Commission with as much advance notice as possible in the circumstances. Such notice will include an explanation of why the notice period in subsection (a) is considered unreasonable.
- (c) [New IPF] will provide the Commission with at least 60 days' prior written notice before implementing any change to the following:
 - (i) [New IPF]'s Investment Policies; or
 - (ii) [New IPF]'s Assessment Policies.
- (d) [New IPF] will provide the Commission with at least 60 days' prior written notice before making a decision to exclude any person or class of persons from the definition of SRO Member in [New IPF] By-Law Number 1.
- (e) [New IPF] will provide the Commission with at least 60 days' prior written notice before implementing any material change to [New IPF] Board's mandate and the Board committees' mandates.

2. Immediate Notification

- (a) [New IPF] will immediately report to the Commission any reportable condition as defined in the Industry Agreement, with respect to an SRO Member of which [New IPF] has been notified.
- (b) [New IPF] will immediately report to the Commission where the SRO has withdrawn or has been expelled from participation in [New IPF]. [New IPF] will include in its report the reasons for the SRO's withdrawal or expulsion.

- (c) [New IPF] will immediately report to the Commission any actual or potential material adverse change in the level of [New IPF]'s assets, together with [New IPF]'s plan to deal with the situation.

3. Prompt Notification

- (a) [New IPF] will provide the Commission with prompt notice of the following occurrences, and in each case describe the circumstances that gave rise to the occurrence, and [New IPF]'s proposed response to ensure resolution, and, if appropriate, provide timely updates of:
 - (i) situations that would reasonably be expected to raise concerns about [New IPF]'s financial viability, including but not limited to, an inability to meet its expected expenses for the next quarter or the next year;
 - (ii) any determination by [New IPF] or notification from any Regulator that [New IPF] is not, or will not be, in compliance with one or more of the terms and conditions of its approval or acceptance in any jurisdiction; and
 - (iii) any breach of security safeguards involving information under [New IPF]'s control if it is reasonable in the circumstances to believe that the breach creates a real risk of material harm to investors, issuers, registrants, other market participants, [New IPF], the SRO, or the capital markets.
- (b) [New IPF] will prepare and provide to the Commission a report detailing any action taken by [New IPF] with respect to an SRO Member. For SRO Member insolvencies, the report will describe the circumstances of the insolvency, including a summary of the actions taken by the SRO Member, the SRO and [New IPF] and any committee or person acting on behalf of such parties.

4. Semi-Annual Reporting

[New IPF] will file on a semi-annual basis with the Commission a written report pertaining to [New IPF]'s operations promptly after the report is reviewed or approved by the Board, Board committees, or senior management, as the case may be, containing at a minimum the following information and documents:

- (a) A summary of ongoing initiatives, policy changes, and emerging or key issues that arose in the previous 6 months.
- (b) Description of any changes in the composition of the Board, including the names and terms of any incoming directors, the names of any outgoing directors, and whether any incoming directors are Public Directors as defined in [New IPF]'s By-law Number 1.

- (c) Any suggestions or comments that [New IPF] has made to the SRO regarding the SRO's making new rules or amending existing rules, and the SRO's response to those suggestions.
- (d) Description of any directions [New IPF] has made to the SRO to take certain actions in regard to SRO Members that are in financial difficulty pursuant to the Industry Agreement, details about [New IPF]'s direction and comment on whether [New IPF] is satisfied with the SRO's response.
- (e) Summary statistics pertaining to (i) the Coverage Assets, (ii) assessments and (iii) noted trends.
- (f) The adequacy of (i) the level of Coverage Assets, (ii) assessment amounts, and (iii) assessment methodology.
- (g) SRO Member insolvencies and any resulting customer claims, detailing the circumstances of the insolvency and including a summary of the actions taken by the SRO Member, the SRO and [New IPF].
- (h) Risk management issues, including how [New IPF] evaluated risks, what risk management issues were identified and how [New IPF] dealt with these issues.
- (i) The extent and results of any SRO Member reviews conducted pursuant to the Industry Agreement.
- (j) [New IPF]'s staff complement, by function, and details of any material changes or reductions in staffing, by function, during the previous 6 months.
- (k) Any intended material changes to arrangements with third party service providers relating to key services or systems.

5. Annual Reporting

[New IPF] will file on an annual basis with the Commission a written report pertaining to [New IPF]'s operations promptly after the report is reviewed or approved by the Board, Board committees, or senior management, as the case may be, containing at a minimum the following information and documents:

- (a) The Board's annual review of the adequacy of (i) the level of Coverage Assets, (ii) assessment amounts, and (iii) assessment methodologies.
- (b) The Board's assessment of the need for additional risk management tools.

- (c) The Board's qualitative assessment or evaluation of [New IPF]'s performance and achievements relative to [New IPF]'s Mandate and strategic plan.
- (d) A certification by [New IPF]'s chief executive officer, or other officer, that [New IPF] is in compliance with the terms and conditions applicable to it in this Approval Order.

6. Financial Reporting

- (a) [New IPF] will file with the Commission unaudited financial statements with notes within 60 days after the end of each financial semi-annual period.
- (b) [New IPF] will file with the Commission audited annual financial statements accompanied by the report of an independent auditor within 90 days after the end of each fiscal year.

7. Other Reporting

- (a) [New IPF] will provide the Commission on a timely basis with the following information and documents upon completion of review or approval by the Board, Board committees, or senior management, as the case may be:
 - (i) the financial budget for the current year, together with the underlying assumptions, that have been approved by the Board;
 - (ii) enterprise risk management reports, and any material changes to enterprise risk management methodology;
 - (iii) [New IPF]'s strategic plan;
 - (iv) [New IPF]'s annual report; and
 - (v) material changes to the Board and employee codes of conduct, which include policies for managing conflicts of interest.
- (b) [New IPF] will provide the Commission with reasonable prior notice of any document that it intends to publish or issue to the public or to any category of SRO Members which, could have a significant impact on:
 - (i) [New IPF]'s ability to carry out [New IPF]'s Mandate;
 - (ii) SRO Members; and

- (iii) the capital markets generally, including, for greater clarity, particular stakeholders or sectors.

**MEMORANDUM OF UNDERSTANDING REGARDING
OVERSIGHT OF [NEW IPF]
AMONG:**

**ALBERTA SECURITIES COMMISSION
AUTORITÉ DES MARCHÉS FINANCIERS
BRITISH COLUMBIA SECURITIES COMMISSION
MANITOBA SECURITIES COMMISSION
FINANCIAL AND CONSUMER SERVICES COMMISSION OF NEW BRUNSWICK
OFFICE OF THE SUPERINTENDENT OF SECURITIES, DIGITAL GOVERNMENT
AND SERVICE NEWFOUNDLAND AND LABRADOR
OFFICE OF THE SUPERINTENDENT OF SECURITIES, NORTHWEST
TERRITORIES
NOVA SCOTIA SECURITIES COMMISSION
OFFICE OF THE SUPERINTENDENT OF SECURITIES, NUNAVUT
ONTARIO SECURITIES COMMISSION
PRINCE EDWARD ISLAND OFFICE OF THE SUPERINTENDENT OF SECURITIES
FINANCIAL AND CONSUMER AFFAIRS AUTHORITY OF SASKATCHEWAN
OFFICE OF THE YUKON SUPERINTENDENT OF SECURITIES**

(each a **Regulator**, collectively the **Regulators** or the **Parties**)

The Parties agree as follows:

1. Underlying Principles

a. Approval and Acceptance

Pursuant to applicable Securities Legislation, and subject to terms and conditions, the Regulators have either:

- (i) approved [New IPF] as a compensation fund or contingency trust fund; or
- (ii) deemed [New IPF] acceptable as a contingency fund.

b. Oversight Program

To ensure that [New IPF] is appropriately discharging its responsibilities as a compensation or contingency fund, the Regulators have developed an oversight program (**Oversight Program**) which includes:

- (i) review of information filed by [New IPF], as set out in section 4;
- (ii) oversight reviews of [New IPF], as set out in section 5; and
- (iii) review and applicable approval of Amendments, as set out in section 6.

The purpose of the Oversight Program is to ensure that [New IPF] is acting in accordance with the [New IPF] Mandate, and complying with the terms and conditions of the Regulators' approval or acceptance.

c. Oversight Guiding Principles

The guiding principles for the Regulators' joint oversight of [New IPF] are:

- (i) Harmonious direction – the Regulators will strive to speak as one when giving direction to [New IPF];
- (ii) Transparency – each Regulator shares with other Regulators important communications with [New IPF] in a timely manner; and
- (iii) Efficiency – each Regulator will strive to conduct oversight in an effective manner while attempting to minimize the resources required from other Regulators and [New IPF].

d. Previous Memoranda of Understanding

This MOU replaces the memoranda of understanding that took effect on January 1, 2021 between the applicable Regulators of the Canadian Investor Protection Fund (**CIPF**) and the MFDA Investor Protection Corporation (**MFDA IPC**) in respect of the oversight of CIPF and MFDA IPC.

2. Definitions

“Amendment” means

- (i) any amendment to, or revocation or replacement of, [New IPF]'s Coverage Policies or by-laws; or
 - (ii) any material change to [New IPF]'s Industry Agreement with [New SRO]
- for which the Regulators' prior approval is required pursuant to an Approval Order or Acceptance Decision.

“Approval Order” means the approval of [New IPF] by a Regulator pursuant to the Securities Legislation in a Canadian province or territory which stipulates that registered dealers must participate in a compensation fund or contingency trust fund approved by the Regulator and established by, among others, a self-regulatory organization.

“Board” has the meaning ascribed to that term in [New IPF] Approval Order or Acceptance Decision.

"Coordinators" mean the two Regulators that are designated as such from time to time by consensus of all the Regulators.

"Coverage Policies" have the meaning ascribed to that term in [New IPF] Approval Order or Acceptance Decision.

"Acceptance Decision" means the decision regarding [New IPF] by a Regulator pursuant to the Securities Legislation in a Canadian province or territory which may stipulate that a dealer must participate in a contingency fund deemed acceptable by the Regulator.

"Industry Agreement" has the meaning ascribed to that term in [New IPF] Approval Order or Acceptance Decision.

"[New IPF] Mandate" has the meaning ascribed to that term in [New IPF] Approval Order or Acceptance Decision.

"Reviewing Regulator" means a Regulator that is participating in an oversight review of [New IPF].

"Securities Legislation" has the same meaning as in National Instrument 14-101 *Definitions* and includes, where applicable, commodity futures legislation.

"Self-regulatory organization (SRO)" has the meaning ascribed to that term in [New IPF] Approval Order or Acceptance Decision.

"SRO Member" has the meaning ascribed to that term in [New IPF] Approval Order or Acceptance Decision.

3. **General Provisions**

a. *Oversight Committee*

The Regulators will establish an oversight committee (**Oversight Committee**) which will act as a forum to discuss issues, concerns and proposals related to the oversight of [New IPF].

Each of the Regulators shall designate from time to time representatives on the Oversight Committee.

The Oversight Committee will provide to the Chairs of the Regulators an annual written report that will include a summary of all oversight activities conducted during the previous period (**Annual Report on Oversight Activities**). The Annual Report on Oversight Activities will also be published.

b. *Coordinators*

The two Regulators that are designated as Coordinators are tasked with the role of coordinating, communicating and scheduling activities of the Oversight Program between the Regulators, and between the Regulators and [New IPF]. The Coordinators must not make any unilateral decision, or give unilateral direction, with respect to [New IPF].

The Coordinators will serve for four years on a staggered rotation basis among the two designated Regulators. Initially, one of the two Coordinators will be replaced after two years, and thereafter each Coordinator will have a four-year term, such that a new Coordinator will be designated to replace a current Coordinator every two years. Designation of a new Coordinator will be made one year in advance of the end of an exiting Coordinator's term.

c. Staff Contact

The Coordinators will provide [New IPF] with key staff contacts in each jurisdiction for the purposes of matters arising under this MOU or relating to oversight in general.

d. Status Meetings

The Coordinators will organize semi-annual conference calls and annual in-person meetings between the Oversight Committee and staff of [New IPF]. The purpose is to discuss matters relating to the Oversight Program of [New IPF] and other matters that are of interest to the Regulators and [New IPF]. The Coordinators will record minutes of these meetings and calls.

4. Review of Information Filed

Any comments of the staff of the Regulators on information filed by [New IPF] will be sent to the Coordinators, with a copy to staff of the other Regulators. The Coordinators will request that [New IPF] respond to comments raised by the Regulators and copy staff of the other Regulators on its response.

5. Oversight Reviews

The Regulators have developed procedures for performing periodic reviews of [New IPF]'s functions, as set out in Schedule A.

6. Review and Applicable Approval of Amendments

The Regulators have entered into a protocol, set out in Schedule B of this MOU, to establish uniform procedures relating to the review and applicable approval of or non-objection to proposed Amendments.

7. Confidentiality

All notices, reports, documents and any other information or data shared amongst any of the Regulators pursuant to this MOU are shared exclusively for the regulatory purposes of the Regulators, and with the expectation that they be shared and maintained in confidence, except as may otherwise be required by applicable law.

8. Authority

Nothing in this MOU is intended to limit the powers of any of the Regulators under applicable Securities Legislation to take any measures authorized or required under such legislation.

9. Schedules

The MOU represents the Regulators' commitment to a coordinated and cooperative approach to conducting the Oversight Program, and the schedules are integral to the execution of this commitment.

10. Amending, terminating and withdrawing from the MOU

This MOU may be amended from time to time as mutually agreed upon by the Regulators. Any amendments must be in writing and approved by the duly authorized representatives of each Regulator in accordance with the applicable legislation of each province or territory.

This MOU may be terminated if mutually agreed upon by the Regulators.

Each Regulator can, at any time, withdraw from this MOU on at least 90 days' written notice to the Coordinators and to each Regulator.

11. Effective Date

This MOU comes into effect on [●].

IN WITNESS WHEREOF the duly authorized signatories of the parties below have signed this MOU as of the Effective Date of the MOU stated above.

ALBERTA SECURITIES COMMISSION

Per: _____

Title: _____

AUTORITÉ DES MARCHÉS FINANCIERS

Per: _____

Title: _____

**BRITISH COLUMBIA SECURITIES
COMMISSION**

Per: _____

Title: _____

MANITOBA SECURITIES COMMISSION

Per: _____

Title: _____

**FINANCIAL AND CONSUMER SERVICES
COMMISSION OF NEW BRUNSWICK**

Per: _____

Title: _____

**OFFICE OF THE SUPERINTENDENT OF
SECURITIES, DIGITAL GOVERNMENT AND
SERVICE NEWFOUNDLAND AND LABRADOR**

Per: _____

Title: _____

**DEPUTY MINISTER FOR
INTERGOVERNMENTAL AFFAIRS
NEWFOUNDLAND AND LABRADOR**

Per: _____

Title: _____

**OFFICE OF THE SUPERINTENDENT OF
SECURITIES, NORTHWEST TERRITORIES**

Per: _____

Title: _____

NOVA SCOTIA SECURITIES COMMISSION

Per: _____

Title: _____

**OFFICE OF THE SUPERINTENDENT OF
SECURITIES, NUNAVUT**

Per: _____

Title: _____

ONTARIO SECURITIES COMMISSION

Per: _____

Title: _____

**PRINCE EDWARD ISLAND OFFICE OF THE
SUPERINTENDENT OF SECURITIES**

Per: _____

Title: _____

**FINANCIAL AND CONSUMER AFFAIRS
AUTHORITY OF SASKATCHEWAN**

Per: _____

Title: _____

**OFFICE OF THE YUKON SUPERINTENDENT
OF SECURITIES**

Per: _____

Title: _____

Schedule A Oversight Reviews

On behalf of all Regulators, the Reviewing Regulators will carry out periodic coordinated oversight reviews of [New IPF] for the purposes of: (i) evaluating whether selected regulatory processes are effective, efficient, and are applied consistently and fairly; and (ii) assessing compliance with the terms and conditions of the Approval Orders and any Acceptance Decision.

A Regulator may choose to participate in a coordinated review of [New IPF], or may choose to rely on another Regulator for the review of [New IPF]. In cases where a Regulator chooses not to review [New IPF] office in its jurisdiction, the other Regulators may conduct a review of that [New IPF] office.

Each Regulator may also perform an independent review of [New IPF] to deal with significant and/or local issues. Any Regulator who intends to perform such a review will notify staff of the other Regulators prior to conducting such a review.

The scope of the review will be determined by utilizing a risk-based methodology established and agreed upon by staff of the Regulators.

When the Reviewing Regulators carry out a coordinated review, they will use best efforts to adhere to the following within any timelines established among themselves:

- 1) The Reviewing Regulators will establish and agree on a work plan for the coordinated review that sets the target completion date for each step, including conducting the review, reviewing draft reports, confirming factual accuracy, translating and publishing the final report, and follow-up plans.
- 2) The Reviewing Regulators will coordinate their review of [New IPF] by conducting their reviews at the same time.
- 3) The Reviewing Regulators will develop and use a uniform review program and uniform performance benchmarks to conduct the coordinated review and will ensure the review is appropriately staffed in their respective jurisdiction.
- 4) The Coordinators will, as needed, arrange for communications among the Reviewing Regulators during the course of a review, to discuss the progress of the work completed and to ensure appropriate consistency in the Reviewing Regulators' approach.
- 5) Each Reviewing Regulator will share with all other Reviewing Regulators the results of its review, including draft findings and, upon request, supporting materials.

- 6) Unless otherwise agreed upon, the Coordinators will draft a review report and share it among the Reviewing Regulators to ensure it meets all of their expectations and requirements, as applicable. The review report will:
 - a) take into account the draft findings and comments of the Reviewing Regulators, and
 - b) use a common set of criteria to rate the significance and urgency of findings.
- 7) If the Reviewing Regulators disagree on the content of the draft review report, the Reviewing Regulators will follow the process provided in section 12, as applicable, of Schedule B of this MOU for resolution.
- 8) After the Reviewing Regulators are mutually satisfied with the draft review report, the Coordinators will forward the draft review report to [New IPF] to confirm factual accuracy.
- 9) [New IPF] will review the draft review report for factual accuracy and respond to the Reviewing Regulators with comments.
- 10) The Reviewing Regulators will consider [New IPF]'s comments and revise their report as necessary.
- 11) The Coordinators will send the revised report to [New IPF] for its formal response.
- 12) On receipt of [New IPF]'s formal response, the Reviewing Regulators will incorporate such formal response and any follow-up plans into the review report as applicable.
- 13) Each Reviewing Regulator will seek the necessary internal approval to publish the final review report, taking into account language translation needs where applicable.
- 14) When each Reviewing Regulator has obtained the necessary internal approvals, the Coordinators will, and the other Reviewing Regulators may, publish the final review report.

Schedule B

Review and Applicable Approval of Amendments

1. Scope and purpose

The Regulators hereby establish uniform procedures relating to their review and applicable approval of, or non-objection to, Amendments proposed by [New IPF].

2. Classifying Amendments

- (a) **Classification.** [New IPF] will classify each proposed Amendment as “housekeeping” or “public comment”.
- (b) **Housekeeping Amendments.** A “housekeeping” Amendment is a proposed Amendment that has no material impact on investors, issuers, registrants, other market participants, the SRO, [New IPF], or the capital markets generally and that:
 - (i) makes necessary changes of an editorial nature (such as correcting a textual mistake or inaccurate cross-reference, correcting a translation, making a formatting change, or standardization of terminology),
 - (ii) changes the routine internal processes, practices, or administration of [New IPF], or
 - (iii) is necessary to conform [New IPF]’s policies or by-laws to applicable Securities Legislation, statutory or legal requirements, accounting or auditing standards, or to other [New IPF] policies or by-laws (including those that the Regulators have approved or non-objected to, but which [New IPF] has not yet made effective).
- (c) **Public comment Amendments.** A “public comment” Amendment is any proposed Amendment that is not a housekeeping Amendment.
- (d) **Regulators’ disagreement with classification.** If staff of a Regulator thinks that [New IPF] incorrectly classified a proposed Amendment as housekeeping, the Regulators and [New IPF] will use best efforts to adhere to the following:
 - (i) Within 5 business days of the date of [New IPF]’s filing under section 3, staff of the Regulator who intends to disagree with the classification will advise staff of the other Regulators, in writing, that they intend to disagree and provide reasons for their intended disagreement.

- (ii) Within 3 business days after receiving or sending notice of disagreement, staff of the Coordinators will discuss the classification, and may arrange a conference call, with staff of the other Regulators and, as applicable, [New IPF].
- (iii) If disagreement with the classification still exists after any such discussion, staff of the Coordinators will notify [New IPF] of the disagreement, in writing, with a copy to staff of the other Regulators within 10 business days of the date of [New IPF]'s filing.
- (iv) If staff of the Coordinators send a notice of disagreement to [New IPF] under paragraph 2(d)(iii), [New IPF] will reclassify the proposed Amendment as a public comment Amendment or withdraw the proposed Amendment by filing a written notice with staff of the Regulators indicating that it will be withdrawing the Amendment.
- (v) If [New IPF] does not receive any such notice of disagreement within 10 business days of the date of [New IPF]'s filing, [New IPF] will assume that staff of the Regulators agree with the classification.

3. Required Filings

- (a) **Language requirements.** [New IPF] will file the information required under this section concurrently in both English and French, accompanied with an attestation from a certified translator.
- (b) **Filings for housekeeping Amendments.** [New IPF] will file the following information with staff of the Regulators for each proposed housekeeping Amendment:
 - (i) a cover letter that indicates the classification of the proposed Amendment by citing the applicable provisions in subsection 2(b),
 - (ii) the Board resolution, or the resolution of the applicable Board committee, including the date that the proposed Amendment was approved,
 - (iii) the text of the proposed Amendment and, where applicable, a blacklined version showing the changes, and
 - (iv) a notice for publication including:
 - (A) a brief description of the proposed Amendment,
 - (B) the reasons for the housekeeping classification,
 - (C) the anticipated effective date of the proposed Amendment,

- (D) a statement as to whether the proposed Amendment complies with the terms and conditions of [New IPF]'s approval or acceptance, and
 - (E) confirmation that [New IPF] followed its established internal governance practices in approving the proposed Amendment and considered the need for consequential amendments.
- (c) **Filings for public comment Amendments.** [New IPF] will file the following information with staff of the Regulators for each proposed public comment Amendment:
- (i) a cover letter that indicates the classification of the proposed Amendment, how [New IPF] has taken the public interest into account when developing the proposed Amendment and why the proposed Amendment is in the public interest,
 - (ii) the Board resolution, or the resolution of the applicable Board committee, including the date that the proposed Amendment was approved,
 - (iii) the text of the proposed Amendment, and, where applicable, a blacklined version showing the changes, and
 - (iv) a notice for publication including:
 - (A) written analysis detailing the nature, purpose and effect of the proposed Amendment,
 - (B) the possible effects of the proposed Amendment (including any regional specific effect) on investors, issuers, registrants, other market participants, the SRO, [New IPF] and the capital markets generally,
 - (C) a description of the context in which [New IPF] developed the proposed Amendment, any relevant issues considered, and any alternative approaches considered,
 - (D) the anticipated effective date of the proposed Amendment,
 - (E) the items in subparagraph 3(b)(iv)(D) and (E), and
 - (F) a request for public comment together with details on how to submit comments within the comment period deadline, and a statement that [New IPF] will publish all comments received during the comment period on its public website.

4. Review criteria

Without limiting the discretion of the Regulators, the Regulators agree that the following are factors that staff of the Regulators may consider when reviewing proposed Amendments:

- (a) whether a proposed Amendment is in the public interest, and
- (b) whether [New IPF] has provided sufficient analysis of the nature, purpose and effect of a proposed Amendment.

5. Review and approval process for housekeeping Amendments

- (a) **Confirming receipt.** Upon receipt of the materials detailed in subsection 3(b), staff of the Coordinators will, as soon as practicable, send written confirmation of receipt of the proposed housekeeping Amendment to [New IPF], with a copy to staff of the other Regulators.
- (b) **Approval.** Except where notice of disagreement has been sent to [New IPF] in accordance with paragraph 2(d)(iii), the proposed Amendment will be deemed approved or non-objected to on the eleventh business day following the date of [New IPF]'s filing under section 3.

6. Review process for public comment Amendments

- (a) **Confirming receipt.** Upon receipt of the materials detailed in subsection 3(c), staff of the Coordinators will, as soon as practicable, send confirmation of receipt of the proposed public comment Amendment to [New IPF], with a copy to staff of the other Regulators.
- (b) **Publication and public comment period.** As soon as practicable, staff of the Coordinators and [New IPF] will, and staff of the other Regulators may:
 - (i) coordinate a publication date amongst themselves, and
 - (ii) publish the materials referred to in paragraphs 3(c)(iii) and (iv) for a 30-day comment period (or other period agreed upon by staff of the Regulators and [New IPF]) on their respective public websites.
- (c) **Publishing and responding to public comments.** [New IPF] will, as and when they are received, promptly publish any public comments on its public website. [New IPF] will also prepare a summary of and responses to those public comments and send them to staff of the Regulators within any timelines established by staff of the Regulators.

- (d) **Regulator review.** After the subsection 6(b) comment period has ended, staff of the Regulators will, in writing, provide any significant comments to the Coordinators, copying staff of the other Regulators, within any timelines established among themselves.
- (e) **Regulators have no comments.** If staff of the Coordinators do not receive or have any significant comments within the period provided for under subsection 6(d), staff of the Regulators will be deemed to not have any comments and the following applies:
 - (i) If [New IPF] has received public comments, the Regulators will, upon receipt of [New IPF]’s summary and responses described in subsection 6(c), follow the processes applicable to the review of [New IPF] responses set out in paragraphs 6(f)(v) through (ix).
 - (ii) If [New IPF] has not received any public comments, or the public comments received do not raise any material issues (as determined by staff of the Regulators), staff of the Regulators will proceed immediately to the approval or non-objection process in section 8.
- (f) **Regulators have comments.** If staff of the Coordinators receive or have significant comments within the period provided for under subsection 6(d), staff of the Regulators and [New IPF] will use best efforts to adhere to the following process using timelines established amongst themselves:
 - (i) At the end of the period provided for under subsection 6(d), staff of the Coordinators will prepare and deliver to staff of the other Regulators a draft comment letter that incorporates their own significant comments and the significant comments raised by staff of the other Regulators and may, if deemed necessary, identify different views among staff of the Regulators.
 - (ii) Staff of the Regulators will provide any significant written comments on the draft comment letter to the Coordinators, copying staff of the other Regulators; if staff of the Coordinators do not receive any such comments within the timelines agreed upon, staff of the other Regulators will be deemed not to have any comments.
 - (iii) Following the other Regulators’ response (or deemed response), staff of the Coordinators will consolidate all comments received and, when finalized to the satisfaction of staff of the Regulators, send the comment letter to [New IPF], with a copy to staff of the other Regulators.
 - (iv) [New IPF] will respond, in writing, to the comment letter sent by staff of the Coordinators, with a copy to staff of the other Regulators.

- (v) After receiving [New IPF]’s response, staff of the Regulators will provide any significant comments, in writing, to staff of the other Regulators; if staff of the Coordinators do not receive and do not have any such comments within the timelines agreed upon, staff of the Regulators will:
 - (A) be deemed not to have any comments, and
 - (B) proceed immediately to the approval or non-objection process in section 8.
- (vi) Staff of the Regulators and, as applicable, [New IPF] will follow the process laid out in paragraphs 6(f)(i) to (v) when staff of the Regulators have significant comments on [New IPF]’s response to the comment letter.
- (vii) Staff of the Coordinators will attempt to resolve any issues that staff of the Regulators have raised on a timely basis and will consult with staff of the other Regulators or [New IPF], as needed.
- (viii) If staff of the Regulators disagree about the substantive content of the comment letter in paragraph 6(f)(i) or whether to recommend approval of or non-objection to the Amendment, staff of the Coordinators will invoke section 12.
- (ix) If [New IPF] fails to respond to comments of staff of the Regulators within 120 days of receipt of the most recent comment letter from staff of the Regulators (or such other time as agreed to by staff of the Regulators), [New IPF] may withdraw the Amendment in accordance with section 13 or staff of the Regulators will, if they agree among themselves to do so in writing, recommend their respective decision makers to object to or not approve the Amendment.

7. Revising and republishing public comment Amendments

- (a) **Language requirements.** If, subsequent to its publication for comment, [New IPF] revises a public comment Amendment, [New IPF] will file any such revision, which will include, as applicable, a blacklined version to the original published version, a cumulative blacklined version of the Amendment, and a clean copy of the revised Amendment, concurrently in both English and French, accompanied with an attestation from a certified translator.
- (b) **Revising Amendments.** If such a revision changes the Amendment’s substance or effect in a material way, staff of the Coordinators may, in consultation with [New IPF] and staff of the other Regulators, require the revised Amendment to be republished for an additional comment period.

Upon republication, the initial or previous Amendment will be considered closed, and not approved or in effect.

- (c) **Published documents.** If a public comment Amendment is republished, the revised request for comments will include, as applicable, the information filed under subsection 7(a), the date of Board approval or approval of the applicable Board committee (if different from the original published version), [New IPF]'s summary of comments received and responses for the previous request for comments, together with an explanation of the revisions to the Amendment and the supporting rationale for the revisions.
- (d) **Applicable provisions.** Any republished public comment Amendment will be subject to all provisions in this Schedule B applicable to public comment Amendments, except where otherwise provided for in this Schedule B.

8. Approval process for public comment Amendments

- (a) **Coordinators seek approval.** Staff of the Coordinators will use their best efforts to seek approval of or non-objection to the Amendment within 20 business days of the end of the review process set out in section 6.
- (b) **Coordinators circulate documents.** After the Coordinators make a decision about an Amendment, staff of the Coordinators will promptly circulate to staff of the other Regulators applicable documentation relating to the Coordinators' decision.
- (c) **Other Regulators seek approval.** Staff of the other Regulators will use their best efforts to seek approval or non-objection within 20 business days of receipt of applicable documentation from staff of the Coordinators.
- (d) **Other Regulators communicate decision to Coordinators.** Staff of each Regulator will promptly inform staff of the Coordinators in writing after a decision about the Amendment has been made.
- (e) **Coordinators communicate decision to [New IPF].** Staff of the Coordinators will promptly communicate to [New IPF], in writing, the decision about the Amendment, including any conditions, upon receipt of notification of the other Regulators' decisions.

9. Effective date of Amendments

- (a) **Public comment Amendments.** Public comment Amendments (other than Amendments implemented under section 11) will be effective on the later of:
 - (i) the date the Coordinators publish the notice of approval or non-objection in accordance with subsection 10(a), and

- (ii) the date designated by [New IPF] under subparagraph 3(c)(iv)(D) or the date as determined by [New IPF].
- (b) **Housekeeping Amendments.** Housekeeping Amendments will be effective on the later of:
 - (i) the date of deemed approval or non-objection in accordance with subsection 5(b), and
 - (ii) the date designated by [New IPF] under subparagraph 3(b)(iv)(C).
- (c) **Failing to make an Amendment effective within one year.** [New IPF] will advise staff of the Regulators in writing if it has not made an Amendment effective within one year of receiving approval or non-objection from the Regulators, and will include the following information:
 - (i) the reasons it has not yet made the Amendment effective,
 - (ii) [New IPF]'s projected timeline for making the Amendment effective, and
 - (iii) the impact on the public interest of delaying making the Amendment effective within one year.

10. Publishing notice of approval

- (a) **Public comment Amendments.** For any public comment Amendment, staff of the Coordinators and [New IPF] will both publish a notice of approval of or non-objection on their respective websites, together with:
 - (i) if applicable, [New IPF]'s summary of comments received and responses, and
 - (ii) if changes were made to the version published for public comment, a blacklined version of the revised Amendment.
- (b) **Housekeeping Amendments.** For any housekeeping Amendments, staff of the Coordinators will prepare a notice of deemed approval or non-objection and both the Coordinators and [New IPF] will publish such notice, together with the materials referred to in paragraphs 3(b)(iii) and (iv), on their respective public websites.
- (c) **Publication by other Regulators.** Any other Regulators may publish notices of approval at their own discretion.

11. Immediate implementation

- (a) **Criteria for immediate implementation.** If [New IPF] identifies an urgent need to implement a proposed public comment Amendment because of a substantial risk of material harm to investors, issuers, registrants, other market participants, the SRO, [New IPF] or the capital markets generally, [New IPF] may make the proposed public comment Amendment effective immediately upon approval by the Board, subject to subsection 11(d), and provided that:
- (i) [New IPF] provides staff of each Regulator with written notice of its intention to rely upon this procedure at least 10 business days before the Board considers the proposed public comment Amendment for approval, and
 - (ii) [New IPF]'s written notice in paragraph 11(a)(i) includes:
 - (A) the date on which [New IPF] intends the proposed public comment Amendment to be effective, and
 - (B) an analysis in support of the need for immediate implementation of the proposed public comment Amendment.
- (b) **Notice of disagreement.** If staff of a Regulator does not agree that immediate implementation is necessary, staff of the Regulators and, as applicable, [New IPF] will use best efforts to adhere to the following:
- (i) Staff of the Regulator which disagrees with the need for immediate implementation will, within 5 business days after [New IPF] provides notice under subsection 11(a), advise staff of the other Regulators in writing that they disagree and provide the reasons for their disagreement.
 - (ii) Staff of the Coordinators will promptly notify [New IPF] of the disagreement in writing.
 - (iii) Staff of [New IPF] and staff of the Regulators will discuss and attempt to resolve any concerns raised on a timely basis but, if the concerns are not resolved to the satisfaction of staff of all Regulators, [New IPF] cannot immediately implement the proposed public comment Amendment.
- (c) **Notice of no disagreement.** Where there is no notice of disagreement under and within the timelines set out in paragraph 11(b)(i), or where concerns have been resolved under paragraph 11(b)(iii), staff of the Coordinators will immediately provide written notice to [New IPF], with a

copy to staff of the other Regulators, that it may immediately implement the proposed public comment Amendment subject to Board approval.

- (d) **Effective date.** Proposed public comment Amendments that [New IPF] immediately implements in accordance with section 11 will be effective on the later of the following:
 - (i) the date of the notice provided to [New IPF] under subsection 11(c),
 - (ii) the date the Board approves the Amendment, and
 - (iii) the date designated by [New IPF] in its written notice to staff of the Regulators.
- (e) **Subsequent review of Amendment.** A public comment Amendment that is implemented immediately will subsequently be published, reviewed, and approved or non-objected to in accordance with the applicable provisions of this Schedule B.
- (f) **Subsequent disapproval of Amendment.** If the Regulators subsequently object to or do not approve a public comment Amendment that [New IPF] immediately implemented, [New IPF] will promptly repeal the public comment Amendment and inform SRO Members of the Regulators' decision.

12. Disagreements

If any disagreement, either among the Regulators or between the Regulators and [New IPF], about a matter arising out of or relating to this Schedule B cannot be resolved through discussions, the Regulators will use best efforts to adhere to the following using timelines established amongst themselves:

- (a) If staff of one of the Regulators notifies the other Regulators that in their view there is a disagreement that cannot be resolved through staff discussions, then staff of the Coordinators will arrange for senior staff of the Regulators to discuss the issues and attempt to reach a consensus.
- (b) If, following such discussions, a consensus is not reached, staff of the Coordinators will escalate the disagreement as applicable and, ultimately, to the Regulators' Chairs or other senior executives of the Regulators or such other process as agreed to by staff of the Regulators.
- (c) If, following such escalation, a consensus is not reached, [New IPF] may withdraw the Amendment in accordance with section 13 or staff of the Regulators will recommend that their respective decision makers object to or not approve the Amendment.

13. **Withdrawing proposed Amendments**

- (a) **Filing notice of withdrawal.** If [New IPF] withdraws a proposed public comment Amendment that the Regulators have not yet approved or non-objected to, [New IPF] will file with staff of the Regulators a written notice indicating that it will be withdrawing the Amendment.
- (b) **Contents of notice of withdrawal.** The written notice in subsection 13(a) must contain:
 - (i) the reason [New IPF] submitted the proposed Amendment,
 - (ii) any dates on which the Board or the applicable Board committee approved the proposed Amendment,
 - (iii) any prior publication dates,
 - (iv) the Board resolution, or the resolution of the applicable Board committee, supporting the withdrawal of the proposed Amendment,
 - (v) the reasons [New IPF] is withdrawing the proposed Amendment, and
 - (vi) the impact of withdrawing the proposed Amendment on the public interest.
- (c) **Publishing notice of withdrawal.** Where the proposed Amendment being withdrawn had previously been published for comment under subsection 6(b), staff of the Coordinators and [New IPF] will both publish a notice on their public websites stating that [New IPF] will be withdrawing the proposed Amendment together with the reasons [New IPF] is withdrawing the proposed Amendment.

14. **Reviewing and amending Schedule B**

Staff of the Regulators will, when they agree it is necessary to do so, conduct a joint review of the operation of this Schedule B in order to identify issues relating to:

- (a) the effectiveness of this Schedule B,
- (b) the continuing appropriateness of the timelines and other requirements set out in this Schedule B, and
- (c) any necessary or desirable amendments to this Schedule B.

15. Waiving or varying Schedule B

- (a) **[New IPF] request.** [New IPF] may file a written request with the Regulators to waive or vary any part of this Schedule B and, in such a case, the Regulators will use best efforts to adhere to the following using timelines established amongst themselves:
 - (i) A Regulator who objects to the granting of the waiver or variation will notify the other Regulators of their objection, together with their reasons for the objection. If the Coordinators do not receive or send any notice of objection, the Regulators are deemed to not object to the waiver or variation.
 - (ii) In accordance with the timelines established by the Regulators, the Coordinators will provide written notice to [New IPF] as to whether the waiver or variation has been granted or objected to.
- (b) **Regulator request.** The Regulators may waive or vary any part of this Schedule B if all of the Regulators agree in writing to such waiver or variation.
- (c) **General.** A waiver or variation may be specific or general and may be made for a time or for all time as mutually agreed by the Regulators.

16. Publishing materials

If staff of the Coordinators publish any materials under this Schedule B, staff of the other Regulators may also publish the same materials and, in such a case, staff of the Coordinators will coordinate the publication date with staff of the other Regulators.