



**IN THE MATTER OF THE *SECURITIES ACT***

**S.N.W.T. 2008, c. 10 as amended**

**(the ACT)**

**AND**

**IN THE MATTER OF  
INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (IIROC)**

**RECOGNITION ORDER  
Sections 71 and 72**

**WHEREAS** IIROC, among other things:

- a. regulates investment dealers, including alternative trading systems (ATSs) and futures commission merchants (Dealer Members);
- b. if retained by an ATS pursuant to National Instrument 23-101 *Trading Rules*, regulates the ATS as a Marketplace Member (defined below) and the subscribers of the ATS;
- c. establishes, administers and monitors its rules, policies and other similar instruments (Rules);
- d. enforces compliance with its Rules by Dealer Members and others subject to its jurisdiction;
- e. provides services to exchanges and quotation and trade reporting systems (QTRSs) (together with ATSs, Marketplace Members) that choose to retain it as a regulation services provider, as that term is defined under National Instrument 21-101 *Marketplace Operation*;
- f. if retained by an exchange or QTRS, administer, monitors and/or enforces rules pursuant to a regulation services agreement between IIROC and that exchange or QTRS (RSA); and
- g. conducts certain functions delegated to it, including registration functions.

**AND WHEREAS** IIROC has been recognized as a self-regulatory organization or self-regulatory body, pursuant to applicable legislation, by the Alberta Securities Commission, British Columbia Securities Commission, Manitoba Securities Commission, Financial and Consumer Services Commission (New Brunswick), Office of the Superintendent of Securities Service Newfoundland and Labrador, Nova Scotia Securities Commission, Ontario Securities Commission, Office of the Superintendent of Securities (PEI),

Autorité des marchés financiers, and Financial and Consumer Affairs Authority of Saskatchewan (the Recognizing Regulators).

**AND WHEREAS** IIROC has requested that the Superintendent of Securities for the Northwest Territories (the Superintendent) designate IIROC as a self-regulatory organization requiring recognition pursuant to subsection 71(1)(a) of the Act.

**AND WHEREAS** IIROC has applied to the Superintendent for recognition as a self-regulatory organization pursuant to Section 72 of the Act.

**AND WHEREAS** the Superintendent is satisfied that:

1. designating IIROC as a self-regulatory organization requiring recognition pursuant to subsection 71(1)(a) of the Act; and
2. recognizing IIROC as a self-regulatory organization, subject to the terms and conditions set out in Appendix A and the applicable provisions of Appendix B;

is not prejudicial to the public interest.

**IT IS ORDERED THAT:**

1. The Superintendent designates IIROC as a self-regulatory organization requiring recognition pursuant to subsection 71(1)(a) of the Act.
2. The Superintendent recognizes IIROC as a self-regulatory organization pursuant to Section 72 of the Act on the following terms and conditions:
  - a. The terms and conditions set out in Appendix A
  - b. The applicable provisions of the Memorandum of Understanding among the Recognizing Regulators attached as Appendix B to this order, as amended from time to time (MOU).

This Order takes effect on November 1<sup>st</sup>, 2018.

Dated at the City of Yellowknife in the Northwest Territories this 22<sup>nd</sup> day of October, 2018.

*Tom Hall*

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Thomas W. Hall  
Superintendent of Securities

## APPENDIX A

### TERMS AND CONDITIONS

#### 1. Recognition Criteria

IIROC must continue to meet the criteria attached at Schedule 1.

#### 2. Approval of Changes

a. Prior Superintendent approval is required for any changes to the following:

- (i) the corporate governance structure of IIROC, as reflected in IIROC's By-law No. 1 (By-law No. 1);
- (ii) articles of continuance of IIROC; and
- (iii) the assignment, transfer, delegation or sub-contracting of the performance of all or a substantial part of its regulatory functions or responsibilities as a self-regulatory organization.

b. Prior Superintendent approval is required for material changes to the following:

- (i) the fee model;
- (ii) the functions IIROC performs;
- (iii) IIROC's organizational structure;
- (iv) the activities, responsibilities, and authority of the District Councils; and
- (v) the Regulation Services Agreement between IIROC and any Marketplace Member.

#### 3. Status

a. IIROC must operate on a not-for-profit basis.

b. IIROC must comply with any terms and conditions the Superintendent may impose in the public interest concerning any transaction that would result in IIROC:

- (i) ceasing to perform its services;

- (ii) discontinuing, suspending or winding-up all or a significant portion of its operations;
- (iii) disposing of all or substantially all of its assets; or
- (iv) terminating its agreement with an information technology service provider providing critical technology systems.

#### **4. Rules and Rule-Making**

IIROC must comply with the process for filing and obtaining Superintendent approval for by-laws, Rules and any amendments to by-laws or Rules as outlined in Appendix A of the MOU, as amended from time to time.

#### **5. Governance**

a. IIROC must:

- (i) ensure that at least 50% of its board of directors (Board), other than the President of IIROC, are independent directors as defined in By-law No. 1;
- (ii) ensure that one of the directors represents an exchange or ATS that is not affiliated with a marketplace
  - (A) that retains IIROC, and
  - (B) has at least a 40% Market Share as defined in By-law No. 1 (Market Share); and
- (iii) review the corporate governance structure, including the composition of the Board, at the request of the Superintendent,

to ensure that there is a proper balance between, and effective representation of, the public interest and the interests of marketplaces, dealers and other entities desiring access to the services provided by IIROC.

#### **6. Due Process**

Subject to applicable law and the Rules and by-laws of IIROC, before rendering a decision that affects the rights of a person or company in relation to membership, registration or enforcement matters, IIROC must provide that person or company an opportunity to be heard.

#### **7. Performance of Regulatory Functions**

a. IIROC must set Rules governing its members and others subject to its jurisdiction.

- b. IIROC must administer and monitor compliance with the Rules and securities laws by members and others subject to its jurisdiction and enforce compliance with the Rules by Dealer Members, including ATs, and others subject to its jurisdiction.
- c. If retained by an exchange or QTRS, IIROC must administer, monitor and/or enforce rules pursuant to an RSA.
- d. IIROC must, subject to applicable legislation, collect, use and disclose personal information only to the extent reasonably necessary to carry out its regulatory activities and mandate.
- e. IIROC must ensure that it is accessible for contact by the public for purposes relating to the performance of its functions as a self-regulatory organization.
- f. IIROC must publish concurrently in English and French each document issued to the public or generally to any class of members.
- g. IIROC must adopt policies and procedures designed to ensure that confidential information about its operations or those of any Dealer Member, Marketplace Member or marketplace participant is maintained in confidence and not shared inappropriately with other persons, and must use all reasonable efforts to comply with these policies and procedures.
- h. IIROC must, at least annually, self-assess IIROC's performance of its regulatory responsibilities, and report thereon to its Board, together with any recommendations for improvements.

## **8. Use of Fines and Settlements**

All fines collected by IIROC and all payments made under settlement agreements entered into with IIROC may be used only as follows:

- a. as approved by the Corporate Governance Committee,
  - (i) for the development of systems or other non-recurring capital expenditures that are necessary to address emerging regulatory issues resulting from changing market conditions and are directly related to protecting investors and the integrity of the capital markets;
  - (ii) for the education of securities market participants and members of the public about or research into investing, financial matters or the operation or regulation of securities markets;
  - (iii) to contribute to a non-profit, tax-exempt organization, the purposes of which include protection of investors, or those described in paragraph (a)(ii); or

- b. for reasonable costs associated with the administration of IIROC's hearing panels.

## 9. Disciplinary Matters

- a. Subject to paragraph (b), IIROC must
  - (i) promptly notify the public and the news media of:
    - (A) the specifics relating to each disciplinary or settlement hearing once the hearing date is set, and
    - (B) the terms of each settlement and the disposition of each disciplinary action once the terms or disposition is determined; and
  - (ii) ensure that disciplinary and settlement hearings are open to the public and the news media.
- b. Despite paragraph (a), IIROC may, on its own initiative or on request, order a closed-door hearing or prohibit the publication or release of information or documents if it determines that it is required for the protection of confidential matters. IIROC must establish written criteria for making a determination of confidentiality.

## 10. Capacity and Integrity of Systems

- a. IIROC must
  - (i) ensure that each of IIROC's critical systems, including its technology systems, has
    - (A) appropriate internal controls to ensure integrity and security of information; and
    - (B) has reasonable and sufficient capacity, and backup to enable IIROC to properly carry on its business; and
  - (ii) have controls to manage the risks associated with its operations, including an annual review of its contingency and business continuity plans.
- b. IIROC must on a reasonably frequent basis, and in any event, at least annually:
  - (i) make reasonable current and future capacity estimates for its critical systems;
  - (ii) conduct capacity stress tests to determine the ability of its critical systems to perform its regulation functions in an accurate, timely and efficient manner;

- (iii) review and keep current the development and testing methodology of those systems; and
  - (iv) review the vulnerability of those systems to internal and external threats including physical hazards and natural disasters.
- c. IIROC must cause to be performed an independent review, in accordance with established audit procedures and standards, of its controls for ensuring that it is in compliance with paragraph (b) above, and conduct a review by its Board of the report containing the recommendations and conclusions of the independent review. This term and condition will not apply if:
  - (i) the information technology provider retained by IIROC is required, either by law or otherwise, to conduct an annual independent review; and
  - (ii) IIROC's Board obtains and reviews annually a copy of the independent review report of its information technology provider to ensure that it has controls in place to address the matters outlined in paragraph (b) above.
- d. IIROC must, periodically or at the request of the Superintendent, benchmark surveillance systems and services provided by its information technology providers against comparable systems and services available from other third party technology providers.

#### **11. Ongoing Reporting Requirements**

- a. IIROC must comply with reporting requirements set out in Schedule 2 of this Recognition Order, as amended from time to time by the Superintendent.
- b. IIROC must provide the Superintendent with other reports, documents and information as the Superintendent may request.

## **SCHEDULE 1**

### **CRITERIA FOR RECOGNITION**

#### **1. Governance**

- a. The governance structure and arrangements must ensure:
  - (i) effective oversight of the entity;
  - (ii) fair, meaningful and diverse representation on the governing body (Board) and any committees of the Board, including a reasonable proportion of independent directors;
  - (iii) a proper balance among the interests of the different persons or companies subject to regulation by IIROC; and
  - (iv) each director or officer is a fit and proper person.

#### **2. Public Interest**

IIROC must regulate to serve the public interest in protecting investors and market integrity. It must articulate and ensure it meets a clear public interest mandate for its regulatory functions.

#### **3. Conflicts of interest**

IIROC must effectively identify and manage conflicts of interest.

#### **4. Fees**

- a. All fees imposed by IIROC must be equitably allocated. Fees must not have the effect of creating unreasonable barriers to access.
- b. The process for setting fees must be fair and transparent.
- c. IIROC must operate on a cost-recovery basis.

#### **5. Access**

- a. IIROC must have reasonable written criteria that permit all persons or companies that satisfy the criteria to access IIROC's regulatory services.
- b. The access criteria and the process for obtaining access should be fair and transparent.

#### **6. Financial Viability**



IIROC must have sufficient financial resources for the proper performance of its functions and to meet its responsibilities.

## **7. Capacity to Perform Regulatory Functions**

- a. IIROC must maintain its capacity to effectively and efficiently perform its regulatory functions, which include governing the conduct of persons or companies subject to its regulation and monitoring and enforcing applicable requirements.
- b. IIROC must maintain in each jurisdiction where it has an office
  - (i) sufficient financial, technological, human and other resources; and
  - (ii) appropriate organizational structures and adequate technological systems

to efficiently, effectively and in a timely manner perform its regulatory functions and responsibilities.

## **8. Capacity and Integrity of Systems**

IIROC must maintain controls to ensure capacity, integrity requirements and security of its technology systems.

## **9. Rules**

- a. IIROC must establish and maintain Rules that:
  - (i) are necessary or appropriate to govern and regulate all aspects of its functions and responsibilities as a self-regulatory entity;
  - (ii) are designed to:
    - (A) ensure compliance with securities laws,
    - (B) prevent fraudulent and manipulative acts and practices,
    - (C) promote just and equitable principles of trade and the duty to act fairly, honestly and in good faith,
    - (D) foster cooperation and coordination with entities engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in, securities,

- (E) foster fair, equitable and ethical business standards and practices,
  - (F) promote the protection of investors, and
  - (G) provide for appropriate discipline of those whose conduct it regulates;
- (iii) do not impose any burden or constraint on competition or innovation that is not necessary or appropriate in furtherance of IIROC's regulatory objectives;
  - (iv) do not impose costs or restrictions on the activities of market participants that are disproportionate to the goals of the regulatory objectives sought to be realized; and
  - (v) are not contrary to the public interest.

## **10. Disciplinary Matters**

The process for discipline must be fair and transparent.

## **11. Information Sharing and Regulatory Cooperation**

To assist other regulatory authorities in regulatory matters, IIROC must share information and cooperate with:

- a. the Superintendent and any other securities regulatory authority, whether domestic or foreign;
- b. exchanges;
- c. self-regulatory organizations;
- d. clearing agencies;
- e. financial intelligence or law enforcement agencies or authorities; and
- f. investor protection or compensation funds, whether domestic or foreign.

This assistance includes the collection and sharing of information and other forms of assistance for the purpose of market surveillance, investigations, enforcement litigation, investor protection and compensation and for any other regulatory purpose and is subject to applicable laws related to information sharing and protection of personal information.

## SCHEDULE 2

### REPORTING REQUIREMENTS

#### 1. Prior Notification

- a. IIROC will provide the Superintendent with at least twelve months' written notice prior to completing any transaction that would result in IIROC:
  - (i) ceasing to perform its services;
  - (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. IIROC will provide the Superintendent with at least three months' written notice prior to:
  - (i) terminating its agreement with an information technology service provider providing critical technology systems; or
  - (ii) any intended material change to its agreement with an information technology service provider regarding its critical technology systems.

#### 2. Immediate Notification

IIROC will immediately notify the Superintendent of the following events:

- a. the admission of a new member, including the member's name, and any terms and conditions that are imposed on the member;
- b. members whose rights and privileges or membership will be suspended or terminated, including:
  - (i) the member's name;
  - (ii) the reasons for the proposed suspension or termination; and
  - (iii) a description of the steps being taken to ensure that the member's clients are being dealt with appropriately;
- c. receipt of a member's intention to resign.

The notice required by this section may be provided by IIROC issuing a public notice containing the information, provided that such public notice will be issued immediately after the decision is made

for admission, suspension or termination of membership and immediately after receipt of a notice of intention to resign, as the case may be.

### **3. Prompt Notification**

IIROC will provide the Superintendent with prompt notice of the following events and situations, and in each case describe the circumstances that gave rise to the reportable event or situation, and IIROC's proposed response to ensure resolution, and, if appropriate, provide timely updates:

- a. situations that would reasonably be expected to raise concerns about IIROC's financial viability, including but not limited to, an inability to meet its expected expenses for the next quarter or the next year;
- b. notification from any of the Recognizing Regulators that IIROC is not in compliance with one or more of the terms and conditions of recognition of IIROC in any jurisdiction or with the reporting requirements set out in the MOU;
- c. any material violations of securities legislation of which IIROC becomes aware in the ordinary course operation of its business;
- d. any material failures in the controls described in terms and conditions 10(a)(i) and (ii) of Appendix A to this Recognition Order;
- e. any failure, malfunction, delay or security breach, including material cyber security breaches, of IIROC's critical systems or technology systems that support IIROC's critical systems;
- f. any breach of security safeguards involving information under IIROC's control if it is reasonable in the circumstances to believe that the breach creates a real risk of significant harm to investors, issuers, registrants, other market participants, IIROC, the Canadian Investor Protection Fund (CIPF), or the capital markets;
- g. actual or apparent misconduct or non-compliance by members, Approved Persons, marketplace participants, or others, where investors, clients, creditors, members, CIPF, or IIROC may reasonably be expected to suffer serious damage as a consequence thereof, including but not limited to:
  - (i) where fraud appears to be present; or
  - (ii) where serious deficiencies in supervision or internal controls exist;
- h. situations that would reasonably be expected to raise concerns about a member's continued viability, including but not limited to, capital deficiency, early warning, and any condition which, in the opinion of IIROC, could give rise to payments being made out of CIPF, including any

condition which, alone or together with other conditions, could, if appropriate corrective action is not taken, reasonably be expected to:

- (i) inhibit the member from promptly completing securities transactions, promptly segregating clients' securities as required or promptly discharging its responsibilities to clients, other members, or creditors;
  - (ii) result in material financial loss to the member or its clients; or
  - (iii) result in material misstatement of the member's financial statements;
- i. any action taken by IIROC with respect to a member in financial difficulty;
  - j. any terms and conditions imposed, varied or removed by IIROC relating to a member;
  - k. any enforcement agreement and undertaking entered into, varied or rescinded at IIROC's request relating to a member.

#### **4. Quarterly Reporting**

IIROC will file on a quarterly basis with the Superintendent a report pertaining to IIROC's regulatory operations promptly after the report is reviewed or approved by IIROC's 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 quarter for each of IIROC's regulatory operations;
- b. a summary of all compliance examinations in progress or completed during the previous quarter, and all compliance examinations scheduled to be commenced in the upcoming quarter by IIROC office and department, including information on repeat or significant deficiencies;
- c. a summary of any terms and conditions imposed, varied or removed relating to Approved Persons during the previous quarter;
- d. a summary of all discretionary exemptions granted to individuals, members, and marketplace participants during the previous quarter;
- e. summary statistics for the previous quarter regarding all client complaints, and complaints received from other sources including, but not limited to, any other securities regulatory authority;
- f. summary statistics by IIROC office for the previous quarter regarding the caseload for each of case assessment, trading review and analysis, market surveillance, investigations and

prosecutions, separated between Member and Marketplace Regulation cases including the length of time the files have been open;

- g. a summary of enforcement files that were referred to any of the Recognizing Regulators during the previous quarter; and
- h. IIROC's regulatory staff complement, by function, and details of any material changes or reductions in regulatory staffing, by function, during the previous quarter.

## **5. Annual Reporting**

IIROC will file on an annual basis with the Superintendent a report pertaining to IIROC's regulatory operations promptly after the report is reviewed or approved by IIROC's Board, board committees, or senior management, as the case may be, containing at a minimum the following documents:

- a. the self-assessment referred to in term and condition 7(h) of Appendix A to this Recognition Order. The self-assessment must contain information as specified by the Superintendent from time to time and include the following information:
  - (i) an assessment of how IIROC is meeting its regulatory mandate, including an assessment against the recognition criteria in Schedule 1 to the Recognition Order and the terms and conditions in Appendix A to the Recognition Order;
  - (ii) an assessment against its strategic plan;
  - (iii) a description of trends seen as a result of compliance reviews, investigations and prosecutions conducted, and complaints received, including IIROC's plan to deal with any issues;
  - (iv) whether IIROC is meeting its benchmarks, and reasons for any benchmarks not being met;
  - (v) a description and update on significant projects undertaken by IIROC; and
  - (vi) a description of issues raised by any of the Recognizing Regulators, external auditors or internal audit, which are being tracked by IIROC's senior management, together with a summary of the progress made on their resolution; and
- b. certification by IIROC's Chief Executive Officer and General Counsel that IIROC is in compliance with the terms and conditions applicable to it in Appendix A to this Recognition Order.

## **6. Financial Reporting**

- a. IIROC will file with the Superintendent unaudited quarterly financial statements with notes within 60 days after the end of each financial quarter.
- b. IIROC will file with the Superintendent 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. IIROC will provide the Superintendent on a timely basis with the following information and documents upon publication or completion of review and approval by IIROC's Board, board committees, or senior management, as the case may be:
  - (i) the results of any corporate governance review referred to in term and condition 5(a)(iii) of Appendix A to this Recognition Order;
  - (ii) material changes to the code of business ethics and conduct and the written policy about managing potential conflicts of interests of members of IIROC's Board;
  - (iii) changes in the members of IIROC's Board;
  - (iv) the financial budget for the current year, together with the underlying assumptions, that have been approved by IIROC's Board;
  - (v) the independent review report referred to in term and condition 10(c) of Appendix A to this Recognition Order;
  - (vi) the results of benchmarking of surveillance systems and services referred to in term and condition 10(d) of Appendix A to this Recognition Order, together with a summary of the process undertaken and conclusions reached;
  - (vii) enterprise risk management reports, and any material changes to enterprise risk management methodology;
  - (viii) the internal audit charter, annual internal audit plan, and internal audit reports;
  - (ix) the annual report for the current year;
  - (x) the compliance examination plan for the current year;
  - (xi) material changes to the compliance or enforcement processes or scope of work, including risk assessment models for:

(A) Financial and Operations Compliance;

(B) Business Conduct Compliance; and

(C) Trading Conduct Compliance.

- b. IIROC will provide the Superintendent with reasonable prior notice of any document that it intends to publish or issue to the public or to any class of members which, in the opinion of IIROC, could have a significant impact on:
  - (i) its members and others subject to its jurisdiction; or
  - (ii) the capital markets generally.
- c. IIROC will, upon request, provide the Superintendent with the following information and documents as soon as practicable:
  - (i) information concerning closed investigations or prosecutions which did not lead to disciplinary or settlement proceedings including the final investigation report and recommendation memorandum; and
  - (ii) information concerning enforcement matters that resulted in disciplinary or settlement proceedings including the final penalty memorandum.



## APPENDIX B

### Memorandum of Understanding Regarding Oversight of Investment Industry Regulatory Organization of Canada Among:

**British Columbia Securities Commission**  
**Alberta Securities Commission**  
**Saskatchewan Financial Services Commission**  
**Manitoba Securities Commission**  
**Ontario Securities Commission**  
**Autorité des marchés financiers**  
**Newfoundland and Labrador, Securities Division, Department of Government Services and Lands**  
**Nova Scotia Securities Commission**  
**New Brunswick Securities Commission**

(each a Recognizing Regulator, collectively Parties)

The Parties agree as follows:

#### 1. Underlying Principles

##### *a. Recognition*

Investment Industry Regulatory Organization of Canada (IIROC) is recognized as a self-regulatory organization under applicable legislation by each of the Recognizing Regulators and is a regulation services provider pursuant to National Instrument 23-101 *Trading Rules*.

##### *b. Oversight Program*

To ensure effective oversight of IIROC's performance of its self-regulatory activities and regulation services, the Parties to this Memorandum of Understanding (MOU) have developed an oversight program (the Oversight Program) which includes:

- (i) reviewing information filed by IIROC, as set out in section 4;
- (ii) reviewing and approving new and amended rules, policies and other similar instruments (Rules) and by-laws of IIROC, as set out in Appendix "A"; and
- (iii) performing periodic reviews of IIROC's self-regulatory activities and regulation services.

The purpose of the Oversight Program is to ensure that IIROC is acting in accordance with its public interest mandate, specifically by complying with its terms and conditions of recognition.





- (v) The Principal Regulator will also arrange periodic conference calls of the Reviewing Regulators during the course of a review, the purpose of which is to discuss the findings at different IIROC offices and to ensure consistent recommendations for similar findings.

*b. Review of Draft Reports and Issuance of Final Reports and Follow-Up Plans*

At the conclusion of a review, staff of the Principal Regulator and the Reviewing Regulators will use their best efforts to follow the procedures set out below, taking into account language translation needs, when applicable:

- (i) Each Responsible Regulator will provide to all Reviewing Regulators a draft report on the results of the review of its IIROC office. The Reviewing Regulators will agree in advance on the date on which the draft reports should be completed.
- (ii) The Principal Regulator will review the draft reports for consistency of findings and recommendations and provide any needed comments to the Responsible Regulators within 10 business days of receipt of all the draft reports.
- (iii) The Responsible Regulators will review the comments and make appropriate revisions to their reports, taking into consideration comments from the relevant Reviewing Regulators, and forward their revised draft reports to the Principal Regulator within 10 business days of receipt of the Principal Regulator's comments.
- (iv) Within 10 business days of receipt of all the revised draft reports, the Principal Regulator will forward the draft reports on each office to IIROC for it to confirm factual accuracy.
- (v) IIROC will review the draft reports for factual accuracy and respond to all the Reviewing Regulators with comments within 15 business days of receipt of the draft reports.
- (vi) The Responsible Regulators will consider IIROC's comments and revise their reports as necessary, and will forward a copy of their final reports to the Principal Regulator within 20 business days of receiving IIROC's comments.
- (vii) The Principal Regulator will combine the final reports on each IIROC office into a consolidated report and prepare an executive summary to the consolidated report. The Principal Regulator will forward the consolidated report to the Reviewing Regulators for their review within 20 business days of receipt of all the final reports.

- (viii) The Reviewing Regulators will provide to the Principal Regulator any comments on the consolidated report within 10 business days of receipt of the consolidated report.
- (ix) The Principal Regulator will review the comments, make any appropriate changes to the consolidated report, and forward the consolidated report to IIROC for a formal response with copies to the Reviewing Regulators, within 10 business days of receipt of the Reviewing Regulators' comments.
- (x) IIROC will use its best efforts to respond to the consolidated report within 20 business days of receipt of the report. A copy of its response will be sent to all the Reviewing Regulators.
- (xi) The Responsible Regulator will review IIROC's response, develop a follow-up plan for the applicable IIROC office, and forward its follow-up plan to the Principal Regulator, within 20 business days of receipt of IIROC's response.
- (xii) The Principal Regulator will provide the final consolidated report, together with IIROC's response and the follow-up plan for each IIROC office, to the CSA Chairs and IIROC once each Reviewing Regulator has obtained the necessary internal approval.

*c. Interim Reviews*

Although the Principal Regulator will co-ordinate periodic reviews as described above, each Recognizing Regulator retains the ability to perform a review of IIROC to deal with significant and/or local issues that require immediate attention and that would be best dealt with through a review of an IIROC office. The Recognizing Regulator desiring to perform an interim review of IIROC will provide prior notice of the interim review to the Oversight Committee.

**7. Appendix**

Appendix "A" to this MOU is an integral part of this MOU.

**8. Amendments to and Withdrawal from this MOU**

This MOU may be amended from time to time as mutually agreed upon by the Recognizing Regulators. Any amendments must be in writing and approved by the duly authorized representatives of each Recognizing Regulator.

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

**9. Effective Date**

This MOU comes into effect on June 1, 2008 in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia and Saskatchewan, and on September 1, 2008 in Ontario. In Quebec, this MOU comes into effect on the date it is signed by the AMF and by the Minister responsible for Canadian Intergovernmental Affairs or by a person authorized by the Minister.

British Columbia Securities Commission

Alberta Securities Commission

Per:

Per:

\_\_\_\_\_

\_\_\_\_\_

Title:

Title:

\_\_\_\_\_

\_\_\_\_\_

Saskatchewan Financial Services Commission

Manitoba Securities Commission

Per:

Per:

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\_\_\_\_\_

Title:

Title:

\_\_\_\_\_

\_\_\_\_\_

Ontario Securities Commission

Autorité des marchés financiers

Per:

Per:

\_\_\_\_\_

\_\_\_\_\_

Title:

Title:

\_\_\_\_\_

\_\_\_\_\_

Minister Responsible for Canadian  
Intergovernmental Affairs

Newfoundland and Labrador, Securities  
Division, Department of Government  
Services and Land

Per:

Per:

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Title:

Title:

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Nova Scotia Securities Commission

Per:

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Title:

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New Brunswick Securities Commission

Per:

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Title:

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## APPENDIX A

### JOINT RULE REVIEW PROTOCOL FOR IIROC

#### 1. Scope and Purpose

- a. “Rules” includes any new rule or amendment to a rule, policy or other similar instrument.
- b. Any new or amended by-law will follow the process for rule review and approval set out in this Protocol.
- c. The Recognizing Regulators have entered into this Protocol to establish uniform procedures for their review and approval of Rules proposed by IIROC.

#### 2. Classification of Rules

##### a. *Classification of Rules by IIROC*

IIROC will classify each proposed Rule as a “Housekeeping” Rule or a “Public Comment” Rule and will provide notice of classification in the materials filed with each Recognizing Regulator.

##### b. *Criteria for Classification of Rules*

- (i) A “Housekeeping” Rule is a proposed Rule that has no material impact on investors, issuers, members, registrants or the capital markets in any province or territory of Canada and that:
  - (A) corrects spelling, punctuation, typographical or grammatical mistakes or inaccurate cross-referencing;
  - (B) makes stylistic or formatting changes to headings or paragraph numbers;
  - (C) makes other necessary changes of an editorial nature (such as standardization of terminology);
  - (D) establishes or changes a due, fee or other charge imposed by IIROC pursuant to a Rule or fee model that has been previously approved by the Recognizing Regulators;
  - (E) changes the routine internal processes, practice, or administration of IIROC; or



(F) is reasonably necessary to conform IIROC's Rules to applicable securities legislation, statutory or legal requirements; and

(ii) A "Public Comment" Rule is any proposed Rule that is not a Housekeeping Rule.

*c. Disagreements Regarding Classification*

(i) If staff of a Recognizing Regulator believe that a proposed Rule is incorrectly classified as a Housekeeping Rule, they will, within 10 days of the date of filing by IIROC, inform staff of the Principal Regulator of their intention to disagree with the classification, with an analysis of their reasons for disagreeing with the classification. Within 5 days of receiving a notice of disagreement from staff of one of the Recognizing Regulators, staff of the Principal Regulator will arrange a conference call among staff of the Recognizing Regulators to discuss the disagreement with the classification. If the disagreement still exists after the conference call, staff of the Principal Regulator will promptly notify IIROC.

(ii) If a notice of disagreement is sent to IIROC under paragraph 2(c)(I), IIROC will reclassify the proposed Rule as a Public Comment Rule.

**3. Required Materials**

a. IIROC will file the information required under this section concurrently in both English and French, accompanied with a translation certificate, with the applicable Recognizing Regulators.

b. IIROC will file the following information with each Housekeeping Rule:

(i) a cover letter that indicates the classification of the Rule and the rationale for the classification;

(ii) the text of the proposed Rule, and, where applicable, a blacklined version of the Rule indicating changes to an existing rule; and

(iii) a notice for publication that contains the following:

(A) a brief description of the Rule,

(B) the reasons for the Housekeeping classification,

(C) the date that the Rule was approved by the IIROC Board and the Board Resolution, and

(D) the anticipated effective date of the Rule.

- c. IIROC will file the following information with each Public Comment Rule:
- (i) a cover letter that indicates the classification of the Rule, how IIROC has taken the public interest into account when developing the Rule and why the Rule is in the public interest;
  - (ii) the text of the proposed Rule, and, where applicable, a blacklined version of the Rule indicating changes to an existing rule; and
  - (iii) a notice of publication including:
    - (A) a concise statement, together with supporting analysis, of the nature, purpose and effect of the proposed Rule;
    - (B) the possible effects of the proposed Rule on market structure, Members, non-Members, competition and the costs of compliance;
    - (C) a description of the Rule and the Rule-making process, including a description of the context in which the proposed Rule was developed, the date that the Rule was approved by the IIROC Board and the Board Resolution, the process followed, the issues considered, the consultation process undertaken and alternative approaches considered and the reasons for rejecting those alternatives;
    - (D) where the proposed Rule requires technological systems changes to be made by IIROC, Members or other market participants, a description of the implications of the proposed Rule and, where possible, a discussion of material implementation issues and plans;
    - (E) where relevant, a reference to other jurisdictions including an indication as to whether another regulator in Canada, the United States or another jurisdiction has a comparable rule or has made or is contemplating making a comparable rule and, if applicable, a comparison of the proposed Rule to the rule of the other jurisdiction;
    - (F) the anticipated date on which IIROC proposes that the proposed Rule be effective;
    - (G) a statement that the IIROC Board has determined that the proposed Rule is not contrary to the public interest; and
    - (H) a request for public comment together with details on how to submit comments with the comment period deadline, and a

statement that IIROC would make available to the public all comments received during the comment period.

#### **4. Review Criteria**

Without limiting the discretion of the Recognizing Regulators, the Recognizing Regulators agree that the following are factors that should be considered by the Recognizing Regulators in reviewing IIROC Rule proposals:

- a. whether IIROC followed its established internal governance practices in approving the proposed Rule;
- b. whether IIROC followed the requirements of this Protocol and has provided sufficient analysis of the nature, purpose and effect of a proposed Rule;
- c. whether IIROC has considered consequential amendments; and
- d. whether the proposed Rule conflicts with applicable laws or the terms and conditions of a Recognizing Regulator's recognition order.

#### **5. Rule Review and Approval Process – Housekeeping Rules**

- a. IIROC will file each proposed Housekeeping Rule and the materials described in subsection 3(b) of this Protocol with each Recognizing Regulator.
- b. Upon receipt of IIROC's notice of publication, staff of the Principal Regulator will immediately send confirmation of receipt of the proposed Housekeeping Rule to IIROC, with copies to the other Recognizing Regulators.
- c. If none of the Recognizing Regulators objects to the classification of the proposed Rule as a Housekeeping Rule within the time limit set out in paragraph 2(c)(I), the proposed Rule will be deemed to be approved and will be effective on the date designated by IIROC in its filing.

#### **6. Rule Review and Approval Process – Public Comment Rules**

- a. IIROC will file each proposed Public Comment Rule and the materials described in subsection 3(c) of this Protocol with each Recognizing Regulator.
- b. Upon receipt of IIROC's notice of publication, staff of the Principal Regulator will immediately send confirmation of receipt of the proposed Public Comment Rule to IIROC, with copies to the other Recognizing Regulators.
- c. As soon as practicable and in any event within 14 days of receipt of IIROC's notice of publication, the Principal Regulator will, and the other Recognizing Regulators may, publish for a 30-day comment period (commencing on the date

the proposed Public Comment Rule appears in the bulletin or on the website of the Principal Regulator) in its bulletin or on its website the text of the proposed Public Comment Rule and the notice of publication filed by IIROC. The Principal Regulator and the other Recognizing Regulators that publish the Rule will coordinate the publication date.

- d. During the 30-day comment period, staff of each of the Recognizing Regulators will provide significant comments to staff of the Principal Regulator in writing, with copies to the other Recognizing Regulators. If staff of the Principal Regulator do not receive any such comments within the 30-day period, the other Recognizing Regulators will be deemed to not have any comments.
- e. Promptly following the 30-day comment period, IIROC will confirm with staff of the Principal Regulator whether any public comments were received and, if so, IIROC will forward the public comments to each of the Recognizing Regulators.
- f. If comments from staff of the Recognizing Regulators and the public comments do not raise any significant issues, staff of the Recognizing Regulators will proceed immediately to the approval of the proposed Rule following the steps outlined in subparagraphs (j)-(n) below.
- g. If comments from staff of the Recognizing Regulators or the public comments received raise significant issues, staff of the Principal Regulator will send IIROC written notice, within 7 days of the end of the 30-day comment period, that the Public Comment Rule will be subject to a full review as set out in subparagraph 6(h) below.
- h. For a full review of a Public Comment Rule, the Recognizing Regulators will use best efforts to adhere to the following process:
  - (i) Staff of the Principal Regulator will prepare and deliver to staff of the other Recognizing Regulators, within 7 days of receiving from IIROC confirmation that no public comments were received or a summary of public comments and IIROC's response to the public comments, a draft comment letter that incorporates the comments raised by staff of the Recognizing Regulators;
  - (ii) within 7 days of receipt, staff of each of the Recognizing Regulators will provide comments on the draft comment letter prepared by staff of the Principal Regulator, with copies to the other Recognizing Regulators; if staff of the Principal Regulator does not receive any comments within the 7-day period, the other Recognizing Regulators will be deemed not to have any comments;
  - (iii) Staff of the Principal Regulator will consolidate all comments received, and may identify different views from staff of the Recognizing Regulators;

in the event that comments received conflict, staff of the Recognizing Regulators will try to reach an agreement to deal with the conflict; if the conflict cannot be resolved, the Principal Regulator will use its best efforts to arrange, within 14 days of becoming aware of the conflict, for the Chair or another senior executive of each of the Recognizing Regulators to discuss the issues and attempt to establish a consensus;

- (iv) within 3 days of the other Recognizing Regulators' response (or deemed response) or of the resolution of conflicts by the Chairs or senior executives of the Recognizing Regulators, staff of the Principal Regulator will send the comment letter to IIROC, with a copy to each of the other Recognizing Regulators;
  - (v) within 14 days of receipt, IIROC will respond in writing to the comment letter sent by staff of the Principal Regulator, with a copy to staff of each of the other Recognizing Regulators; and
  - (vi) each of the other Recognizing Regulators will provide material comments to the Principal Regulator in writing within 10 days of IIROC's response, and the Principal Regulator will provide its comments to the other Recognizing Regulators within the same period; if the Principal Regulator does not receive any comments within the 10-day period, the other Recognizing Regulators will be deemed not to have any comments.
- i. IIROC and the Recognizing Regulators will discuss and attempt to resolve the concerns raised by any of the Recognizing Regulators within 30 days of receiving comments from staff of the other Recognizing Regulators regarding IIROC's response referred to in subparagraph 6(h)(V), but if the concerns are not resolved to the satisfaction of all Recognizing Regulators, review of the proposed Rule will be escalated to be discussed among the Chairs or other senior executives of the Recognizing Regulators as described below:
- (i) the Principal Regulator will use its best efforts to schedule a meeting of the chairs or other senior executives of the Recognizing Regulators within 14 days of the end of the 30-day period noted in paragraph 6(i) above; and
  - (ii) the chairs or other senior executives of the Recognizing Regulators will discuss the issues and attempt to establish a consensus among the Recognizing Regulators. If, after the consultations, the Chairs or other senior executives of the Recognizing Regulators are unable to agree on the appropriate outcome for the proposed Rule, IIROC will not be able to adopt the Rule.

- j. Staff of the Principal Regulator will prepare documentation for approval of the proposed Rule by the Principal Regulator within 14 days of resolving comments under paragraph 6(i).
- k. After a proposed rule is approved by the Principal Regulator, staff of the Principal Regulator will promptly circulate to the other Recognizing Regulators the documentation.
- l. Staff of the other Recognizing Regulators will seek the necessary approval within 30 days of receipt of the documentation from the Principal Regulator, or such later time as is mutually agreed by staff of the Recognizing Regulators.
- m. Staff of each Recognizing Regulator will inform staff of the Principal Regulator in writing of the decision concerning the proposed Rule immediately following the decision.
- n. Staff of the Principal Regulator will communicate in writing the approval of a proposed Rule to IIROC promptly upon receipt of notification from all of the other Recognizing Regulators of their decision.

## **7. Immediate Implementation**

- a. If IIROC reasonably believes that there is an urgent need to implement a proposed Rule because of a substantial risk of material harm to investors, Members, marketplace participants or the Canadian Investor Protection Fund, IIROC may make the proposed Rule effective immediately upon approval by IIROC's Board, provided that:
  - (i) IIROC provides each Recognizing Regulator with written notice of its intention to rely upon this procedure at least 10 days before the proposed Rule is considered for approval by IIROC's Board; and
  - (ii) IIROC's written notice includes:
    - (A) the date on which IIROC intends the proposed Rule to be effective, and
    - (B) an analysis in support of the need for immediate implementation of the proposed Rule.
- b. If a Recognizing Regulator does not agree that immediate implementation is necessary, that Recognizing Regulator will, within 5 days after IIROC provides notice to the Principal Regulator, advise the Principal Regulator in writing that it disagrees and provide the reasons for its disagreement, with copies to the other Recognizing Regulators. Staff of the Principal Regulator will promptly notify IIROC of the disagreement.

- c. IIROC and the Recognizing Regulators will discuss and attempt to resolve the concerns raised by the Recognizing Regulators on a timely basis, but if the concerns are not resolved to the satisfaction of all Recognizing Regulators, the proposed Rule cannot be immediately implemented.
- d. If no notice is received by IIROC by the end of the tenth day following the day on which IIROC provided the notification to the Principal Regulator, the Recognizing Regulators will be deemed to have approved the immediate implementation of the proposed Rule.
- e. Proposed Rules approved (or deemed to have been approved) for immediate implementation will be effective on the later of:
  - (i) the date on which each Recognizing Regulator has approved (or is deemed to have approved) the immediate implementation; and
  - (ii) the date designated by IIROC in its written notice to the Principal Regulator.
- f. A Rule that is implemented immediately will be published (if it is a Public Comment Rule), reviewed, and approved in accordance with this Protocol.
- g. Where the Recognizing Regulators subsequently disapprove a Rule that was implemented immediately, IIROC will promptly repeal the Rule.

**8. Effective Date of Rules**

- a. Public Comment Rules (other than Rules implemented under Section 7 (Immediate Implementation) of this Protocol) will be effective on the later of:
  - (i) the date of publication of notice of approval, and
  - (ii) the date designated by IIROC under paragraph 3(c)(III)(6) of this Protocol.
- b. Housekeeping Rules will be effective on the date designated by IIROC under paragraph 3(b)(III)(3) of this Protocol.

**9. Revisions and Republication**

- a. If, subsequent to its publication for comment, IIROC revises a Public Comment Rule in a manner that results in a material change in the proposed Rule's substance and/or effect, the Principal Regulator will, in consultation with IIROC and staff of the other Recognizing Regulators determine whether or not the revised Rule should be published for an additional 30-day comment period.

- b. If a Public Comment Rule is republished under subsection (a), the request for comments will include a blacklined version marked to the original published version, the date of Board approval (if different from the original published version), IIROC's summary of comments submitted and responses in respect of the previous request for comments, together with an explanation of the revisions to the proposed Rule and the supporting rationale for the revisions.

## **10. Publication of Notice of Approval**

- a. The Principal Regulator will prepare a notice of approval of each Public Comment Rule and publish the notice, together with the summary of the proposed Rule prepared by IIROC and IIROC's summary of comments submitted and responses, if applicable, and will coordinate with staff of the other Recognizing Regulators.
- b. For any Housekeeping Rule, the Principal Regulator will publish the text of the proposed Rule and the notice for publication referred to in subparagraph 3(b)(III).
- c. Recognizing Regulators other than the Principal Regulator may publish any notice of approval.

## **11. Review of Protocol**

IIROC and staff of the Recognizing Regulators will, once every three years, conduct a joint review of the operation of this Protocol in order to identify issues that have arisen since the last review relating to compliance with this Protocol, the continuing appropriateness of the timelines and other requirements set out in this Protocol, and necessary or desirable amendments to this Protocol to address identified issues.

## **12. Waiving or Varying of the Rule Review Protocol**

- a. IIROC may file a written request with the Principal Regulator, with copies to the other Recognizing Regulators, to waive or vary any part of this Protocol.
- b. Within 7 days of receipt of IIROC's request, a Recognizing Regulator who objects to the granting of the waiver or variation will notify the Principal Regulator of its objection, together with its reason(s) for the objection. If the Principal Regulator does not receive any notices of objection, the other Recognizing Regulators are deemed to not object to the waiver or variation.
- c. The Principal Regulator will provide to IIROC on the eighth day of receipt of IIROC's request either:
  - (i) written notice that a Recognizing Regulator objects to granting the waiver or variation; or



- (ii) written notice that the waiver or variation has been granted by the Principal Regulator on behalf of all the Recognizing Regulators.
- d. A waiver or variation may be specific or general and may be made for a time or for all time as mutually agreed by staff of the Recognizing Regulators.