

**CSA Staff Notice of Approval 25-308**  
***Approval and Acceptance of Canadian Investor Protection Fund*****November 24, 2022**

Effective January 1, 2023, the Canadian Investor Protection Fund (**CIPF**) is approved or accepted as a compensation / contingency fund by the by the Alberta Securities Commission; the Autorité des marchés financiers; the British Columbia Securities Commission; the Manitoba Securities Commission; the Financial and Consumer Services Commission of New Brunswick; the Office of the Superintendent of Securities, Digital Government and Service Newfoundland and Labrador; the Office of the Superintendent of Securities, Northwest Territories; the Nova Scotia Securities Commission; the Office of the Superintendent of Securities, Nunavut; the Ontario Securities Commission; the Prince Edward Island Office of the Superintendent of Securities; the Financial and Consumer Affairs Authority of Saskatchewan; and the Office of the Yukon Superintendent of Securities (**Regulators**).

**Background**

Following public consultations, the Canadian Securities Administrators (**CSA**) published the [CSA Position Paper 25-404 – New Self-Regulatory Organization Framework](#) (**Position Paper**), describing the plan to establish a new single enhanced self-regulatory organization (**SRO**) that will consolidate the functions of the Investment Industry Regulatory Organization of Canada (**IIROC**) and the Mutual Fund Dealers Association of Canada (**MFDA**). The CSA also indicated that it would combine the two current compensation / contingency fund organizations, the Canadian Investor Protection Fund (**Former CIPF**) and the MFDA Investor Protection Corporation (**MFDA IPC**), into a single compensation / contingency fund organization which will be independent from the New Self-Regulatory Organization of Canada.

Former CIPF and the MFDA IPC have been fully supportive of the CSA position and have been working collaboratively under the CSA oversight. On May 12, 2022, the CSA published for comment the [CSA Staff Notice and Request for Comment 25-305 - Application for Approval of the New Investor Protection Fund](#). In response to the publication, [comments](#) from 12 stakeholders were received demonstrating the continued overall support, from both industry stakeholders and investor advocates, for the enhanced regulatory framework outlined in the Position Paper. The summary and response to public comments are provided in Appendix D of this notice.

The statutory amalgamation of Former CIPF and the MFDA IPC in accordance with the *Canada Not-for-Profit Corporations Act* allows Former CIPF and the MFDA IPC to be combined and continue as one corporation by operation of law. The amalgamated corporation will be named “Canadian Investor Protection Fund”.

The new single enhanced SRO has been recognized, effective January 1, 2023, by the Regulators and will adopt a temporary legal name “New Self-Regulatory Organization of Canada”, which will be replaced by a new permanent name, to be determined at a later date.

The Autorité des marchés financiers will publish prior to the close of the amalgamation final amendments to put into effect its transition plan for mutual fund dealers registered in Québec (**Québec MFDs**) and their registered individuals.

Mutual fund dealers, including Québec MFDs, will not be required to contribute to the Canadian Investor Protection Fund's Mutual Fund Dealer Fund in respect of customer accounts located in Québec and those accounts will not be eligible for coverage by the Canadian Investor Protection Fund. However, Québec MFDs will continue to contribute to the *Fonds d'indemnisation des services financiers* (Québec financial services contingency fund), as required by law, and their clients will continue to be eligible for the payment of indemnities by this fund.

### **Transitional Provisions**

Certain existing regulations, rules, orders, policies, notices or other instruments in the CSA jurisdictions refer to Former CIPF or the MFDA IPC or both. Following the amalgamation, such references will be treated and interpreted as references to CIPF until the appropriate consequential amendments are implemented, as considered necessary.

### **Contents of the Notice of Approval**

The Notice of Approval has the following components:

- Appendix A – Approval or Acceptance Order for CIPF
- Appendix B – Memorandum of Understanding among the Regulators regarding oversight of CIPF
- Appendix C – Approval and Acceptance Application
  - Schedule 1 – By-Law Number 1 of CIPF
    - a. Clean
    - b. Blacklined to May 12, 2022 publication
  - Schedule 2 – Coverage Policy
    - a. Clean
    - b. Blacklined to May 12, 2022 publication
  - Schedule 3 - Claims Procedures
    - a. Clean
    - b. Blacklined to May 12, 2022 publication
  - Schedule 4 - Appeal Committee Guidelines
    - a. Clean
    - b. Blacklined to May 12, 2022 publication
  - Schedule 5 - Disclosure Policy
- Appendix D – Summary of and response to public comments.

**DÉCISION N° 2022-PDG-0053****Fonds canadien de protection des investisseurs**

(Acceptation à titre de fonds de garantie)

Vu l'article 168.1 de la *Loi sur les valeurs mobilières*, RLRQ, c. V-1.1 (la « LVM ») en vertu duquel le courtier doit participer à un fonds de garantie dans les cas et selon les conditions déterminées par règlement;

Vu l'article 196 du *Règlement sur les valeurs mobilières*, RLRQ, c. V-1.1, r. 50 (le « RVM ») en vertu duquel le courtier en placement et, le cas échéant, le courtier sur le marché dispensé et le courtier d'exercice restreint, doivent participer à un fonds de garantie qui, de l'avis de l'Autorité des marchés financiers (l'« Autorité ») est acceptable;

Vu l'article 11.3 du *Règlement sur les instruments dérivés*, RLRQ, c. I-14.01, r. 1 (le « RID ») en vertu duquel le courtier en dérivés doit participer à un fonds de garantie qui, de l'avis de l'Autorité, est acceptable;

Vu la décision n° 2020-PDG-0055 prononcée par l'Autorité le 30 septembre 2020 jugeant le Fonds canadien de protection des épargnants (le « FCPE ») en tant que fonds de garantie acceptable en vertu de l'article 196 du RVM et de l'article 11.3 du RID (la « décision d'acceptation du FCPE »);

Vu l'approbation de la Corporation de protection des investisseurs de l'Association canadienne des courtiers de fonds mutuels (la « CPI de l'ACFM ») par l'Alberta Securities Commission, la British Columbia Securities Commission, le Bureau des valeurs mobilières du Nunavut, le Bureau du surintendant des valeurs mobilières (Territoires du Nord-Ouest), le Bureau du Surintendant des valeurs mobilières (Yukon), la Commission des services financiers et des services aux consommateurs (Nouveau-Brunswick), la Commission des valeurs mobilières de l'Ontario, la Commission des valeurs mobilières du Manitoba, la Financial and Consumer Affairs Authority of Saskatchewan, la Nova Scotia Securities Commission et le Superintendent of Securities, Department of Justice and Public Safety (Île-du-Prince-Édouard);

Vu les consultations publiques qui ont mené à la publication de l'Énoncé de position 25-404 des ACVM, *Nouveau cadre réglementaire des organismes d'autoréglementation* décrivant le plan de regrouper l'Organisme canadien de réglementation du commerce des valeurs mobilières (l'« OCRCVM ») et l'Association canadienne des courtiers de fonds mutuels (l'« ACFM ») en un seul organisme d'autoréglementation (le « nouvel OAR ») et, d'autre part, le FCPE et la CPI de l'ACFM en un seul fonds de protection, le Fonds canadien de protection des investisseurs (le « FCPI »), qui sera indépendant de nouvel OAR;

Vu la demande finale du FCPE et de la CPI de l'ACFM déposée auprès de l'Autorité le 30 septembre 2022 afin qu'à la suite de leur fusion, le FCPI soit jugé acceptable en tant que

fonds de garantie en vertu de l'article 196 du RVM et de l'article 11.3 du RID et que la décision d'acceptation du FCPE soit révoquée (la « demande »);

Vu le dépôt d'une demande similaire auprès de l'Alberta Securities Commission, de la British Columbia Securities Commission, du Bureau des valeurs mobilières du Nunavut, du Bureau du surintendant des valeurs mobilières (Territoires du Nord-Ouest), du Bureau du Surintendant des valeurs mobilières (Yukon), de la Commission des services financiers et des services aux consommateurs (Nouveau-Brunswick), de la Commission des valeurs mobilières de l'Ontario, de la Commission des valeurs mobilières du Manitoba, de la Financial and Consumer Affairs Authority of Saskatchewan, de la Nova Scotia Securities Commission, de l'Office of the Superintendent of Securities, Digital Government and Services (Terre-Neuve-et-Labrador) et du Superintendent of Securities, Department of Justice and Public Safety (Île-du-Prince-Édouard) (ensemble, avec l'Autorité, les « autorités »);

Vu le FCPI qui succédera au FCPE et à la CPI de l'ACFM après leur fusion en vertu de la *Loi canadienne sur les organisations à but non lucratif*, L.C. 2009, ch. 23, laquelle prendra effet le 1<sup>er</sup> janvier 2023;

Vu la responsabilité qu'aura le FCPI de fournir une protection aux clients admissibles des membres du FCPI, dans les limites prescrites à l'Annexe A de la présente décision d'acceptation (la « présente décision »), lorsque ces clients ont subi des pertes financières en raison de l'insolvabilité d'un membre de l'OAR et, en relation avec cette couverture, le FCPI s'engagera dans des activités de gestion des risques pour atténuer les risques de telles pertes;

Vu la conclusion d'un protocole d'entente sur la surveillance du FCPI (le « protocole d'entente ») entre les autorités, lequel prendra effet le 1<sup>er</sup> janvier 2023;

Vu le regroupement du FCPE et de la CPI de l'ACFM par le biais d'une fusion afin de poursuivre leurs activités en tant que FCPI, les références à FCPE et à la CPI de l'ACFM dans les règlements, règles, décisions, politiques, avis ou autres instruments existants dans les territoires des autorités (les « instruments existants ») seront traitées et interprétées comme des mentions du FCPI jusqu'à ce que les modifications corrélatives appropriées soient mises en œuvre, si cela est jugé nécessaire. Lorsqu'une des dispositions des instruments existants prévoit des obligations ou attribue des privilèges exclusivement aux sociétés inscrites à titre de courtiers en placement ou à titre de courtiers en épargne collective qui, avant la fusion, étaient membres de l'OCRCVM et de l'ACFM respectivement, il est entendu que ces obligations et privilèges s'appliquent exclusivement aux sociétés inscrites à titre de courtiers en placement ou à titre de courtiers en épargne collective membres du nouvel OAR, selon le cas;

Vu le maintien de deux fonds distincts par le FCPI immédiatement à la suite de la fusion, l'un étant mis à la disposition exclusive des clients admissibles des sociétés inscrites à titre de courtiers en placement et l'autre à la disposition des sociétés inscrites à titre de courtiers en épargne collective, jusqu'à ce qu'une analyse détaillée soit effectuée et qu'il soit déterminé que la séparation des fonds n'est plus nécessaire;

Vu les principes de la garantie du FCPI relatifs à la protection offerte aux clients admissibles qui prévoient notamment que :

1. les sociétés inscrites en tant que courtiers en épargne collective ne seront pas tenues de cotiser au fonds pour ces sociétés à l'égard des comptes de clients situés au Québec;
2. les comptes clients des courtiers en épargne collective situés au Québec ne seront pas admissibles à la couverture par le FCPI.

Vu le sous-paragraphe *i* du paragraphe *a* de l'article 3 de l'Annexe A de la présente décision qui prévoit que toute modification aux principes de la garantie du FCPI devra être préalablement approuvée par l'Autorité;

Vu la publication de l'Avis de consultation 25-305 du personnel des ACVM, *Demande d'acceptation du nouveau fonds de garantie* pour commentaires au Bulletin de l'Autorité le 12 mai 2022 [(2022) vol. 19, n° 18, B.A.M.F., section 7.1];

Vu le premier alinéa de l'article 35.1 de la *Loi sur l'encadrement du secteur financier*, RLRQ, c. E-6.1 (la « LESF ») qui permet à l'Autorité, à tout moment, de réviser ses décisions, sauf dans le cas d'une erreur de droit;

Vu l'article 316 de la LVM qui prévoit que l'Autorité exerce sa discrétion en fonction de l'intérêt public;

Vu l'analyse effectuée par la Direction principale de l'encadrement des activités de marché et des dérivés ainsi que la recommandation du surintendant des marchés de valeurs à l'effet que l'acceptation du FCPI en tant que fonds de garantie et la révocation de la décision d'acceptation du FCPE sont conformes à l'intérêt public;

En conséquence :

1. L'Autorité est d'avis que le FCPI est un fonds de garantie acceptable en vertu de l'article 196 du RVM et de l'article 11.3 du RID, aux conditions énoncées aux Annexes A et B de la présente décision et des modalités applicables du protocole d'entente conclu entre les autorités.
2. L'Autorité révoque, en vertu de l'article 35.1 de la LESF, la décision n° 2020-PDG-0055.

La présente décision prend effet le 1<sup>er</sup> janvier 2023.

Fait le 14 novembre 2022.

Louis Morisset  
Président-directeur général

## **Annexe A – Conditions**

### **1. Définitions**

À moins d'indication contraire, les expressions utilisées aux présentes qui sont définies au paragraphe 3 de l'article 1.1 du *Règlement 14-101 sur les définitions*, RLRQ, c. V-1.1, r. 3 s'entendent au sens de cette disposition.

Dans la présente décision, on entend par :

« accord de secteur » : collectivement, *i)* l'accord professionnel intervenu entre le FCPE et l'OCRCVM en date du 30 septembre 2008, et ses modifications, y compris un accord d'échange d'information annexé, et *ii)* une entente de prestation de services intervenue entre l'ACFM et le CPI de l'ACFM en date du 1<sup>er</sup> juillet 2005, et ses modifications, ainsi qu'un accord d'échange d'information, daté du 1<sup>er</sup> octobre 2009, et ses modifications, dans chaque cas *a)* auquel le FCPI et le nouvel OAR sont parties par effet de la loi, *b)* dans sa version modifiée ou augmentée par une convention de transition intervenue entre le FCPI et le nouvel OAR avec prise d'effet le 1<sup>er</sup> janvier 2023, et *c)* dans sa version modifiée, mise à jour ou remplacée par tout autre accord entre le FCPI et le nouvel OAR fixant les modalités de la protection offerte par le FCPI aux clients des membres du nouvel OAR;

« actifs de garantie » : les fonds ou les actifs liquides dont dispose le FCPI aux fins de protection des clients des membres du nouvel OAR;

« administrateur du secteur » : un administrateur du secteur au sens du Règlement administratif n°1 du FCPI;

« administrateur indépendant » : un administrateur indépendant au sens du Règlement n°1 du FCPI;

« autorités » : l'Alberta Securities Commission, l'Autorité des marchés financiers, la British Columbia Securities Commission, l'Office of the Superintendent of Securities de l'Île-du-Prince-Édouard, la Commission des valeurs mobilières du Manitoba, la Commission des services financiers et des services aux consommateurs du Nouveau-Brunswick, la Nova Scotia Securities Commission, le Bureau du surintendant des valeurs mobilières du Nunavut, la Commission des valeurs mobilières de l'Ontario, la Financial and Consumer Affairs Authority of Saskatchewan, l'Office of the Superintendent of Securities, Digital Government and Services, Terre-Neuve-et-Labrador, le Bureau du surintendant des valeurs mobilières des Territoires du Nord-Ouest et le Bureau du surintendant des valeurs mobilières du Yukon;

« conseil » : le conseil d'administration du FCPI;

« mandat du FCPI » : le mandat dont l'objectif consiste à offrir une protection aux clients de membres de l'OAR ayant subi ou pouvant subir des pertes financières en raison de l'insolvabilité du membre de l'OAR et dont les modalités peuvent être déterminées par

le FCPI, à son gré, et relativement à cette garantie, à exercer des activités de gestion des risques afin d'atténuer ces risques de pertes;

« membre de l'OAR » : un courtier en placement inscrit ou un courtier en épargne collective inscrit qui est un membre, un participant autorisé ou toute organisation participante analogue de l'OAR, à condition que le conseil puisse exclure toute personne ou catégorie de personnes de cette définition;

« organisme d'autoréglementation (OAR) » : le nouvel OAR;

« principes de la garantie » : notamment la politique relative à la garantie, les procédures d'administration des réclamations, les directives pour les comités d'appel ainsi que la politique de communication de l'adhésion du FCPI;

« protocole d'entente » : le protocole d'entente intervenu entre les autorités concernant la surveillance du FCPI.

## **2. Pouvoirs et objet**

Le FCPI dispose des pouvoirs et attributions nécessaires à l'exécution de son mandat.

## **3. Approbation des modifications**

- a) L'approbation préalable de l'Autorité est requise pour toute modification de ce qui suit :
  - i) les principes de la garantie du FCPI;
  - ii) les règlements administratifs du FCPI.
- b) L'approbation préalable de l'Autorité est requise pour toute modification importante de l'accord de secteur. Est considérée comme importante la modification qui a une incidence directe sur le mandat du FCPI.
- c) Lorsqu'il demande l'approbation de l'Autorité pour toute modification ou tout changement important visé au paragraphe *a* ou *b* ci-dessus, le FCPI respecte les processus exposés à l'Annexe B du protocole d'entente et ses modifications.

## **4. Gouvernance**

- a) La composition du conseil est déterminée d'une manière juste et raisonnable, représente équitablement les intérêts de tous les membres de l'OAR et de leurs clients, et réalise un juste équilibre entre ces intérêts.
- b) Le conseil se compose d'administrateurs du secteur, d'administrateurs indépendants et du chef de la direction. Le nombre d'administrateurs indépendants

doit excéder d'au moins un celui des administrateurs du secteur. Le conseil est composé d'au plus 15 administrateurs.

- c) La structure de gouvernance du FCPI prévoit ce qui suit :
- i) les personnes siégeant au conseil et à ses comités représentent de façon équitable, effective et diversifiée les intérêts des membres de l'OAR et de leurs clients;
  - ii) les comités du conseil ainsi que tout comité de direction ou organe similaire comportent un nombre adéquat d'administrateurs indépendants;
  - iii) les administrateurs, dirigeants et salariés du FCPI font l'objet de dispositions appropriées en matière de qualification, de rémunération et de conflits d'intérêts, et jouissent d'une protection en matière de responsabilité et d'indemnisation;
  - iv) le comité de gouvernance, de mise en candidature et des ressources humaines ainsi que le comité d'audit, des finances et des placements sont composés en majorité d'administrateurs indépendants, y compris le président.

## **5. Conflits d'intérêts**

Sous réserve de la législation applicable, le FCPI relève et évite les conflits réels, potentiels ou perçus entre ses propres intérêts, ou ceux de ses administrateurs, dirigeants ou salariés, et son mandat.

## **6. Financement du FCPI**

- a) Le FCPI adopte et publie une ou plusieurs méthodes équitables, transparentes et raisonnables d'établissement des cotisations de chaque catégorie de membres de l'OAR, qui sont des courtiers en placement et des courtiers en épargne collective (les « politiques concernant la cotisation »).
- b) Le FCPI procède à une analyse des risques associés à chaque catégorie de membres de l'OAR, et détermine ensuite si une seule méthode d'évaluation convient à l'ensemble de ces catégories. Jusqu'à ce que cette analyse soit réalisée, les mesures suivantes sont prises :
  - i) les fonds affectés aux réclamations éventuelles soumises au titre de la garantie par les clients de chaque catégorie de membres de l'OAR sont séparés des autres fonds;
  - ii) les cotisations sont calculées et prélevées séparément selon des méthodes d'évaluation indépendantes pour chaque catégorie de membres de l'OAR et sont versées aux fonds séparés (chacun, un « fonds »);

- iii) le FCPI applique un moratoire sur tout changement aux méthodes d'évaluation appliquées aux droits ou aux cotisations qui aurait pour effet d'augmenter substantiellement les cotisations qu'il prélève auprès de chaque catégorie de membres de l'OAR, à moins que l'Autorité ne l'y autorise.
- c) Les cotisations respectent les conditions suivantes :
  - i) elles découlent d'une répartition équitable entre les membres de l'OAR, qui peut reposer sur le niveau de risque que chacun d'entre eux fait peser sur le FCPI;
  - ii) elles établissent un juste équilibre entre le besoin du FCPI de disposer de revenus suffisants pour acquitter les réclamations en cas d'insolvabilité d'un membre de la catégorie visée de membres de l'OAR et de ressources financières suffisantes pour financer son fonctionnement, d'une part, et l'objectif d'éviter tout obstacle financier déraisonnable à l'adhésion à l'OAR, d'autre part.
- d) Le FCPI fait le nécessaire pour notifier les cotisations à chaque catégorie de membres de l'OAR et les percevoir soit directement, soit indirectement par l'intermédiaire de l'OAR.
- e) Le conseil détermine le niveau approprié des actifs de garantie de chaque fonds, examine annuellement l'adéquation des actifs de garantie, du montant des cotisations et des méthodes d'établissement de celles-ci, et veille à ce que les actifs de garantie de chaque fonds demeurent suffisants pour acquitter les réclamations éventuelles de clients de la catégorie visée de membres de l'OAR.
- f) Les sommes déposées dans chaque fonds sont placées conformément aux politiques, lignes directrices ou autres textes pertinents (les « politiques de placement ») qui s'appliquent au fonds concerné et qui sont entérinés par le conseil, lequel est tenu de surveiller régulièrement les placements. Les politiques de placement exigent la préservation du capital et prévoient un revenu raisonnable tout en assurant que les liquidités sont suffisantes pour acquitter les réclamations éventuelles conformément aux principes de la garantie. Les sommes et les titres sont détenus par un dépositaire compétent, c'est-à-dire une entité jugée apte à détenir des titres au nom d'un membre de l'OAR, tant pour ce qui est des positions de titres en inventaire que des positions de clients, sans pénalité à l'égard du capital, conformément aux règlements, aux règles ou à la réglementation de l'OAR.
- g) Le FCPI met en œuvre un système comptable approprié, y compris des contrôles internes visant à préserver ses actifs de garantie.

## **7. Protection des clients**

- a) Le FCPI établit et maintient des principes de la garantie qui prévoient ce qui suit :
  - i) une garantie équitable, adéquate et de nature discrétionnaire pour tous les clients de membres de l'OAR qui subissent des pertes de biens, y compris de titres et de sommes monétaires (dans la mesure où ils ne sont pas expressément exclus ou détenus dans des comptes situés au Québec comme il est indiqué dans les principes de la garantie du FCPI), en raison de l'insolvabilité d'un membre de l'OAR, ainsi que des critères déterminant l'admissibilité des clients;
  - ii) des procédures justes et raisonnables d'évaluation des réclamations présentées au FCPI; conformément à ces procédures, le FCPI évalue et acquitte ces réclamations dans les meilleurs délais;
  - iii) des politiques et procédures permettant au FCPI de communiquer adéquatement aux clients de membres de l'OAR, soit directement, soit indirectement par l'intermédiaire de l'OAR, les modalités de la garantie, notamment la procédure de réclamation et le plafond par compte client.
- b) Toute réclamation rejetée par le personnel du FCPI ou un comité désigné est réexaminée par un comité d'appel interne si un client d'un membre de l'OAR ou le personnel du FCPI en fait la demande. Les principes de la garantie prévoient des procédures justes et raisonnables de révision interne des réclamations à cette fin. Le comité d'appel comprend au moins un arbitre qui peut ou non être administrateur. Les principes de la garantie ou tout autre document énoncent les critères établis par le conseil pour sélectionner les membres du comité d'appel. Ces critères précisent notamment qu'aucun administrateur ayant participé à la décision initiale ne peut prendre part à son réexamen.
- c) Les principes de la garantie n'empêchent aucun client d'un membre de l'OAR d'intenter une poursuite contre le FCPI devant un tribunal compétent au Canada. Le FCPI ne conteste pas la compétence du tribunal saisi par un demandeur qui a épuisé la procédure de révision interne des réclamations du FCPI.

## **8. Viabilité financière et opérationnelle**

Le FCPI maintient des ressources financières et opérationnelles adéquates, notamment des ressources humaines ou des conseillers externes, pour pouvoir faire ce qui suit :

- a) exercer ses droits et s'acquitter de ses obligations en vertu de la présente décision;
- b) examiner, conformément à l'accord de secteur, l'activité et l'exploitation de tout membre de l'OAR ou de tout groupe désigné de membres de l'OAR lorsque survient une situation qui, selon lui, constitue une situation à communiquer, au sens de cet accord.

## **9. Gestion des risques**

- a) Le FCPI se dote de politiques et de procédures, notamment une procédure de demande d'information à l'OAR, afin de faire ce qui suit :
  - i) exécuter son mandat et gérer les risques pour ses actifs et le public;
  - ii) déterminer si ses normes prudentielles et son fonctionnement conviennent à la garantie offerte, compte tenu des risques auxquels il s'expose;
  - iii) reconnaître les membres de l'OAR qui éprouvent des difficultés financières et prendre des mesures à leur égard.
- b) Le FCPI peut se fier à l'OAR pour examiner les membres de l'OAR pour ses propres fins, mais il se réserve le droit de s'en charger s'il a des préoccupations au sujet de l'intégrité des actifs de garantie ou de possibles réclamations.

## **10. Accord entre le FCPI et l'OAR**

Le FCPI se conforme à l'accord de secteur conclu avec l'OAR.

## **11. Soutien de l'OAR**

Le FCPI soutient l'OAR de la manière qu'il juge appropriée lorsqu'un membre de l'OAR éprouve ou est en voie d'éprouver des difficultés financières.

## **12. Collecte des renseignements**

Sous réserve de la législation applicable, le FCPI prend les mesures suivantes :

- a) il ne recueille, n'utilise et ne communique des renseignements personnels que dans la mesure raisonnablement nécessaire pour exercer ses fonctions réglementaires et s'acquitter de son mandat;
- b) il protège les renseignements personnels et l'information commerciale confidentielle dont il a la garde ou le contrôle.

## **13. Échange d'information et coopération**

- a) Le FCPI remet à l'Autorité tout rapport, document ou renseignement qu'elle ou son personnel peut demander.
- b) Le FCPI a en place des mécanismes lui permettant d'échanger de l'information et de coopérer par ailleurs avec l'Autorité.

#### **14. Obligations d'information continue**

Le FCPI se conforme aux obligations d'information prévues à l'Annexe B de la présente décision, , dans sa version modifiée, s'il y a lieu, par l'Autorité.

#### **15. Exigences pour le Québec**

- a) Le FCPI publie simultanément en français et en anglais tout rapport, document ou renseignement destiné au public.
- b) Dans le cadre de la communication d'information à l'Autorité prévue à l'Annexe B de la présente décision, le FCPI communique cette information simultanément en français et en anglais s'il s'agit d'un rapport, document ou renseignement visé au paragraphe a.
- c) Au Québec, le FCPI offre tous les services nécessaires en français aux membres du nouvel OAR et aux investisseurs dans le cadre d'une prestation de qualité équivalente à ceux qui sont offerts en anglais ailleurs au Canada.
- d) À la demande de l'Autorité, le FCPI lui communique tout autre rapport, document ou renseignement en français.

## **Annexe B – Obligations d'information**

### **1. Préavis**

- a) Le FCPI donne à l'Autorité un préavis écrit d'au moins 12 mois avant de réaliser une opération qui aurait pour lui l'une des conséquences suivantes :
  - i) la cessation de l'exercice de ses fonctions;
  - ii) l'abandon, la suspension ou la liquidation de la totalité ou d'une partie importante de ses activités;
  - iii) la cession de la totalité ou de la quasi-totalité de ses actifs.
- b) Dans les situations où il ne juge pas que le préavis visé au paragraphe a soit raisonnable, le FCPI en avise l'Autorité le plus tôt possible selon les circonstances en expliquant ses motifs.
- c) Le FCPI donne à l'Autorité un préavis écrit d'au moins 60 jours de toute modification de ce qui suit :
  - i) ses politiques de placement;
  - ii) ses politiques concernant la cotisation.
- d) Le FCPI donne à l'Autorité un préavis écrit d'au moins 60 jours de toute décision d'exclure une personne ou catégorie de personnes de la définition de l'expression « membre d'un OAR » de son Règlement administratif n° 1.
- e) Le FCPI donne à l'Autorité un préavis écrit d'au moins 60 jours de toute modification importante au mandat de son conseil et des comités de celui-ci.

### **2. Notification immédiate**

- a) Le FCPI notifie immédiatement à l'Autorité toute situation à communiquer, au sens de l'accord de secteur, dont il a été avisé au sujet d'un membre de l'OAR.
- b) Le FCPI notifie immédiatement à l'Autorité tout retrait ou toute expulsion de l'OAR du FCPI en indiquant les motifs.
- c) Le FCPI notifie immédiatement à l'Autorité tout changement important défavorable réel ou potentiel de ses actifs de même que les mesures qu'il entend prendre pour corriger la situation.

### **3. Notification rapide**

- a) Le FCPI notifie rapidement à l'Autorité les situations suivantes en décrivant, dans chaque cas, les circonstances les ayant entraînées ainsi que les mesures qu'il propose pour en assurer la résolution et, s'il y a lieu, fait le point en temps opportun sur leur évolution :
  - i) les situations qui devraient raisonnablement susciter des préoccupations quant à sa viabilité financière, notamment l'incapacité à faire face aux dépenses prévues pour le prochain trimestre ou exercice;
  - ii) la notification par une autorité ou la constatation par le FCPI qu'il contrevient ou contreviendra à une ou à plusieurs conditions de son approbation ou de son acceptation dans un territoire;
  - iii) toute atteinte aux mesures de sécurité qui a trait à des renseignements dont il a la gestion, s'il est raisonnable de croire, dans les circonstances, que l'atteinte présente un risque réel de préjudice grave à son endroit ou à celui d'investisseurs, d'émetteurs, de personnes inscrites, d'autres participants au marché, de l'OAR ou des marchés des capitaux.
- b) Le FCPI établit et présente à l'Autorité un rapport exposant toute mesure qu'il a prise à l'égard d'un membre de l'OAR. Il y décrit les circonstances de l'insolvabilité de ce membre, notamment les mesures prises par celui-ci, l'OAR, le FCPI et tout comité ou toute personne agissant en leur nom.

### **4. Rapports semestriels**

Le FCPI dépose chaque semestre auprès de l'Autorité un rapport écrit sur ses activités rapidement après examen ou approbation par le conseil, les comités du conseil ou la haute direction, selon le cas, et contenant au moins l'information et les documents suivants :

- a) un résumé des projets en cours, des changements de politiques ainsi que des enjeux principaux ou nouveaux survenus durant le semestre précédent;
- b) une description de tout changement dans la composition du conseil, qui indique notamment le nom des nouveaux administrateurs, la durée de leur mandat et le nom des administrateurs sortants, et précise si les nouveaux administrateurs sont des administrateurs indépendants au sens de son Règlement administratif n° 1;
- c) les suggestions ou commentaires qu'il a faits à l'OAR à propos de la mise en œuvre de nouvelles règles ou de la modification de règles en vigueur par l'OAR, ainsi que la réponse de celui-ci à ces suggestions;
- d) une description des directives qu'il a données à l'OAR en vue de prendre des mesures à l'égard de membres de l'OAR qui éprouvent des difficultés financières

selon l'accord de secteur, en indiquant s'il est satisfait de la réponse obtenue de lui;

- e) des statistiques sommaires sur *i)* les actifs de garantie, *ii)* les cotisations et *iii)* les tendances notées;
- f) l'adéquation *i)* du niveau des actifs de garantie, *ii)* du montant des cotisations et *iii)* de la méthode d'établissement de celles-ci;
- g) les circonstances de toute insolvabilité de membres de l'OAR et les réclamations des clients qui en découlent, y compris les mesures prises par le membre de l'OAR, l'OAR et le FCPI;
- h) les questions de gestion des risques qui ont été relevées, notamment la façon dont il a évalué les risques et les solutions qu'il y a apportées;
- i) la portée et les conclusions de tout examen de membres de l'OAR effectué conformément à l'accord de secteur;
- j) son effectif, par fonction, et des précisions sur toute réduction ou tout changement importants de celui-ci, par fonction, durant le semestre précédent;
- k) toute modification importante prévue des ententes avec les tiers fournisseurs de services relativement aux principaux services ou systèmes.

## **5. Rapports annuels**

Le FCPI dépose chaque année auprès de l'Autorité un rapport écrit sur ses activités rapidement après examen ou approbation par le conseil, les comités du conseil ou la haute direction, selon le cas, et contenant au moins l'information et les documents suivants :

- a) l'examen annuel par le conseil de l'adéquation *i)* du niveau des actifs de garantie, *ii)* du montant des cotisations et *iii)* de la méthode d'établissement de celles-ci;
- b) l'évaluation par le conseil des besoins en outils additionnels de gestion des risques;
- c) l'évaluation qualitative ou l'appréciation, par le conseil, du rendement et des réalisations du FCPI en regard de son mandat et de son plan stratégique;
- d) l'attestation, par son chef de la direction ou tout autre dirigeant, qu'il respecte les conditions de la présente décision qui lui sont applicables.

## **6. Information financière**

- a) Le FCPI dépose auprès de l'Autorité des états financiers non audités et les notes y afférentes dans les 60 jours suivant la clôture de chaque semestre.
- b) Le FCPI dépose auprès de l'Autorité des états financiers annuels audités accompagnés du rapport de l'auditeur indépendant dans les 90 jours suivant la clôture de chaque exercice.

## **7. Autre information**

- a) Le FCPI fournit à l'Autorité au moment opportun l'information et les documents suivants après leur examen ou approbation par le conseil, les comités du conseil ou la haute direction, selon le cas :
  - i) le budget financier de l'exercice en cours, ainsi que les hypothèses sous-jacentes, qui ont été approuvés par le conseil;
  - ii) les rapports de gestion du risque d'entreprise et tout changement important à la méthodologie de gestion des risques suivie;
  - iii) son plan stratégique;
  - iv) son rapport annuel;
  - v) les changements importants apportés au code de conduite et à la politique de gestion des conflits d'intérêts potentiels du conseil et des membres du personnel;
- b) Le FCPI donne à l'Autorité un préavis raisonnable de son intention de publier ou de communiquer au public ou à toute catégorie de membres de l'OAR tout document qui pourrait avoir une incidence importante sur ce qui suit :
  - i) sa capacité à s'acquitter de son mandat;
  - ii) les membres de l'OAR;
  - iii) les marchés des capitaux en général, notamment des intervenants ou des secteurs en particulier.

**MEMORANDUM OF UNDERSTANDING REGARDING  
OVERSIGHT OF THE CANADIAN INVESTOR PROTECTION FUND  
(CIPF)  
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 CIPF as a compensation fund or contingency trust fund; or
- (ii) deemed CIPF acceptable as a contingency fund.

*b. Oversight Program*

To ensure that CIPF 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 CIPF, as set out in section 4;
- (ii) oversight reviews of CIPF, 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 CIPF is acting in accordance with the CIPF 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 CIPF are:

- (i) Harmonious direction – the Regulators will strive to speak as one when giving direction to CIPF;
- (ii) Transparency – each Regulator shares with other Regulators important communications with CIPF 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 CIPF.

*d. Previous Memoranda of Understanding*

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

## **2. Definitions**

**“Acceptance Decision”** means the decision regarding CIPF 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.

**“Amendment”** means

- (i) any amendment to, or revocation or replacement of, CIPF's Coverage Policies or by-laws; or
- (ii) any material change to CIPF's Industry Agreement with the New Self-Regulatory Organization of Canada

for which the Regulators' prior approval is required pursuant to an Approval Order or Acceptance Decision.

**“Approval Order”** means the approval of CIPF 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 CIPF 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 CIPF Approval Order or Acceptance Decision.

**“Industry Agreement”** has the meaning ascribed to that term in CIPF Approval Order or Acceptance Decision.

**“CIPF Mandate”** has the meaning ascribed to that term in CIPF Approval Order or Acceptance Decision.

**“Reviewing Regulator”** means a Regulator that is participating in an oversight review of CIPF.

**“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 CIPF Approval Order or Acceptance Decision.

**“SRO Member”** has the meaning ascribed to that term in CIPF 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 CIPF.

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 CIPF. The Coordinators must not make any unilateral decision, or give unilateral direction, with respect to CIPF.

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 CIPF 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 CIPF. The purpose is to discuss matters relating to the Oversight Program of CIPF and other matters that are of interest to the Regulators and CIPF. 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 CIPF will be sent to the Coordinators, with a copy to staff of the other Regulators. The Coordinators will request that CIPF 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 CIPF'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 January 1, 2023.

**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: \_\_\_\_\_

**MINISTER FOR  
INTERGOVERNMENTAL AFFAIRS  
NEWFOUNDLAND AND LABRADOR, OR  
DESIGNATE**

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 CIPF 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 CIPF, or may choose to rely on another Regulator for the review of CIPF. In cases where a Regulator chooses not to review CIPF office in its jurisdiction, the other Regulators may conduct a review of that CIPF office.

Each Regulator may also perform an independent review of CIPF 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 CIPF 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 CIPF to confirm factual accuracy.
- 9) CIPF will review the draft review report for factual accuracy and respond to the Reviewing Regulators with comments.
- 10) The Reviewing Regulators will consider CIPF's comments and revise their report as necessary.
- 11) The Coordinators will send the revised report to CIPF for its formal response.
- 12) On receipt of CIPF'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 CIPF.

#### **2. Classifying Amendments**

- (a) **Classification.** CIPF 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, CIPF, 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 CIPF, or
  - (iii) is necessary to conform CIPF’s policies or by-laws to applicable Securities Legislation, statutory or legal requirements, accounting or auditing standards, or to other CIPF policies or by-laws (including those that the Regulators have approved or non-objected to, but which CIPF 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 CIPF incorrectly classified a proposed Amendment as housekeeping, the Regulators and CIPF will use best efforts to adhere to the following:
  - (i) Within 5 business days of the date of CIPF’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, CIPF.
- (iii) If disagreement with the classification still exists after any such discussion, staff of the Coordinators will notify CIPF of the disagreement, in writing, with a copy to staff of the other Regulators within 10 business days of the date of CIPF's filing.
- (iv) If staff of the Coordinators send a notice of disagreement to CIPF under paragraph 2(d)(iii), CIPF 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 CIPF does not receive any such notice of disagreement within 10 business days of the date of CIPF's filing, CIPF will assume that staff of the Regulators agree with the classification.

### 3. Required Filings

- (a) **Language requirements.** CIPF 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.** CIPF 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,
  - (iv) a statement as to whether the proposed Amendment complies with the terms and conditions of CIPF's approval or acceptance,
  - (v) confirmation that CIPF followed its established internal governance practices in approving the proposed Amendment and considered the need for consequential amendments, and

- (vi) a notice for publication including:
  - (A) a brief description of the proposed Amendment,
  - (B) the reasons for the housekeeping classification, and
  - (C) the anticipated effective date of the proposed Amendment.
  
- (c) **Filings for public comment Amendments.** CIPF 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 CIPF 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,
  - (iv) the items in subparagraphs 3(b)(iv) and (v), and
  - (v) 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, CIPF and the capital markets generally,
    - (C) a description of the context in which CIPF developed the proposed Amendment, any relevant issues considered, and any alternative approaches considered,
    - (D) the anticipated effective date of the proposed Amendment, and
    - (E) a request for public comment together with details on how to submit comments within the comment period deadline, and a

statement that CIPF 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 CIPF 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 CIPF, with a copy to staff of the other Regulators.
- (b) **Approval.** Except where notice of disagreement has been sent to CIPF 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 CIPF'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 CIPF, with a copy to staff of the other Regulators.
- (b) **Publication and public comment period.** As soon as practicable, staff of the Coordinators and CIPF 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 CIPF) on their respective public websites.
- (c) **Publishing and responding to public comments.** CIPF will, as and when they are received, promptly publish any public comments on its public website. CIPF 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 CIPF has received public comments, the Regulators will, upon receipt of CIPF's summary and responses described in subsection 6(c), follow the processes applicable to the review of CIPF responses set out in paragraphs 6(f)(v) through (ix).
  - (ii) If CIPF 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 CIPF 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 CIPF, with a copy to staff of the other Regulators.
  - (iv) CIPF 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 CIPF'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, CIPF will follow the process laid out in paragraphs 6(f)(i) to (v) when staff of the Regulators have significant comments on CIPF'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 CIPF, 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 CIPF 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), CIPF 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, CIPF revises a public comment Amendment, CIPF 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 CIPF and staff of the other Regulators, require the revised Amendment to be republished for an additional comment period. Upon

republishing, 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), CIPF'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 CIPF.** Staff of the Coordinators will promptly communicate to CIPF, 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 CIPF under subparagraph 3(c)(iv)(D) or the date as determined by CIPF.
- (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 CIPF under subparagraph 3(b)(iv)(C).
- (c) **Failing to make an Amendment effective within one year.** CIPF 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) CIPF'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 CIPF will both publish a notice of approval of or non-objection on their respective websites, together with:
  - (i) if applicable, CIPF'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 CIPF 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 CIPF 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, CIPF or the capital markets generally, CIPF may make the proposed public comment Amendment effective immediately upon approval by the Board, subject to subsection 11(d), and provided that:
  - (i) CIPF 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) CIPF's written notice in paragraph 11(a)(i) includes:
    - (A) the date on which CIPF 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, CIPF 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 CIPF 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 CIPF of the disagreement in writing.
  - (iii) Staff of CIPF 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, CIPF 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 CIPF, 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 CIPF immediately implements in accordance with section 11 will be effective on the later of the following:
  - (i) the date of the notice provided to CIPF under subsection 11(c),
  - (ii) the date the Board approves the Amendment, and
  - (iii) the date designated by CIPF 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 CIPF immediately implemented, CIPF 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 CIPF, 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, CIPF 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 CIPF withdraws a proposed public comment Amendment that the Regulators have not yet approved or non-objected to,

CIPF 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 CIPF 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 CIPF 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 CIPF will both publish a notice on their public websites stating that CIPF will be withdrawing the proposed Amendment together with the reasons CIPF 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) **CIPF request.** CIPF 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 CIPF 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.



**September 30, 2022**

**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: Canadian Investor Protection Fund / Fonds canadien de protection des investisseurs  
 (“CIPF” or the “Corporation”)**

This letter sets out the application of the Canadian Investor Protection Fund (“**Former 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 CIPF, a corporation to be formed by the amalgamation of Former 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 Self-Regulatory Organization of Canada/Nouvel organisme d’autoréglementation du Canada (“**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 CIPF. 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 approval order for CIPF attached as **Appendix A** to the CSA Notice of Approval for this application (the “**CSA Notice**”).

The proposed Memorandum of Understanding among the Regulators regarding oversight of CIPF, (the “**MOU**”) is attached as **Appendix B** 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. It is intended that the transitional agreement to be entered into between the SROs and the Applicants (as discussed below under Section 9) will, among other things, contemplate that, pending the execution of an updated industry agreement, the existing agreements between them will be interpreted and applied to give effect to, and otherwise be deemed to reflect, that a dealer that is registered under Canadian securities laws

as an investment dealer and as a mutual fund dealer will be considered to be an investment dealer for all purposes of those agreements.

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 CIPF
6. Customer Protection
7. Financial and Operational Viability
8. Risk Management
9. Agreement between CIPF 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. Revocation of Former Approval or Acceptance Orders
16. Submissions

Submitted with this application are the following supporting documents:

- Schedule 1 – By-Law No. 1 of CIPF
- Schedule 2 – Coverage Policy
- Schedule 3 – Claims Procedures
- Schedule 4 – Appeal Committee Guidelines
- Schedule 5 – Disclosure Policy

## 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 Former CIPF into a single legal entity (i.e., CIPF) that is independent from New SRO.

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

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

## 2. CORPORATE STRUCTURE AND PURPOSE

Relevant Criteria: *Authority and Purpose*

*CIPF has, and must continue to have, the appropriate authority and capacity to carry out the CIPF Mandate.*

***CIPF 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 CIPF 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 Former CIPF and MFDA IPC to form CIPF under the CNCA. CIPF will be a not-for-profit corporation with no share capital. By adopting a federal not-for-profit corporation structure CIPF will be subject to the governance and

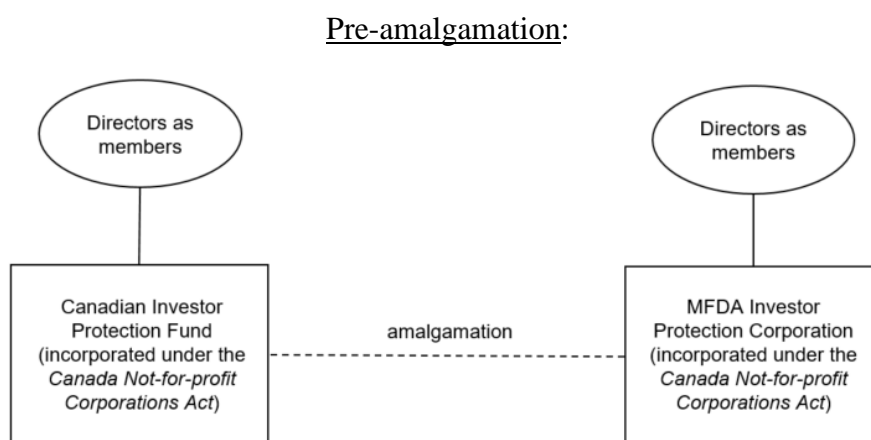
other legal requirements of the CNCA. The Applicants are of the view that the functions and role of CIPF can be best accommodated with the proposed corporate form. Both Former CIPF and MFDA IPC are not-for-profit corporations with no share capital existing under the CNCA.

Former CIPF and MFDA IPC have determined that the English name of CIPF will be “Canadian Investor Protection Fund” which is the same as Former CIPF’s name. They have also determined that the French name of CIPF will be “Fonds canadien de protection des investisseurs” which is different from Former CIPF’s French name, Fonds canadien de protection des épargnants. The Boards of Former CIPF and MFDA IPC decided to maintain the CIPF name (with the slight correction in its French version) in light of the recognition of the name and in an effort to minimize the costs associated with changes to an entirely new name.

## 2.2 Articles of Amalgamation

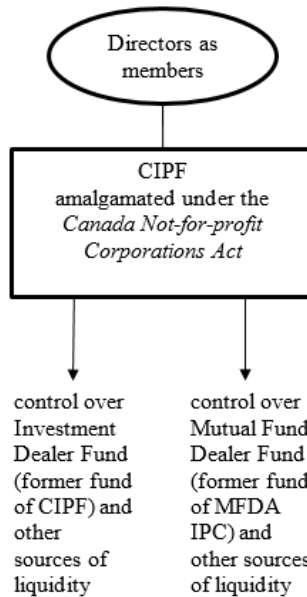
The document that will create CIPF is the Articles of Amalgamation. Among other things, the Articles of Amalgamation sets out the purposes of CIPF, giving it the legal authority to carry them out. The proposed form of Articles of Amalgamation will be attached to the Amalgamation Agreement.

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



**Note:** Dashed line represents transaction step

Post-amalgamation:



## 2.3 Purposes of the Corporation

The purposes of CIPF 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 ("SRO Members") of New Self-Regulatory Organization of Canada/Nouvel organisme d'autoréglementation du Canada, as it is currently named or as it may be renamed from time to time, 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) *CIPF'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 CIPF 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 CIPF 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 CIPF 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, CIPF will have members rather than shareholders. Section 2.1 of the proposed By-Law No. 1 of CIPF (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 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 CIPF will help ensure its independence from New SRO and is consistent with the membership structure of each of Former 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 CIPF'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 CIPF 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, CIPF 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 CIPF 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 CIPF. 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 CIPF that the director may have. The code of conduct will provide that, apart from a director's interest in contracts or transactions with CIPF, 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 CIPF. 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 CIPF, CIPF 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 of CIPF.

## **5. FUNDING AND MAINTENANCE OF CIPF**

Relevant Criteria: ***Funding and Maintenance of CIPF***

- a) *CIPF 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) *CIPF 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) *CIPF 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 CIPF 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 CIPF; and*
  - (ii) *balance the need for CIPF 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) *CIPF must make all necessary arrangements for the notification to each category of SRO Members of CIPF's assessments and the collection of such assessments, either directly or indirectly through the SRO.*
- e) *The Board must determine the appropriate level of Coverage 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) *CIPF must implement an appropriate accounting system, including a system of internal controls for maintaining CIPF 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 describes the two fund structure of CIPF. Those provisions are set out below with non-substantive conforming changes:

“**Former CIPF Liabilities**” means liabilities, whether accrued, contingent or otherwise, that may be legally enforced against Former 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 Former CIPF Fund net of the Former 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 Former CIPF includes cash, securities and receivables held or maintained by Former CIPF as at the time immediately prior to the Amalgamation for purposes of satisfying claims or potential claims made in accordance with the Former CIPF Coverage Policy (the “**Former CIPF Fund**”) and, from and after the effective time of the Amalgamation, the Former CIPF Fund will be designated as (and form part of) the Investment Dealer Fund of CIPF, 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 CIPF.

CIPF 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) Former 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 Former 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.

CIPF 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), CIPF 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, CIPF 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 CIPF 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. CIPF 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, CIPF 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 CIPF and its mandate will provide that the Board will delegate to it the duty to oversee and monitor the methodologies used to determine CIPF’s requirements for Coverage Assets and the adequacy of CIPF’s available Coverage Assets given the risk exposure associated with the failure of an SRO Member, as well as to oversee and monitor CIPF’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, CIPF will not provide coverage for mutual fund dealer customer accounts located in Québec and SRO Members will not be subject to assessments to contribute to the Mutual Fund Dealer Fund of CIPF 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 CIPF; (ii) establish CIPF's target Coverage Assets; and, (iii) set the level and mix of available Coverage Assets, taking into account the different purposes of CIPF'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 CIPF's Coverage Assets requirements and reviewing the adequacy of CIPF's

available Coverage Assets in relation to CIPF's targets, taking into account the different purposes of CIPF'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 CIPF'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) *CIPF 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 as detailed in CIPF's Coverage Policies) 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 CIPF. CIPF will respond as quickly as practicable in assessing and paying claims made pursuant to those procedures; and*
  - (iii) *allow CIPF 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 CIPF 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 CIPF staff. CIPF 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 CIPF in a court of competent jurisdiction in Canada. CIPF must not contest the jurisdiction of such a court to consider a claim where the claimant has exhausted CIPF'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 proposed Coverage Policies are included with this application:

- Coverage Policy, as **Schedule 2**
- Claims Procedures, as **Schedule 3**
- Appeal Committee Guidelines, as **Schedule 4**
- Disclosure Policy, as **Schedule 5**

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 mutual fund dealer customer accounts located in Québec). 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 mutual fund dealer accounts in Québec.

The Disclosure Policy will describe the requirements, prescribed formats, and acceptable practices for disclosure of CIPF membership by an SRO Member (other than with respect to a mutual fund

dealer's customer accounts in Québec). The Disclosure Policy will be part of CIPF Coverage Policies and will be published in the final publication of this Application.

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 CIPF staff. A customer will not be precluded from taking legal action against CIPF where the customer has exhausted CIPF'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***

*CIPF must maintain adequate financial and operational resources, including adequate staff resources or external professional advisers, to permit CIPF 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 CIPF 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 CIPF's Coverage Asset requirements and reviewing the adequacy of CIPF's available Coverage Assets in relation to CIPF's target level of Coverage Assets, taking into account the different purposes of CIPF's two separate Funds and associated Coverage Assets.
- b) the procedures CIPF will have in place to monitor the adequacy of the New SRO capital requirements for SRO Members, and changes thereto.
- c) the procedures CIPF has in place to identify and respond to member firms that may pose a risk to CIPF's available Coverage Assets.

## 7.2 Assessments

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

## 8. RISK MANAGEMENT

Relevant Criteria: ***Risk Management***

- a) *CIPF must ensure that it has policies and procedures, including a process to identify and request all necessary information from the SRO, in order for CIPF to:*
  - (i) *fulfill the CIPF Mandate and manage risks to the public and to CIPF assets;*
  - (ii) *assess whether the prudential standards and operations of CIPF are appropriate for the coverage provided and the risk incurred by CIPF; and*
  - (iii) *identify and deal with SRO Members that may be in financial difficulty.*
- b) *While CIPF may rely on the SRO to conduct reviews of SRO Members for CIPF purposes, CIPF must reserve the right to conduct reviews of SRO Members, in particular situations where CIPF 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 CIPF an opportunity to comment on any new, amended or deleted Rule. CIPF 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 CIPF of customers of SRO Members and to reduce risk of loss to be covered by CIPF.

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 located in Québec) to adhere to the Rules and to permit the exercise of New SRO's and CIPF'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 customer accounts located in Québec) is considered to be in financial difficulty by CIPF, CIPF 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**

CIPF 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 customer accounts located 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**

CIPF 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 CIPF and available for review by CIPF; 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 CIPF.

## **9. AGREEMENT BETWEEN CIPF AND NEW SRO**

Relevant Criteria: ***Agreement between CIPF and the SRO***

*CIPF must comply with the Industry Agreement signed with the SRO.*

### **9.1 Industry Agreement**

The SROs and the Applicants are working on a transitional agreement that preserves the essential elements of the existing agreements between them (modified to accommodate the Amalgamation, the Approval Order, the MOU and consequential changes). It is intended that by December 31, 2023, an updated industry agreement will be executed between New SRO and CIPF.

## **10. ASSISTANCE TO NEW SRO**

Relevant Criteria: ***Assistance to the SRO***

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

### **10.1 Industry Agreement**

When an SRO Member (other than mutual fund dealers that exclusively maintain customer accounts located in Québec) is considered to be in financial difficulty by CIPF, CIPF 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, CIPF must:*

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

## **11.1 Privacy Policies**

CIPF 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) *CIPF must provide the Commission<sup>1</sup> with reports, documents and information as the Commission or its staff may request.*
- b) *CIPF shall have mechanisms in place to enable it to share information and otherwise co-operate with the Commission.*

### **12.1 Cooperation with the Commission**

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

## **13. ONGOING REPORTING REQUIREMENTS**

Relevant Criteria: *Ongoing Reporting Requirements*

*CIPF 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**

CIPF 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:*

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

- (i) *CIPF's Coverage Policies; or*
- (ii) *[CIPF'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 CIPF Mandate.*
- (c) *When seeking Commission approval of any amendments or material change pursuant to (a) or (b) above, CIPF must comply with the processes outlined in Schedule B of the MOU, as amended from time to time.*

#### **14.1 Commission Approval**

CIPF 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 CIPF Mandate. When seeking such approval, CIPF will comply with the processes outlined in Schedule B of the MOU, as amended from time to time.

### **15. REVOCATION OF FORMER APPROVAL OR ACCEPTANCE ORDERS**

The approval, designation or consideration, as the case may be, of the Regulators in respect of CIPF will become effective on the effective date of the Amalgamation and will fully replace all approval or acceptance orders currently in effect with respect to Former CIPF and MFDA IPC. The Applicants believe that the revocation of the current orders will promote full public transparency and clarity, especially in light of the similarity in name of CIPF with that of Former CIPF. For these reasons, the Applicants respectfully request that this be considered an application for revocation, in accordance with appropriate CSA securities legislation, of all current approval or acceptance orders applicable to the Applicants, effective upon the date of the Amalgamation and the effectiveness of the new Approval Orders.

### **16. SUBMISSIONS**

The Applicants respectfully submit that the proposed structure, policies and operations of CIPF satisfy the Criteria and request that CIPF be approved/accepted as a customer compensation/contingency fund under the Legislation. The Applicants respectfully request that all current approval or acceptance orders applicable to the Applicants be revoked on the effective

date of the Amalgamation and the effectiveness of the new Approval Orders. The Applicants consent to the publication of this application by any of the Regulators.

Yours very truly,



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Rozanne Reszel  
President & CEO  
Canadian Investor Protection Fund



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Odarka Decyk  
President  
MFDA IPC

## **Schedule 1**

### **By-Law No. 1 of CIPF**

## **Schedule 2**

### **Coverage Policy**

### **Schedule 3**

### **Claims Procedures**

## **Schedule 4**

### **Appeal Committee Guidelines**

## **Schedule 5**

### **Disclosure Policy**

# CANADIAN INVESTOR PROTECTION FUND/FONDS CANADIEN DE PROTECTION DES INVESTISSEURS

## BY-LAW NUMBER 1

**BE IT ENACTED** as a by-law of the Canadian Investor Protection Fund/Fonds canadien de protection des investisseurs, 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 Canadian Investor Protection Fund/Fonds canadien de protection des investisseurs, a corporation 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 New Self-Regulatory Organization of Canada/Nouvel organisme d’autoréglementation du Canada, as it is currently named or as it may be renamed from time to time;

“**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.

~~English Name for “New IPF”/~~  
~~French Name for “New IPF”/~~ CANADIAN INVESTOR PROTECTION FUND/FONDS  
CANADIEN DE PROTECTION DES INVESTISSEURS

**BY-LAW NUMBER 1**

**BE IT ENACTED** as a by-law of the ~~English Name for “New IPF”/French Name for “New IPF”/~~ Canadian Investor Protection Fund/Fonds canadien de protection des investisseurs, 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”]~~Canadian Investor Protection Fund/Fonds canadien de protection des investisseurs, a corporation 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”]~~New Self-Regulatory Organization of Canada/Nouvel organisme d’autoréglementation du Canada, as it is currently named or as it may be renamed from time to time;

“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 **Error! Reference source not found.**, 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 **Error! Reference source not found.** 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.

## CANADIAN INVESTOR PROTECTION FUND (CIPF)

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

8441

### COVERAGE POLICY

#### A. OVERVIEW

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

#### B. FUNDING FOR COVERAGE

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

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

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

## **C. CUSTOMERS AND ACCOUNTS**

### **Eligible Customers and Eligible Accounts**

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

### **Persons Excluded as Customers**

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

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

#### **Québec**

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

#### **D. LOSSES**

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

## **E. PROPERTY COVERED**

### **Types of Property**

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

### **Eligible Property**

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

### **Ineligible Property**

#### Customer (or Client) Name

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

#### Crypto Assets

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

#### Non-Compliant Property

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

## F. LIMITS OF COVERAGE

### Maximum for each Account

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

### General Accounts

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

### Separate Accounts

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

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

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

### **Timing of Payments**

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

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

## **G. CLAIMS**

### **Claims and Determination of Customer Losses**

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

### **Date of Loss**

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

### **Insolvency Legislation**

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

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

**Determination by CIPF Conclusive**

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

**DATED January 1, 2023**

~~[New IPF]~~

**CANADIAN INVESTOR PROTECTION FUND (CIPF)**

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

**B. FUNDING FOR COVERAGE**

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

Dealer Fund (including lines of credit or insurance policies). Likewise, ~~New IPFCIPF~~ 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-IPFCIPF~~) with either an insolvent New SRO Member or a person who is excluded as a Customer.

#### Québec

4. While New SRO is recognized as a self-regulatory organization of which Mutual Fund Dealers operating in the Province of Québec are required to be members, those Mutual Fund Dealers are not required to contribute to the Mutual Fund Dealer Fund in respect of Customer Accounts located in Québec. Accordingly, these Customer Accounts ~~of Mutual Fund Dealers located in Québec~~ will not be eligible for coverage by ~~New-IPFCIPF~~. 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-IPFCIPF~~ (“**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~~CIPF coverage may be available in accordance with the provisions of this Policy includes securities, commodity and futures contracts, cash, cash equivalents and segregated funds received, acquired or held by, or in the control of, the New SRO Member (“**Property**”).

### **Eligible Property**

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

### **Ineligible Property**

#### Customer (or Client) Name

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

#### Crypto Assets

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

#### Non-Compliant Property

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

## F. LIMITS OF COVERAGE

### Maximum for each Account

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

### General Accounts

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

### Separate Accounts

3. Each Account of a Customer held by it in the capacity or circumstance set out below shall be considered a Separate Account of the Customer. Unless otherwise indicated below, each Separate Account held by a Customer in the same capacity or circumstance shall be combined or aggregated so as to constitute a single Separate Account. The burden shall be on the Customer to establish each capacity or circumstance in which the Customer claims to hold Separate Accounts. An Account of a Customer shall not be a Separate Account if it existed on the date of insolvency primarily for the purpose of increasing protection by ~~New IPF~~[CIPF](#).

- i) **Registered Retirement Plans:** accounts of registered retirement or deferred income plans such as registered retirement savings plans (RRSPs), registered retirement income funds (RRIFs), life income funds (LIFs), locked-in retirement accounts or

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

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

### **Timing of Payments**

4. The time of payment of the maximum amount of coverage available for Claims (as defined below) may be affected by the amount of assets immediately available in the relevant Fund at the relevant time. While ~~New IPFCIPF~~ has the legal ability to assess New SRO Members for additional contributions, ~~New IPFCIPF~~ 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-IPFCIPF~~ may authorize payment (a “**Claim**”) shall be determined as at the applicable date of insolvency (as fixed by ~~New-IPFCIPF~~ 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-IPFCIPF~~ 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'sCIPF'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-IPFCIPF~~ 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-IPFCIPF~~ 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-IPFCIPF~~, 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-IPFCIPF~~ and the maximum limits of such payments shall be in accordance with this Policy. In addition, ~~New-IPFCIPF~~ 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~~CIPF to determine protection by ~~New IPF~~. ~~New IPF~~CIPF. CIPF may rely on the trustee in bankruptcy, the receiver or similar official under applicable law in determining the amount and validity of claims of a Customer and for the purpose of calculating financial Loss.

**Determination by ~~New IPF~~CIPF Conclusive**

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

**DATED ●**

**January 1, 2023**

# CANADIAN INVESTOR PROTECTION FUND (CIPF)

## Claims Procedures

Dated January 1, 2023

### 1. *Introduction*

1.1. The Claims Procedures should be read in conjunction with CIPF's "Coverage Policy". The coverage by CIPF of losses suffered by customers of insolvent member of New Self-Regulatory Organization of Canada, as it is currently named or as it may be renamed from time to time ("**New SRO**") accepted for membership in CIPF ("**New SRO Members**") is at the discretion of CIPF. The Coverage Policy states that CIPF 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), CIPF's interpretation of the Coverage Policy shall be final and conclusive.

1.2. The orders issued by members of the Canadian Securities Administrators approving CIPF as a compensation fund each require CIPF 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 CIPF 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. *CIPF Establishes Date of Insolvency*

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

2.2. For purposes of CIPF coverage, a New SRO Member will generally be considered to be insolvent on or about the date a trustee is appointed, or if a trustee<sup>1</sup> 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 CIPF has information that there are eligible customers of an insolvent New SRO Member that may require CIPF coverage, CIPF 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 CIPF to the extent consistent with the CIPF Coverage Policy.

3.1.3. CIPF 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 their

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<sup>1</sup> For the purposes of these Claims Procedures and CIPF 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.

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, CIPF may settle the losses of eligible New SRO customers by providing the trustee with additional resources, up to the limit of CIPF's coverage, and subject to availability of sufficient CIPF 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 CIPF 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 Designated 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.<sup>2</sup>

3.1.5. Payments made to customers may be made by CIPF 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 CIPF.

#### **3.2.1.1. Identification of Claims Against the Estate**

- CIPF 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 CIPF. This may be by a notice on the final customer account statement, a letter from CIPF, notices in the media, or any other means deemed appropriate by CIPF given the circumstances of the insolvency. CIPF may also rely on the New SRO Member's primary regulator to notify customers on CIPF's behalf.
- Customers requesting compensation from CIPF must submit a proof of claim to CIPF along with all documents and information to support the claim within 180 days of the date of insolvency.

#### **3.2.1.2. Claim Information**

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<sup>2</sup> 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 CIPF 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 CIPF website or upon request. Customers should refer to the Coverage Policy to determine if their claim is eligible for payment by CIPF before submitting a claim.
- CIPF 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**

- CIPF 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**

- CIPF 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 CIPF will use its reasonable efforts to collect the available information required to assess the eligibility of the claim for CIPF coverage.
- CIPF 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, CIPF may assess the claim based on the information in its possession.
- Prior to deciding on a claim, CIPF 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, CIPF 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**

- CIPF 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, CIPF requires a signed agreement in prescribed form by which the claimant subrogates the claim to CIPF before payment is made by CIPF to the claimant.
- A customer can request changes to the form of subrogation agreement, but any such requests must be approved by CIPF and the customer will be obligated to reimburse CIPF 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 CIPF 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, CIPF 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**

- CIPF will advise the customer in writing of its decision on the claim eligibility for payment including the reasons.
- If CIPF determines that the claim is not eligible for coverage, it will advise the customer that CIPF’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 CIPF 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 CIPF.** Notwithstanding the provisions of these Claims Procedures and their application, whether or not a trustee has been appointed, CIPF 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. CIPF will acknowledge all appeals, and the format of appeal elected, in writing as received.

4.1.2 CIPF 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 CIPF 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 CIPF staff may have legal counsel or other advisers present at any in-

person or teleconference hearing, but the presence of legal counsel or other advisors is optional.

4.1.5 Written submissions on appeal will include all information used by CIPF 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 CIPF staff or the customer. CIPF 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 advisors, 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 CIPF.

## **4.2 Appeal Deliberations**

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

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 CIPF 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 CIPF with a signed agreement in prescribed form by which the claimant subrogates the claim to CIPF before payment is made by CIPF 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 CIPF and the customer will be obligated to reimburse CIPF 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 CIPF 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 Designated 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, CIPF 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]~~CANADIAN INVESTOR PROTECTION FUND (CIPF)

## Claims Procedures

Dated ● January 1, 2023

### 1. *Introduction*

1.1. The Claims Procedures should be read in conjunction with ~~New-IPF~~CIPF's "Coverage Policy". The coverage by ~~New-IPF~~CIPF of losses suffered by customers of insolvent member of New Self-Regulatory Organization of Canada, as it is currently named or as it may be renamed from time to time ("New SRO") accepted for membership in ~~New-IPF~~CIPF ("New SRO Members") is at the discretion of ~~New-IPF~~CIPF. The Coverage Policy states that ~~New-IPF~~CIPF 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~~CIPF'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~~CIPF as a compensation fund each require ~~New-IPF~~CIPF 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~~CIPF 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~~CIPF Establishes Date of Insolvency

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

2.2. For purposes of ~~New-IPF~~CIPF coverage, a New SRO Member will generally be considered to be insolvent on or about the date a trustee is appointed, or if a trustee<sup>1</sup> 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~~CIPF has information that there are eligible customers of an insolvent New SRO Member that may require ~~New-IPF~~CIPF coverage, ~~New-IPF~~CIPF 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~~CIPF to the extent consistent with ~~New-IPF's~~the CIPF Coverage Policy.

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

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<sup>1</sup> For the purposes of these Claims Procedures and ~~New-IPF~~CIPF 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.

hardship if 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-IPFCIPF~~ may settle the losses of eligible New SRO customers by providing the trustee with additional resources, up to the limit of ~~New-IPFCIPF~~'s coverage, and subject to availability of sufficient ~~New-IPFCIPF~~ 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-IPFCIPF~~ 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 Designated 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.<sup>2</sup>

3.1.5. Payments made to customers may be made by ~~New-IPFCIPF~~ 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-IPFCIPF~~.

#### **3.2.1.1. Identification of Claims Against the Estate**

- ~~New-IPFCIPF~~ 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-IPFCIPF~~. This may be by a notice on the final customer account statement, a letter from ~~New-IPFCIPF~~, notices in the media, or any other means deemed appropriate by ~~New-IPFCIPF~~ given the circumstances of the insolvency. ~~New-IPFCIPF~~ may also rely on the New SRO Member's primary regulator to notify customers on ~~New-IPFCIPF~~'s behalf.
- Customers requesting compensation from ~~New-IPFCIPF~~ must submit a proof of claim to ~~New-IPFCIPF~~ along with all documents and information to support the claim within 180 days of the date of insolvency.

#### **3.2.1.2. Claim Information**

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<sup>2</sup> 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-IPFCIPF~~ 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 IPFCIPF~~ website or upon request. Customers should refer to the Coverage Policy to determine if their claim is eligible for payment by ~~New IPFCIPF~~ before submitting a claim.
- ~~New IPFCIPF~~ 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 IPFCIPF~~ 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 IPFCIPF~~ 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 IPFCIPF~~ will use its reasonable efforts to collect the available information required to assess the eligibility of the claim for ~~New IPFCIPF~~ coverage.
- ~~New IPFCIPF~~ 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 IPFCIPF~~ may assess the claim based on the information in its possession.
- Prior to deciding on a claim, ~~New IPFCIPF~~ 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 IPFCIPF~~ 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 IPFCIPF~~ 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 IPFCIPF~~ requires a signed agreement in prescribed form by which the claimant subrogates the claim to ~~New IPFCIPF~~ before payment is made by ~~New IPFCIPF~~ to the claimant.
- A customer can request changes to the form of subrogation agreement, but any such requests must be approved by ~~New IPFCIPF~~ and the customer will be obligated to

reimburse ~~New-IPF~~CIPF 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~~CIPF 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~~CIPF 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~~CIPF will advise the customer in writing of its decision on the claim eligibility for payment including the reasons.
- If ~~New-IPF~~CIPF determines that the claim is not eligible for coverage, it will advise the customer that ~~New-IPF~~CIPF’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~~CIPF 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~~CIPF.** Notwithstanding the provisions of these Claims Procedures and their application, whether or not a trustee has been appointed, ~~New-IPF~~CIPF 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~~CIPF will acknowledge all appeals, and the format of appeal elected, in writing as received.

4.1.2 ~~New-IPF~~CIPF 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-IPFCIPF~~ 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-IPFCIPF~~ 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-IPFCIPF~~ 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-IPFCIPF~~ staff or the customer. ~~New-IPFCIPF~~ 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-IPFCIPF~~.

## **4.2 Appeal Deliberations**

4.2.1 The Appeal Committee will conduct its deliberations and make its determination in the absence of ~~New-IPFCIPF~~ 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-IPFCIPF~~ 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-IPFCIPF~~ with a signed agreement in prescribed form by which the claimant subrogates the claim to ~~New-IPFCIPF~~ before payment is made by ~~New-IPFCIPF~~ 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-IPFCIPF~~ and the customer will be obligated to reimburse ~~New-IPFCIPF~~ 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-IPFCIPF~~ 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 Designated 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-IPFCIPF~~ 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.

# CANADIAN INVESTOR PROTECTION FUND

## Guidelines for Canadian Investor Protection Fund (“CIPF”) Appeal Committees Hearings Dated January 1, 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 CIPF 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 CIPF 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 CIPF as well as individuals external to CIPF.
8. Each member of an Appeal Committee (a “**Committee Member**”) will be:
  - a) either:
    - i) a Director of CIPF who was not involved in the initial claim decision; or
    - ii) an adjudicator appointed by the CIPF 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 CIPF Board of Directors, through the CIPF Coverage Committee, a subcommittee of the CIPF 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 CIPF 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) CIPF 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 CIPF Board of Directors, an Appeal Committee may engage independent legal counsel (to be compensated by CIPF) 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 CIPF Coverage Policy and accords with the law.
- 15. Independent legal counsel will act independently of the customer and CIPF 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 CIPF 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 CIPF 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 CIPF 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) CIPF'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 CIPF Coverage Policy;
  - b) the CIPF Claims Procedures;
  - c) Guidelines for the CIPF 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 CIPF 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 CIPF 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, CIPF 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 CIPF 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 CIPF 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 CIPF 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 CIPF 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 CIPF 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 CIPF Coverage Policy and CIPF 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 CIPF Board of Directors, will advise the customer and CIPF 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 CIPF Board of Directors, will provide the customer and CIPF staff with written reasons for the decision of an Appeal Committee.

## CANADIAN INVESTOR PROTECTION FUND

### **Guidelines for [New IPF] Canadian Investor Protection Fund (“New IPF CIPF”) Appeal Committees Hearings Dated ● January 1, 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 CIPF** 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 CIPF** 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 CIPF** as well as individuals external to **New IPF CIPF**.
8. Each member of an Appeal Committee (a “**Committee Member**”) will be:

- a) either:
    - i) a Director of ~~New-IPF~~CIPF who was not involved in the initial claim decision; or
    - ii) an adjudicator appointed by the ~~New-IPF~~CIPF 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~~CIPF Board of Directors, through the ~~New-IPF~~CIPF Coverage Committee, a subcommittee of the ~~New-IPF~~CIPF 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~~CIPF 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~~CIPF 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~~CIPF Board of Directors, an Appeal Committee may engage independent legal counsel (to be compensated by ~~New-IPF~~CIPF) 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~~CIPF Coverage Policy and accords with the law.
15. Independent legal counsel will act independently of the customer and ~~New-IPF~~CIPF 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~~CIPE 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~~CIPE 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~~CIPE 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~~CIPF'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~~CIPF Coverage Policy;
  - b) the ~~New-IPF~~CIPF Claims Procedures;
  - c) Guidelines for the ~~New-IPF~~CIPF 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~~CIPF 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~~CIPF 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~~CIPF 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~~CIPF 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~~CIPF 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~~[CIPF](#) 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~~[CIPF](#) 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~~CIPF 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~~CIPF Coverage Policy and ~~New-IPF~~CIPF 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~~CIPF Board of Directors, will advise the customer and ~~New-IPF~~CIPF 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~~IPFCIPF Board of Directors, will provide the customer and ~~New~~IPFCIPF staff with written reasons for the decision of an Appeal Committee.

## **1. PURPOSE**

This Disclosure Policy (Policy) describes the requirements, prescribed formats, and acceptable practices for disclosure of CIPF coverage for customers of members (“**New SRO Members**”) of New Self-Regulatory Organization of Canada, as it is currently named or as it may be renamed from time to time (“**New SRO**”), all as required by the Corporation Investment Dealer and Partially Consolidated Rule 2284, Mutual Fund Dealer Rule 5.3.2(e) and MSN-0083, or their respective successor rule(s).

## **2. GENERAL PRINCIPLES**

- a. The specific disclosure requirements prescribed by this Policy are informed by the following general principles which are intended to serve as guidance for New SRO Members in their reasonable efforts to comply with the specific requirements of this Policy set forth in Parts A to C below:
  - i. A New SRO Member must disclose membership in CIPF to its customers.
  - ii. A New SRO Member must expressly refer its customers to the CIPF Coverage Policy for the scope of coverage as well as limitations and exclusions to such coverage.
  - iii. A New SRO Member must disclose to its customers whether the Investment Dealer Fund or the Mutual Fund Dealer Fund identified in the CIPF Coverage Policy will be available to satisfy claims of its customers in the event of an insolvency of the member firm.
  - iv. A New SRO Member must not refer to CIPF membership in connection with an activity for which CIPF coverage is not available.
  - v. Where practical, communication about CIPF coverage must be done in the same language as other communication from the member firm to the customer.
  - vi. A New SRO Member must not make any false, misleading or deceptive statements about the nature or scope of coverage provided by CIPF, including CIPF membership.

## **3. APPLICATION**

- a. Parts A and C apply to those New SRO Members registered under Canadian securities legislation in the category of “investment dealer” or in the categories of both “investment dealer” and “mutual fund dealer” and required to comply with this Policy.
- b. Parts B and C apply to those New SRO Members duly registered under Canadian securities legislation only in the category of “mutual fund dealer” and required to comply with this Policy.

## ***PART A – INVESTMENT DEALERS AND DUAL REGISTRANTS***

### **4. CIPF MEMBERSHIP IDENTIFIER**

- a. The CIPF Membership Identifier means either the graphic or text versions prescribed in **Appendix A**.

- b. The CIPF Membership Identifier must be displayed so that it is clearly visible and legible, with:
  - i. a good contrast to the background, to ensure maximum impact and accessibility; and
  - ii. a clear surrounding area without graphic elements or text.
- c. The graphic version of the CIPF Membership Identifier:
  - i. must be produced from a digital master reference available from CIPF; and
  - ii. must not have its design altered in any way, but may be altered with respect to its overall size, providing the relative proportions and colours are maintained and the content is clearly visible and legible.
- d. The CIPF Membership Identifier is optional on written, visual and audio advertising, including social media, provided that any such use of the CIPF Membership Identifier does not give an impression that CIPF endorses a particular investment product.

## **5. WEBSITES**

- a. Each New SRO Member must display the CIPF Membership Identifier and a link to the CIPF website ([www.cipf.ca](http://www.cipf.ca)) on the New SRO Member's main homepage, provided that its use is in compliance with the General Principles of this Policy.
- b. Where a New SRO Member's website is part of a combined financial institution group website or where a New SRO Member employs dually employed representatives<sup>1</sup>, the CIPF Membership Identifier is to be displayed only on the webpages within the website that relate to activities for which CIPF coverage is available, subject to the exception in subsection 5(b)(i).
  - i. The CIPF Membership Identifier may be displayed as part of a banner that is included across multiple or all webpages within the website, provided that those webpages that relate to activities for which CIPF coverage is not available (determined with reference to the CIPF Coverage Policy) include clear and visible disclosure indicating that CIPF coverage does not apply.
- c. The CIPF Membership Identifier is permitted on a New SRO Member's trade name's website provided that:
  - i. it is not a separate legal entity from the New SRO Member;
  - ii. the full legal name of the New SRO Member is also clearly visible; and
  - iii. the use of the CIPF Membership Identifier is in compliance with the General Principles of this Policy.

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<sup>1</sup> Individuals dually employed by a New SRO Member and another financial services entity, such as an entity regulated by a securities regulatory authority or by another Canadian financial services regulatory regime such as banking, insurance, deposit-taking or mortgage brokerage activities.

## 6. CIPF DECAL

- a. The CIPF Decal is the decal prescribed in **Appendix B** and is available to order on the CIPF website ([www.cipf.ca](http://www.cipf.ca)) at the expense of the member firm.
- b. The CIPF Decal must:
  - i. be clearly visible to customers at each business location to which customers, or potential customers, have access;
  - ii. be placed on a door, window, in a plaque on a counter or other similar visible surface;
  - iii. be displayed in the same manner and adjacent to such other sign or symbol of membership or affiliation with a self-regulatory organization;
  - iv. not be placed in a manner that would cause, or be reasonably expected to cause, customers of another financial services entity to believe that they are entitled to CIPF coverage if they are not,<sup>2</sup> such as in the case of a shared premise or where premises are used by dually employed representatives<sup>3</sup>; and
  - v. be removed from vacated premises.
- c. The CIPF Decal is not required to be displayed until 30 days after the first day of operation as a member firm.

## 7. CIPF EXPLANATORY STATEMENT

- a. The CIPF Explanatory Statement must be 7(a)(i) or 7(a)(ii), each of which have two variations (in square brackets) for text in the second sentence:
  - i. Customers' accounts are protected by the CIPF's Investment Dealer Fund in accordance with its Coverage Policy. A brochure describing the scope and nature of coverage, as well as the limitations and exclusions of coverage, is available [[upon request] or [upon request or at [www.cipf.ca](http://www.cipf.ca)]].
  - ii. Customers' accounts at New SRO Dealer Member are protected by the CIPF's Investment Dealer Fund in accordance with its Coverage Policy. A brochure describing the scope and nature of coverage, as well as the limitations and exclusions of coverage, is available [[upon request] or [upon request or at [www.cipf.ca](http://www.cipf.ca)]].

## 8. CIPF OFFICIAL BROCHURE

- a. The CIPF Official Brochure means any publication authorized and prescribed by CIPF in **Appendix C**.
- b. The CIPF Official Brochure must:
  - i. be provided in its most current electronic or hard copy form to all new customers at the time of account opening and to all other customers upon request;

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<sup>2</sup> Compliance with this requirement will be determined by CIPF with consideration to what is reasonable given the specific circumstances of a New SRO Member.

<sup>3</sup> *Supra* note 1.

- ii. be ordered in accordance with instructions found on the CIPF website ([www.cipf.ca](http://www.cipf.ca));
  - iii. be imprinted with the legal name of the New SRO Member; and
  - iv. not be altered in any way, unless approved by CIPF in advance.
- c. New SRO Members may provide customers with an electronic or hard copy of the CIPF Official Brochure as part of a customer application package if:
  - i. the New SRO Member does not change any aspect of the CIPF Official Brochure;
  - ii. the pages of the CIPF Official Brochure are not presented on the same page as other content in the customer application package; and
  - iii. the CIPF Official Brochure is imprinted, stamped or printed with the legal name of the New SRO Member and its designation as a participant of the Investment Dealer Fund.

## **9. REQUIREMENTS FOR CONFIRMATIONS AND ACCOUNT STATEMENTS**

- a. Each New SRO Member must include the following, in legible print, on all confirmations and account statements made available to customers:
  - i. the CIPF Membership Identifier on the front page, and
  - ii. the CIPF Explanatory Statement.
- b. Where a New SRO Member has entered into a service arrangement with a registered portfolio manager to provide custodial services to the portfolio manager and its customers, the following additional requirements apply to account statements:
  - i. The following disclosure must be placed prominently on the front page of the account statement:

This statement is being issued to you by [Dealer Member name]. [Dealer Member name] has agreed to act as the custodian for the assets disclosed on this statement. The assets that may be eligible for CIPF coverage, within specified limits, are limited to those disclosed in this account statement.
  - ii. Where the New SRO Member also includes the portfolio manager's contact information on the account statement:
    - (1) The portfolio manager's contact information must appear on the statement as follows:

Portfolio manager contact information:

      - [Individual representative name and contact details]
      - [Firm name and contact details]
    - (2) The New SRO Member must not place the portfolio manager's contact information near the New SRO logo or CIPF Membership Identifier (i.e. directly above, below or beside it), or in a manner that suggests or implies that CIPF coverage applies to losses arising from the insolvency of a portfolio manager.

## ***PART B – MUTUAL FUND DEALERS***

### **10. REQUIREMENTS FOR ACCOUNT STATEMENTS**

- a. Each New SRO Member must include the following CIPF Explanatory Statement, in legible print, on all account statements made available to customers:
  - i. Customers' accounts are protected by the CIPF's Mutual Fund Dealer Fund within specific limits. Mutual fund dealer customer accounts located in Québec will not be eligible for coverage by CIPF. Please refer to the CIPF Coverage Policy on the website at [www.cipf.ca](http://www.cipf.ca) for a description of the nature and limits of coverage, or contact CIPF at 1-866-243-6981.

## ***PART C – ALL NEW SRO MEMBERS***

### **11. DISCLOSURE ABOUT CIPF BY NEW SRO MEMBER OR RELATED PARTY**

- a. Any disclosure about CIPF created by a New SRO Member for broad distribution,<sup>4</sup> other than what is permitted under this Policy, must be approved by CIPF in advance.
- b. A New SRO Member is not permitted to make any reference to a third party about its CIPF risk classification (if any).
- c. A New SRO Member must notify CIPF if it discovers that any non-New SRO Member<sup>5</sup> with which it has a relationship is making any false, misleading or deceptive statements about the nature or scope of coverage (or the limitations and exclusions from coverage) provided by CIPF, including CIPF membership.
- d. Subsections 11(a) to (c) include disclosures about CIPF at physical premises, electronic business sites, including social media, and advertisements.

### **12. SUSPENSION OR TERMINATION OF MEMBERSHIP**

- a. Upon suspension or termination of New SRO membership, each New SRO Member must immediately cease any use of the CIPF Explanatory Statement, the CIPF Official Brochure, the CIPF Membership Identifier and the CIPF Decal, and cease otherwise identifying itself as a member of CIPF.

### **13. IMPLEMENTATION**

- a. This Policy shall be effective January 1, 2023.
- b. Each New SRO Member shall be required to comply with all provisions of this Policy no later than December 31, 2024 (other than New SRO Members granted membership on or after January 1, 2023, who shall be required to comply with all provisions of this Policy upon the earlier of the date such membership is granted and June 30, 2023). Pending compliance with each provision of this Policy:

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<sup>4</sup> For clarity, disclosures on a website and social media are considered created by a New SRO Member for broad distribution.

<sup>5</sup> A non-New SRO Member includes a financial services entity regulated by a securities regulatory authority or by another Canadian financial services regulatory regime such as banking, insurance, deposit-taking or mortgage brokerage activities.

- i. each New SRO Member shall continue to comply with the corresponding provision of the disclosure policy or requirements of CIPF's predecessor applicable to the New SRO Member immediately prior to the effective date of this Policy; and
- ii. all references in each New SRO Member's disclosure, website and documentation to a predecessor of CIPF shall be deemed to be a reference to CIPF.

#### **14. EXEMPTIONS**

- a. Requests for exemption from any requirements of this Policy or its prescribed formats can be made by filling out the form available on the CIPF website at [www.cipf.ca](http://www.cipf.ca) and submitting it to [info@cipf.ca](mailto:info@cipf.ca).

## PREScribed FORMATS OF THE CIPF MEMBERSHIP IDENTIFIER

1. The following are the designated forms of the CIPF Membership Identifier:

a. Graphic versions (available in .eps, .jpeg, and .gif formats):



b. Text versions:

- i. Member – Canadian Investor Protection Fund
- ii. Membre – Fonds canadien de protection des investisseurs

- iii. Member of the Canadian Investor Protection Fund
- iv. Membre du Fonds canadien de protection des investisseurs
- v. <<Insert Your Dealer Member Name Registered with New SRO>> is a Member of the Canadian Investor Protection Fund
- vi. << Insérez la dénomination de votre courtier membre telle qu'elle apparaît dans les registres du Nouvel OAR>> est membre du Fonds canadien de protection des investisseurs
- vii. Member – Canadian Investor Protection Fund / Membre – Fonds canadien de protection des investisseurs
- viii. Membre – Fonds canadien de protection des investisseurs / Member – Canadian Investor Protection Fund
- ix. Member of the Canadian Investor Protection Fund / Membre du Fonds canadien de protection des investisseurs
- x. Membre du Fonds canadien de protection des investisseurs / Member of the Canadian Investor Protection Fund
- xi. <<Insert Your Dealer Member Name Registered with New SRO>> is a Member of the Canadian Investor Protection Fund / Fonds canadien de protection des investisseurs
- xii. << Insérez la dénomination de votre courtier membre telle qu'elle apparaît dans les registres du Nouvel OAR >> est membre du Fonds canadien de protection des investisseurs / Member of the Canadian Investor Protection Fund

2. The graphic versions of the CIPF Membership Identifier must only appear in the following three colour variants:

a. Black



b. Reverse white (white on a coloured background, which may be either black or a colour consistent with the colour scheme used in the member firm's document)

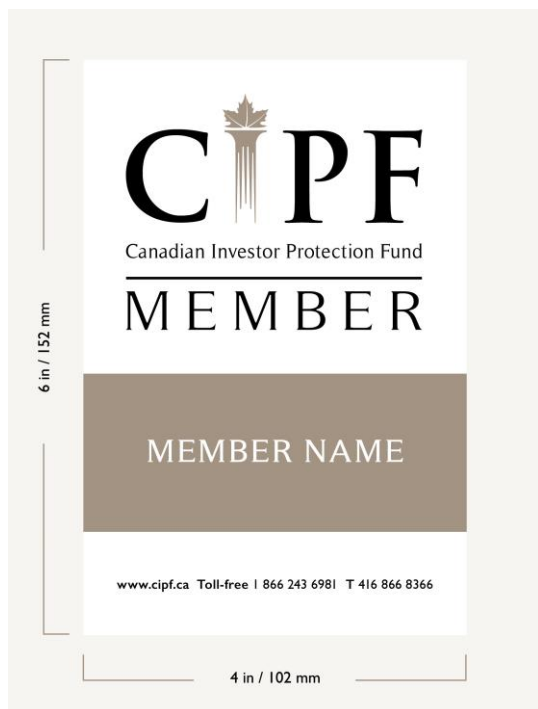


c. Black and taupe (PMS 7530)



### PREScribed FORMATS OF THE CIPF DECAL

1. The CIPF Decal contains the CIPF Membership Identifier and an area for imprinting the member firm's legal entity name.
2. The CIPF Decal is 4 inches or 102 millimetres wide by 6 inches or 152 millimetres high.



**PRESCRIBED FORMATS OF THE CIPF OFFICIAL BROCHURE**

1. The following are the designated forms of the CIPF Official Brochure:
  - a. Electronic version – A New SRO Member must purchase a PDF version imprinted with the legal name of the New SRO Member in accordance with instructions found on the CIPF website ([www.cipf.ca](http://www.cipf.ca)). A New SRO Member must not change any aspect of the imprinted PDF version so purchased.
  - b. Hard copy version – A New SRO Member has the option of printing a PDF version of the purchased electronic brochure or purchasing either blank or imprinted hard copies in accordance with instructions found on the CIPF website ([www.cipf.ca](http://www.cipf.ca)).
    - i. A New SRO Member must not change any aspect of the printed hard copy of the PDF version.
    - ii. Blank hard copies must be stamped or printed by the member firm with the legal name of the New SRO Member and its designation as a participant of the Investment Dealer Fund or the Mutual Fund Dealer Fund, in the white space on the back of the CIPF Official Brochure.
    - iii. Imprinted hard copies must include the legal name of the New SRO Member and its designation as a participant of the Investment Dealer Fund or the Mutual Fund Dealer Fund, and may include the New SRO Member's logo and/or address.

## Appendix D

### Summary of Comments Relating to CSA Staff Notice and Request for Comment 25-305 - Application for Approval of the New Investor Protection Fund

This Appendix summarizes the written public comments the CSA received in response to the Application for Approval of the New Investor Protection Fund (“New IPF”) and the responses of the CSA and of CIPF and MFDA IPC (the “IPFs”) to those comments. Out of the [12] comment letters received, [10] were from industry stakeholders (including registrants, industry associations), and [2] were from non-industry stakeholders (including investor advocates, academics and others). The public comments demonstrated the continued overall support for the New SRO framework adopted by the CSA as outlined in the [CSA Position Paper 25-404 New Self-Regulatory Organization Framework](#) (**CSA Position Paper**). The CSA and IPFs thank all the stakeholders for participating and providing meaningful commentary, which is summarized and responded to below. Staff from the CSA and IPFs worked collaboratively to produce the summaries and responses, which are categorized by common themes for ease of reference.

This Appendix contains the following sections:

1. Comments and responses on the scope of the Coverage Policy
2. Comments and responses on the implications for investors in Québec as it relates to coverage under the *Fonds d’indemnisation des services financiers*
3. Comments and responses on general matters

#### 1. Comments and responses on the scope of the Coverage Policy

##### *Coverage Limits*

A commenter recommended that a periodic review of the \$1 million compensation cap be implemented to ensure it continues to fulfill its intended purpose.

The IPFs acknowledge the concerns expressed in relation to the continued appropriateness of the \$1 million compensation cap in light of its intended purpose. New IPF, like its predecessors, will undertake regular reviews and assessments of the scope and terms of its coverage policy (and, in that context, will bear such considerations in mind).

##### *Exclusion of crypto assets*

Certain commenters submitted that crypto assets, crypto contracts and other crypto-related property should be eligible for New IPF coverage (suggesting that the exclusion of crypto property from coverage represented an amendment to the current coverage policies).

The exclusion of crypto assets in New IPF’s Coverage Policy reflects and is consistent with CIPF’s current position. The exclusion of crypto property from coverage has been the subject of numerous discussions among regulators, CIPF and crypto industry participants in the context of regulatory applications submitted by crypto industry participants for necessary exemptive relief and is accordingly reflected in exemptive relief decisions issued by CSA members to date, including those of each member of the CSA in the matter of Fidelity Canada ULC dated November 16, 2021. The exclusion of crypto assets from coverage was also expressly addressed in the 2021 CIPF Annual Report.

Like its predecessors, New IPF will undertake regular reviews of the scope and terms of the Coverage Policy, including coverage of crypto assets and other new products.

## **2. Comments and responses on the scope of coverage, including implications for investors in Québec as it relates to coverage under the *Fonds d'indemnisation des services financiers* (FISF)**

### *Duplication of assessments*

A commenter noted that Québec registrants will be faced with duplication of costs, having to contribute to both protection funds once the transition period is over.

The New IPF and the AMF will work together to avoid any duplication of costs for registrants, while avoiding gaps in coverage, both for the transitory and the permanent phase of the AMF's proposed transition plan for mutual fund dealers in Québec. The requirement for Québec MFDs to contribute to the FISF is a legal requirement set out by the *Securities Act*, CQLR, c. V-1.1 and any modifications to this requirement would require a legislative change. Furthermore, the New IPF will not assess mutual fund dealers operating in Québec in respect of customer accounts located in Québec during the transitory phase of the AMF's proposed transition plan for mutual fund dealers in Québec.

Moreover, as indicated in the CSA Position Paper, harmonization of protection fund coverage will be evaluated at a later phase: *"In the second phase, when consideration is given to assessing the feasibility of incorporating other registration categories within the one SRO framework, consideration will also be given to the possibility of providing coverage to clients of the other registration categories and harmonizing the consolidated protection fund with the FISF."*

### *Future consultation*

Certain commenters encouraged the CSA to hold a separate consultation on protection funds and the scope of coverage, in the interest of fairness for consumers and mutual fund dealers in Québec. A commenter further suggested a freeze in contributions to New IPF by mutual fund dealers in Québec pending such consultation.

The need for further consultations is being evaluated with regards to the coverage offered in Québec for mutual fund dealer activities. Per the CSA Position Paper, harmonization of protection fund coverage will be evaluated at a later phase: *"In the second phase, when consideration is given to assessing the feasibility of incorporating other registration categories within the one SRO framework, consideration will also be given to the possibility of providing coverage to clients of the other registration categories and harmonizing the consolidated protection fund with the FISF"*.

Initially, New IPF will not assess mutual fund dealers operating in Québec in respect of customer accounts located in Québec and coverage will not be provided in respect of such customer accounts by New IPF.

### *Harmonization of coverage*

Certain commenters noted the importance of the completion of the financing structure of the protection funds and of the alignment of coverage granted to investors in all Canadian jurisdictions (rather than maintaining separate funds).

The IPFs note that during a transition period following the formation of New IPF, New IPF will conduct an analysis of the insolvency risks for different types of dealers and based on that analysis will further develop its assessment methodologies and review its liquidity sources. During this transition period, CSA approval will be required for any change in the formula(s) or methodology(ies) for, or principles governing, the assessment to be levied by New IPF, where such change could result in a material increase in the assessment(s) to be levied. Once New IPF has completed

its assessment of the insolvency risks of various dealer categories and has developed appropriate assessment methodologies, it will consider whether to merge the funds maintained for clients of investment dealers and clients of mutual fund dealers.

One commenter urged the consolidation of the investor protection fund coverage functions in Québec to be consistent with coverage in other Canadian jurisdictions.

One commenter noted that clients of mutual fund dealers in each province and territory, other than Québec, and clients of investment dealers in each province and territory (including Québec) will have the benefit of coverage from New IPF in accordance with its coverage policy, while clients of mutual fund dealers in Québec will continue to have the benefit of coverage from FISF. The commenter noted that the types of risks covered by the FISF, namely fraud, fraudulent tactics and embezzlement, are not the same risks as those that will be covered by New IPF, namely insolvency.

A number of commenters suggested that New IPFs coverage policies should be extended to customers who suffer a loss as a result of fraud or other misconduct involving a dealer.

The IPFs acknowledge the fact that the coverage to be offered by New IPF, and as currently offered by the MFDA IPC and CIPF, is different than the coverage currently offered by the FISF in certain respects. The aim of New IPF will be to maintain the coverage currently available to investors in each jurisdiction upon its formation in order to maintain the status quo in the interim.

The IPFs further acknowledge that the coverage policies of CIPF and MFDA IPC do not provide coverage for loss due to financial fraud or other misconduct involving a dealer that is not insolvent. Rather, their coverage policies provide coverage in the event of a loss due to the insolvency of a dealer, whether or not financial fraud of a dealer contributed to the loss. In the event of a loss due to financial fraud involving a dealer, a client's recourse is expected to be against the dealer, assuming the dealer is not insolvent. Clients of mutual fund dealers in Québec may also have a claim against the FISF to the extent permitted by its coverage policy. New IPF, like its predecessors, will undertake regular reviews and assessments of the scope and terms of its coverage policy, including the risks covered.

New IPF will respond to and participate in regulatory initiatives seeking to harmonize coverage in all Canadian jurisdictions.

As stated in the CSA Position Paper, harmonization of protection fund coverage will be evaluated at a later phase of the project: *"In the second phase, when consideration is given to assessing the feasibility of incorporating other registration categories within the one SRO framework, consideration will also be given to the possibility of providing coverage to clients of the other registration categories and harmonizing the consolidated protection fund with the Fonds d'indemnisation des services financiers in Québec."*

### **3. Comments and responses on general matters**

A commenter recommended continued use of the name "CIPF" to minimize client and dealer operational disruption.

The IPFs have determined that the English name of New IPF will be "Canadian Investor Protection Fund" which is the same as CIPF's name. They have also determined that the French name of New IPF will be "Fonds canadien de protection des investisseurs" which is different from CIPF's current French name, Fonds canadien de protection des épargnants. The Boards of the IPFs decided to maintain the CIPF name (with the slight correction in its French version) in light of the recognition of the name and in an effort to minimize the costs associated with changes to an entirely new name.

### *Documentation*

A commenter recommended that current references in firms' documents CIPF and MFDA IPC should remain as is pending finalization of both the names of the new investor protection fund (New IPF) followed by a transition period of 18 months to amend documents to reflect the name of New IPF, while another commenter advocated for transitional grace periods designed to ensure orderly and efficient transition to the name and logo of New IPF in all client facing disclosures, documents and signage.

The IPFs have considered the commenters' concerns. While New IPF's Disclosure Policy will become effective on January 1, 2023, the policy will include transitional provisions. New SRO members will be required to comply with all provisions of New IPF's Disclosure Policy no later than December 31, 2024 (other than members granted membership after January 1, 2023, who shall be required to comply with all provisions of New IPF's Disclosure Policy no later than June 30, 2023). Pending a New SRO member's compliance with all provision of New IPF's Disclosure Policy, the member shall be required to continue to comply with all disclosure requirements applicable to it before the amalgamation of the IPFs and all references in the New SRO member's disclosure, website and documentation to an IPF shall be deemed to be a reference to New IPF.

### *Costs of Amalgamation*

One commenter noted that entities previously operating dual platforms will realize significant internal savings and should therefore bear the amalgamation costs relating to the creation of New IPF and any cost savings should be fairly distributed across the membership.

To the extent that cost savings are ultimately realized by New IPF, such savings will be taken into account by New IPF when setting assessments for all New SRO members whose clients have the benefit of coverage under the Coverage Policy. The costs associated with the formation of New IPF will be borne by New IPF (including its predecessors, the IPFs) and factored when assessment rates are set, either as a separate assessment or included in the overall assessments.