

**AMENDED AND CONSOLIDATED  
TO December 12, 2019**

**MUTUAL FUND DEALERS ASSOCIATION OF CANADA/  
ASSOCIATION CANADIENNE DES COURTIERS DE FONDS MUTUELS**

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**BY-LAW NO. 1**

**(as amended by By-laws Nos. 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 16, 17, 18, 19, 20 and 21)**

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**BY-LAW NO. 1**

(as amended by By-laws Nos. 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 1,2 13, 14, 16, 17, 18, 19, 20 and 21)

being the General By-law of

**MUTUAL FUND DEALERS ASSOCIATION OF CANADA/  
ASSOCIATION CANADIENNE DES COURTIERES DE FONDS MUTUELS**  
(hereinafter referred to as the "Corporation")

**INTERPRETATION AND EFFECT**

**1. DEFINITIONS**

In this By-law and in the Rules and Policies, unless the context otherwise specifies or requires:

"**Act**" means the Canada Not-for-profit Corporations Act, S.C. 2009, c. C-23 as from time to time amended and every statute that may be substituted therefore and, in the case of such substitution, any references in the By-laws of the Corporation to provisions of the Act shall be read as references to the substituted provisions therefore in the new statute or statutes;

"**Articles**" means the articles of continuance of the Corporation and includes any articles of amendment;

"**affiliate**" or "**affiliated corporation**" means in respect of two corporations, either corporation if one of them is the subsidiary of the other or if both are subsidiaries of the same corporation or if each of them is controlled by the same person;

"**Annual Meeting**" means the Annual Meeting of the Corporation;

"**applicable**" in relation to a Regional Council means the Regional Council for the Region:

- (1) in which the applicant for Membership or the Member has its principal office;
- (2) in which a Member has a branch office;
- (3) in which the respondent, if an individual in a disciplinary action pursuant to Section 24, was approved at the time the activities which are the subject of the disciplinary action primarily occurred, provided that,
  - (a) if the individual was approved in more than one Region at the relevant time, and the matter which is the subject of the disciplinary action involves a client in a Region where the respondent was approved other than that in which the respondent resides, then in which such client resided at the time such activities occurred; or
  - (b) if the applicable Regional Council cannot otherwise be determined, then in which the respondent resided at the relevant time; or
- (4) in which the activities which are the subject of a disciplinary action against a respondent Member pursuant to Section 24 primarily occurred, or, if such activities are not referable to any specific Region, in which the principal office of the

respondent Member is located, provided that, if a disciplinary action involves both an individual and a Member, the Regional Council having jurisdiction pursuant to clause (3) herein.

**"Appointments Committee"** means in respect of a Region a committee appointed pursuant to Section 19.1.

**"Approved Person"** means an individual who is a partner, director, officer, compliance officer, branch manager, or alternate branch manager, employee or agent of the Member who (i) is registered or permitted, where required by applicable securities legislation, by the securities commission having jurisdiction, or (ii) submits to the jurisdiction of the Corporation.

**"assets under administration"** means the assets under administration of the business of a Member as prescribed by the Board of Directors from time to time in accordance with Section 14.1;

**"associate"**, where used to indicate a relationship with any person, means:

- (a) any corporation of which such person beneficially owns, directly or indirectly, voting securities carrying more than 10 per cent of the voting rights attached to all voting securities of the corporation 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 such 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 such person;

**"auditor"** means a public accountant, as defined in the Act, appointed for the Corporation;

**"Board of Directors" or "Board"** means the board of directors of the Corporation and any committee or panel of directors appointed by the Board under the By-laws with the authority to exercise any powers of the Board of Directors;

**"branch office"** means any office or location from which any dealer business of a Member is conducted;

**"By-laws"** means any By-law of the Corporation from time to time in force and effect;

**"carrying dealer"** means a Member that carries customer accounts in accordance with Rule 1.1.6 to the extent, at a minimum, of clearing and settling trades, maintaining books and records of customer transactions and the holding of client cash, securities and other property;

**"client name"** means in respect of an account or client property, an account established by a Member for a client in accordance with the By-laws and Rules, and the cash, securities or other

property held for such account, where the cash, securities and property is held in the name of and by a person other than the Member, its agent or custodian;

**"control"** or **"controlled"**, in respect of a corporation by another person or by two or more corporations, means the circumstances where:

- (a) voting securities of the first-mentioned corporation carrying more than 50% of the votes for the election of directors are held, other than by way of security only, by or for the benefit of the other person or by or for the benefit of the other corporations; and
- (b) the votes carried by such securities are entitled, if exercised, to elect a majority of the Board of Directors of the first-mentioned corporation,

but where the Board of Directors orders that a person shall, or shall not, be deemed to be controlled by another person, then such order shall be determinative of their relationships in the application of the By-laws, Rules, Policies and Forms with respect to that Member;

**"Corporation"** means Mutual Fund Dealers Association of Canada \ Association canadienne des courtiers de fonds mutuels, a corporation incorporated pursuant to the Act, and any reference in the By-laws, Rules and Policies to an act being or to be performed by the Corporation shall be deemed to be a reference to the Corporation acting through any duly authorized director, officer, employee or agent of the Corporation;

**"financial year"** or **"fiscal year"** means the financial year of the Corporation determined in accordance with Section 34;

**"firm"** means a partnership, or other form of unincorporated business organization approved as such by the Corporation;

**"Form"** means a form prescribed or provided for by the By-laws, Rules or Policies;

**"guaranteeing"** includes becoming liable for, providing security for or entering into an agreement (contingent or otherwise) having the effect or result of so becoming liable for or providing security for a person, including an agreement to purchase an investment, property or services, to supply funds, property or services or to make an investment primarily for the purpose of directly or indirectly enabling such person to perform its obligations in respect of such security or investment or assuring the investor of such performance;

**"Hearing Panel"** means in respect of a Regional Council a hearing panel of a Regional Council appointed pursuant to Section 19.9.

**"individual"** means a natural person;

**"Industry Director"** means a director who is not a Public Director or the President and Chief Executive Officer.

**"industry representative"** means in respect of a Regional Council a person appointed pursuant to Section 19.2.

**"introducing dealer"** means a Member that introduces customer accounts to a carrying dealer in accordance with Rule 1.1.6;

**"Member"** means a member of the Corporation;

"**Member corporation**" means an incorporated Member;

"**Membership**" means membership in the Corporation;

"**MFDA**" means the Corporation;

"**monitor**" means a person or company appointed to oversee and report on a Member's activities and to act in furtherance of powers granted by a Hearing Panel;

"**mutual fund dealer**" means a person registered or licensed by a securities commission to deal in mutual fund or investment fund securities, other than a securities dealer;

"**nominee name**" means, in respect of an account or client property, other than client cash held in a trust account of a Member, an account established by a Member for a client in accordance with the By-laws and Rules in which the securities or other property is held by the Member, its agent or its custodian in the name of the Member or its agent or its custodian, for the benefit of the client;

"**Notice of Hearing**" means a notice of hearing given pursuant to Section 20.1;

"**officer**" means the chairman or any vice-chairman of the board of directors, the president, any vice-president, the secretary, the assistant-secretary, the treasurer, the assistant treasurer, the comptroller or the general manager of a Member, or any other person designated an officer of a Member by by-law or similar authority;

"**ownership interest**" means all direct or indirect ownership of the securities of a Member;

"**person**" means an individual, a partnership, or corporation, a government or any department or agency thereof, a trustee, any unincorporated organization and the heirs, executors, administrators or other legal representatives of an individual;

"**Policies**" means the guidelines, policies, bulletins, notices and other communications developed and issued pursuant to Section 25.4;

"**Public Director**" means a director who is not:

- (a) an officer (other than the Chair or a Vice-Chair) or an employee of the Corporation;
- (b) a current partner, director, officer, employee or person acting in a similar capacity of, or the holder of a Significant Interest in:
  - (i) a Member;
  - (ii) an associate of a Member; or
  - (iii) an affiliate of a Member; or
- (c) an associate of a partner, director, officer, employee or person acting in a similar capacity of, or the holder of a Significant Interest in, a Member.

"**Significant Interest**" means in respect of any person the holding, directly or indirectly, of the securities of such person carrying in aggregate 10% or more of the voting rights attached to all of the person's outstanding voting securities.

"**public representative**" means in respect of a Regional Council a person appointed pursuant to Section 19.4.

**"Region"** means any geographic area in Canada designated by the Board of Directors as a Region of the Corporation in accordance with Section 17.1.

**"Regional Council"** means a council established pursuant to Section 18 of the By-laws and includes any Hearing Panel or other committee of such Regional Council authorized to act on its behalf.

**"Regulations"** means the regulations made under the Act as from time to time amended and every regulation that may be substituted therefor and, in the case of such substitution, any references in the By-laws of the Corporation to provisions of the regulations shall be read as references to the substituted provisions therefore in the new regulations.

**"related Member"** means a partnership or corporation which:

- (a) is a Member; and
- (b) is related to a Member in that either of them, or their respective partners, directors, officers, shareholders and employees, individually or collectively, have at least a 20% ownership interest in the other of them, including an interest as a partner or shareholder, directly or indirectly, and whether or not through holding companies;

provided that the Board of Directors may, from time to time, include in, or exclude from this definition any person, and change those included or excluded;

**"Rules"** means the Rules made pursuant to Section 25 and any Forms prescribed thereunder;

**"securities commission"** means in any jurisdiction in Canada, the commission, person or other authority authorized to administer any legislation relating to trading in securities and/or to the registration or licensing of persons engaged in trading securities;

**"securities dealer"** means a person acting as dealer (principal) or broker (agent) in carrying out transactions in securities and commodity futures contracts or options on behalf of clients and includes, without limitation, acting as an underwriter or advisor, but excludes a person registered or licensed as a mutual fund dealer;

**"securities legislation"** means any legislation relating to trading in securities in Canada enacted by the Government of Canada or any province or territory of Canada and includes all regulations, rules, orders or other regulatory directions made pursuant thereto by any authorized body including, without limitation, a securities commission;

**"securities related business"** means any business or activity (whether or not carried on for gain) engaged in, directly or indirectly, which constitutes trading or advising in securities for the purposes of applicable securities legislation in any jurisdiction in Canada, including for greater certainty, securities sold pursuant to exemptions under applicable securities legislation;

**"sub-branch"** means any branch office having in total less than 4 Approved Persons and supervised by an Approved Person as required under the Rules who is not normally present at such sub-branch office;

**"subordinated debt"** means any debt the terms of which specify that its holder will not be entitled to receive payment if any payment to any holder of a senior class of debt is in default;

"**subsidiary**", in respect of a corporation and another corporation, means the first mentioned corporation if:

- (a) it is controlled by:
  - (i) that other; or
  - (ii) that other and one or more corporations each of which is controlled by that other; or
  - (iii) two or more corporations each of which is controlled by that other; or
- (b) it is a subsidiary of a corporation that is that other's subsidiary;

## **2. INTERPRETATION**

This By-law, the Rules and the Policies shall be, unless defined otherwise herein or the context otherwise requires, construed and interpreted in accordance with the following:

### **2.1 Act and Regulations**

All terms contained herein and which are defined in the Act or the Regulations shall have the meanings given to such terms in the Act or such Regulations.

### **2.2 Words Importing the Singular**

Words importing the singular number only shall include the plural and vice versa; and the word "person" shall include individuals, bodies corporate, corporations, companies, partnerships, syndicates, trusts and any number or aggregate of persons.

### **2.3 Words importing any gender**

Words importing gender shall include all genders.

### **2.4 Headings**

The headings used in this By-law, the Rules and Policies are inserted for reference purposes only and are not to be considered or taken into account in construing the terms or provisions thereof or to be deemed in any way to clarify, modify or explain the effect of any such terms or provisions.

### **2.5 References**

Unless otherwise specified or the context requires, references to Sections in the By-laws and Rules shall be references to the Sections of this By-law 1.

### **2.6 Interpretation of the Board of Directors**

In the event of any dispute as to the intent or meaning of the Articles, By-Laws, Rules, Policies or Forms, the interpretation of the Board of Directors, subject to the provisions of Section 26.1, shall be final and conclusive.



## **DIRECTORS AND OFFICERS**

### **3. DIRECTORS**

#### **3.1 Duties and Number**

The affairs of the Corporation shall be managed by a Board of Directors. The number of persons comprising the Board of Directors shall be 13.

#### **3.2 Composition of the Board of Directors**

The Board of Directors shall be composed of 6 Public Directors, 6 Industry Directors and the President and Chief Executive Officer. The members of the Board of Directors (other than the President and Chief Executive Officer) shall collectively and over time be nominated and elected on the basis that there will be timely and appropriate regional representation on the Board of Directors of Members of the Corporation across Canada, provided that at any time (subject to the occurrence of vacancies) not less than 4 of the directors shall represent regions other than the Provinces of Ontario and Quebec. In addition, at any time (subject to the occurrence of vacancies) 5 of the Industry Directors shall be officers or employees of a Member of the Corporation or of an affiliate or corporation which is an associate of a Member. No Member, affiliate or corporation which is an associate of a Member shall have more than 1 director, officer, employee or other representative on the Board of Directors and, if such event should occur, the Board of Directors in its discretion may request the resignation of or remove as a director, any director or directors in order that the requirements of this section are satisfied. Each director shall be at least 18 years of age.

#### **3.3 Election and Term**

##### *3.3.1 Initial Election*

At the Annual Meeting of the Corporation when this Section 3 of By-law No. 1 is sanctioned and becomes effective, 12 directors shall be elected from persons nominated and recommended to the Board of Directors by an ad hoc nominating committee established by the Board of Directors according to the requirements of Section 3.6.1 as if that Section were in force and a Governance Committee had been established in accordance with its provisions. Of the 6 Public Directors to be so elected, the terms of 3 Public Directors to be designated by the Board of Directors shall each expire at the second and third successive Annual Meetings. Of the 6 Industry Directors to be so elected, the terms of 3 such Industry Directors to be designated by the Board of Directors shall each expire at the first and second successive Annual Meetings on the election of their successors.

##### *3.3.2 Public Directors*

At each Annual Meeting, 3 Public Directors shall be elected to fill the vacancies created by the expiry of the terms of office of the 3 Public Directors whose terms have expired at such meeting. The term for each Public Director to be elected at an Annual Meeting shall expire at the third Annual Meeting next following such election on the election of his or her successors, unless expired earlier in accordance with this By-law. The Board of Directors shall be authorized to fix the term of any Public Director to be elected for a period of less than 3 years in order to maintain the intended staggered terms of all Public Directors, but no such term shall be shortened if the Public Director has commenced his or her term of office. A Public Director shall be eligible to

serve for only 2 successive terms of 3 years which shall include any shorter term as may have been fixed by the Board of Directors in accordance with this By-law, but shall exclude any portion of a term of office in respect of a vacancy filled pursuant to Section 3.5. Unless nominated otherwise in accordance with the Act, each Public Director to be elected at an Annual Meeting shall have been recommended by the Governance Committee to the Board of Directors for nomination for election by the Members according to the requirements of the By-laws and the terms of reference of the Governance Committee adopted by the Board of Directors. Any Member shall be entitled to submit to the Governance Committee nominations for Public Directors provided that such nominations shall have been received by the Corporation not less than 60 days prior to the relevant Annual Meeting.

### 3.3.3 *Industry Directors*

At each Annual Meeting, 3 Industry Directors shall be elected to fill the vacancies created by the expiry of the terms of office of the 3 Industry Directors whose terms have expired at such meeting. The term for each Industry Director to be elected at an Annual Meeting shall expire at the second Annual Meeting next following such election on the election of his or her successors, unless expired earlier in accordance with this By-law. The Board of Directors shall be authorized to fix the term of any Industry Director to be elected for a period of less than 2 years in order to maintain the intended staggered terms of all Industry Directors, but no such term shall be shortened if the Industry Director has commenced his or her term of office. An Industry Director shall be eligible to serve only 3 successive terms of 2 years which shall include any shorter term as may have been fixed by the Board of Directors in accordance with this By-law, but shall exclude any portion of a term of office in respect of a vacancy filled pursuant to Section 3.5. Unless nominated otherwise in accordance with the Act, each Industry Director to be elected at an Annual Meeting shall have been recommended by the Governance Committee to the Board of Directors for nomination for election by the Members according to the requirements of the By-laws and the terms of reference of the Governance Committee adopted by the Board of Directors. Any Member shall be entitled to submit to the Governance Committee nominations for Industry Directors provided that such nominations shall have been received by the Corporation not less than 60 days prior to the relevant Annual Meeting.

### 3.4 **Vacancies**

The office of a director shall be automatically vacated:

3.4.1 if the director by notice in writing to the Corporation resigns his or her office, which resignation shall be effective at the time it is received by the Secretary of the Corporation or at the time specified in the notice, whichever is later;

3.4.2 if the director is declared to be incapable by a court in Canada or in any other country;

3.4.3 if the director dies;

3.4.4 if the director becomes bankrupt or suspends payment of debts generally or makes an arrangement with creditors or makes an assignment or is declared insolvent;

3.4.5 in the case of a Public Director, if the director ceases to be qualified as a Public Director;

3.4.6 if the director is requested to resign pursuant to Section 3.2 and does not do so in a reasonable time;

3.4.7 if the Public or Industry Director is removed by a resolution passed by a majority of the votes cast at a special meeting of Members;

3.4.8 in the case of the President and Chief Executive Officer, the director ceases to hold such office.

### **3.5 Filling Vacancies**

If a vacancy in the Board of Directors shall occur for any reason, the vacancy shall be filled by a resolution electing or appointing a director passed by either a majority of the votes cast at a meeting of the Members or the Board of Directors, provided that in either case the director has been identified and recommended by the Governance Committee to the Board of Directors for nomination for election and the nominee is otherwise qualified as a director. In recommending any such nominee as a director, the Governance Committee shall ensure the requirements for the composition of the Board of Directors set out in Section 3.3.2 are satisfied and that the nomination process followed by the Governance Committee shall be in accordance with the requirements for nominees to be recommended to the Board of Directors for the election of directors at Annual Meetings except that no notice of the vacancy or request for nominations need be given to Members.

### **3.6 Committees**

#### *3.6.1 Governance Committee*

The Board of Directors shall establish a Governance Committee composed of 2 Public Directors and 2 Industry Directors. The 2 Industry Director members of the Governance Committee shall be officers or employees of a Member of the Corporation or of an affiliate or corporation which is an associate of a Member. The Chair of the Governance Committee shall be 1 of the 2 Public Directors as selected by the Board of Directors. The Governance Committee shall be responsible for identifying and recommending to the Board of Directors Public and Industry Directors for election to the Board of Directors in accordance with the By-laws and the terms of reference adopted for the Governance Committee by the Board of Directors. In addition, the Governance Committee shall perform such other duties as the Board of Directors may delegate or direct from time to time. 1 Public Director and 1 Industry Director shall constitute a quorum of the Governance Committee.

#### *3.6.2 Audit Committee*

The Board of Directors shall establish an Audit Committee composed of 3 Public Directors and 2 Industry Directors. The Chair of the Audit Committee shall be 1 of the 3 Public Directors as selected by the Board of Directors. The Audit Committee shall review and report to the Board of Directors on the annual financial statements of the Corporation and shall perform such other duties as the Board of Directors may delegate or direct from time to time. 2 Public Directors and 1 Industry Director shall constitute a quorum of the Audit Committee.

#### *3.6.3 Executive Committee*

The Board of Directors may in its discretion establish an executive committee (which may be otherwise named) composed of an equal number of Public Directors and Industry Directors. The Chair of the Executive Committee, if any, may be either a Public Director or Industry Director and shall be selected by the Board of Directors. The Executive Committee shall exercise such

powers and such duties as are delegated or directed by the Board of Directors including, without limitation, the authority to exercise any of the powers of the Board of Directors. 1 Public Director and 1 Industry Director shall constitute a quorum of the Executive Committee.

#### *3.6.4 Other Board Committees*

The Board of Directors may from time to time in its discretion appoint any other committee or committees as it considers necessary or appropriate for such purposes and with such powers as the Board of Directors may determine including, without limitation, the authority to exercise any of the powers of the Board of Directors and to act in all matters for and in the name of the Board of Directors under the By-laws. Subject to any provisions of the By-laws otherwise, any such committee may be composed of Public Directors or Industry Directors, or both. A majority of the members of a committee established under this Section 3.6.4 shall constitute a quorum, provided that if the committee is composed of 1 or more Public Directors, a quorum shall include 1 Public Director.

#### *3.6.5 Committee Membership and Procedures*

Members of any committee of the Board of Directors including, without limitation, the Governance Committee, Audit Committee, Executive Committee (if any) or any other committee established pursuant to Section 3.6.4 and shall be appointed and subject to removal by the Board. The Board of Directors may prescribe rules and procedures not inconsistent with the Act and the By-laws relating to the calling of meetings of, and conduct of business by, committees of the Board. Subject to the By-laws and any resolution of the Board of Directors, meetings of any such committee shall be held at any time and place to be determined by the Chair of the committee or its members provided that 48 hours' prior written notice of such meetings shall be given, other than by mail, to each member of the committee. Notice by mail shall be sent at least 14 days prior to the meeting. No error or accidental omission in giving notice of any meeting of a committee shall invalidate such meeting or make void any proceedings taken at such meeting.

### **3.7 Remuneration of Directors**

The Board of Directors may determine from time to time such reasonable remuneration, if any, to be paid to the directors of the Corporation for serving as such and the Board may determine that such remuneration need not be the same for all directors including, without limitation, as between Public and Industry Directors. Public and Industry Directors may be reimbursed for reasonable expenses incurred by the director in the performance of the director's duties. Subject to Sections 6 and 7.1, nothing herein contained shall be construed to preclude any director from serving the Corporation as an officer or in any other capacity and receiving compensation therefore.

## **4. MEETINGS OF DIRECTORS**

### **4.1 Place of Meeting**

Meetings of the Board of Directors may be held at any place within Canada.

### **4.2 Notice**

A meeting of directors may be convened by the Chair of the Board, the Vice-Chair of the Board, the President and Chief Executive Officer or any 2 directors at any time. The Secretary, when directed or authorized by any of such officers or any 2 directors, shall convene a meeting of

directors. Unless sent by mail, 7 days' notice of such meeting shall be given to each director. Notice of any such meeting that is sent by mail shall be served in the manner specified in Section 31 not less than 14 days (exclusive of the day on which the notice is given) before the meeting is to take place; provided always that a director may in any manner and at any time waive notice of a meeting of directors and attendance of a director at a meeting of directors shall constitute a waiver of notice of the meeting except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called; provided further that meetings of directors may be held at any time without notice if all the directors are present (except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called) or if all of the absent directors waive notice before or after the date of such meeting.

#### **4.3 Error or Omission in Giving Notice**

No error or accidental omission in giving notice of any meeting of directors shall invalidate such meeting or make void any proceedings taken at such meeting.

#### **4.4 Chair and Secretary**

The Chair of the Board or, in his or her absence, the Vice-Chair, shall be chair of any meeting of the directors. If no such officer is present, the directors present shall choose 1 of their number to be chair. If the Secretary is absent, the chair of the meeting shall appoint some person, who need not be a director, to act as secretary of the meeting.

#### **4.5 Adjournment**

Any meeting of directors may be adjourned from time to time by the Chair of the meeting, with the consent of the meeting, to a fixed time and place. Notice of any adjourned meeting of directors is not required to be given if the time and place of the adjourned meeting is announced at the original meeting. Any adjourned meeting shall be duly constituted if held in accordance with the terms of the adjournment and a quorum is present thereat. The directors who formed a quorum at the original meeting are not required to form the quorum at the adjourned meeting. If there is no quorum present at the adjourned meeting, the original meeting shall be deemed to have terminated forthwith after its adjournment. Any business may be brought before or dealt with at any adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same.

#### **4.6 Regular Meetings**

The Board of Directors may appoint a day or days in any month or months for regular meetings of the Board of Directors at a place or hour to be named by the Board of Directors and a copy of any resolution of the Board of Directors fixing the place and time of regular meetings of the Board of Directors shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meetings.

#### **4.7 Quorum**

A majority of the directors then in office shall form a quorum for the transaction of business provided that 2 Public Directors are present and, notwithstanding any vacancy among the directors, a quorum may exercise all the powers of directors.

#### **4.8 Voting**

Each director is authorized to exercise 1 vote. Questions arising at any meeting of directors shall be decided by a majority of votes. In case of an equality of votes the Chair of the meeting in addition to an original vote shall not have a second or casting vote.

#### **4.9 Telephone Participation**

If all the directors of the Corporation consent in advance, any meeting of directors may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to hear each other simultaneously and instantaneously, and a director participating in such meeting by such means is deemed to be present at that meeting. The directors shall take such reasonable precautions as may be necessary to ensure that such telephone, electronic or other communications facilities are secure from unauthorized interception or monitoring. For purposes of determining those present and recording votes at such a meeting the chair of the meeting shall require each director participating by such means to identify himself or herself and to acknowledge by voice such director's presence or vote, as the case may be, and the chair of the meeting and the Corporation shall be entitled to rely thereon in the absence of evidence to the contrary.

#### **4.10 Resolution in Lieu of Meeting**

A resolution in writing, signed by all 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.

### **5. POWERS OF DIRECTORS**

#### **5.1 Administer Affairs**

The Board of Directors shall 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, shall 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.

#### **5.2 Expenditures**

The Board of Directors shall have power to authorize expenditures on behalf of the Corporation from time to time and to delegate by resolution such power to an officer or officers of the Corporation.

#### **5.3 Borrowing Power**

The Board of Directors may from time to time:

5.3.1 borrow money on the credit of the Corporation;

5.3.2 limit or increase the amount to be borrowed;

5.3.3 issue, sell or pledge debt obligations (including bonds, debentures, debenture stock, notes or other like liabilities whether secured or unsecured) of the Corporation;

5.3.4 charge, mortgage, hypothecate or pledge all or any currently owned or subsequently acquired real or personal, movable or immovable property of the Corporation, including book debts, rights, powers and undertakings, to secure any debt obligations or any money borrowed, or other debt or liability of the Corporation; and

5.3.5 delegate the powers conferred on the directors under this Section to such officer or officers of the Corporation and to such extent and in such manner as the directors shall determine.

The powers hereby conferred shall be deemed to be in supplement of and not in substitution for any powers to borrow money for the purposes of the Corporation possessed by its directors or officers independently of this By-law.

#### **5.4 Agents and Employees**

The Board of Directors may appoint such agents and engage such employees 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 of Directors at the time of such appointment.

### **6. INTERESTED DIRECTOR AND OFFICER CONTRACTS**

#### **6.1 Conflict of Interest**

A director or officer of the Corporation shall disclose to the Corporation in the manner and circumstances required by the Act the nature and extent of any interest that the director or officer has in the material contract or material transaction, whether made or proposed, with the Corporation, and except as provided by the Act, no such director or officer shall vote on any resolution to approve any such contract or transaction. In supplement of and not by way of limitation upon any rights conferred upon directors by Section 141 of the Act and specifically subject to the provisions contained in that Section, it is declared that no director or officer shall be disqualified from any such office by, or vacate any such office by reason of, holding any office with the Corporation or with any corporation in which the Corporation shall be a shareholder or by reason of being otherwise in any way directly or indirectly interested or contracting with the Corporation as vendor, purchaser or otherwise or being concerned in any contract or transaction made or proposed to be entered into with the Corporation in which the director or officer is in any way directly or indirectly interested as vendor, purchaser or otherwise. Subject to compliance with the Act, a contract or transaction for which disclosure is required by Section 141 of the Act 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 or officer was present or was counted to determine whether a quorum existed at the meeting of directors or committee of directors that considered the contract or transaction.

### **7. OFFICERS**

#### **7.1 Appointment**

The Board of Directors shall annually or more often as may be required, appoint a Chair of the Board and a President and Chief Executive Officer, and may, as often as may be required, appoint a Vice Chair of the Board, a Chief Operating Officer, 1 or more Vice-Presidents, a Secretary, and 1 or more Assistant Secretaries and/or other assistant officers. A director may be appointed to any office of the Corporation, except that the Chair shall not be the President and

Chief Executive Officer or exercise any of the powers of the chief executive officer of the Corporation. None of the said officers need be a director of the Corporation except that the Chair of the Board, the Vice-Chair of the Board and the President and Chief Executive Officer shall be directors of the Corporation. 2 or more of the aforesaid offices may be held by the same person, except that neither the Chair nor any Vice Chair shall be the President and Chief Executive Officer or exercise any of the powers of the chief executive officer. The Board of Directors may from time to time appoint such other officers and agents as it shall deem necessary who shall have such authority and shall perform such duties as may from time to time be prescribed by the Board of Directors.

## **7.2 Vacancies**

Notwithstanding the foregoing, each incumbent officer shall continue in office until the earlier of:

7.2.1 that officer's resignation, which resignation shall be effective at the time the written resignation is received by the Secretary of the Corporation or at the time specified in the resignation, whichever is later;

7.2.2 the appointment of a successor;

7.2.3 that officer ceasing to be a director if such is a necessary qualification of appointment;

7.2.4 that officer's removal;

7.2.5 that officer's death.

If the office of any officer of the Corporation shall be or become vacant, the directors may, by resolution, appoint a person to fill such vacancy.

## **7.3 Remuneration of Officers**

The remuneration of all officers appointed by the Board of Directors shall be determined from time to time by resolution of the Board of Directors or by any officer authorized by the Board of Directors. All officers shall be entitled to be reimbursed for reasonable expenses incurred in the performance of the officer's duties.

## **7.4 Removal of Officers**

Officers shall be subject to removal by resolution of the Board of Directors at any time, with or without cause.

## **7.5 Duties of Officers May be Delegated**

In case of the absence or inability to act of any officer of the Corporation or for any other reason that the Board of Directors may deem sufficient, the Board of Directors may delegate all or any of the powers of any such officer to any other officer or to any director for the time being.

## **7.6 Powers and Duties**

All officers shall sign such contracts, documents or instruments in writing as require their respective signatures and shall respectively have and perform all powers and duties incidental to their respective offices and such other powers and duties respectively as may from time to time be assigned to them by the Board of Directors. The duties of the officers shall include:



#### 7.6.1 *Chair of the Board*

If appointed, the Chair shall, subject to the provisions of the Act, preside at all meetings of the Board of Directors and the Members.

#### 7.6.2 *Vice-Chair of the Board*

If the Chair of the Board is absent or is unable or refuses to act, the Vice-Chair of the Board, if any, shall, when present, preside at all meetings of the Board of Directors and the Members.

#### 7.6.3 *President and Chief Executive Officer*

The President and Chief Executive Officer shall be the chief executive officer of the Corporation and, subject to the authority of the Board of Directors shall have general supervision of the business of the Corporation and shall have such other powers and duties as the Board may specify.

#### 7.6.4 *Chief Operating Officer*

The Chief Operating Officer shall be the chief operating officer of the Corporation, shall report to the President and Chief Executive Officer and, under the President and Chief Executive Officer's direction, manage the staff of the Corporation and carry out such administrative functions as are required for the operations of the Corporation.

#### 7.6.5 *Vice-Presidents*

A vice-president (including senior or other vice-presidents however designated) shall have such powers and duties as the Board or the President and Chief Executive Officer may specify.

#### 7.6.6 *Secretary*

The Secretary, as and when requested to do so, shall: attend and be the secretary of all meetings of the Board of Directors, Members and committees of the Board of Directors and enter or cause to be entered in records kept for that purpose minutes of all proceedings thereat; give or cause to be given, as and when instructed, all notices to Members, directors, officers, auditors and Members of committees of the Board of Directors; be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation (if any) and of all books, papers, records, documents and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose; and have such other powers and duties as the Board of Directors or the chief executive officer may specify.

#### 7.6.7 *Controller*

The controller shall keep proper accounting records in compliance with the Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation; the controller shall render to the Board whenever required an account of all his or her transactions as controller and of the financial position of the Corporation; and the controller shall have such other powers and duties as the Board or the chief executive officer may specify.

#### 7.6.8 *Powers and Duties of Other Officers*

The powers and duties of all other officers shall be such as the terms of their engagement call for or as the Board or the chief executive officer may specify. Any of the powers and duties

of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the Board or the chief executive officer otherwise directs.

## **8. FOR THE PROTECTION OF DIRECTORS, OFFICERS AND OTHERS**

### **8.1 Limitation of Liability**

No past or present member of the Board of Directors, a Regional Council (including a Hearing Panel) or any committee or sub-committee thereof or of the Corporation, officer, employee or agent 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 his or her part, or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his or her 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.

### **8.2 Indemnity**

Each past and present member of the Board of Directors, a Regional Council (including a Hearing Panel) or any committee or sub-committee thereof or of the Corporation, 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:

8.2.1 all costs, charges, fines and penalties and expenses which such Board, Council, Panel, committee or sub-committee member, officer, employee, agent or other person reasonably incurs, including an amount paid to settle an action or satisfy a judgment in respect of any civil, criminal, administrative, or other 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 his or her office or in respect of any such liability; and

8.2.2 all other costs, charges and expenses which he or she sustains or incurs in or about or in relation to the affairs thereof, including an amount representing the value of time any such Board, Council, Panel, 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; provided that such person (i) acted honestly and in good faith with a view to the best interests of the Corporation or any company controlled by it, and (ii) in the case of a criminal or administrative proceeding that is enforced by a monetary penalty, had reasonable grounds for believing that his or her 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.

### **8.3 Action, Suit or Proceeding Threatened, Brought, etc. by the Corporation**

Where the action, suit or proceeding referred to in Section 8.2.1 above is threatened, brought, commenced or prosecuted by the Corporation against a Board, Council, Panel 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 8.2.

### **8.4 Insurance**

The Corporation may purchase and maintain insurance for the benefit of any person referred to in Section 8.2 against such liabilities and in such amounts as the Board may from time to time determine and are permitted by the Act.

## **MEMBERSHIP**

### **9. ELIGIBILITY**

#### **9.1 Discretion of the Board of Directors**

The Board of Directors shall, in its discretion, decide upon all applications for Membership.

#### **9.2 Requirements**

Any firm or corporation shall be eligible to apply for Membership if:

- 9.2.1 in the case of a firm, it is a resident of Canada and, in the case of a corporation, it is incorporated under the laws of Canada or one of its provinces or territories;
- 9.2.2 the applicant carries on, or proposes to carry on, business in Canada as a mutual fund dealer and is registered or licensed in each jurisdiction in Canada where the nature of its business requires such registration or licensing, and is in compliance with such applicable securities legislation and the requirements of any securities commission having jurisdiction over the applicant; and
- 9.2.3 the applicant and its directors, officers, partners, employees and agents, and related companies (if any), would comply with, or would otherwise be subject to a regulatory regime with rules, by-laws or policies similar in effect to, the By-laws, Rules, Policies and Forms of the Corporation that would apply to them if the applicant were a Member.

#### **9.3 Amalgamation of Members**

If 2 or more Members propose to amalgamate and continue as 1 Member, the continuing Member shall not be considered to be a new Member or be required to re-apply for Membership, except as otherwise determined by the Board of Directors and provided that the continuing Member otherwise complies with the By-laws and Rules including the payment of Member fees.

## **10. APPLICATION**

### **10.1 Form**

10.1.1 An application for Membership shall be in such form and executed in such manner as the Board of Directors may prescribe and shall contain or be accompanied by such information and documents as the By-laws or the Board of Directors may require.

10.1.2 The prescribed Form shall be signed by the applicant.

### **10.2 Review Deposit**

An application for Membership shall be accompanied by a non-refundable application review deposit in an amount to be determined by the Board of Directors, to be credited towards the Annual Fee in the event that the application is approved by the Board of Directors.

### **10.3 Reimbursement for Excessive Costs and Expenses**

If in connection with the review or consideration of any application for Membership, the Board of Directors is of the opinion that the nature of the applicant's business, its financial condition, the conduct of its business, the completeness of the application, the basis on which the application was made or any Corporation review in respect of the application in accordance with the By-laws of the Corporation has required, or can reasonably be expected to require, excessive attention, time and resources of the Corporation, the Board of Directors may require the applicant to reimburse the Corporation for some or all of its costs and expenses which are reasonably attributable to such excessive attention, time and resources or provide an undertaking or security in respect of such reimbursement. If an applicant is to be required to make such reimbursement of costs and expenses, the Corporation shall provide to the applicant a breakdown and explanation of such costs and expenses in sufficient detail to permit the applicant to understand the basis on which the costs and expenses were or are to be calculated.

## **11. APPROVAL PROCESS**

### **11.1 Preliminary Review by the Corporation**

An application for Membership with any accompanying documents shall be submitted to the Corporation, which shall make a preliminary review of the same and either:

11.1.1 if such review discloses substantial compliance with the requirements of the By-laws and Rules, transmit a copy to the Chair of the Board or a director or committee of directors authorized for that purpose; or

11.1.2 if such review discloses any substantial non-compliance with the requirements of the By-laws and Rules, notify the applicant as to the nature of such non-compliance and request that the application for Membership be amended in accordance with the notification of the Corporation and refiled or be withdrawn. If the applicant declines to amend or withdraw the application for Membership, the Corporation shall forward the same to the Chair of the Board or a director or committee of directors authorized for that purpose, together with any accompanying material and a copy of the notification to the applicant.

### **11.2 Submission of Financial Information**

The application shall be accompanied by:

11.2.1 financial statements of the applicant as of a date not more than 90 days prior to the date of application for Membership (or as of such other date as the Corporation may require), prepared in accordance with Form 1 and audited by an auditor acceptable to the Corporation;

11.2.2 interim unaudited monthly financial statements, prepared in accordance with Form 1, for the period following the date of the audited financial statement submitted under Section 11.2.1 up to the most recent month prior to the date of the Membership application;

11.2.3 a report by the applicant's auditor to the effect that, based on his examination of the affairs of the applicant, the applicant keeps a proper system of books and records; and

11.2.4 such additional financial information, if any, relating to the applicant as the Corporation may in its discretion request.

### **11.3 Notification to the Board of Directors**

If and when the Corporation has received the financial statements and report referred to in Section 11.2, and is satisfied with respect to all relevant matters, then the Corporation shall so notify the Board of Directors.

### **11.4 Determination of the Board of Directors**

Upon receipt of the application for Membership from the Corporation and the notification from the Corporation pursuant to Section 11.3, the Board of Directors may:

11.4.1 approve the application;

11.4.2 approve the application subject to such terms and conditions as may be considered appropriate by the Board of Directors if, in the opinion of the Board of Directors, such terms and conditions are necessary in order to ensure that the By-laws and Rules will be complied with by the applicant; or

11.4.3 refuse the application if, in the opinion of the Board of Directors, having regard to such factors as it may consider relevant including, without limitation, the past or present conduct, business or condition of the applicant;

- (a) it is not satisfied that the By-laws and Rules will be complied with by the applicant;
- (b) the applicant is not qualified by reason of the ownership, integrity, solvency, training or experience of the applicant or any of its partners, directors, officers, employees or agents, or any person having an ownership interest in the capital or indebtedness of the applicant; or
- (c) such approval is not in the public interest.

11.4.4 If, pursuant to the provisions of this Section 11.4, the Board of Directors approves an application subject to terms and conditions or refuses an application, the Board of Directors may order that the applicant may not apply for removal or variation of terms and conditions or reapply for approval, for such period as the Board of Directors provides.

### **11.5 Power to Vary or Remove Terms and Conditions**

The Board of Directors shall have the power to vary or remove any such terms and conditions as may have been imposed on an applicant that may be considered appropriate by the Board of

Directors, if such terms and conditions are or are no longer, as the case may be, necessary to ensure that the By-laws and Rules will be complied with by the applicant.

#### **11.6 Notice**

Any decision of the Board of Directors held pursuant to Sections 11.4 or 11.5 shall be in writing and shall contain a concise statement of the reasons for the decision. Notice of a decision shall be delivered to the Corporation which shall then promptly give notice to the applicant. A copy of the decision shall accompany the notice.

#### **11.7 Review**

##### **11.7.1 In the event of a decision of the Board of Directors**

- (a) to approve an application subject to terms and conditions pursuant to Section 11.4.2;
- (b) to refuse an application pursuant to Section 11.4.3;
- (c) to order a period of time in which an applicant may not apply or reapply pursuant to Section 11.4.4; or
- (d) to vary terms and conditions in a manner that would be more burdensome to an applicant pursuant to Section 11.5,

the Board of Directors shall, upon application by the applicant, made on notice in accordance with the rules of procedure adopted by the Corporation, review the decision and either (i) confirm the decision, or (ii) make such other decision as the Board of Directors considers proper.

11.7.2 If the Board of Directors is required to review a decision pursuant to Section 11.7.1, the applicant and the Corporation shall be entitled to be heard at a hearing conducted in accordance with the rules of procedure adopted by the Corporation in respect of such hearings including the right to:

- (a) receive a summary of the facts and evidence to be relied on by the applicant and the Corporation, as the case may be; and
- (b) appear on reasonable notice, with counsel or agent, to call evidence and cross-examine witnesses in order to show cause why (i) in the case of a decision referred to in Section 11.7.1(a) or (b), the application should not be subject to terms and conditions or should not be refused, or (ii) in the case of a decision referred to in Section 11.7.1(c) and (d), the period of time for reapplying or the variation of terms and conditions should not be imposed.

11.7.3 To the extent not otherwise specified in this Section 11, the procedures under Section 20 shall be applicable to a hearing under Section 11.7.1, *mutatis mutandis*.

#### **11.8 Board of Directors**

11.8.1 The authority of the Board under this Section 11 may be exercised by the Executive Committee or a committee of the Board appointed pursuant to Section 3.6.4 and, notwithstanding the provisions of Section 3.6.4, such committee may consist in whole or in part of persons who are not members of the Board including, without limitation, persons who are eligible to sit on a Hearing Panel. Any reference in this By-law or any rules of procedure made in respect of

membership applications shall be deemed to include a reference to the Executive Committee or such other appointed committee. No member of the Board of Directors or any such committee who has participated in a decision in respect of an application or proceeding pursuant to Section 11.4.2, 11.4.3, 11.4.4 or 11.5 shall subsequently participate in a hearing pursuant to Section 11.7.1 regarding that decision.

11.8.2 Subject to Section 26, decisions of the Board pursuant to Section 11.7 are final and there shall be no further review of such decisions within the Corporation.

## **11.9 Actions Upon Approval of Application**

11.9.1 If and when the application is approved by the Board of Directors, the Corporation shall compute the amount of the Annual Fee to be paid by the applicant pursuant to Section 14.

11.9.2 Subject to the provisions of Section 10.3, the Corporation shall advise at the next meeting of the Board of Directors the amount of the Annual Fee to be paid by the applicant, less the amount of the deposit submitted by the applicant pursuant to Section 10.2

11.9.3 If and when the application has been approved by the Board of Directors, and the applicant has been duly licensed or registered to carry on business as a mutual fund dealer under the applicable law of the province or provinces or territories in which the applicant carries on or proposes to carry on business, and upon payment of the balance of the Annual Fee, the applicant shall become and be a Member.

11.9.4 Notwithstanding the foregoing, if an applicant qualifies for exemption from payment of the Annual Fee and if the Board of Directors approves of such exemption and gives its approval to the application for Membership, the applicant shall be admitted to Membership if all other conditions relating to an application for Membership have been duly complied with except such conditions, if any, as the Board of Directors may deem appropriate to be waived under the circumstances of any particular case.

11.9.5 The Corporation shall keep a register of the names and business addresses of all Members and of their respective Annual Fees. The Annual Fees of Members shall not be made public by the Corporation.

## **12. MEMBERS' MEETINGS**

### **12.1 Time and Place of Meetings**

Subject to compliance with Section 160 of the Act, the Annual Meeting shall be held on such day in each year and at such time as the directors may determine at any place within Canada.

### **12.2 Annual Meetings**

At every Annual Meeting the business to be transacted shall include the election of directors, the presentation of the report of the directors, if any, and the financial statements and the report of the auditors, the appointment of auditors for the ensuing year and such other business as may be properly brought before the meeting. The Members may consider and transact any business, either special or general, at any meeting of Members.

### **12.3 Special Meetings**

Other meetings of the Members may be convened by order of the Chair of the Board, the Vice-Chair of the Board, the President and Chief Executive Officer, if a director, or by the Board of Directors at any date and time and at any place within Canada. The Board of Directors shall call a special general meeting of Members on written requisition of Members carrying not less than 5% of the voting rights.

### **12.4 Notice**

Written notice of the time and place of all meetings of Members shall be given to each director, the auditor and each Member entitled to vote at such meeting. For the purpose of this section 12.4, notice shall be given in one of more of the following manners:

12.4.1 by mail, courier or personal delivery to each Member entitled to vote at such meeting, during a period of 21 to 60 days before the day on which the meeting is to be held;

12.4.2 by telephonic, electronic or other communication facility to each Member entitled to vote at such meeting, during a period of 21 to 35 days before the meeting is to be held, provided that a Member may request that the notice be given to such Member by non-electronic means.

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. Notice of each meeting of Members must remind the Member that the Member has the right to vote by proxy.

### **12.5 Waiver of Notice**

Any Member who is entitled to notice of a meeting of Members may waive notice either before or after the meeting, and attendance of the Member at the meeting is a waiver of notice of the meeting, unless the Member attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

### **12.6 Error or Omission in Giving Notice**

No error or omission in giving notice of any annual or special meeting or any adjourned meeting of the Members of the Corporation shall invalidate any resolution passed or any proceedings taken at any meeting of Members.

### **12.7 Chair, Secretary and Scrutineers**

The Chair of the Board or, in his or her absence, the Vice-Chair of the Board shall be the chair of any meeting of Members. If no such officer is present within 15 minutes from the time fixed for holding the meeting, the Members present and entitled to vote shall choose 1 of their number to be the chair of the meeting. If the Secretary is absent, the chair of the meeting shall appoint some person, who need not be a Member, to act as secretary of the meeting. If desired, 1 or more scrutineers, who need not be Members, may be appointed by the chair of the meeting with the consent of the meeting.



## **12.8 Quorum**

A quorum at any meeting of the Members (unless a greater number of Members and/or proxies are required to be present by the Act or by the Articles or any other By-law) shall be persons present being 10 in number and being or representing by proxy 10% of the Members entitled to vote at such meeting. No business shall be transacted at any meeting unless the requisite quorum be present at the time of the transaction of such business. If a quorum is not present at the time appointed for a meeting of Members or within such reasonable time thereafter as the Members present may determine, the persons present and entitled to vote may adjourn the meeting to a fixed time and place but may not transact any other business and notice of the adjourned meeting shall be given to all Members in accordance with the provisions of Section 31. If a meeting of Members is so adjourned, quorum at the adjourned meeting shall consist of 10 persons present in person and being or representing by proxy 10% of the Members entitled to vote at such meeting.

## **12.9 Adjournment**

The Chair of any meeting of Members may with the consent of the meeting adjourn the same from time to time to a fixed time and place and no notice of such adjournment need be given to the Members. Any business may be brought before or dealt with at any adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same.

## **12.10 Participation by Electronic Means**

Any meeting of Members may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to hear each other simultaneously and instantaneously, and a Member participating in such meeting by such means is deemed to be present at that meeting and is entitled to vote by such means at that meeting. Before calling such meeting to order, the chair of such meeting shall be satisfied that all participants have taken reasonable precautions to ensure that such telephone, electronic or other communications facilities are secure from unauthorized interception or monitoring.

## **12.11 Meeting Held by Electronic Means**

If the Board or Members call a meeting of Members, the Board or Members, as the case may be, may determine that the meeting shall be held entirely by means of a telephonic, electronic, or other communication facility that permits all participants to communicate adequately with each other during the meeting.

## **12.12 Resolution in Lieu of Meeting**

Subject to the Act, 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.

## **12.13 Voting of Members**

Each Member shall have 1 vote. At all meetings of the Members, every question shall be determined on a show of hands or by such other form of consent appropriate to the communication facility used to collect votes by a majority of votes unless otherwise specifically provided by the Act or by these By-laws. In the case of an equality of votes the Chair of the meeting shall both on

a show of hands or otherwise and at a poll have a second or casting vote in addition to the vote or votes to which the Chair may be otherwise entitled.

No Member shall be entitled in person or by proxy to vote at meetings of Members of the Corporation unless the Member has paid all of its Annual fee, assessments or other fees, if any, then payable by the Member.

At any meeting, unless a poll is demanded, a declaration by the Chair of the meeting that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact.

A poll may be demanded either before or after any vote by show of hands or otherwise by any person entitled to vote at the meeting. If at any meeting a poll is demanded on the election of a Chair or on the question of adjournment it shall be taken forthwith without adjournment. If at any meeting a poll is demanded on any other question, the vote shall be taken by ballot in such manner and either at once, later in the meeting or after adjournment as the Chair of the meeting directs. The result of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded. A demand for a poll may be withdrawn.

#### **12.14 Absentee Voting**

Subject to compliance with the Act, in addition to voting in person in accordance with section 12.13, every Member may vote by any of the following means:

##### **12.14.1 Proxies**

Votes at meetings of the Members may be given by proxy or, in the case of a Member who is a body corporate or association, by an individual authorized by a resolution of the Board of Directors or governing body of the body corporate or association to represent it at meetings of Members of the Corporation. At every meeting at which a Member is entitled to vote, every Member and/or person appointed by proxy to represent 1 or more Members and/or individual so authorized to represent a Member who is present in person shall have 1 vote on a show of hands. Upon a poll and subject to the provisions, if any, of the Articles, every Member who is entitled to vote at the meeting and who is present in person or represented by an individual so authorized shall have 1 vote and every person appointed by proxy shall have 1 vote for each Member who is entitled to vote at the meeting and who is represented by such proxy holder.

A proxy shall be executed by the Member or the Member's attorney authorized in writing or, if the Member is a body corporate or association, by an officer or attorney thereof duly authorized.

A person appointed by proxy must be a director, officer or employee of a Member or of an affiliate of a Member.

The Board of Directors may from time to time make regulations regarding the lodging of proxies at some place or places other than the place at which a meeting or adjourned meeting of Members is to be held and for particulars of such proxies to be sent by facsimile or in writing before the meeting or adjourned meeting to the Corporation or any agent of the Corporation for the purpose of receiving such particulars and providing that proxies so lodged may be voted upon as though the proxies themselves were produced at the meeting or adjourned meeting and votes given in accordance with such regulations shall be valid and shall be counted. The Chair of any

meeting of Members may, subject to any regulations made as aforesaid, in the Chair's discretion accept facsimile or written communication as to the authority of any person claiming to vote on behalf of and to represent a Member notwithstanding that no proxy conferring such authority has been lodged with the Corporation, and any votes given in accordance with such facsimile or written communication accepted by the Chair of the meeting shall be valid and shall be counted.

#### 12.14.2 *Telephonic, Electronic or Other Communication Facilities*

A Member entitled to vote at a meeting of Members may vote prior to that meeting by means of a telephonic, electronic or other communication facility that (i) enables the votes to be gathered in a manner that permits their subsequent verification, and (ii) permits the tallied votes to be presented to the Corporation without it being possible for the Corporation to identify how each Member voted.

#### 12.14.3 *Mailed-in Ballot*

A Member entitled to vote at a meeting of Members may, if the written notice of the applicable meeting of Members so permits, vote by mailed-in ballot, if the Corporation has a system that (i) enables votes to be gathered in a manner that permits their subsequent verification, and (ii) permits the tallied votes to be presented to the Corporation without it being possible for the Corporation to identify how each Member voted.

#### 12.14.4 *Procedures*

Voting by proxy, by means of a telephonic, electronic or other communication facility or mailed-in ballot shall comply with the procedures for collecting, counting and reporting the results of any vote established by the Board from time to time.

### **13. RESIGNATIONS, REORGANIZATIONS AND TERMINATIONS**

#### **13.1 Resignations**

A Member wishing to resign shall address a letter of resignation to the Board of Directors in care of the Secretary.

#### **13.2 Letter of Resignation**

A Member which tenders its resignation shall in its letter of resignation state its reasons for resigning and shall file with the Corporation either:

13.2.1 a balance sheet of the Member reported upon by the Member's auditor without qualification as of such date as the Corporation may require which balance sheet shall indicate that the Member has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any; or

13.2.2 a report from the Member's auditor without qualification that in his opinion the Member has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any;

and a report from the Member's auditor that the Member is in compliance with the By-laws and Rules with respect to the holding of client cash, securities and other property. If the financial information required by Section 13.2.1 or 13.2.2 above is not filed with the letter of resignation the Member shall indicate in the letter of resignation the date by which such financial information shall be filed.

### **13.3 Notice of Letter of Resignation**

Notice of such letter of resignation shall forthwith be given by the Corporation to the Board of Directors, the applicable Regional Council, all other Members and the securities commissions of all of the provinces of Canada.

### **13.4 Time at Which Resignation Becomes Effective**

Unless the Board of Directors, in its discretion otherwise declares, a resignation shall take effect as of the close of business (5:00 p.m. head office local time) on the date the Board of Directors (by its Chair, a Vice-Chair or the President) receives confirmation from the Corporation that, in its opinion, the reports of the Member's auditor pursuant to Section 13.2 are in order and if, to the knowledge of the Corporation after due enquiry, the Member is not indebted to the Corporation and no complaint against the Member or any investigation of the affairs of the Member by the Corporation is pending.

### **13.5 Notice that Resignation Effective**

When the resignation of a Member becomes effective the Corporation shall so advise the Member resigning and all other Members, the Board of Directors, the securities commissions of all of the provinces of Canada and such other persons or bodies as the Board of Directors may direct.

### **13.6 Payment of Annual Fee**

A Member resigning from the Corporation shall make full payment of its Annual Fee for the financial year in which such Member tenders its resignation. A Member resigning from the Corporation shall not be entitled to a refund of any part of the Annual Fee for the financial year in which its resignation becomes effective.

### **13.7 Reorganizations, etc.**

Notwithstanding the provisions of this Section 13, if the business or ownership of a Member is proposed to be reorganized or transferred, amalgamated or otherwise combined in whole or in part with another person (including a Member) in a manner which the Member or its business will cease to exist in, or will be substantially changed from, its then current form, or a change of control of the Member may occur, the Member (not less than 30 days prior to the proposed effective date of such event) shall give written notice to the Corporation. Upon receipt of such notice, the Corporation shall review the proposed transaction and may request from the Member, its auditors or any other person involved in the transaction, such information as it or the Board of Directors may require including, without limitation, reports with information similar to that referred to in Section 13.2 (as modified for the relevant circumstances) as well as any other information as the Corporation may consider necessary or desirable. The Corporation may either (a) approve the proposed transaction (which approval may be subject to terms and conditions) or (b) direct that the transaction not be completed if the Corporation determines in its sole discretion that the obligations of the Member to its clients cannot be satisfied or the By-laws and Rules will not be complied with by the Member or any continuing, new or reorganized entity, as the case may be.

### **13.8 Ceasing to Carry on Business as a Mutual Fund Dealer**

If a Member has ceased to carry on business as a mutual fund dealer or its business has been acquired by a person which is not a Member of the Corporation, the Board of Directors may, unless the Member has voluntarily resigned in accordance with this Section 13, terminate the Membership of the Member after the Member has been given the opportunity to be heard in accordance with the provisions of Section 20. A former Member whose Membership has been terminated pursuant to the provisions of this Section 13.8 shall cease to be entitled to exercise any of the rights and privileges of Membership but shall remain liable to the Corporation for all amounts due to the Corporation from the former Member.

### **13.9 Ownership**

No Member shall permit an investor, alone or together with its associates and affiliates, to own:

- (a) a significant equity interest in the Member; or
- (b) special warrants or any other securities that are convertible or exchangeable at any time in the future, into a significant equity interest in the Member;

without the prior approval of the Corporation.

For the purposes of this By-law 13.9, a significant equity interest means the holding of:

- (c) voting securities carrying 20 per cent or more of the votes carried by all voting securities of the Member or of a holding company of a Member;
- (d) 20 per cent or more of the outstanding participating securities of the Member or of a holding company of a Member; or
- (e) an interest of 20 per cent or more of the total equity in the Member.

Notwithstanding the foregoing, the legal representatives of a deceased person who had been approved by the Corporation as the owner of a significant equity interest may continue as a registered holder or to hold such interest for such period as the Corporation may permit.

## **ANNUAL AND OTHER FEES**

### **14. ANNUAL FEE**

#### **14.1 Calculation of Annual Fee**

The Annual Fee for each Member shall be such amount, not less than \$3,000 for Members designated as being in Level 1, 2 or 3 under Rule 3.1.1, and not less than \$10,000 for Members designated as being in Level 4, determined in accordance with a formula which is based upon the assets under administration of the business of the Member. The Board of Directors in its discretion shall from time to time prescribe such formula and the basis on which the assets under administration of a business are to be determined.

#### **14.2 Re-determination of Annual Fee**

The Board of Directors may from time to time re-determine the Annual Fee to be payable by any Member. Before any such determination or re-determination is made, the Board of Directors shall obtain, but shall not be obliged to act upon, the recommendation of the Corporation.

#### **14.3 Timing of Payment**

The Annual Fee shall be paid in quarterly instalments (on the 15th day of July, October, January and April in each year) by each Member beginning not later than the first quarter after admission to Membership of such Member and any additional or redetermined Annual Fee shall be paid in its entirety on or before July 31 in each year.

#### **14.4 Exemption from Payment**

Notwithstanding the foregoing, in the event that:

14.4.1 an applicant for Membership has acquired the whole or a substantial part of the business and assets of a Member or Members in good standing whose Annual Fee for the then current fiscal year has been paid in full and who is or are resigning from Membership concurrently with the admission of the applicant to Membership; and

14.4.2 at least a majority in number of the partners of the applicant, in the case of a firm, or at least a majority in number of the directors and at least a majority in number of the officers of the applicant, in the case of a corporation, are partners, or directors and officers, as the case may be, of the retiring Member or Members;

then the applicant, if the Board of Directors so approves, shall be exempted from payment of the Annual Fee for the then current fiscal year.

### **15. OTHER FEES**

#### **15.1 Power to Make Assessment**

Notwithstanding Section 14, the Board of Directors shall have power to make an assessment in any fiscal year upon each Member on account of:

15.1.1 any extraordinary costs and expenses of the Corporation incurred in connection with the review and/or approval of any reorganization, takeover or other substantial change in the business, structure or affairs of a Member;

15.1.2 fees levied by the Corporation in connection with:

- (a) exemption application filings or any other such filing fees which the Board of Directors in its discretion may determine from time to time;
- (b) a Member changing its name from that which is shown on the most recent Membership List; or
- (c) an application for Membership under Section 10; or

15.1.3 assessments or levies made by any customer or investor protection or compensation fund or plan in respect of which Members of the Corporation are required to participate.

15.1.4 assessments or levies in respect of Members of the Corporation made by the Ombudservice approved by the Board of Directors.

## **15.2 Timing of Payment**

Each Member shall pay the amount so assessed upon it within thirty days after receiving written notification thereof from the Corporation.

## **16. EFFECT OF NON-PAYMENT OF FEES**

If the Annual Fee of a Member has not been paid within the time specified in Section 14.3, or the amount assessed upon any Member pursuant to Section 15 has not been paid within the time specified in Section 15.2, the Corporation shall, by registered mail, request the Member to pay the same and draw the Member's attention to the provisions of this Section 16. If the entire amount owing by the Member has not been paid within 30 days from the date the Corporation has mailed the request, the Corporation shall notify the Board of Directors to this effect and the Board of Directors may, in its discretion, terminate the Membership of the Member in default. If the Board of Directors decides to terminate the Membership of a Member pursuant to the provisions of this Section 16, the Corporation will notify the Member, by registered mail, of the decision of the Board of Directors. A former Member whose Membership has been terminated pursuant to the provisions of this Section 16 shall cease to be entitled to exercise any of the rights and privileges of Membership but shall remain liable to the Corporation for all amounts due to the Corporation from the former Member.

## **REGIONAL COUNCILS**

### **17. REGIONS**

#### **17.1 Designation**

The Board of Directors may from time to time designate any geographic area in Canada as a Region of the Corporation, and may change or terminate any such designation.

#### **17.2 Regions**

The following geographic areas of Canada have been designated as Regions of the Corporation, until changed or terminated by the Board of Directors:

- (a) Atlantic Region (Nova Scotia / New Brunswick / Newfoundland and Labrador / Prince Edward Island);
- (b) Central Region (Ontario / Quebec);
- (c) Prairie Region (Alberta / Saskatchewan / Manitoba / Northwest Territories / Nunavut);
- (d) Pacific Region (British Columbia / Yukon).

#### **17.3 Members of a Region**

The Members of a Region shall be all Members having their head or principal office in the Region and all Members having one or more branch offices in the Region.

## **18. REGIONAL COUNCILS**

### **18.1 Establishment**

There shall be a Regional Council for each Region which, subject to the By-laws, shall represent the Members of such Region.

### **18.2 Composition**

Each Regional Council shall be composed of:

#### *18.2.1 Elected*

From 4 to 20 members, as may be determined by the Board from time to time, including a Chair and a Vice-Chair, to be elected in accordance with Section 18.5 and who shall be entitled to attend and vote at meetings of the Council;

#### *18.2.2 Ex-officio*

The immediate Past Chair of the Region, the Chair of the Corporation, the President, the Director of Regional Councils and the Regional Director of the Corporation for the Region in which the Regional Council is located who shall be ex-officio members of such Regional Council entitled to attend and vote at meetings of the Council; and

#### *18.2.3 Appointed*

Industry representatives appointed in accordance with Section 19.2 and public representatives appointed in accordance with Section 19.4 whose duties shall be restricted to sitting as members of Hearing Panels in accordance with Section 19.6 and such other duties as the Board of Directors may from time to time direct or prescribe.

### **18.3 Duties**

The duties of a Regional Council shall be:

18.3.1 consideration of those policy matters relevant to the Corporation that are identified by the Corporation or the Regional Chair;

18.3.2 the conduct of hearings by Hearing Panels in accordance with Sections 20 and 24; and

18.3.3 such other matters as determined by the Board.

### **18.4 Nomination Process**

18.4.1 The Members of a Region shall nominate candidates willing to stand for election to the Regional Council. To be eligible as a candidate, an individual must:

(a) be resident in the region; and

(b) be a partner, officer, director, employee or agent of a Member of the Region.

18.4.2 The Corporation shall prescribe procedures for the nomination of candidates to stand for election to each Regional Council in accordance with this section.



## **18.5 Election Process**

### *18.5.1 Method of Election*

The Corporation shall implement a procedure for mail-in and/or electronic balloting for elections to be held in the year 2004 and thereafter. The Corporation shall prescribe procedures for the election of candidates to each Regional Council in accordance with this section.

### *18.5.2 Acclamation*

In the event that the number of candidates nominated for elected members of a Regional Council equals the number of vacancies on that Regional Council, the President shall declare those candidates to have been elected for that Regional Council.

### *18.5.3 Vacancies and Insufficient Candidates*

In the event that there are vacancies, or insufficient candidates for elected members of a Regional Council in any election as nominated in accordance with Section 18.4.1, the Board of Directors may appoint individuals who would be eligible to be nominated under Section 18.4.1 to sit as elected members of the Regional Council to fill the vacancy.

### *18.5.4 No Proxy Voting*

No proxy voting for the election of members to a Regional Council shall be permitted.

## **18.6 Term of Office**

The term of office for elected members of a Regional Council referred to in Section 18.2.1 shall be two years unless terminated earlier or continued in accordance with the By-laws. Notwithstanding the preceding sentence, the term of any elected member of a Regional Council who is a member of a Hearing Panel that is engaged in a hearing under Section 24 shall be automatically extended for the period of time and purposes only necessary to permit the member to participate on the Hearing Panel to the time of the completion of its duties.

## **18.7 Chair and Vice-Chair**

The Board of Directors shall appoint a Chair and Vice-Chair of each Regional Council from the list of elected Regional Council members and may fill any vacancies that arise in these offices from time to time.

## **18.8 Continuation in Office**

The Chair, Vice-Chair and the members of a Regional Council shall hold office until their successors are duly appointed or elected.

## **18.9 Termination of Term of Office**

A member of the Regional Council shall cease to be a member of the Council:

18.9.1 if the member by notice in writing to the Corporation resigns his or her office, which resignation shall be effective at the time it is received by the Secretary of the Corporation or at the time specified in the notice, whichever is later;

18.9.2 if the member is found to be a mentally incompetent person or becomes of unsound mind;

18.9.3 if the member dies;

18.9.4 if the member becomes bankrupt or suspends payment of debts generally or makes an arrangement with creditors or makes an assignment or is declared insolvent;

18.9.5 in the case of an industry representative appointed in accordance with Section 19.2 or a public representative appointed in accordance with Section 19.4, the member ceases to qualify as such; or

18.9.6 in the case of an ex-officio member, the member no longer holds the office qualifying him or her as an ex-officio member of a Council.

## **18.10 Meetings**

18.10.1 Each Regional Council may meet from time to time as required. The Chair or the Vice-Chair of a Regional Council, the President or the Board of Directors may call a meeting of such Council at any time. Notice of the time and place of any meeting of a Regional Council, together with sufficient information as to the matters to be dealt with at the meeting shall be given by the Secretary in writing to each member of the Regional Council entitled to attend on not less than 14 days notice.

18.10.2 If all the members of the Regional Council present at or participating in the meeting consent, a meeting of a Regional Council may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and a member of a Regional Council participating in such meeting by such means is deemed to be present in person at that meeting.

18.10.3 A member of a Regional Council may by written proxy appoint a person to attend and vote as his or her representative at any meeting of such Council. No person shall be entitled to so act as a representative unless he or she is a member of the Regional Council or is a partner, director, officer, employee or agent of a Member of the Region.

18.10.4 3 members of a Regional Council present in person and entitled to vote shall form a quorum at any meeting thereof and any action taken by a majority of those members of the Council present at any meeting of the Council at which a quorum is present shall constitute the action of the Council.

18.10.5 A resolution consented to in writing by 80% of the members of the Regional Council shall be effective as if passed at a duly constituted meeting of the Regional Council. The consent in writing of a member of the Regional Council may be given by facsimile, e-mail, telex, telegram or other similar electronic means of written communication.

## **18.11 Powers of Council**

Unless otherwise provided in the By-laws, a Regional Council shall not act for or in the name of the Corporation and shall not have any power to bind the Corporation except as may be authorized by resolution of the Board of Directors.

## **18.12 Remuneration**

The Board of Directors may determine from time to time such reasonable remuneration, if any, to be paid to members of a Regional Council for serving as such and the Board may determine that such remuneration need not be the same for all members of a Regional Council including, without limitation, as between elected, ex-officio or appointed industry or public representatives.

All members may be reimbursed for reasonable expenses incurred by them in the performance of a member's duties.

### **18.13 Committees**

The President of the Corporation or the Board of Directors, together with the Chair of a Regional Council for a Region, may appoint such standing or ad hoc committees of the Regional Council to consider and report on such matters related to the regulation of Members in a Region as they may consider appropriate. Any reports or determinations by such committees shall be submitted to the Regional Council and to the Corporation. The life of any standing committee or other ad hoc committee shall not extend beyond the term of office of the Regional Council for which it is appointed or authorized.

## **19. APPOINTED MEMBERS TO REGIONAL COUNCIL AND HEARING PANELS**

### **19.1 Establishment of Appointments Committee**

There shall be an Appointments Committee for each Region consisting of the President of the Corporation, 1 Public Director of the Board designated by the President and the Chair for the Region in which the Regional Council is located.

### **19.2 Appointment of Industry Representatives**

The Appointments Committee for each Region shall have the power to appoint additional industry representatives to each Regional Council.

### **19.3 Eligibility of Industry Representatives**

In order to be eligible for appointment to a Regional Council, industry representatives must have current or previous securities industry experience, but are not required to be a partner, director, officer, employee or agent of, or otherwise associated with a Member.

### **19.4 Appointment of Public Representatives**

The Appointments Committee for a Region shall have the power to appoint public representatives to the Regional Council.

### **19.5 Eligibility of Public Representatives**

In order to be eligible for appointment as a public representative an individual must:

19.5.1 be or have been qualified to practice law in any jurisdiction in Canada;

19.5.2 meet the requirements set out in Section 1 for Public Directors; and

19.5.3 agree, in writing, not to represent any party to any hearing held in accordance with the By-laws during the course of his or her appointment to the Regional Council.

### **19.6 Duties of Appointed Industry and Public Representatives**

The duties of appointed industry and public representatives are restricted to acting as members of Hearing Panels of a Regional Council when selected to do so, and such representatives shall not otherwise be entitled to notice of, attend at, or participate or vote at any meeting of a Regional Council in respect of which they are appointed.

### **19.7 Number of Appointed Representatives**

The number of appointed industry representatives and public representatives on the Regional Council shall be at the sole discretion of the Appointments Committee for each Region.

### **19.8 Term of Office**

The term of the office of the appointed industry and public representatives expires on a date determined by the Appointments Committee appointing the representative but shall not be a date later than 3 years after such appointment. Notwithstanding the preceding sentence, the term of any appointed industry or public representative who is a member of a Hearing Panel engaged in a hearing under Section 24 shall be automatically extended for the period of time and purpose only necessary to permit the member to participate on the Hearing Panel to the time of the completion of its duties.

### **19.9 Hearing Panels**

The authority of a Regional Council under Sections 20 and 24 shall be exercised on its behalf by a Hearing Panel appointed from the members of the Regional Council. Hearing Panels shall be composed of:

- (a) 3 members of the Regional Council: 1 public representative, who will be the Chair of the Hearing Panel, and 2 industry representatives who may be either elected or appointed members of the Regional Council, but shall not include ex-officio members of the Council or
- (b) 2 members of the Regional Council: 1 public representative who will be the Chair of the Hearing Panel and 1 industry representative in the event that an industry representative in (a) above is unable to continue to serve on a Hearing Panel. The Chair of the Hearing Panel shall decide whether or not to proceed with a 2 member Hearing Panel.

Appointments of members to a Hearing Panel shall be made in accordance with the rules of procedures prescribed pursuant to Section 19.12.

### **19.10 Cross-Appointments of Members of Hearing Panels**

Members of one Regional Council shall be eligible to sit on a Hearing Panel in another Region provided that the Chairs of each of the applicable Regional Councils consent.

### **19.11 Duties of the Chair**

In addition to the adjudicative duties of the Chair as a member of a Hearing Panel, the Chair shall perform any and all responsibilities set out by the Board in rules of procedure relating to Hearing Panels.

### **19.12 Procedures Regarding Hearing Panels**

The Corporation may prescribe rules of procedures (which may be Policies) in respect of all matters relevant to the appointment of Hearing Panels and the conduct of hearings as contemplated by the By-laws including, without limitation, regarding the assignment of Regional Council members to Hearing Panels, conflicts of interest, the eligibility of elected and appointed representatives to sit on hearing panels, the ability of Regional Council members to continue on a

Hearing Panel during an ongoing hearing, compensation of members of Hearing Panels and reimbursement of costs.

19.13 Despite Section 19.9, 1 public representative of a Regional Council may be designated to act on behalf of a Hearing Panel for the purpose of hearing and determining:

- (a) an application under Section 24.3 except a review of an application pursuant to Section 24.3.6; and
- (b) any procedural matter or motion relating to the conduct of a disciplinary hearing under Sections 20 and 24 including, without limitation, granting adjournments, setting dates for hearings, and making any other orders or directions that a Hearing Panel is authorized to make under the Corporation's rules of procedure, except a final determination of a disciplinary proceeding.

## **20. DISCIPLINARY HEARINGS**

### **20.1 Notice of Hearing**

#### *20.1.1 Contents of Notice*

Before a Hearing Panel may impose any of the penalties provided for in Section 24.1 hereof (other than pursuant to the approval of a settlement agreement pursuant to Section 24.4.3), the Member, Approved Person or other person, as the case may be, shall have been summoned before a hearing of such Hearing Panel, of which notice shall be given in accordance with such period of time as is provided for in the Corporation's rules of procedure, by way of Notice of Hearing, to the Member or person concerned. Such Notice of Hearing shall be in writing, shall be signed by an officer of the Corporation and contain:

- (a) the date, time and place of the hearing;
- (b) the purpose of the hearing;
- (c) the authority pursuant to which the hearing is held;
- (d) a summary of the facts alleged and intended to be relied upon by the Corporation and the conclusions drawn by the Corporation based on the alleged facts; and
- (e) the provisions of Sections 20.2 to 20.4 inclusive and a description of the penalties and costs which may be imposed pursuant to Sections 24.1 and 24.2, respectively.

#### *20.1.2 Notice Addressed to Corporation*

Any notice to a Hearing Panel must be in writing and addressed to the Corporation in care of the office of the Corporation having responsibility for the applicable Regional Council.

#### *20.1.3 Notice to Members in the Case of an Individual*

In the case of an individual summoned before a hearing of a Hearing Panel, the Member or Members concerned shall be served with a copy of the Notice of Hearing.

#### *20.1.4 Publication of Notices*

A Notice of Hearing shall be published in the same manner as a notice of penalty pursuant to Section 24.5.

#### 20.1.5 *Right to be Heard*

The Member or person summoned pursuant to Section 20.1 and the Corporation shall be entitled to appear and be heard at the hearing and shall be entitled to be represented by counsel or an agent and to call, examine and cross-examine witnesses and present evidence and submissions.

#### 20.2 **Reply**

A Member or person summoned before a hearing of a Hearing Panel pursuant to a Notice of Hearing shall, within such period of time as is provided for in the Corporation's rules of procedure, serve on the Corporation a reply that either:

20.2.1 specifically denies (with a summary of the facts alleged and intended to be relied upon by the Member or person, and the conclusions drawn by the Member or person based on the alleged facts) any or all of the facts alleged or the conclusions drawn by the Corporation in the Notice of Hearing; or

20.2.2 admits the facts alleged and conclusions drawn by the Corporation in the Notice of Hearing and pleads circumstances in mitigation of any penalty to be assessed.

#### 20.3 **Acceptance of Facts and Conclusions**

The Hearing Panel may accept as having been proven any facts alleged or conclusions drawn by the Corporation in the Notice of Hearing that are not specifically denied in the reply.

#### 20.4 **Failure to Reply or Attend**

If a Member or person summoned before a hearing of a Hearing Panel by way of Notice of Hearing fails to:

- (a) serve a reply in accordance with Section 20.2; or
- (b) attend at the hearing specified in the Notice of Hearing, notwithstanding that a reply may have been served;

the Hearing Panel may proceed with the hearing of the matter on the date and at the time and place set out in the Notice of Hearing (or on any subsequent date, at any time and place), without further notice to and in the absence of the Member or person, and the Hearing Panel may accept the facts alleged by the Corporation in the Notice of Hearing as having been proven by the Corporation and may impose any of the penalties described in Section 24.1.

#### 20.5 **Open to the Public**

A hearing pursuant to Section 20 shall be open to the public except where the Hearing Panel is of the opinion that intimate financial or personal matters or other matters may be disclosed at the hearing which are of such a nature, having regard to the circumstances, that the desirability of avoiding disclosure thereof in the interests of any person affected or in the public interest outweighs the desirability of adhering to the principle that hearings be open to the public, in which case the Hearing Panel may hold the hearing *in camera*.

#### 20.6 **Parties to Proceedings and Witnesses**

##### 20.6.1 *Parties to Proceedings*

The parties to proceedings before a Hearing Panel are:

- (a) the Corporation, which shall be represented by the Corporation, or any person designated by it; and
- (b) in the case of:
  - (i) an individual, the individual and, in the discretion of the Hearing Panel, the Member concerned;
  - (ii) a Member, the Member.

#### 20.6.2 *Attendance or Production*

Every Member, Approved Person and other person under the jurisdiction of the Corporation may be required by a Hearing Panel:

- (a) to attend before it at any of its proceedings and give information respecting any matter involved in the proceeding; and
- (b) to produce for inspection and provide copies of any books, records and accounts of such person, or within such person's possession and control, relevant to the matters being considered.

#### 20.6.3 *Required Attendance of Employee or Agent of Member*

In the event that a Hearing Panel requires the attendance before it of any employee or agent of a Member who is not under the jurisdiction of the Corporation, the Member shall direct such employee or agent to attend and to give information or make such production as could be required of a person referred to in Section 20.6.2.

#### 20.7 **Reasons**

Any decision of a Hearing Panel at a hearing held pursuant to Section 20 shall be in writing and shall contain a concise statement of the reasons for the decision. Notice of a decision shall be delivered to the Secretary who shall then promptly give notice, in the case of an individual, to the individual and to the Member concerned, or in the case of a Member, to the Member. A copy of the decision shall accompany the notice.

### **EXAMINATIONS AND INVESTIGATIONS**

#### **21. POWER TO CONDUCT EXAMINATIONS AND INVESTIGATIONS**

The Corporation shall make such examinations of and investigations into the conduct, business or affairs of any Member, Approved Person of a Member or any other person under the jurisdiction of the Corporation pursuant to the By-laws and/or the Rules as it considers necessary or desirable in connection with any matter relating to compliance by such person with:

- 21.1 the By-laws, Rules or Policies of the Corporation;
- 21.2 any securities legislation applicable to such person including any rulings, policies, regulations or directives of any securities commission; or
- 21.3 the by-laws, rules, regulations and policies of any self-regulatory organization.

## **22. INVESTIGATORY POWERS**

22.1 For the purpose of any examination or investigation pursuant to this By-law, a Member, Approved Person of a Member or other person under the jurisdiction of the Corporation pursuant to the By-laws or the Rules may be required by the Corporation:

- (a) to submit a report in writing with regard to any matter involved in any such investigation;
- (b) to produce for inspection and provide copies of the books, records and accounts of such person relevant to the matters being investigated; and
- (c) to attend and give information respecting any such matters;
- (d) to make any of the above information available through any directors, officers, employees, agents and other persons under the direction or control of the Member, Approved Person or other person under the jurisdiction of the Corporation;

and the Member or person shall be obliged to submit such report, to permit such inspection, provide such copies and to attend, accordingly. Any Member or person subject to an investigation conducted pursuant to this By-law may be invited to make submission by statement in writing, by producing for inspection books, records and accounts and by attending before the persons conducting the investigation. The person conducting the investigation may, in his or her discretion, require that any statement given by any Member or person in the course of an investigation be recorded by means of an electronic recording device or otherwise and may require that any statement be given under oath.

22.2 For the purpose of any examination or investigation pursuant to this By-law, the Corporation shall be entitled to free access to, and to make and retain copies of, all books of account, securities, cash, documents, bank accounts, vouchers, correspondence and records of every description of the Member or person concerned, and no such Member or person shall withhold, destroy or conceal any information, documents or thing reasonably required for the purpose of such examination or investigation.

22.3 The Corporation, may, with respect to any information received:

- (a) refer a matter to the applicable Regional Council for consideration in accordance with the provisions of Section 24; or
- (b) refer a matter to the appropriate securities regulatory authority, self-regulatory organization or law enforcement agency; or
- (c) take such other action under the By-laws or Rules which it considers appropriate in the circumstances.

## **23. CO-OPERATION WITH OTHER AUTHORITIES**

### **23.1 Request for Information**

Any Member, Approved Person or any person under the jurisdiction of the Corporation, that is requested by 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 to provide information in connection with an investigation of trading in securities shall submit the requested information, books, records, reports, filings and papers to the commission, authority, organization, exchange or market making the request in such manner and form, including electronically, as may reasonably be prescribed by such commission, authority, organization, exchange or market.

## **23.2 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, 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 the By-laws or Rules or otherwise in its possession) and for other forms of mutual assistance for market surveillance, investigation, enforcement and other regulatory purposes.

## **23.3 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-laws or Rules or otherwise in its possession and may provide other forms of assistance for surveillance, investigation, enforcement and other regulatory purposes.

## **24.A OMBUDSERVICE**

### **24.A.1 Participation in Ombudservice**

Each Member shall participate in an ombudservice approved by the Board of Directors. On the client's request, any dispute, claim or controversy between a Member and a client may be submitted by the client to the ombudservice. The determination of eligibility of any dispute, claim or controversy shall be made by the ombudservice according to criteria defined in the service's terms of reference. The Member shall comply with and be bound by the rules, procedures and standards of the ombudservice. The ombudsman's recommendations with respect to any eligible dispute, claim or controversy are non-binding on each Member who participates in the service.

### **24.A.2 No Effect on Jurisdiction**

Neither the participation of a Member in the ombudservice nor any recommendations made by the ombudservice in respect of the Member shall affect the jurisdiction of the Corporation or any of the Board, a Regional Council, committee or member, representative or employee of any of them, from exercising any authority under the Articles, By-laws, Rules, Policies or Forms of the Corporation or a Regional Council.

### **24.A.3 Submission of Information**

A Member, or any Approved Person, that is requested by the ombudservice to provide information in connection with an investigation shall submit the requested information, books,

records, reports, filings and papers to the service in such manner and form, including electronically, as may be prescribed by such service.

## **DISCIPLINE**

### **24. DISCIPLINE POWERS**

#### **24.1 Power of Hearing Panels to Discipline**

##### *24.1.1 Approved Persons*

A Hearing Panel of the applicable Regional Council shall have power to impose upon an Approved Person or any other person under the jurisdiction of the Corporation any one or more of the following penalties:

- (a) a reprimand;
- (b) a fine not exceeding the greater of:
  - (i) \$5,000,000.00 per offence; and
  - (ii) an amount equal to three times the profit obtained or loss avoided by such person as a result of committing the violation;
- (c) suspension of the authority of the person to conduct securities related business for such specified period and upon such terms as the Hearing Panel may determine;
- (d) revocation of the authority of such person to conduct securities related business;
- (e) prohibition of the authority of the person to conduct securities related business in any capacity for any period of time;
- (f) such conditions of authority to conduct securities related business as may be considered appropriate by the Hearing Panel;

if, in the opinion of the Hearing Panel, the person:

- (g) has failed to carry out any agreement with the Corporation;
- (h) has failed to comply with or carry out the provisions of any federal or provincial statute relating to the business of the Member or of any regulation or policy made pursuant thereto;
- (i) has failed to comply with the provisions of any By-law, Rule or Policy of the Corporation;
- (j) has engaged in any business conduct or practice which such Regional Council in its discretion considers unbecoming or not in the public interest; or
- (k) is otherwise not qualified whether by integrity, solvency, training or experience.

##### *24.1.2 Members*

A Hearing Panel of the applicable Regional Council shall have power to impose upon a Member any one or more of the following penalties:

- (a) a reprimand;

- (b) a fine not exceeding the greater of:
    - (i) \$5,000,000.00 per offence; and
    - (ii) an amount equal to three times the profit obtained or loss avoided by the Member as a result of committing the violation;
  - (c) suspension of the rights and privileges of the Member (and such suspension may include a direction to the Member to cease conducting securities related business) for such specific period and upon such terms as such Hearing Panel may determine, or, if the rights and privileges have already been suspended under Section 24.3, the continuation of such suspension (including a prohibition on the Member conducting securities related business) for such specified period and upon such terms as such Hearing Panel may determine;
  - (d) termination of any and all of the rights and privileges of Membership;
  - (e) expulsion of the Member from the Corporation;
  - (f) such terms and conditions on Membership of the Member as may be considered appropriate by the Hearing Panel;
  - (g) appointment of a monitor in accordance with Section 24.7; and
  - (h) directions for the orderly transfer of client accounts from the Member;
- if, in the opinion of the Hearing Panel, the Member:
- (i) has failed to carry out any agreement with the Corporation;
  - (j) has failed to meet any liabilities to another Member or to the public;
  - (k) has engaged in any business conduct or practice which the Hearing Panel in its discretion considers unbecoming a Member or not in the public interest;
  - (l) has ceased to be qualified as a Member by reason of the ownership, integrity, solvency, training or experience of the Member or any of its Approved Persons or other employees or agents, or any person having an ownership interest in the capital or indebtedness of the Member;
  - (m) has failed to comply with or carry out the provisions of any of the By-laws, Rules or Policies of the Corporation; or
  - (n) has failed to comply with or carry out the provisions of any applicable federal or provincial statute relating to its business or of any regulation or policy made pursuant thereto.

#### 24.1.3 *Continuation of Liability*

If the rights, privileges or Membership of a Member are suspended or terminated or a Member is expelled from the Corporation, the Member or former Member shall remain liable to the Corporation for all amounts due to the Corporation by it.

#### 24.1.4 *Jurisdiction*

- (a) *Former Members.* For the purposes of Sections 20 to 24 inclusive, any Member, Approved Person or other person subject to the jurisdiction of the Corporation shall remain subject to the jurisdiction of the Corporation notwithstanding that such Member has ceased to be a Member, Approved Person or other person subject to the jurisdiction of the Corporation.
- (b) *Limitation.* No proceedings shall be commenced pursuant to Section 20.1 against a former Member or person referred to in Section 24.1.4(a) unless a Notice of Hearing has been served upon such Member or person no later than five years from the date upon which such Member or person ceased to be a Member or held the relevant position with the Member, respectively.

#### 24.2 **Costs**

A Hearing Panel may in any case in its discretion require that the Member or Approved Person pay the whole or part of the costs of the proceedings before the Hearing Panel pursuant to Section 20 and Section 24.1 or Section 24.3 and any investigations relating thereto.

#### 24.3 **Applications in Exceptional Circumstances**

##### 24.3.1 *Approved Persons*

Notwithstanding anything in Section 20 or Section 24,

- (a) a Hearing Panel of the applicable Regional Council may, upon application by the Corporation made with or without notice to an Approved Person or any other person under the jurisdiction of the Corporation, impose any of the penalties provided for in Section 24.3.3 upon the person in the event that:
  - (i) the registration of the person under any securities legislation in any jurisdiction inside or outside Canada is cancelled, suspended, terminated, subjected to terms and conditions or the person fails to renew any such registration which has lapsed;
  - (ii) a securities commission, self-regulatory organization, securities regulatory authority, financial services regulator or professional licensing or registration body in any jurisdiction inside or outside Canada cancels, suspends or terminates the rights and privileges of the person;
  - (iii) the person fails to cooperate with an examination or investigation conducted pursuant to Section 21;
  - (iv) the person has failed to carry out any written agreement with the Corporation to take action to comply with any By-law, Rule or Policy of the Corporation;
  - (v) the person has failed to comply with the provisions of any By-law, Rule or Policy of the Corporation;
  - (vi) the person has been charged with a criminal or regulatory offence relating to theft, fraud, misappropriation of funds or securities, forgery, money

- laundering, market manipulation, insider trading, misrepresentation or unauthorized trading and the Hearing Panel determines that such charge likely brings the capital markets into disrepute;
- (vii) the Corporation receives information regarding the incapacity of the person, by reason of mental or physical illness, other infirmity or addiction to or excessive use of alcohol or drugs; or
  - (viii) the person has failed to comply with any penalties, other than the payment of a fine or costs, imposed on the person pursuant to Section 24.1.1, Section 24.3 or Section 24.4.
- (b) A Hearing Panel may impose a penalty under section 24.3.3 on an Approved Person or any other person under the jurisdiction of the Corporation on an application made under Section 24.3.1(a) without notice only if the Hearing Panel determines that proceeding without notice is, in the circumstances, in the public interest, including but not limited to where:
- (i) providing notice to the Approved Person or any other person under the jurisdiction of the Corporation, would be likely to result in financial loss or imminent harm to the public, to other Approved Persons or Members, or to the Corporation; or
  - (ii) the length of time required to arrange for and conduct a hearing pursuant to Section 20 and Section 24.1 would be prejudicial to the public interest.

#### 24.3.2 *Members*

Notwithstanding anything in Section 20 or Section 24,

- (a) a Hearing Panel of the applicable Regional Council may, upon application by the Corporation made with or without notice to a Member, impose any of the penalties provided for in Section 24.3.3 upon the Member in the event that:
- (i) the registration of the Member as a mutual fund dealer under any securities legislation in any jurisdiction inside or outside Canada is cancelled, suspended, terminated, subjected to terms and conditions or the Member fails to renew any such registration which has lapsed;
  - (ii) the Member makes a general assignment for the benefit of its creditors or is declared bankrupt or makes an authorized assignment or a proposal to its creditors under the Bankruptcy and Insolvency Act, or a winding-up order is made in respect of the Member or a receiver or other officer with similar powers is appointed in respect of all or any part of the undertaking and property of the Member;
  - (iii) securities commission, self-regulatory organization, financial services regulator or other securities regulatory authority inside or outside Canada cancels, suspends or terminates the rights and privileges of the Member;
  - (iv) the Member has failed to maintain the minimum capital required under any By-law, Rule, Form or Policy of the Corporation;

- (v) the Member has failed to file with the Corporation a copy of a financial report of the Member as at the end of each fiscal month as required under any By-law, Rule or Policy of the Corporation;
  - (vi) the Member has failed to file with the Corporation copies of the annual audited financial statements of the Member as required under any By-law, Rule or Policy of the Corporation;
  - (vii) the Member has failed to maintain a Financial Institution Bond or mail insurance as required under any By-law, Rule or Policy of the Corporation;
  - (viii) the Member has failed to rectify the circumstances causing the Member to be designated in early warning by the Corporation or has failed to comply with terms and conditions imposed on the Member after it was designated in early warning by the Corporation;
  - (ix) the Member has failed to cooperate with an examination or investigation conducted pursuant to Section 21;
  - (x) the Member has failed to carry out any written agreement with the Corporation to take action to comply with any By-law, Rule or Policy of the Corporation;
  - (xi) the Member has failed to comply with the provisions of any By-law, Rule or Policy of the Corporation;
  - (xii) the Member is in such financial or operating difficulty that a Hearing Panel determines that the Member cannot be permitted to continue to operate without risk of imminent harm to the public, to other Members or Approved Persons, or to the Corporation;
  - (xiii) the Member has been charged with a criminal or regulatory offence relating to theft, fraud, misappropriation of funds or securities, forgery, money laundering, market manipulation, insider trading, misrepresentation or unauthorized trading and the Hearing Panel determines that such charge likely brings the capital markets into disrepute;
  - (xiv) the Member has given notice of its intention to resign or is not carrying on business as a mutual fund dealer; or
  - (xv) the Member has failed to comply with any penalties, other than the payment of a fine or costs, imposed pursuant to Section 24.1.2, Section 24.3 or Section 24.4.
- (b) A Hearing Panel may impose a penalty under section 24.3.3 on a Member on an application made under Section 24.3.2(a) without notice only if the Hearing Panel determines that proceeding without notice is, in the circumstances, in the public interest, including but not limited to where:
- (i) providing notice to the Member would be likely to result in financial loss or imminent harm to the public, to other Members or Approved Persons, or to the Corporation; or

- (ii) the length of time required to arrange for and conduct a hearing pursuant to Section 20 and Section 24.1 would be prejudicial to the public interest.

#### 24.3.3 *Powers of a Hearing Panel*

A Hearing Panel shall have the power to impose any of the following penalties upon a Member, Approved Person or other person under the jurisdiction of the Corporation in an application made pursuant to Section 24.3.1 or Section 24.3.2:

- (a) suspension of any or all of the rights and privileges of Membership or authority of the person to conduct securities related business on such terms and conditions as the Hearing Panel considers appropriate;
- (b) terms and conditions on Membership or the authority of the person to conduct securities related business;
- (c) direction to immediately cease dealing with the public;
- (d) direction for the orderly transfer of client accounts from the Member;
- (e) for events other than those referred to in Sections 24.3.1(a)(vi) and (vii) and Section 24.3.2(a)(xiii), termination of Membership or prohibition of the authority of the person to conduct securities related business;
- (f) for events other than those referred to in Section 24.3.2(a)(xiii), expulsion of the Member from the Corporation; and
- (g) appointment of a monitor in accordance with Section 24.7.

#### 24.3.4 *Notice in Certain circumstances*

At any stage of an application pursuant to Section 24.3, a Hearing Panel may in its discretion require notice of the application to be given to a Member, Approved Person, or other person on such terms and conditions as it considers appropriate, including terms and conditions respecting the timing of notice and any abridging of ordinary hearing processes that the Panel considers fit.

#### 24.3.5 *Other Proceedings*

Nothing contained in Section 24.3 shall prevent any other proceedings being taken against a Member, Approved Person or other person under the jurisdiction of the Corporation pursuant to any other provisions of Section 24.

#### 24.3.6 *Review of an Application*

A Member or person may request a review of any decision made pursuant to Section 24.3 within 30 days of notice of the penalty being given in accordance with Section 24.5.3.

#### 24.3.7 *Timing of a Review*

A review of an application pursuant to Section 24.3.6 shall be held before a Hearing Panel of the applicable Regional Council no later than 21 days after the request for the review, unless a Hearing Panel directs or the parties agree otherwise.

#### 24.3.8 *Review Panel*

No member of a Hearing Panel who participated in an application pursuant to Section 24.3 shall sit on a Hearing Panel constituted for the review of that decision.

#### 24.3.9 *Decision is Final Where no Review*

If a Member or person does not request a review of an application within the time prescribed in Section 24.3.6, then the decision of the Hearing Panel is final and there shall be no further review or appeal of the decision within the Corporation.

#### 24.3.10 *Stay Pending Review of an Application*

An order of a Hearing Panel made pursuant to Section 24.3 takes effect upon its issuance and remains in effect pending a review under Section 24.3.6, unless a Hearing Panel directs otherwise.

#### 24.3.11 *Powers of a Hearing Panel on a Review of an Application*

A Hearing Panel presiding over the review of an application pursuant to Section 24.3.6 may affirm, quash or vary the decision under review and may make any decision that could have been made by a Hearing Panel under Section 24.3.

#### 24.3.12 *Open to the Public*

An application pursuant to Section 24.3 and the review of an application pursuant to Section 24.3.6 shall be open to the public except where:

- (a) the application proceeds without notice to the Member or person;
- (b) the application or review of the application is conducted in writing or the Hearing Panel determines that it is not practical to conduct the application or review of the application in a manner that is open to the public; or
- (c) the Hearing Panel is of the opinion that intimate financial or personal matters or other matters may be disclosed at the hearing which are of such a nature, having regard to the circumstances, that the desirability of avoiding disclosure thereof in the interests of any person affected or in the public interest outweighs the desirability of adhering to the principle that hearings be open to the public, in which case the Hearing Panel may conduct the application or review of the application in camera.

#### 24.3.13 *Failure to Pay Fee, Levy, Assessment, Fine or Costs*

In the event that:

- (a) a Member fails to pay a fee pursuant to Section 14 or Section 15 within the time prescribed in Section 14.3 or Section 15.2 respectively;
- (b) a Member fails to pay a fee, levy or assessment pursuant to any By-law, Rule or Policy of the Corporation within the time prescribed; or
- (c) a Member or person fails to pay a fine or costs imposed by a Hearing Panel within the time prescribed by the Hearing Panel;



the Corporation may summarily, without further notice, suspend the rights and privileges of the Member or the authority of the person to conduct securities related business until such fee, levy, assessment, fine or costs is paid.

#### 24.4 Settlement Agreements

##### 24.4.1 *Power to Enter into Settlement Agreement*

The Corporation or any other person designated by it or the Board of Directors may negotiate a settlement agreement with a Member, Approved Person or other person under the jurisdiction of the Corporation, in respect of any matters for which the Member or person could be penalized on the exercise of the discretion of a Hearing Panel pursuant to Section 24.1.

##### 24.4.2 *Contents of Settlement Agreement*

A settlement agreement shall be in writing and be signed by or on behalf of the Member or person and shall contain:

- (a) a statement of facts sufficient to identify the matter to which the settlement agreement relates;
- (b) a reference to any statutes or regulations thereto, By-law, Rules or Policies of the Corporation with which the Member or person has not complied and a statement as to future compliance therewith;
- (c) the consent and agreement of the Member or person to the terms of the settlement agreement;
- (d) the acceptance of the penalty to which the Member or person could be subject pursuant to Section 24.1;
- (e) the waiver of the rights of the Member or person to a hearing pursuant to the By-laws and all rights of review thereunder; and
- (f) such other matters not inconsistent with Section 24.4.2(a) to (e), inclusive, which may be agreed upon including, without limitation, the agreement by the Member or person to pay the whole or part of the costs of the investigation and any proceedings relating to the matters which are the subject of the settlement agreement.

##### 24.4.3 *Review and Determination by Hearing Panel*

Such settlement agreement shall, on the recommendation of the Corporation, be referred to a Hearing Panel of the applicable Regional Council which shall:

- (a) accept the settlement agreement; or
- (b) reject it.

A Hearing Panel shall not consider a settlement agreement pursuant to this Section unless notice of the hearing has been given in accordance with such period of time as is provided for in the Corporation's rules of procedure and Section 24.5 specifying:

- (c) the date, time and place of the hearing; and

- (d) the purpose of the hearing with sufficient information to identify the Member or Approved Person involved and the general terms of the settlement agreement.

#### 24.4.4 *Binding Upon Acceptance or Imposition*

A settlement agreement shall only become binding in accordance with its terms upon such acceptance and, in such event, the Member or person shall be deemed to have been penalized by a Hearing Panel of the applicable Regional Council for the purpose of giving notice thereof.

#### 24.4.5 *Rejection of Settlement Agreement by Hearing Panel*

If a Hearing Panel rejects a settlement agreement pursuant to Section 24.4.3, the provisions of Sections 20, 21 and 24.1 shall apply, provided that no member of the Hearing Panel who participated in the deliberations of the Hearing Panel rejecting the settlement agreement shall participate in any hearing conducted by the Hearing Panel with respect to the same matters which are the subject of the agreement.

#### 24.4.6 *Without Prejudice*

All negotiations of a settlement agreement shall be without prejudice and the negotiations may not be used as evidence or referred to in any hearing.

#### 24.4.7 *No Appeal of Acceptance or Rejection of Settlement Agreement*

The acceptance or rejection of a settlement agreement by a Hearing Panel is final and is not subject to appeal or review pursuant to Section 24.6.3.

### 24.5 **Publication of Notice and Penalties**

#### 24.5.1 *Notice Requirements*

If and whenever a Member, Approved Person or other person is penalized by a Hearing Panel, notice of the penalty and notice of the disposition of any review from the imposition thereof shall be given forthwith by the Corporation. If such penalty is subject to review the notice shall so indicate.

#### 24.5.2 *Content of Notice*

A notice of penalty given pursuant to Section 24.5.1 shall include a summary of the facts, shall specify the By-law, Rules or Policies violated and the penalty assessed, and shall include the name of the Member or person upon which the penalty is imposed and, in the case of a penalty imposed upon an Approved Person or other person, shall include the name of the Member employing or retaining such person at the relevant time.

#### 24.5.3 *Method of Giving Notice*

A notice of penalty given pursuant to Section 24.5.1 shall be given:

- (a) by publication in a Corporation bulletin;
- (b) by delivery of the notice to a news service or newspaper having national distribution;

- (c) by delivery of the notice to any securities commission, stock exchange, self-regulatory organization or other securities regulatory authority having jurisdiction over the Member or individual concerned, and
- (d) to such other persons, organizations or corporations, and in such other manner as the Hearing Panel imposing the penalty, and/or as the Corporation from time to time, deems advisable.

## 24.6 **Effect and Review of Hearing Panel Decisions**

### 24.6.1 *Effect in All Regions*

Any decision of a Hearing Panel in respect of a Member, an Approved Person or other person subject to the jurisdiction of the Corporation shall have effect in all regions where the Corporation has jurisdiction, unless and until otherwise ordered by the Board of Directors.

### 24.6.2 *Review*

The Board of Directors shall, upon the application of either the Corporation or the Member made within 30 days of receiving notice of the decision of the Hearing Panel, review the said decision and confirm or modify the decision of the Hearing Panel.

### 24.6.3 *Review Hearing*

With respect to a review pursuant to Section 24.6.2:

- (a) the provisions of Sections 24.1 apply mutatis mutandis to any review by the Board of Directors;
- (b) the Board of Directors:
  - (i) shall consider the record of the proceedings before the Hearing Panel;
  - (ii) shall permit the parties to appear before it on reasonable notice, with counsel or by agent, to make submissions and the provisions of Section 20.7 apply mutatis mutandis; and
- (c) Members of the Board of Directors participating in a review hearing pursuant to this Section 24.6.3 shall not have taken part before the hearing in any proceedings with respect to the decision which is being reviewed. Subject to the provisions of Section 26, decisions of the Board of Directors pursuant to this Section 24.6.3 are final and there shall be no further review of such decisions within the Corporation.
- (d) For the purposes of a review hearing conducted pursuant to this Section 24.6.3, the authority of the Board of Directors may be exercised by a committee of the Board of Directors appointed pursuant to Section 3.6.4, provided that such committee shall include 1 public representative of a Regional Council who has not taken part in any proceedings with respect to the decision which is being reviewed, which public representative shall be entitled to participate in the review as if he or she was a member of the Board of Directors.
- (e) The Board of Directors may in any case in its discretion require that a Member pay the whole or part of the costs of a review hearing pursuant to this Section 24.6.3.

#### 24.6.4 *Stay of Proceedings*

An order of a Hearing Panel takes effect upon its issuance and remains in effect pending a review under Section 24.6.2, unless the Hearing Panel or the Board of Directors directs otherwise.

#### 24.6.5 *Prohibition Against Review By Court or Tribunal*

Except as provided in Section 26, no proceedings shall be taken in any court or other tribunal to question or review any decision, order, direction, declaration or ruling of a Hearing Panel or the Board of Directors or to prohibit or restrain any Hearing Panel or the Board of Directors or their proceedings.

### 24.7 **Monitor**

#### 24.7.1 *Powers of a Monitor*

A monitor appointed pursuant to Section 24.1.2(g) or Section 24.3.3(g) shall oversee and report on the Member's activities in accordance with any of the following terms and conditions and for such specified period as the Hearing Panel may determine:

- (a) to enter and re-enter the Member's premises and to remain on site to conduct day-to-day monitoring of all of the Member's activities, including but not limited to, monitoring and review of accounts receivable, accounts payable, client accounts, the Member's banking, any books or records of the Member, trading conducted by or on behalf of the Member for its own account or the account of its clients, payment of any debts or the creation of new debt and any reconciliation required to be completed by the Member;
- (b) to make copies of information and to provide copies of such information to the Corporation or any other agency the Hearing Panel determines appropriate;
- (c) to provide ongoing reporting of the monitor's findings or observations to the Corporation or any other agency the Hearing Panel determines appropriate;
- (d) to monitor compliance by the Member with any terms or conditions which have been imposed on the Member by the Corporation or any other regulator, including but not limited to, compliance with early warning terms and conditions;
- (e) to verify and assist with the preparation of any regulatory filings, including but not limited to, the calculation of risk adjusted capital;
- (f) to conduct or have conducted an appraisal of the Member's net worth or valuation of any part of the Member's assets;
- (g) to assist the Member with the orderly transfer of client accounts;
- (h) to pre-authorize any issuance of cheques or payments made by or on behalf of the Member or distribution of any of the Member's assets;
- (i) to assist the Member in formulating a process to address deficiencies identified by the Corporation;

- (j) to assist the Member in developing and implementing procedures and internal controls to ensure the Member's compliance with any By-law, Rule or Policy of the Corporation;
- (k) to test and report on the adequacy of the Member's procedures and internal controls; and
- (l) any other terms or conditions that the Hearing Panel may determine.

#### 24.7.2 *Expenses of the Monitor*

A Hearing Panel may in its discretion require that the Member pay the whole or part of the expenses related to a monitor appointed pursuant to Section 24.1.2(g) or Section 24.3.3(g).

#### 24.8 **Suspended Members**

Subject to any penalties imposed pursuant to Section 24.1 or Section 24.3, during the period of suspension a suspended Member shall not be entitled to exercise the rights and privileges of Membership and without limiting the generality of the foregoing, the suspended Member:

- (a) shall not be entitled to attend or vote at meetings pursuant to Section 12.2 and Section 12.3;
- (b) shall remove from its premises any reference to its Membership in the Corporation;
- (c) shall no longer use reference to its Membership in the Corporation in its advertisements, letterhead or other material;
- (d) shall be designated as "Suspended" in the Corporation's directory of Members; and
- (e) shall continue to be liable for the payment of its Annual Fee pursuant to Section 14, other fees pursuant to Section 15 and any other fees, levies or assessments pursuant to any By-law, Rule or Policy of the Corporation.

### 25. **RULES, FORMS AND OTHER INSTRUMENTS**

#### 25.1 **Power to Make, Amend or Repeal Rules**

The Board of Directors may make and from time to time amend or repeal such Rules not inconsistent with the Articles or By-laws, as in its discretion may be advisable for carrying out the provisions of the By-laws or generally for the purposes of the Corporation, and all such Rules for the time being in force, unless expressly otherwise provided, shall be binding upon all Members.

#### 25.2 **Forms**

Where pursuant to any By-law, Rule or Policy, a Form may be prescribed or adopted, any such Form (including any instructions, directions or notes in such Forms) so prescribed or adopted shall have the same force and effect as the By-law, Rule or Policy pursuant to which it is prescribed or adopted. Any reference in the By-laws, Rules or Policies to compliance with the By-laws, Rules or Policies shall be deemed to include a reference to any Forms.

#### 25.3 **Force and Effect**

The Rules made in accordance with Section 25.1 shall be effective and remain in force until the Annual Meeting, or special meeting called for the purpose of considering the same, next

following the date of the making of such Rules and, if confirmed by such Annual Meeting or special meeting, shall continue in force thereafter unless and until amended or repealed.

#### **25.4 Other Instruments**

The Corporation may develop and issue to Members such guidelines, policies, bulletins, notices and other communications relevant to the By-laws and Rules or the business and activities of Members, their Approved Persons or other employees or agents to assist in the interpretation, application of and compliance with the By-laws, Rules and legislation relevant to such business and activities. The Board of Directors and a Regional Council may refer to such instruments in the interpretation and application of the By-laws and Rules.

### **REVIEW BY APPLICABLE SECURITIES COMMISSION**

#### **26. REVIEW OF DECISIONS**

26.1. The Corporation or any Member, Approved Person or other person directly affected by a decision of the Board of Directors, a Regional Council or the Corporation in respect of which no further review or appeal is provided in the By-laws may request any securities commission given jurisdiction in the matter under its enabling legislation to review such decision and notice in writing of such review shall be given forthwith to the Corporation.

26.2. An order of the Board of Directors takes effect upon its issuance and remains in effect pending a review under Section 26.1, unless the Board of Directors or a securities commission given jurisdiction in the matter under its enabling legislation directs otherwise.

### **GENERAL ADMINISTRATION**

#### **27. REGISTERED OFFICE**

The registered office of the Corporation shall be in the City of Toronto in the Province of Ontario.

#### **28. SEAL**

The Corporation may adopt a seal by resolution of the Board.

#### **29. EXECUTION OF INSTRUMENTS**

Contracts, documents or any instruments in writing requiring the signature of the Corporation may be signed by

29.1 any 2 of the Chair of the Board, the Vice-Chair of the Board, the President and Chief Executive Officer, the Chief Operating Officer, a Vice-President, the Secretary or the Controller;

29.2 any 2 directors; or

29.3 any 1 of the aforementioned officers together with any 1 director;

and all contracts, documents and instruments in writing so signed shall be binding upon the Corporation without any further authorization or formality. The Board of Directors shall have power from time to time by resolution to appoint any officer or officers or any person or persons

on behalf of the Corporation either to sign contracts, documents and instruments in writing generally or to sign specific contracts, documents or instruments in writing.

The term "contracts, documents or instruments in writing" as used in this By-law shall include but not be limited to deeds, mortgages, hypothecs, charges, conveyances, transfers and assignments of property real or personal, immovable or movable, agreements, releases, receipts and discharges for the payment of money or other obligations, conveyances, transfers and assignments of shares, share warrants, stocks, bonds, debentures or other securities and all paper writings.

The seal of the Corporation when required may be affixed to any instruments in writing signed as aforesaid or by any officer or officers appointed by resolution of the Board of Directors.

### **30. CHEQUES, DRAFTS, NOTES, ETC.**

All cheques, drafts or orders for the payment of money and all notes and acceptances and bills of exchange shall be signed by such officer or officers or person or persons, whether or not officers of the Corporation, and in such manner as the Board of Directors may from time to time designate by resolution.

### **31. NOTICES**

#### **31.1. Service**

Any notice or other document required by the Act, the Regulations, the Articles , Rules, Policies or the By-laws to be sent to any Member, director or Approved Person or to the auditor shall be delivered personally or sent by prepaid mail, by facsimile, e-mail or any other electronic means to any such Member, director or Approved Person at their latest address as shown in the records of the Corporation and to the auditor at its business address, or if no address be given therein then to the last address of such Member, director or Approved Person known to the Secretary; provided always that notice may be waived or the time for the notice may be waived or abridged at any time with the consent in writing of the person entitled thereto.

#### **31.2. Signature to Notices**

The signature of any director or officer of the Corporation to any notice or document to be given by the Corporation may be written, stamped, typewritten or printed or partly written, stamped, typewritten or printed.

#### **31.3. Computation of Time**

Where a given number of days' notice or notice extending over a period is required to be given under the By-laws or Articles of the Corporation the day of service or posting of the notice shall not, unless it is otherwise provided, be counted in such number of days or other period.

#### **31.4. Proof of Service**

With respect to every notice or other document sent by post it shall be sufficient to prove that the envelope or wrapper containing the notice or other document was properly addressed as provided in Section 31.1 and put into a post office or into a letter box. A certificate of an officer of the Corporation in office at the time of the making of the certificate as to facts in relation to the sending or delivery of any notice or other document to any Member, director, officer or auditor or

publication of any notice or other document shall be conclusive evidence thereof and shall be binding on every Member, director, officer or auditor of the Corporation as the case may be.

### **32. BY-LAWS**

The Board of Directors may from time to time enact By-laws relating in any way to the Corporation or to the conduct of its affairs, including, but not limited to, By-laws providing for applications for articles, and may from time to time by by-law amend, repeal or re-enact the By-laws but no By-law shall be effective until sanctioned by at least 2/3 of the votes cast at a meeting of the Members duly called for the purpose of considering same.

### **33. AUDITORS**

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

### **34. FINANCIAL YEAR**

The financial year of the Corporation shall terminate on the 30th day of June in each year or on such other date as the directors may from time to time by resolution determine.

### **35. NO ACTIONS AGAINST THE CORPORATION**

No Member (including in all cases a Member whose rights and privileges have been suspended or terminated and a Member who has been expelled from the Corporation or whose Membership has been forfeited), Approved Person or any other person who is subject to the jurisdiction of the Corporation, shall be entitled, subject to the provisions of Section 26, to commence or carry on any action or other proceedings against the Corporation or against the Board of Directors, the Executive Committee, any Regional Council, any Committee thereof, or against any officer, employee or agent of the Corporation or member or officer of any such Board of Directors, Committee or Council or against any Member's auditor, or against MFDA Investor Protection Corporation, its Board of Directors, any of its committees or its officers, employees and agents, in respect of any penalty imposed or any act or omission done or omitted under the provisions of and in compliance with or intended compliance with the provisions of any By-law, Rule or Policy and, in addition, in the case of MFDA Investor Protection Corporation, its letters patent or articles, by-laws and policies, and in any case, under regulatory directives or agreements thereunder.

#### **35.A MFDA INVESTOR PROTECTION FUND**

35.A.1. The Corporation is authorized to enter into and perform its obligations under such agreements or other arrangements with MFDA Investor Protection Fund ("IPC") as may be, in the discretion of the Board of Directors, consistent with the objects of the Corporation including, without limitation, the Administration Agreement dated as of July 1, 2005, made between the Corporation and IPC, as the same may be amended from time to time (the "Administration Agreement"). The President, his or her staff or any other person designated by the Board of Directors shall be authorized to execute and deliver any such agreements, or make any such



arrangements, and to do all acts and things as may be necessary to permit the Corporation to exercise its rights or perform its obligations thereunder.

35.A.2. In respect of the Administration Agreement or other agreements and arrangements entered into by the Corporation in accordance with Section 35A.1 from time to time, each Member:

- (a) shall promptly pay to the Corporation all regular and special assessments levied or prescribed by IPC in respect of any Member or Members;
- (b) shall provide to IPC such information as is contemplated to be provided by Members in connection with the assessment of the financial condition of Members or risk of loss to IPC;
- (c) acknowledges and consents to the exchange between the Corporation and IPC of information relating to Members, their partners, directors, officers, shareholders, employees and agents, customers or any other persons permitted by law in accordance with any information sharing agreements or arrangements made by them;
- (d) shall permit IPC to conduct reviews of such Member or designated groups of Members as contemplated by the Administration Agreement or other arrangements and to fully cooperate with IPC, and its staff and advisers, in connection with such reviews including, without limitation, the exercise by IPC of such powers as are available to the Corporation and its officers, staff or other designates pursuant to Sections 21, 22.1 and 22.2;
- (e) shall comply with such actions as IPC may direct the Corporation to take with respect to a Member, or with such actions as IPC may take on behalf of the Corporation as authorized.

## **36. USE OF NAME OR LOGO: LIABILITIES: CLAIMS**

### **36.1. Use of Name**

No Member shall use the name or logo of the Corporation on letterheads or in any circulars or other advertising or publicity matter, except to the extent and in such form as may be authorized by the Board of Directors. The Board of Directors may at its sole discretion require a Member to cease using the name or logo of the Association. Any use by a member of the name or logo of the Association shall not have the effect of granting to the Member any proprietary interest in the Association's name or logo.

### **36.2. Liabilities**

No liability shall be incurred in the name of the Corporation by any Member, officer or committee without the authority of the Board of Directors.

### **36.3. Claims**

Whenever the Membership of a Member ceases for any reason whatsoever, neither the former Member nor its heirs, executors, administrators, successors, assigns or other legal representatives, shall have any interest in or claim on or against the funds and property of the Corporation.

### **37. EXEMPTIONS**

The Board of Directors may exempt any Member, Approved Person, or any other person subject to the jurisdiction of the Corporation, or any group or class of the foregoing persons, from the requirements of any provision of the By-laws, Rules and Forms where it is satisfied that to do so would not be prejudicial to the interests of the Members, their clients or the public, and in granting such an exemption the Board of Directors may impose such terms and conditions as are considered necessary or desirable. The Board of Directors shall, in its discretion, determine whether it is appropriate for notice of the exemption to be given by all or any of the means specified in Section 24.5.3.

### **38. TRANSITION PERIODS FOR BY-LAWS AND RULES**

The Board of Directors may suspend or modify the application of any By-law or Rule, or provision thereof, which has been enacted, made, sanctioned or confirmed, as the case may be, and is effective, for such period of time as it may determine in its sole discretion in order to facilitate the orderly application of and compliance with such By-law or Rule to or by all or any number or class of Members, Approved Persons or other persons subject to the jurisdiction of the Corporation. Any such suspension or modification may be made either before or after the relevant By-law or Rule has become effective, and notice of the suspension or modification shall be given promptly to all Members and the securities commission in any jurisdiction where such By-law or Rule would otherwise be in effect with respect to Members, Approved Persons and other persons subject to the jurisdiction of the Corporation. No such suspension shall unfairly discriminate between Members, Approved Persons or other persons subject to the jurisdiction of the Corporation, and no such modification shall impose on all or any of the Members, Approved Persons or other persons subject to the jurisdiction of the Corporation a requirement that is more onerous or stricter than the requirements of the By-law or Rule that is subject to the suspension or modification.

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