

**RULE THREE  
APPROVED PARTICIPANTS**

**I. General Provisions**

**3001 Bourse Approval**  
(16.06.87, 02.10.92, 15.03.05)

- a) Each approved participant must be approved as such by the Special Committee at the time of admission, and must thereafter comply with the conditions required to remain an approved participant as set forth in the regulations of the Bourse in general. Approved participants may be partnerships (referred to as "partnership approved participants") or corporations (referred to as "corporate approved participants").
- b) The Bourse's approval is required with respect to each partner, director or officer of an approved participant and each person holding, alone or with other investors, a major position in an approved participant, with the result that all persons who either control or are entrusted with the administration of the affairs of an approved participant must obtain the approval of the Bourse and comply with the regulations of the Bourse. If, in the opinion of the Bourse, a person who is not a partner, officer, director or person holding a major position has the power to materially influence the affairs of an approved participant, such person must also obtain the Bourse's approval and comply with such conditions, as the Bourse may deem appropriate in each case.
- c) Anyone seeking and obtaining the Bourse's approval thereby undertakes to be bound by the regulations of the Bourse.
- d) The Bourse shall give its approval where in its opinion, the approved participant, the holder of a major position, the person having the power to materially influence the affairs of an approved participant or in the case of a legal person, its partners, officers or directors have the necessary competence and integrity. The Bourse must be satisfied that all such persons will comply with normal business practices recognized by the Bourse and the securities industry and, in the case of an approved participant, that it has adequate financial resources.

**3002 Foreign Approved Participants**  
(08.07.02)

The Bourse can exempt a foreign approved participant from complying with certain requirements of the Rules of the Bourse when it judges that this foreign approved participant is already required to comply with similar or equivalent requirements pursuant to its registration with the competent securities regulator or, if applicable, pursuant to its registration with the self-regulatory organization that is recognized by the said competent securities regulator.

**3003 Criteria of Admission**  
(02.10.92, 01.10.00, 15.03.05)

No one may be admitted as an approved participant unless:

- a) the applicant complies with all the conditions required under articles 3301, 3401 and 3421;

- b) the applicant has signed a declaration in the form prescribed by the Bourse binding the applicant to abide by the regulations of the Bourse and acknowledging that the approved participant's rights shall at all times remain subject to revocation; and
- c) the applicant be registered as holder of at least one trading permit.

**3004 Obligation of the Foreign Approved Participant**  
(08.07.02)

A foreign approved participant cannot be admitted as an approved participant unless:

- a) it has appointed a person who is a resident of Québec as agent for the service of process ;
- b) it has entered into an agreement with a member of the clearing corporation.

**3005 Form of Application**  
(02.10.92, 01.04.99, 20.09.02)

Application for admission must be made on the form prescribed by the Bourse and must be signed by the applicant.

**3006 Special Committee Decision**  
(02.10.92, 15.03.05)

In considering whether it should approve an application for admission as an approved participant, the Special Committee may require whatever information it deems appropriate. It may, in its discretion, require the applicant appears before it. However, before rendering a decision that unfavourably affects the applicant, the Special Committee must give the applicant an opportunity to be heard.

**3008 Voiding of Application**  
(02.10.92, abr. 15.03.05)

**3007 Re-Application or Review of Decision**  
(02.10.92, 15.03.05)

If the Special Committee rejects an application for admission as an approved participant, at least six months must elapse thereafter before the applicant may again submit an application.

However, if presented with a new fact during this six month period, the Special Committee may review its decision and the provisions of article 3006 shall apply, mutatis mutandis, to the decision to review the application for admission and the review process itself.

**3008 Suspension or revocation of Bourse Approval**  
(02.10.92, 15.03.05)

An approved participant who no longer complies with the conditions to be an approved participant provided in the regulations of the Bourse may be suspended or expelled by the Special Committee.

The Bourse's approval of any of the persons referred to in article 3001 may similarly be suspended or revoked by either the Special Committee or the person or persons authorized to give such approval.

**3009 Assessments, Fees and Charges**  
(02.10.92, 15.03.05)

Each approved participant must pay such assessments, fees and charges, whether special or general, as fixed by the Bourse and which become due and payable to the Bourse or the clearing corporation at such time or times and in such manner as the Bourse directs. Liability hereunder shall not be affected by the dissolution, winding-up, suspension, revocation of any permit or of any approval or expulsion of the approved participant.

The Bourse may levy fees and charges as determined from time to time by the Board of Directors in respect of services or facilities provided by the Bourse.

The Bourse may require, in exceptional circumstances, reimbursement of the professional fees incurred by it for the services of its lawyers and accountants in accordance with their normal hourly rates.

**3010 Registration**  
(02.10.92, 15.03.05)

No one may claim to be an approved participant of the Bourse without being registered as such in the register kept for that purpose by the Bourse. Registration as an approved participant shall not occur until all the other conditions of approval have been fulfilled, and such approval shall be deemed to commence upon such registration.

**3011 Surveillance and Compliance**  
(18.02.03)

A) Each approved participant at the time of its approval and so long as it remains approved, must establish and maintain a system to supervise the activities of each partner, director, officer, registered representative, investment representative, employee and agent of the approved participant, that is reasonably designed to achieve compliance with the Rules and Policies of the Bourse and with any legislation and regulations applicable to securities and derivative products activities. Such a supervisory system must provide, at a minimum, the following:

- i) the establishment, maintenance and enforcement of written policies and procedures acceptable to the Bourse regarding the conduct of the type of business in which it engages and the supervision of each partner, director, officer, registered representative, investment representative, employee and agent of the approved participant that are reasonably designed to achieve compliance with the applicable legislation and regulation;
- ii) procedures reasonably designed to ensure that each partner, director, officer, registered representative, investment representative, employee and agent of the approved participant understand their responsibilities under the written policies and procedures in subparagraph (i);
- iii) procedures to ensure that the written policies and procedures of the approved participant are amended as appropriate within a reasonable time after changes in applicable laws, regulations, rules and policies and that such changes are communicated to all relevant personnel;
- iv) sufficient personnel and resources to fully and properly enforce the written policies and procedures in subparagraph I);

- v) the designation of supervisory personnel with the necessary qualifications and authority to carry out the supervisory responsibilities assigned to them. Each approved participant must maintain an internal record of the names of all persons who are designated as having supervisory responsibilities and the dates for which such designation is or was in effect. Such record must be preserved by the approved participant for seven years, and on-site for the first year;
  - vi) procedures for follow-up and review to ensure that supervisory personnel are properly executing their supervisory functions. Where the supervision is conducted within a branch office and supervisory records are maintained at that location, the follow-up and review procedures must include periodic on-site reviews of branch office supervision and record keeping as necessary depending on the type of business and supervision conducted at the branch office;
  - vii) the maintenance of adequate records of supervisory activity, including on-site reviews of branch offices, as described in subparagraph vi), compliance issues identified and the resolution of those issues.
- B) Each partner, director, officer, registered representative, investment representative, employee or agent of an approved participant who has supervisory authority over any partner, director, officer, registered representative, investment representative, employee or agent of an approved participant must fully and properly supervise such partner, director, officer, registered representative, investment representative, employee or agent in accordance with the written policies and procedures of the approved participant so as to ensure their compliance with the Rules and Policies of the Bourse and all other laws and regulations applicable to the approved participant's business on securities and derivative instruments.
- C) A partner, director, officer, registered representative, investment representative, employee or agent of an approved participant may delegate specific supervisory functions or procedures, provided that:
- i) the delegation of such functions is not contrary to applicable legislation and regulation;
  - ii) the person to whom such functions are delegated is qualified by virtue of registration, training or experience to properly execute them;
  - iii) the supervisory personnel conducts sufficient follow-up and review to ensure that the person to whom the functions have been delegated is properly executing them.

## **II. Individual Members**

(abr. 15.03.05)

### **3201 Qualifications of Individual Members**

(abr. 15.03.05)

### **3202 Estate of Deceased Individual Member**

(abr. 15.03.05)

### **3203 Activity of Individual Members**

(abr. 15.03.05)

**3204 Membership**  
(02.10.92, abr. 15.03.05)

**II. Partnership Approved Participants**

**3301 Business and Constitution of Partnership Approved Participants**  
(24.10.94, 15.03.05)

As long as a partnership remains an approved participant:

- a) it must be formed under a partnership agreement governed by the laws of one of the Provinces of Canada unless it is an approved participant that does not deal with the public in Canada and is registered with a securities commission or another regulatory organization recognized by the Bourse;
  - b) it must not be dissolved, liquidate its assets or change its name, nor permit any partner to retire, or effect or permit any change of major position in the partners' interests in the partnership without the prior approval of the Bourse;
  - c) its principal business must be that of a broker or dealer in securities or futures contracts and it must trade the products listed on the Bourse to an extent acceptable to the Bourse;
  - d) it must not own any major position in any partnership or any corporation without the prior approval of the Bourse;
  - e) at least 40% of its partners, which 40% must include:
    - i) partners beneficially owning at least 40% of equity interest in the partnership;
    - ii) partners holding beneficially at least 40% of all voting interest in the partnership;
- must be industry members;
- f) the principal officers must be partners and industry members;
  - g) all persons holding any interest in the partnership must be partners.

**3302 Partners of Approved Participant Partnership**  
(08.07.02, 21.08.02)

Each partner of an approved participant partnership at the time of his admission as a partner of such approved participant and so long as he continues to be a partner:

- a) must be approved as such by the Bourse, which such approval may be revoked by the Special Committee;
- b) must not be an officer or employee of any other approved participant or of an affiliate of any other approved participant;
- c) must not be in a situation where he should make an assignment under any bankruptcy and insolvency law or plan that can apply to him and must not have a receiving order against him;

- d) must not be engaged in any business which has been disapproved by the Bourse;
- e) must not be an officer or employee of a partnership or corporation which is not an approved participant of the Bourse and which carries on the business of a broker, dealer or adviser in securities or futures contracts without the prior approval of the Bourse;
- f) must not have authority or control, either directly or indirectly, over any account in securities or futures contracts whether in his name or another name, unless either such account is maintained with the approved participant, or a consent to each such account has been executed on behalf of the approved participant by another partner and that a copy of such document has been filed with the Vice-President of the Regulatory Division of the Bourse and he delivers to such other partner, unless waived by this one, statements at intervals not more than one month showing all the transactions since the last such statement for each such account. For the purpose of this paragraph the making of any trade pursuant to his own authority or control shall be considered as having established such an account;
- g) must not be a corporation, except with the approval of the Bourse;
- h) must be the sole and true absolute beneficial owner of his or her entire interest as shown in the approved participant's partnership agreement; must not permit or effect any change in such interest, and must not sell, assign, transfer, mortgage, hypothecate, charge, deposit as collateral or in any way give any security with respect to his or her interest, without the prior approval of the Bourse;
- i) in the case of an industry member, must have satisfied the applicable proficiency requirements outlined in Policy F-2.

**3303 Officers of Partnership Approved Participants**  
(15.03.05)

Each officer of a partnership approved participant, at the time he or she first becomes an officer and throughout his or her term of office, must comply with article 3302 as required by the context and must comply with the requirements of sub-paragraphs ii) and iii) in the definition of "industry member" as provided in Rule One.

Exemption: Notwithstanding the foregoing provisions of this article, such officer is exempted from seeking approval of the Bourse provided approval is sought from and granted by the self-regulatory organization responsible for supervision of the concerned approved participant, pursuant to the agreement establishing the Canadian Investor Protection Fund.

**3304 Notice to Be Given by a Partnership Approved Participant**  
(03.11.04)

Each partnership approved participant must give to the Bourse, within a delay of ten (10) business days, written notice:

- a) i) of the death, retirement, resignation or termination of employment or association for any other cause of any of its partners or officers and, where the notice relates to the termination of employment or association of any partner or officer, all relevant explanations must be given; and

- ii) in the case of termination of employment of a person approved by the Bourse, the partnership approved participant must give notice to the Bourse within a delay of ten (10) business days following the date of termination of employment;
- b) of any non-compliance with any of the provisions of articles 3301, 3302 and 3421, as they apply to the partnership approved participant, its partners, officers and persons having a major position in the partnership;
- c) of any proposed change in or amendment to any document relating to the partnership agreement or constitution of the partnership or its partners which has been filed with the Bourse or which the Bourse requires to be filed with it;
- d) of all positions taken in a person or entity that is not an approved participant.

### **III. Corporate Approved Participants**

#### **3401 Business and Constitution of Corporate Approved Participants**

(06.08.90, 24.10.94, 08.07.02, 15.03.05)

As long as a corporation remains an approved participant:

- a) it must be a corporate entity having as its principal business that of a broker or dealer in securities or futures contracts and it must trade the products listed on the Bourse to an extent acceptable to the Bourse;
- b) it must not be engaged in any business disapproved by the Bourse;
- c) it must be incorporated under the laws of Canada or one of its provinces or territories thereof, unless it is a foreign approved participant;
- d) it must not, without the prior approval of the Bourse, change its name, effect or permit any change in its constitution affecting voting rights, dissolve, wind-up, surrender its charter, liquidate its assets or take any step authorizing or with a view to such action, or effect or permit any alteration in its capital structure, including allotment, issue, transfer, re-purchase, redemption, cancellation, subdivision or consolidation of any shares in its capital stock;
- e) it must not issue, incur or become obligated in respect of any option, warrant or agreement creating any obligation to allot, issue or transfer any share of its capital stock without the prior approval of the Bourse; but agreements entered into by a corporate approved participant to ensure transferability of its shares to a transferee for whom the approval of the Bourse is not required under this Rule, and whose ownership is permitted under this Rule, do not require approval under this paragraph;
- f) at least 40 percent of the members of the board of directors of a corporate approved participant must be industry members.

#### **3402 Directors of Corporate Approved Participants**

(08.07.02, 21.08.02)

Each director of a corporate approved participant at the time he first becomes a director of such corporate approved participant and throughout his term of office:

- a) must have been approved by the Bourse and such approval may be revoked by the Special Committee;
- b) must not be in a position where he should make an assignment under any bankruptcy and insolvency law or plan that can apply to him and must not have a receiving order against him;
- c) must not be engaged in any business disapproved by the Bourse;
- d) must not have authority or control, either directly or indirectly, over any account in securities or futures contracts, whether in his name or another name, unless either such account is maintained with the corporate approved participant or a consent to each such account has been executed on behalf of the corporate approved participant by another director and that a copy of such statement has been filed with the Vice-President of the Regulatory Division of the Bourse and he delivers to such other director, unless waived by this one, statements of all transactions made at intervals of not more than one month since the last such statement for each such account. For the purposes of this provision, the conclusion of any trade pursuant to his authority or control shall be considered as having established such an account; but this paragraph does not apply to a director who is an outside investor with respect to the corporate approved participant or its holding company and whose investment therein does not contravene this Rule;
- e) must, in the case of an industry member, have satisfied the applicable proficiency requirements outlined in Policy F-2 of the Bourse.

**3403 Officers of Corporate Approved Participants**  
(15.03.05)

Each officer of a corporate approved participant at the time he or she first becomes an officer and throughout his or her term of office must comply, *mutatis mutandis*, with the provisions of article 3402 and must satisfy the requirements of sub-paragraphs ii) and iii) of the definition of "industry member" provided in Rule One.

Exemption: Notwithstanding the foregoing provisions of this article, an officer is exempted from seeking the approval of the Bourse if such approval is sought from and granted by the self-regulatory organization responsible for the supervision of the concerned approved participant, pursuant to the agreement establishing the Canadian Investor Protection Fund.

**3404 Notices of Change to Be Given by Corporate Approved Participants**  
(03.11.04)

Each corporate approved participant must give to the Bourse, within a delay of ten (10) business days, written notice of:

- a) the death, winding-up or dissolution of any holder of a major position in the corporate approved participant or its holding company;
- b) i) the retirement, death, resignation or termination of employment or association for any other cause of any approved person of the corporate approved participant or its parent company and, where the notice relates to the termination of employment or association of any director or officer, all relevant explanations must be given; and



- ii) in the case of termination of employment of a person approved by the Bourse, the corporate approved participant must give notice to the Bourse within a delay of ten (10) business days following the date of termination of employment;
- c) any non-compliance with the provisions of articles 3401, 3402 and 3421 as they apply to the corporate approved participant, its directors, shareholders, officers and persons having a major position;
- d) any proposed change in or amendment to any document relating to the constitution, capital or shares of the corporate approved participant or the rights of its shareholders which has been filed with the Bourse or which the Bourse requires to be filed with it;
- e) all positions taken in a person or an entity that is not an approved participant of the Bourse.

### **III.A Ownership of Approved Participants**

#### **3421 Major Position**

(29.04.86, 16.06.87, 11.11.92, 20.09.02, 15.03.05)

At the time of approval and throughout the term of approval as an approved participant or holding company of an approved participant:

- 1) No person may be registered as the owner of a major position without being first approved by the Bourse. However, approval by the Bourse shall not be required when the holding of a major position is part of the ordinary course of activities of the securities business, namely: market making, underwriting, trading of options and futures contracts, , error accounts and street name holdings for client accounts.
- 2) The prior approval of the Special Committee is required where the taking of a major position results in a change of control of the approved participant which is likely to materially affect its operations.
- 3) Every registered holder of a major position in the capital of an approved participant must comply with the criteria of paragraphs a) and following of article 3402 and paragraphs a) and following of article 3302 where the context so requires.

#### **3422 Public Ownership**

(22.04.86, 29.04.86, 09.05.86, 08.07.02, 15.03.05)

A corporate approved participant other than a foreign approved participant or the holding company of a corporate approved participant other than a foreign approved participant may permit public ownership of its securities, but only with the prior consent of the Bourse, which consent shall be given only if:

- a) the distribution is to be carried out in accordance with part III.B of this Rule;
- b) the Bourse is satisfied on the basis of an appropriate undertaking, that the applicable provisions of this Rule are being, and will continue to be, complied with by both the corporate approved participant and its holding company;
- c) legally enforceable provisions have been made with respect to:

- i) the refusal to issue or transfer securities to any person who has not obtained the approval required by article 3421 in the cases where this article applies;
  - ii) the withdrawal of the voting rights attached to all securities owned by a person who holds such securities in contravention of article 3421. Compliance with the provisions of this sub-paragraph is suspended in the case of a corporate approved participant or holding company of a corporate approved participant incorporated under the Quebec Companies Act until it is clearly established that the said provisions are compatible with the said act; and
  - iii) the mandatory disposition, repurchase or redemption of any securities owned by a person not permitted to own them, where such disposition, repurchase or redemption is considered necessary or desirable by the corporate approved participant or its holding company or by the Bourse, to achieve compliance with article 3421.
  - iv) procedures to ascertain when a contravention occurs of the requirements of article 3421, which procedures must include the filing with the corporate approved participant, at the time of a new issue of securities or a request for transfer thereof, of a declaration in form approved by the Bourse as to the status of the transferee with respect to those requirements.
- d) The Special Committee may exempt any corporate approved participant or the holding company of a corporate approved participant from compliance with the provisions of sub-paragraphs ii) and iii) of paragraph c) where these provisions are not allowed under their incorporating law.

**3423 Ordinary Debt**  
(15.03.05)

Nothing in this Rule limits the ownership of debt of an approved participant or holding company of an approved participant that is not:

- a) a subordinated debt; or
- b) a restricted security;

however, if an approved participant or the holding company of an approved participant intends to borrow money on terms whereby the principal amount matures or is renewable or extendable at the option of the approved participant or of its holding company to a date more than twelve months after the borrowing date, the approved participant or its holding company must provide the Bourse with notice of the terms of the borrowing prior to entering into it.

**3424 Lenders**  
(15.03.05)

Nothing in this Rule limits the issuance by an approved participant or the holding company of an approved participant to an authorized lender:

- a) of indebtedness described in article 3423, but such indebtedness may be so issued only with the prior consent of the Bourse; or
- b) of limited participation securities that are not restricted securities.

### **III.B Procedures of Public Distribution**

#### **3451 Techniques for Distribution**

(08.07.02, 15.03.05)

A corporate approved participant, other than a foreign approved participant, or its holding company that intends to permit public ownership of its securities may effect the distribution thereof:

- a) through a qualified independent underwriter on a firm underwriting basis in accordance with usual commercial practice, and pursuant to a prospectus or equivalent document containing the information required by applicable securities legislation. Subject to paragraph b) i) hereunder, the corporate approved participant may participate in such a distribution as a member of the selling group;
- b) through a qualified independent agent or best efforts underwriter, or through the issuing corporation (or, where the issuing corporation is a holding company, through the approved participant) effecting the distribution, pursuant to a prospectus or any equivalent document containing the information required by applicable securities legislation and all the valuations referred to in article 3452 when required.

A corporation shall be deemed to be effecting the distribution of its own securities if more than 25% of the distribution is made by the corporation or its subsidiary to customers of the corporation or of the subsidiary;

- c) by private sale, in accordance with article 3453; or
- d) by any other procedure permitted under article 3454.

#### **3452 Valuations Required**

(15.03.05)

A corporation underwriting a public distribution of its own voting or participating securities pursuant to paragraph b) of article 3451, or effecting such a distribution on an agency or best efforts basis through another firm as underwriter, must provide, as part of the prospectus or any equivalent document required, summaries of not less than two separate valuations of its securities prepared by independent underwriters or chartered accountants qualified to prepare such valuations (participation in the distribution shall not disqualify an underwriter from preparing a valuation). However, this requirement shall not apply if securities with identical attributes to those being distributed have been listed and traded on a recognized exchange, for not less than six months prior to the date the distribution commences.

#### **3453 Private Sale**

(15.03.05)

Where voting or participating securities are distributed by way of private sale as permitted by paragraph c) of article 3451, the distribution shall be permitted only if arrangements satisfactory to the Bourse (which arrangements must include the execution of an agreement by each investor limiting the resale of the securities) are made to preclude the development of a public trading market in the securities unless and until:

- a) the issuing corporation has published information concerning its affairs that is at least equivalent to what would have been included in a prospectus issued under applicable securities legislation, which information must include valuations as described in article 3452 unless securities of the issuer, with identical attributes, have been listed and posted for trading on a recognized exchange;
- b) from the date of publication of the information referred to in paragraph a) above and until the date on which trading begins on an organized market, the issuer has complied with the timely disclosure requirements applicable to listed corporations; and
- c) after the date on which trading on an organized market begins, the issuer is required by law to comply with the timely disclosure requirements applicable to listed corporations.

**3454 Other Distribution Procedures**  
(15.03.05)

A corporate approved participant or its holding company may distribute its securities through a transaction such as a take-over bid or an amalgamation that will create an organized market in such securities, but only if:

- a) the issuing corporation publishes information concerning its affairs that is at least equivalent to what would have been included in a prospectus under applicable securities legislation, which information must be published in accordance with terms satisfactory to the Bourse as to:
  - i) the stage in the transaction at which prospectus-type information will be provided;
  - ii) the regulatory agency that will be responsible for reviewing and commenting the information;
  - iii) the persons to whom the prospectus or equivalent document will be distributed; and
  - iv) the rescission or withdrawal rights to be made available if the document contains material inaccuracies; and
- b) if the securities are participating or voting securities, the information referred to in paragraph a) above must include the valuations described in article 3452 unless the Bourse concludes that such information is not necessary having regard to circumstances such as, for example, that the terms of the transaction were arrived at through arm's length negotiations;

however, the requirements provided for in paragraphs a) and b) shall not apply if securities of the issuer, with identical attributes, have been listed and posted for trading on a recognized exchange for not less than 6 months prior to the date of the transaction.

**3455 Secondary Distributions**  
(15.03.05)

The provisions of articles 3451 to 3454 apply, mutatis mutandis, to a secondary distribution of securities issued by a corporate approved participant or its holding company if the securities form part of a control position or the secondary distribution will result in the creation of an organized trading market for these securities.

**3456 Audit Committee**  
(15.03.05)

A corporate approved participant or its holding company who permits public ownership of its securities pursuant to the present Rule must appoint and maintain an audit committee composed of not less than three directors, a majority of whom are not officers or employees of the approved participant or its holding company or any of its affiliates.

**3457 Investments by Discretionary Accounts**  
(15.03.05)

No corporate approved participant must permit the acquisition by any customer account over which the corporate approved participant has discretionary authority, of securities issued by the corporate approved participant or its holding company, except as provided in article 3458; this prohibition applies notwithstanding any consent obtained from the customer and even if the securities are in the course of distribution or are being traded on the secondary market.

**3458 Solicitation by Issuer**  
(15.03.05)

Solicitation by a corporate approved participant as to transactions in securities issued by it or by its holding company,

- a) is, subject to the provisions of article 3457, permitted in the course of a distribution made with a prospectus or other document containing the information required by applicable securities legislation and this rule, and in the case of private sales that qualify as a private placement under applicable securities legislation;
- b) is prohibited in the course of a distribution not described in paragraph a) above and while trading on the secondary market. However, nothing in this article prohibits an approved participant from executing an unsolicited order for such securities;

and, for greater certainty, nothing herein prevents a corporate approved participant from accepting securities issued by it or its holding company as securities for margin purposes.

**3459 Research Report and Opinion Letters**  
(15.03.05)

A corporate approved participant must not issue research reports or opinion letters as to participating or voting securities issued by it or its holding company.

**IV. Designated Representatives**

**3501 Appointment of Designated Representatives**  
(15.03.05)

Each partnership approved participant must appoint one of its partners as its designated representative. Each corporate approved participant must appoint one of its directors, or one of the directors of its parent company, where applicable, as its designated representative. Each designated representative at the time of his or her appointment and so long as he or she is a designated representative must be approved as such

by the Special Committee. Such approval may be revoked at any time by the Special Committee without any formality whatsoever and shall terminate automatically if the designated representative ceases to be a partner or director, as the case may be, of the approved participant or its parent company. Any vacancy in such appointment must be filled promptly.

### **3502 The Designated Representative Represents the Approved Participant**

(25.03.94, 21.11.03)

The appointment of a designated representative must be filed in writing with the Bourse on the form prescribed by the Bourse and must constitute each designated representative as the representative of the approved participant for all dealings with the Bourse with full authority to act for and bind the approved participant. Such appointment shall also constitute the designated representative as the proxy of the approved participant for all meetings of approved participants.

For meetings of approved participants, the approved participant may appoint a substitute proxy and so may the designated representative, if he is so authorized by his appointment; the substitute proxy must be a partner in the approved participant, a director or officer of the approved participant or of another approved participant, an individual approved participant or another designated representative.

## **V. Approved Participants and Their Related Firms**

### **3601 Subsidiaries**

(15.03.05)

An approved participant may, with the prior approval of the Bourse, have a subsidiary whose principal business is that of a broker, dealer or advisor in securities or futures contracts. Such a subsidiary must carry on its activities under a legal name which is different from the legal name of the approved participant, and

- a) the subsidiary's letterhead, confirmations, research publications and all other documents issued to the public must clearly disclose its association with the approved participant;
- b) both the approved participant and the subsidiary must assume full responsibility for compliance by the subsidiary with the regulations of the Bourse.

However, if such subsidiary has the status of approved participant, the provisions set in Rule Eight apply.

### **3602 Audit Requirements**

(15.03.05)

Each related company and each holding company must comply with the audit requirement of the Bourse as though it were an approved participant except to the extent exempted by the Bourse.

### **3603 Cross Guarantees**

(06.08.90, 30.05.97, 15.03.05)

- a) Each approved participant must be responsible for and guarantee the obligations incurred by each of its related companies and each related company must be responsible for and guarantee the obligations of the approved participant to which it is related and of each other such related company of the approved participant. Such guarantee must be:

- i) in the form prescribed from time to time by the Bourse; and
  - ii) subject to paragraph b) of the present article, limited to the percentage of the guarantor's total capital as determined in accordance with Statement A of Policy C-3 of the Bourse that corresponds to the percentage that the guarantor, or a common shareholder of the guarantor and the guaranteed corporation, has in the total capital of the entity whose obligations are guaranteed.
- b) The Bourse may exempt an approved participant from the application of paragraph a) above.

**3604 Compliance with the Regulations of the Bourse**

(13.07.92, 15.03.05)

Each related firm must comply with the regulations of the Bourse as though it were an approved participant and each partner, director, officer, shareholder and employee of a related firm must comply with all the regulations of the Bourse as though the related firm were an approved participant except in each case to the extent that non compliance with specified provisions may be approved by the Bourse, either generally, individually or by classes.

**VI. Resignation, Suspension, Termination and Revocation**

**3701 Application for Resignation Approval**

(15.03.05)

No approved participant of the Bourse may resign without the prior approval of the Special Committee.

An approved participant wishing to resign must file with the Vice-President of the Regulatory Division of the Bourse an application to obtain the Special Committee's approval of the resignation.

**3702 Information Required for Resignation**

(15.03.05)

An approved participant who tenders its resignation, must, in its application, state its reasons for resigning and must file with the Vice-President of the Regulatory Division of the Bourse:

- i) a balance sheet on which the approved participant's auditors must give an unqualified opinion as of such date as the Vice-President of the Regulatory Division of the Bourse may require;
- ii) an unqualified report from the approved participant's auditors that in their opinion the approved participant has liquid assets sufficient to meet all its liabilities other than subordinated debts, if any,
- iii) such other financial information as the Special Committee may require, and
- iv) a report from the approved participant's auditors that clients' fully paid securities are properly segregated and identified. If the financial information required above is not filed with the application, the approved participant must indicate in the application the date by which such financial information will be filed.

**3703 Responsibility for Assessments and fees in Event of Resignation**  
(15.03.05)

The approved participant shall continue to be liable for all assessments or fees falling due prior to the date of resignation approval or applicable to the period terminating on such date, and shall make timely payment thereof in the normal manner. After the date of resignation approval, the former approved participant shall no longer be required to pay assessments or fees as they fall due.

**3704 Termination of Approved Participant Registration after Resignation**  
(15.03.05)

An approved participant who has tendered its resignation shall cease to be an approved participant of the Bourse on the date of resignation approval and shall likewise cease to be registered as the holder of a trading permit as of that date.

**3705 Mergers**  
(15.03.05)

The procedure outlined in articles 3701 to 3704 must be followed where appropriate in cases of merger and similar agreements between approved participants of the Bourse.

**3706 Effects of Suspension and Expulsion**  
(15.03.05)

Suspension from approved participant status shall automatically entail suspension of all the approved participant's rights and privileges as an approved participant.

Expulsion shall automatically terminate all the rights and privileges related to the approved participant's status.

Suspension or expulsion shall automatically create a vacancy in any position or office at the Bourse held by the approved participant or by a director, partner, officer or employee of such approved participant. The reinstatement or lifting of the suspension of the approved participant will not allow the approved participant, or its director, partner, officer or employee to resume his functions at the Bourse.

An approved participant suspended or expelled shall remain subject to the jurisdiction of the Bourse in any disciplinary proceedings pending at the time of suspension or expulsion, or arising out of matters occurring prior to or during suspension or expulsion.

An approved participant suspended or expelled shall remain liable to the Bourse for assessments, fees, charges, fines, costs and other debts imposed or which became payable during the time it was an approved participant or in respect of any matter over which the Bourse retains jurisdiction pursuant to the present article.

**3707 Revocation of Approved Participant Status**  
(15.03.05)

The expulsion of an approved participant results in the immediate revocation and without any other formality of all the rights related to its approved participant status.



**3708 Effects of Suspension and Revocation of Bourse Approval of Persons other than Approved Participants**  
(15.03.05)

Suspension or revocation of the Bourse approval of any person other than approved participants shall automatically preclude such person from acting in the capacity for which such Bourse approval was required. An approved participant shall not allow any person to continue to act in the capacity, nor hold the position, for which the Bourse approval has been suspended or revoked.

Suspension or revocation of the Bourse approval shall not affect disciplinary proceedings concerning the person whose approval was suspended or revoked, and such person shall remain liable for the penalties and costs imposed as a result of such proceedings, if any.

**3714 Resignation of Multiple Memberships**  
(abr. 15.03.05)

**VII. Trading Permits**

**3801 Issuance of Trading Permits**  
(15.03.05)

The Bourse issues to approved participants trading permits in such number and at such conditions as the Special Committee may determine from time to time.

**3802 Trading Permit Required**  
(15.03.05)

Each approved participant must hold at least one trading permit.

**3803 Trading Privileges**  
(15.03.05)

For each trading permit held, an approved participant shall have the right to trade or to appoint one trading representative or market maker to trade any product listed on the Bourse, subject to the qualifications and proficiency requirements established by the Bourse.

**3804 Additional Trading Permits**  
(15.03.05)

Upon approval by the Special Committee, the Bourse may issue additional trading permits to approved participants upon application, provided that the approved participant so applying undertake to appoint forthwith a trading representative or market maker for each such additional trading permit.

**3805 Assessments, Fees and Charges**  
(15.03.05)

The provisions of article 3009 apply to each approved participant according to the number of trading permits held by the approved participant.

**3806 Registration**  
(15.03.05)

Each approved participant trading permit must be recorded in the register kept for that purpose by the Bourse.

**3807 Revocation – Suspension**  
(15.03.05)

The trading permits of any approved participant who has been expelled shall immediately and automatically be revoked without any formality whatsoever.

The trading permits of any approved participant who has been suspended shall immediately and automatically be suspended without any formality whatsoever.

**IX. SPECIAL CLASSES OF MEMBERSHIP**

(abr. 15.03.05)

**3901 Honorary Members - Election, Qualifications and Rights**  
(11.03.85, abr. 15.03.05)**3902 Associate Membership**  
(11.03.85, 01.05.89, abr. 15.03.05)**3903 Associate Membership for TCO Options**  
(11.03.85, abr. 15.03.05)**3904 Correspondant Membership for IOCC Options**  
(11.03.85, abr. 15.03.05)**ELECTRONIC ACCESS MEMBERSHIP**

(abr. 15.03.05)

**3905 Electronic Access Member**  
(11.03.85, abr. 15.03.05)**3906 Electronic Access Membership Obligations**  
(11.03.85, abr. 15.03.05)**TRANSITORY PROVISION**

(abr. 15.03.05)

**3910 Transitory Provision**  
(01.05.89, abr. 15.03.05)**INTERNATIONAL OPTIONS****MARKET (MIO)**

(abr. 15.03.05)

**3913 MIO Associate Membership Rights and Privileges**  
(11.03.85, 01.05.89, abr. 15.03.05)

**3914 MIO Associate Membership Obligations**

(11.03.85, abr. 15.03.05)

**3916 Termination of MIO Associate Membership**

(11.03.85, 01.05.89, abr. 15.03.05)

**3917 Revocation of MIO Associate Membership**

(11.03.85, abr. 15.03.05)

**THE MERCANTILE DIVISION  
OF THE EXCHANGE**

(abr. 15.03.05)

**3923 Mercantile Associate Membership Rights and Privileges**

(11.03.85, 22.04.88, 01.05.89, abr. 15.03.05)

**3924 Mercantile Associate Membership Obligations**

(11.03.85, 22.04.88, 01.05.89, abr. 15.03.05)

**3926 Termination of Mercantile Associate Membership**

(11.03.85, 01.05.89, abr. 15.03.05)

**3927 Revocation of the Mercantile Associate Membership**

(11.03.85, abr. 15.03.05)

**INTERNATIONAL DIVISION**

(abr. 15.03.05)

**3943 International Division Associate Membership Rights and Privileges**

(11.03.85, 01.05.89, abr. 15.03.05)

**3944 International Division Associate Membership Obligations**

(11.03.85, abr. 15.03.05)

**3946 Termination of International Division Associate Membership**

(11.03.85, 01.05.89, abr. 15.03.05)

**3947 Revocation of International Division Associate Membership**

(11.03.85, 01.05.89, abr. 15.03.05)

**VIII. RESTRICTED TRADING PERMITS**

**3951 General**

(11.03.85, 01.05.89, 15.03.05)

The Special Committee is empowered to adopt rules governing the issuance of restricted trading permits. Without restricting the generality of the foregoing, such rules may provide for the following:

- i) the categories of restricted trading permits;

- ii) the products listed on the Bourse for which such restricted trading permits or categories of restricted trading permits may be issued;
- iii) the number of restricted trading permits which may be issued;
- iv) the qualifications required for issuance of restricted trading permits;
- v) the procedure for issuing restricted trading permits issuance;
- vi) the conduct and affairs of restricted trading permit holders; and
- vii) renewal, conditions for renewal and revocation of restricted trading permits.

**3952 Restricted Trading Permit Issuance**

(01.05.89, 25.07.91, 01.08.95, 15.03.05)

Restricted trading permits may be issued to an applicant providing he or she:

- i) is an individual of at least 18 years of age;
- ii) complies with the applicable immigration rules, if not a Canadian citizen;
- iii) demonstrates, in a way satisfactory to the Bourse, good character, reputation, credit and financial situation;
- iv) in the opinion of the Bourse, is able to perform conscientiously the functions needed to promote market development for the Bourse products for which a restricted trading permit will be issued and is able to assume the responsibilities and privileges of a restricted trading permit holder;
- v) is properly registered with the Commission des valeurs mobilières du Québec;
- vi) has entered into an agreement with an approved participant for the clearing of trades and this clearing approved participant guarantees without conditions all the trades of the restricted trading permit holder;
- vii) either alone or considering the joint account agreement entered into with a partner in accordance with article 7008, has the net worth provided by article 7007, or any higher amount as may be required by the clearing approved participant with whom the applicant has entered into a clearing agreement;
- viii) has passed the examinations required by the Bourse or has been exempted therefrom;
- ix) submits an application to the Bourse in the prescribed form and files all required documents;
- x) provides all information required by the Bourse including, without limiting the generality of the foregoing, sources of financing, profit sharing and joint accounts;
- xi) signs a consent, in a prescribed form, authorizing the Bourse, to obtain from the applicant or any other person, all information regarding the applicant's trades on other exchanges or other markets while the trading permit is in force; and

xii) pays the applicable fees.

Restricted trading permits are granted on a yearly basis, or for any other period of time determined by the Special Committee.

**3953 Rights and Obligations of Restricted Trading Permit Holders**

(01.05.89, 15.03.05)

Holders of restricted trading permits have the following rights and obligations:

- i) the right to have a direct access to the trading system of the Bourse, but only as principal to trade the Bourse products for which the permit has been issued;
- ii) the right to communicate during business hours with any approved participant in the same manner as approved participants may do so, but only with respect to the Bourse listed products specified by his permit; and
- iii) the obligation to, as long as he is a restricted trading permit holder, not hold other positions or have any other occupation in relation to the financial markets or the securities market.

Restricted trading permits are not transferable.

**3954 Additional Rules**

(11.03.85, 01.05.89, 15.03.05)

Each restricted trading permit holder is subjected to the jurisdiction of the Bourse during the term of the permit and thereafter until all investigations or proceedings relating to his or her activities as a restricted trading permit holder have been concluded.

Each restricted trading permit holder is bound by all the obligations imposed upon approved participants or approved persons under the regulations of the Bourse. However, the Special Committee may exempt restricted trading permit holders from any such duty or obligation which is incompatible or in conflict with, or is unrelated to, the activities performed by them.

When trading as principal, each restricted trading permit holder shall be subject to the regulations of the Bourse regarding market makers.

**3955 Fees**

(11.03.85, 25.07.91, 15.03.05)

Restricted trading permit holders must pay the entrance fees and other fees as determined by the Special Committee.

The Bourse may suspend the permit if such fees have not been paid.

**3956 Surrender of Restricted Trading Permits**  
(11.03.85, 01.05.89, 25.07.91, 01.04.99, 15.03.05)

A restricted trading permit holder may terminate the permit by surrendering it to the Bourse or by giving the Bourse a written notice. A restricted trading permit holder is deemed to have surrendered the permit when he or she has ceased activities for more than three months without the approval of the Bourse.

**3957 Arbitration**  
(11.03.85, 15.03.05)

Each restricted trading permit holder agrees by filing the application for a restricted trading permit, to the arbitration of any monetary claim made against him or her by any other restricted trading permit holder, or by any approved participant, arising out of his or her activities on the Bourse while a restricted trading permit holder, irrespective of whether the restricted trading permit has expired at the time the claim is asserted.

**3958 Revocation of Restricted Trading Permits**  
(11.03.85, 01.05.89, 15.03.05)

Without prejudice to the disciplinary powers of the Special Committee or the Disciplinary Committee pursuant to the regulations of the Bourse, the Special Committee may suspend or revoke the permit of any restricted trading permit holder under the following conditions:

- a) Upon finding, after notice and opportunity for hearing, that the restricted trading permit holder:
  - i) at the time of filing of the application, did not provide the Bourse with all relevant information or has provided information which was untrue, inaccurate or incomplete;
  - ii) has ceased to meet the eligibility criteria provided in article 3952 of the Rules of the Bourse;
  - iii) contravenes to or refuses to cooperate with the Bourse in relation to any of his or her undertakings;
  - iv) has violated any regulations of the Bourse;
  - v) has not performed conscientiously the activities authorized by his restricted trading permit;
  - vi) has executed transactions in any Bourse listed product other than those specified by his restricted trading permit;
  - vii) has ceased trading or has a level of activity on the Bourse which is unsatisfactory; or
  - viii) has made statements or acted in such a way which could reasonably lead others to believe that he or she is an approved participant of the Bourse, an employee of an approved participant or an employee or representative of the Bourse.
- b) Upon a final determination in an administrative or judicial proceeding that the restricted trading permit holder has violated the Securities Act or any other similar act and that such a proceeding impairs the ability of the restricted trading permit holder, either temporarily or permanently, to

perform any of the activities contemplated in the permit, such permit may be suspended or revoked after notice and opportunity for hearing;

- c) Upon the insolvency or bankruptcy of the restricted trading permit holder, whether voluntary or involuntary and whether or not a full discharge of obligations is sought.

**3959 Restricted Trading Permit - Option Category**

(01.05.89, 25.07.91, 02.04.93, 15.03.05)

The Bourse establishes a restricted trading permits - options category, which entitles the holder to trade the option products, other than options on futures contracts, listed on the Bourse.

The provisions of articles 3951 to 3958 apply to such permits.

**3960 Transitory Provision**

(01.05.89, abr. 15.03.05)

**3960 Restricted Trading Permit - Financial Derivatives Category**

(01.05.89, 25.07.91, 04.05.95, 03.11.97, 15.03.05)

The Bourse establishes a restricted trading permits - financial derivatives category, which entitles the holder to trade futures contracts and futures contracts options.:

The provisions of articles 3951 to 3958 apply to such permits.

## **RULE FOUR**

### **INVESTIGATIONS, DISCIPLINE AND APPEALS**

#### **Section I Inspection and Investigation**

##### **4001 Information**

(16.10.89, 11.03.92, 15.03.05)

Approved participants, their employees, approved persons and restricted trading permit holders must comply with the obligation to provide information as set forth in this Section I.

Upon the request of the Bourse or of one of its representatives, these persons must provide forthwith all information related to their business, trades, positions or conduct as well as to the identity, business, trades or positions of any of their customers and employees and customers of persons for whom they provide account maintenance services. To this end, these persons must submit and give to the Bourse access to any records, registers, data, data bases, files, documents, papers and information for examination, and allow the Bourse or its representative to obtain copy thereof on demand.

For the purposes of any investigation or examination, the Bourse or its representative may obtain such information from any source whatsoever, including any of the customers of any approved participants.

The Bourse may at any time make available to any other exchange or securities commission or similar authority any report or information of the sort described in this article. For that purpose, the Bourse may enter into agreements with any person or entity, in Québec or outside of Québec, for the sharing of information.

The obligation to inform extends to officers, partners, directors, employees and auditors of any approved participant and also entails the obligation to appear before the Bourse at the time and place indicated by the Bourse.

Compliance with the provisions of this Section I shall not create any liability towards any other approved participant, employee of an approved participant, approved person, restricted trading permit holder or client.

##### **4002 Notice of Non-Compliance**

(11.03.85, 11.03.92, 15.03.05)

Immediate notice must be given in writing to the Bourse by an approved participant, approved person or restricted trading permit holder in the event that:

- a) such person, or any other approved participant, employee, permit holder or approved person fails to comply with the regulations of the Bourse, or
- b) such person, or any other approved participant, employee, restricted trading permit holder or approved person fails to be able to continue to meet its obligations or becomes insolvent or commits an act of bankruptcy within the meaning of the Bankruptcy and Insolvency Act.



**4003 Special Inspection or Investigation**  
(11.03.85, 11.03.92, 15.03.05)

Without in any way limiting the powers conferred upon the staff of the Bourse by article 4001, the Special Committee or the Vice-President of the Regulatory Division of the Bourse may in their absolute discretion, at any time, direct a special examination or investigation to be made in respect of the conduct, the business or affairs of an approved participant, an approved person or a restricted trading permit holder.

**4004 Summary Proceedings**  
(11.03.92, 15.03.05)

If, following an examination or investigation or by reason of any information otherwise obtained by the Bourse, it appears that circumstances so warrant, the Special Committee may proceed by way of summary proceedings in accordance with the provisions of articles 4301 and following of this Rule.

**4005 Failure to Provide Information or to Appear**  
(11.03.85, 11.03.92, 15.03.05)

Any approved participant, approved person or restricted trading permit holder who refuses or neglects to provide information in the manner prescribed in this Section I or who fails to attend a hearing after having been given notice thereof, may be suspended without any notice, hearing or formality by the Special Committee until the required information has been provided or an attendance made as set out in the summary proceedings provided for in articles 4301 and following.

**4006 Costs and Expenses**  
(11.03.85, 11.03.92, 15.03.05)

The costs and expenses paid or incurred by the Bourse in connection with any examination or investigation instituted pursuant to the provisions of articles 4001 or 4003 and all proceedings relating thereto or steps taken as a result thereof shall be a debt owed to the Bourse by the approved participant, approved person or restricted trading permit holder who must pay the amount thereof upon demand.

**4007 Information to other organizations**  
(05.02.98, 15.03.05)

Upon request from any recognized organization to provide information in connection with an investigation being carried out by such organization and subject to the legislation relating to the protection of personal information, each approved participant must submit the requested information directly to the organization making the request and this, in the form and manner prescribed by that organization, including electronically.

For the purposes of this article, the term “recognized organization” means an exchange, a self-regulatory organization, a securities commission or any similar authority and to whose jurisdiction the approved participant is subjected in any manner in reason of the approved participant’s status as a member, a participant or as a registered or approved entity or such organization.

**Section II**  
**Standards of Conduct**  
(abr. 15.03.05)

- 4051 Standards of Conduct**  
(11.03.85, 11.03.92, abr. 15.03.05)
- 4052 Disclosure of Conflicting Interests or Contrary Views**  
(11.03.85, 11.03.92, abr. 15.03.05)

**Section II**  
**Disciplinary and Other Matters**  
**Subject to Hearings**

**A. Complaints**

- 4101 Complaints**  
(11.03.85, 11.03.92, 15.03.05)

- a) The Bourse, an approved participant, an approved person or a restricted trading permit holder may, in accordance with the procedures provided in articles 4151 and following, file a complaint against an approved participant, an approved person or a restricted trading permit holder, in respect of:
- i) a breach of the regulations of the Bourse;
  - ii) any act, conduct, practice or proceeding unbecoming an approved participant of the Bourse, an approved person or a restricted trading permit holder, inconsistent with just and equitable principles of trade, or detrimental to the reputation of the Bourse or to the interests or the welfare of the public or of the Bourse,

whether or not such act, conduct or proceeding is related to dealings or transactions on the Bourse.

- b) The Bourse may also file a complaint of the type described in paragraph a) above against a former approved participant, approved person or restricted trading permit holder for acts or omissions which occurred while such person was an approved participant, an approved person or a restricted trading permit holder, provided an originating notice is served on such person within thirty six (36) months from the date upon which the person ceased to be an approved participant, an approved person or a restricted trading permit holder.

This provision is in addition to the powers the Bourse may hold and choose to exercise pursuant to powers delegated by a securities commission.

- c) Without in any way limiting the generality of the foregoing, the following actions of an approved participant, approved person or restricted trading permit holder shall be deemed an act, conduct, practice or proceeding covered by sub-paragraph a) ii) of the present article:
- i) misleading or attempting to mislead the Bourse on any material point;
  - ii) breaching any statute or regulation related to the trading of securities or derivative instruments;

- iii) indiscriminate or improper solicitations of orders, either by telephone or otherwise;
  - iv) using high pressure or other sales tactics of a character considered undesirable according to the standards of the industry;
  - v) using or knowingly participating in the use of any manipulative or deceptive methods of trading, including those set out in article 6306 of the Rules of the Bourse;
  - vi) breaching any provisions of the Code of Ethics and Conduct for Registered Representatives, included in the Conduct and Practices Handbook Course, published by the Canadian Securities Institute.
- d) The Disciplinary Committee or the Special Committee shall, in accordance with this Rule, decide whether an act, conduct, practice or proceeding is of the sort described in sub-paragraph a) ii) of the present article.

**4102 Disciplinary Committee**  
(11.03.92, 15.03.05)

- a) A committee known as the Disciplinary Committee is constituted pursuant to the provisions of this article to hear complaints brought under article 4101.
- b) The Disciplinary Committee is comprised of three persons named by the Secretary of the Bourse who shall select two of them among the persons mentioned in sub-paragraph a) of article 4103 or among the members of the Special Committee, and one among persons mentioned in sub-paragraph b) of article 4103.

**4103 List of Designated Persons**  
(22.03.88, 11.03.92, 15.03.05)

The Bourse maintains a list of persons eligible to sit on a Disciplinary Committee. This list and any change thereto must be approved by the Special Committee.

The list shall consist of:

- a) Individuals:
  - i) who are directors, officers or partners of approved participants; or
  - ii) who are retired from the securities industry and who were previously directors, officers or partners of an approved participant.
- b) at least two (2) individuals who are related neither to an approved participant, nor to the Bourse.

**4104 Solemn Affirmation**  
(11.03.92, 15.03.05)

Before a hearing, each persons designated to hear the case must make a solemn affirmation to the effect that:

- i) to her knowledge, there is no legitimate grounds for her recusation as provided in paragraphs 1 to 10 of article 234 or in article 235 of the Code of Civil Procedure; and
- ii) she will not reveal or make known, without being authorized by law, anything whatsoever of which she takes cognizance in the performance of her duties.

**4105 Disciplinary Penalties**

(11.03.85, 11.03.92, 18.10.00, 15.03.05)

In finding any approved participant, approved person or permit holder guilty pursuant to a complaint therein made, or of some lesser and included offence, the Disciplinary Committee or the Special Committee may, with respect to each offence, impose any one or more of the following penalties or orders :

- a) a reprimand;
- b) a fine not exceeding \$ 1,000,000;
- c) the suspension or the revocation of the rights as an approved participant, approved person or permit holder for such period and upon such conditions, including conditions of reinstatement, as the Committee may determine;
- d) the prohibition to obtain an approval for the time and upon such conditions determined by the Committee, including the conditions for the release of such a prohibition.
- e) the expulsion of the approved participant;
- f) the revocation of the permit;
- g) the making of restitution to any person who has suffered a loss as a result of the acts or omissions of a person under the jurisdiction of the Exchange;
- h) the obligation to take one or more courses given by the Canadian Securities Institute or any other course deemed appropriate;
- i) the reimbursement in whole or in part of the costs and expenses (including professional fees) paid or incurred by the Bourse in connection with the complaint and the matters out of which it arose including all investigations, hearings, appeals and other proceedings before or after the complaint.

These penalties and orders shall be in addition to such other action as the Bourse may take pursuant to any other provision of its regulations.

**4106 Costs and Expenses**

(11.03.85, 11.03.92, 18.10.00, 15.03.05)

Where the Bourse conducts an investigation following a complaint that was made, or information that was provided by a person under its jurisdiction and determines that the complaint or information was frivolous or unfounded, the Bourse may recover the costs of the investigation from that person.

## B. Proceedings

### 4151 Originating Notice

(11.03.85, 11.03.92, 15.03.05)

- a) The Bourse must serve an originating notice on any person who is directly concerned whenever, as a result of an investigation or otherwise, the Bourse :
  - i) decides to initiate disciplinary proceedings pursuant to articles 4101 and following;
  - ii) intends to deny granting an unconditional approval to a partnership or corporation as an approved participant or an unconditional approval of a person;
  - iii) proposes to revoke, suspend or amend any of the rights or privileges of an approved participant, of an approved person or restricted trading permit holder;
  - iv) proposes to exercise the powers delegated to it by a securities commission or other regulatory organization.
- b) The originating notice must contain:
  - i) a reference to the regulatory provisions governing the matter;
  - ii) a summary statement of the facts alleged and intended to be relied upon by the Bourse and the conclusions drawn by the Bourse based on the alleged facts;
  - iii) a statement of the intent of the Bourse to conduct a hearing of the matter on a date and at a place to be determined in the originating notice or, subsequently, in the notice of hearing;
  - iv) a reminder of the existence of articles 4201 and following;
  - v) a warning that failure to file a reply within the prescribed delay may result in foreclosure from producing any witness at the hearing.
- c) A copy of the originating notice, together with proof of service, shall be filed with the Secretary of the Bourse.

### 4152 Reply

(11.03.85, 11.03.92, 15.03.05)

A person served with an originating notice must, within ten (10) business days from the date of service, serve to the Secretary of the Bourse a reply signed by the person or by an individual authorized to sign on behalf of the person.

The reply must set out specifically for each fact alleged in the originating notice, whether such fact is admitted or denied, and contain a statement of the person's position with regard to the conclusions drawn by the Bourse in the originating notice and a statement of any additional facts relied on by the person.

Failure to file a reply within the prescribed delay may result in foreclosure from producing any witness at the hearing.

**4153 Notice of Hearing**  
(22.03.88, 11.03.92, 15.03.05)

When by reason of the reply to the originating notice or for any other reason the Bourse determines that a formal hearing is required, it shall proceed as follows:

After the expiry of the ten (10) business days delay for the service of the reply, the Bourse shall serve a notice of hearing of at least ten (10) business days indicating the date, time and place of the hearing on the persons to whom the originating notice was addressed.

The notice of hearing shall include a statement requiring the person to attend the hearing, failing which the Disciplinary Committee may proceed with the hearing of the matter in that person's absence.

**4154 Public Hearing**  
(11.03.92, 15.03.05)

All hearings are held in public.

However, the Disciplinary Committee hearing the matter may, on its own initiative or upon request, order that a hearing be held in camera, in part or in whole, or prohibit the publication or disclosure of specific information or documents, in the interest of good morals or public order, particularly to preserve confidential business information or privileged communications or to preserve an individual's privacy or reputation.

**4155 Hearing Procedure**  
(22.03.88, 11.03.92, 15.03.05)

- a) Any person on whom an originating notice was served and that person's representatives is entitled to attend the hearing for the purpose of hearing the evidence, cross-examining the witnesses presented by the Bourse, presenting their own witnesses subject to the last paragraph of article 4152, and making representations to the Disciplinary Committee hearing the matter;
- b) Such person may be assisted by a lawyer at the hearing;
- c) If a written report in respect of the matter has been prepared by the Bourse and if the latter proposes to table such report at the hearing, a copy of such report must be given to the parties beforehand;
- d) The Disciplinary Committee may admit as evidence any documentary proof without a witness if the Committee is of the opinion that the rights of cross-examination would not be affected.
- e) In the event of a guilty verdict in disciplinary matters, the parties are entitled to be heard on the penalty to be imposed, unless the Disciplinary Committee has previously ruled that representations on the penalty shall be made prior to its deliberations on the merits.

**4156 Testimony**  
(11.03.92, 15.03.05)

Any person required to testify before the Disciplinary Committee must make a solemn declaration.

**4157 Obligation to Answer**  
(11.03.92, 15.03.05)

The Bourse has the right to question a person who is subject to a complaint or who is accused of having breached a provision of the regulations of the Bourse as well as to any other person under its jurisdiction, and such person shall be obliged to answer all questions.

**4158 Ex Parte Hearing**  
(22.03.88, 11.03.92, 15.03.05)

If a person notified of the hearing fails to attend the hearing specified in the notice of hearing, the Disciplinary Committee may proceed with the hearing and disposition of the matter on the date and at the time and place set out in the notice of hearing without further notice, and in the absence of the person, even if the person has served a reply in accordance with article 4152.

**4159 Deliberations**  
(11.03.92, 15.03.05)

The deliberations of the Disciplinary Committee hearing the matter must be made in the absence of any other person.

**4160 Decision**  
(11.03.85, 29.04.86, 11.03.92, 15.03.05)

- a) The decision of the Disciplinary Committee must be in writing and served on the person concerned.
- b) The Disciplinary Committee must give the reasons supporting its decision.
- c) A notice of the decision must be sent to the complainant, distributed to the approved participants and restricted trading permit holders of the Bourse, filed in the records of the Bourse and be made available to the public and the press.
- d) Notice of the decision must be given to such other persons designated by the Disciplinary Committee hearing the matter.

**4161 Report to the Special Committee**  
(11.03.85, 11.03.92, 15.03.05)

If no appeal has been brought at the expiry of the delay to appeal, the Disciplinary Committee that has conducted the hearing must report thereon to the Special Committee.

### **C. Settlement**

**4201 Offer of Settlement**  
(29.06.87, 11.03.92, 15.03.05)

The Bourse may accept at any time an offer of settlement from any person served with an originating notice.

**4202 Form of the Offer of Settlement**

(29.06.87, 11.03.92, 25.03.94, 15.03.05)

The offer of settlement must:

- i) be in writing in the form prescribed by the Bourse;
- ii) be signed by the person proposing the settlement; and
- iii) contain the following :
  - a) the provisions of the regulations that have been breached or not complied with, according to the Bourse;
  - b) a statement of the facts agreed upon by the Bourse and the person;
  - c) the disposition of the matter, including any penalty to be imposed and the amount of costs and expenses of the Bourse to be paid by the person;
  - d) the consent of the person to the settlement;
  - e) a statement that the settlement must be approved by the Special Committee or, in the cases provided for in article 4204, by an authorized officer, failing which it shall not bind the parties concerned, and the Bourse shall proceed with the hearing of the matter; and
  - f) a waiver by the person of all rights under the regulations of the Bourse to a hearing or to an appeal should the offer of settlement be accepted by the Special Committee or, in the cases provided for in article 4204, by an authorized officer.

**4203 Submission and Acceptance of an Offer of Settlement**

(29.06.87, 11.03.92, 15.03.05)

The offer of settlement must be submitted to an officer of the Bourse who, subject to article 4204, must refer the matter to the Special Committee which alone may decide whether to accept or reject the offer of settlement.

**4204 Acceptance by an Authorized Officer**

(11.03.92, 15.03.05)

An offer of settlement of a disciplinary matter may be approved by an officer of the Bourse when the penalty to be imposed is a reprimand, a fine not exceeding \$5,000, the penalty provided in paragraph h) of article 4105, or a combination of the three (3). Upon submission of the offer, the authorized officer must:

- i) accept the offer of settlement,
- ii) reject the offer of settlement, or
- iii) accept the offer with a lesser penalty than the one agreed upon.



**4205 Rejection of an Offer of Settlement**  
(29.06.87, 11.03.92, 15.03.05)

In the event that an offer of settlement is rejected by the Special Committee or by an authorized officer, as the case may be, the Bourse must proceed with the hearing of the matter.

**4206 Privilege of Settlement Offers**  
(11.03.92, 15.03.05)

All discussions in relation with the offer of settlement are without prejudice. No part of such a discussion must be used as evidence or referred to in any proceedings whatsoever.

**4207 Acceptance of a Settlement Offer**  
(11.03.92, 15.03.05)

In the event an offer of settlement is accepted by the Special Committee of the Bourse or, in the cases provided for in article 4204, by an authorized officer :

- i) the matter becomes final and the settlement constitutes a decision;
- ii) there can be no appeal of the matter;
- iii) the disposition of the matter agreed upon in the settlement must be recorded in the permanent records of the Bourse; and
- iv) a notice of the decision must be sent to the complainant, distributed to the approved participants and restricted trading permit holders of the Bourse, filed in the records of the Bourse and made available to the public and the press.

#### **D. Appeals**

**4251 Sole Jurisdiction of the Special Committee**  
(11.03.85, 11.03.92, 15.03.05)

An appeal from a decision of the Disciplinary Committee, any other committee of the Bourse or the staff of the Bourse may be brought before the Special Committee. The members of the Disciplinary Committee who participated to the hearing of the case in the first instance, can not participate to the hearing of the appeal by the Special Committee.

**4252 Delay of Appeal**  
(11.03.92, 15.03.05)

The appeal must be brought within ten (10) business days of the service of the decision.

**4253 Notice of Appeal**  
(11.03.92, 15.03.05)

Any appeal of a decision of the Disciplinary Committee, of another committee of the Bourse, or of a member of the staff of the Bourse must be brought by filing a written notice of appeal with the Secretary

of the Bourse. The notice must contain a brief statement of the grounds for appeal and be served upon the parties.

**4254 Security for Costs**  
(11.03.92, 15.03.05)

When the appeal appears abusive, dilatory, frivolous, or for some other special reason, the Special Committee may, upon request, order the appellant to furnish, within a set delay, security to guarantee, in whole or in part, the payment of the costs of appeal, the amount of the fine and the costs and expenses listed in article 4106, should the appeal be dismissed.

If the appellant does not furnish security within the prescribed delay, the Special Committee may dismiss the appeal.

**4255 Appeal Briefs**  
(11.03.92, 17.06.98, 15.03.05)

Within fifteen (15) business days of the filing of the notice of appeal, the appellant must file with the Secretary of the Bourse a brief containing the appellant's arguments, in nine (9) copies, and must serve another copy on the respondent.

Within fifteen (15) business days of the receipt of the appellant's brief, the respondent must file with the Secretary of the Bourse nine (9) copies of the respondent's brief and serve another copy on the appellant.

If the appellant fails to file the brief within the above-mentioned delay, the appeal may be dismissed upon application to the Special Committee.

**4256 Stay of Execution**  
(11.03.92, 15.03.05)

Unless otherwise ordered by the Special Committee, an appeal suspends the execution of the decision of the Disciplinary Committee or of the staff of the Bourse when such decision imposes a penalty other than those provided for under paragraphs c), d), e) and f) of article 4105.

However, the suspension of the rights of an approved participant, approved person or restricted trading permit holder, the prohibition to obtain an approval, the expulsion of an approved participant and the revocation of a permit or of an approval of the Bourse is executory, notwithstanding appeal, unless otherwise ordered by the Special Committee.

**4257 Hearing of the Appeal and Additional Evidence**  
(11.03.92, 15.03.05)

The appeal is argued on the basis of the file in first instance and of the appeal briefs.

However, in exceptional circumstances and if the ends of justice so require, the Special Committee may authorize the presentation of additional evidence.

**4258 Applicable Rules**  
(11.03.92, 15.03.05)

Subject to the provisions of this Subsection D, the same rules as set forth in articles 4153 and following apply to any hearing before the Special Committee, with the necessary changes.

**4259 Disqualification**  
(11.03.85, 11.03.92, 15.03.05)

- a) No officer of the Bourse is eligible to sit at a hearing in first instance or on appeal.
- b) A member of the Special Committee who has any grounds for recusation pursuant to article 4104 is not eligible to sit in appeal from a decision.

**4260 Appeal Under the Securities Act**  
(11.03.92, 15.03.05)

Any appeal from a decision of the Special Committee is governed by the Quebec Securities Act.

**Section IV**  
**Summary Proceedings**

**4301 Intervention by the Bourse**  
(11.03.85, 11.03.92, 15.03.05)

- a) Where the Special Committee deems it necessary for the protection of the public and the reputation of the Bourse, it may suspend an approved participant or suspend or revoke approval of any person without following the procedures set forth in articles 4151 and following, provided that the Bourse issues forthwith a notice of hearing and convene a hearing within the following fifteen (15) business days.
- b) Articles 4302 to 4306 provide examples of circumstances which may cause the Special Committee to intervene without notice, but the power of the Special Committee to intervene pursuant to paragraph a) shall not be limited to such circumstances.

**4302 Conviction**  
(11.03.85, 11.03.92, 15.03.05)

- a) If any approved participant, approved person or restricted trading permit holder is convicted of a crime or of an infraction in connection with trading in securities or futures contracts or of an offence under any statute or regulation applicable to securities or derivative instruments, or if any approved participant, approved person or restricted trading permit holder has their registration or license under any such statute or regulation suspended or revoked, the Special Committee may, without any notice, hearing or formality whatsoever, suspend the approved participant, approved person or restricted trading permit holder and withdraw the approval of such approved person pending the completion of all appeal proceedings relating to such conviction, suspension or revocation;
- b) if no appeal is launched within the prescribed delay from such conviction, suspension or revocation, or if such a conviction, suspension or revocation is made or upheld in appeal, the Special Committee may thereupon, without any notice, hearing or formality whatsoever, suspend or expel such approved

participant, or suspend or revoke the permit of such restricted trading permit holder and suspend or revoke the approval of such approved person.

**4303 Expulsion or Suspension by Another Exchange**

(11.03.85, 11.03.92, 15.03.05)

If any approved participant, approved person or restricted trading permit holder is suspended, expelled or has their approval or permit suspended, withdrawn or revoked by another exchange or self-regulatory organization, the Special Committee may suspend or expel such approved participant or suspend or revoke the approval or permit of such approved person or restricted trading permit holder, provided that the Bourse shall forthwith issue a Notice of Hearing and convene a hearing within the following fifteen business (15) days.

**4304 Failure to Provide Information or to Appear**

(11.03.85, 11.03.92, 15.03.05)

If any approved participant, employee of an approved participant, approved person or restricted trading permit holder refuses or neglects to provide information or to appear before the Bourse in the manner prescribed by the regulations of the Bourse, the Special Committee may without any notice, hearing or formality whatsoever, suspend the approved participant, approved person or restricted trading permit holder until the information has been provided or the appearance has been made.

**4305 Interim Orders for Unsatisfactory Financial Condition or Practices**

(11.03.85, 14.08.90, 11.03.92, 15.03.05)

a) Notwithstanding anything to the contrary contained in any other provision of the regulations of the Bourse, if following any inspection or investigation with respect to the business, affairs or conduct of an approved participant, approved person or restricted trading permit holder, whether made pursuant to the regulations of the Bourse, the Securities Act or otherwise, or if, on the basis of any reliable information otherwise obtained by or given to the Bourse, it is established that:

- i) such approved participant or restricted trading permit holder is insolvent or does not have the risk adjusted capital required under the regulations of the Bourse;
- ii) the financial or general condition of such approved participant or restricted trading permit holder is such that it is or may become detrimental to the reputation of the Bourse or to the interests or welfare of the Bourse or the public;
- iii) the system of book or record keeping or accounting used by such approved participant or restricted trading permit holder is unsatisfactory; or
- iv) the methods or practices adopted by such approved participant, approved person or restricted trading permit holder in carrying on business may be detrimental to the reputation of the Bourse or to the interests or welfare of the Bourse or the public;

the Special Committee may impose without any notice, hearing or formality whatsoever, one or more of the interim orders described in paragraph b) hereunder.

b) The interim orders that may be imposed pursuant to paragraph a) are:

- i) the suspension of the approved participant or of any of the rights and privileges of the approved participant, approved person or restricted trading permit holder for a period and upon the terms and conditions, if any, determined by the Special Committee;
- ii) the suspension or amendment of the terms and conditions of a previously granted approval;
- iii) the imposition of any terms and conditions that must be satisfied by a person to continue as an approved participant, approved person or restricted trading permit holder; or
- iv) the imposition of any other terms, conditions or instructions deemed appropriate in the circumstances including, without limitation :
  - 1. imposing special or additional capital requirements taking into account the circumstances of the approved participant's business or its financial condition;
  - 2. restricting one or more sectors of the approved participant's operations with a view to reducing its future liabilities;
  - 3. requiring the attendance at the approved participant's premises, for the surveillance of its affairs, of employees or representatives of the Bourse according to such terms of reference as the Special Committee may decide upon in the circumstances;
  - 4. changing the banking resolutions and instructions for clearing and delivery of securities in order to ensure surveillance and restriction of payments and deliveries which otherwise might affect the approved participant's ability to meet its obligations to arms-length clients and creditors;
  - 5. requiring the mailing of notices to clients in terms specified by the Bourse.
- c) If interim orders are imposed pursuant to the above paragraph b), the Bourse must issue a notice of hearing to be held within fifteen (15) business days following the Special Committee's decision unless the parties agree to an extension of the delay or to a waiver of the hearing.
- d) Interim orders imposed by the Special Committee remain in force until the hearing is held, at which time the orders may be confirmed, set aside or modified.

**4306 Defaulters**

(11.03.85, 11.03.92, 13.04.99, 15.03.05)

- a) An approved participant, an approved person or a restricted trading permit holder may be declared a defaulter by the Special Committee without any notice, hearing or formality whatsoever in any of the following cases:
  - i) the approved participant, the approved person or the restricted trading permit holder fails to pay on demand any assessment, fee or charge which has become due to the Bourse pursuant to the regulations of the Bourse or its list of fees, or any other indebtedness to the Bourse, such as a fine, or the costs of a hearing, investigation or surveillance operation;
  - ii) the approved participant, the approved person or the restricted trading permit holder fails to meet or admits or discloses his inability to meet his liabilities or obligations to the Bourse, the

clearing corporation, another approved participant, restricted trading permit holder, or to the public;

- b) An approved participant, an approved person or a restricted trading permit holder who is declared a defaulter by the Special Committee who makes an assignment of his property under the Bankruptcy and Insolvency Act or against whom a receiving order is issued under this same law shall automatically be suspended.
- c) If the cause of such default is not corrected to the satisfaction of the Special Committee within fourteen (14) business days after a person was declared a defaulter or such other period as the Special Committee may decide, the approved participant may be expelled, or the approval of the approved person or the permit of the restricted trading permit holder may be suspended or revoked by the Special Committee without any notice, hearing or formality whatsoever.
- d) No approved participant shall do business for the account of a defaulter without the written consent of the Special Committee.

**4307 Closing Out Contracts Against Defaulters and Bankrupts**

(11.03.85, 11.03.92, 15.03.05)

a) Exchange Trades

- i) All outstanding exchange trades with a defaulter or with a bankrupt or insolvent approved participant shall be closed out by the other approved participants concerned at the first trading session at which this can reasonably be done after the notice of the default, bankruptcy or insolvency has been received or posted, otherwise the prices quoted at such trading session shall be held to be the basis for the settlement of claims. However the Special Committee in its entire discretion may postpone the time for closing out any or all such trades.
- ii) Any profit on a closed-out trade shall be paid to the Bourse and any claims for losses shall be filed with the Bourse. All losses shall be settled from out of the profits and any surplus remitted to the defaulter or the trustee or liquidator.

b) Non-Exchange Trades

- i) All outstanding contracts other than exchange trades with a defaulter or with a bankrupt or insolvent approved participant shall be closed out by the other approved participants concerned as soon as this can reasonably be done after the receipt or posting of the notice of default, bankruptcy or insolvency; otherwise the price quoted at such time shall be held to be the basis for the settlement of claims.. However, the Special Committee in its discretion may postpone the time for closing out any or all such trades.
- ii) Profits and losses shall be dealt with in the manner provided in sub-paragraph a) ii) above.

**4308 Reinstatement of Defaulters**

(11.03.85, 11.03.92, 15.03.05)

An approved participant who has been expelled may apply to the Special Committee for reinstatement as an approved participant. No one may be reinstated as an approved participant pursuant to the present article, if:

- a) the approved participant was expelled pursuant to a provision of the regulations of the Bourse other than those covered by articles 4301 and following;
- b) the approved participant is insolvent or bankrupt;
- c) the Special Committee is not satisfied that the approved participant is no longer in default of any of its liabilities or obligations;
- d) the application for reinstatement is not approved by the Special Committee.

## **Section V Responsibility**

### **4351 Responsibility of Approved Participants** (11.03.85, 11.03.92, 15.03.05)

An approved participant may be found liable by the Bourse for the conduct of one of its approved person or employee . The approved participant shall be subject to the same penalties as if it had engaged itself in that conduct and the imposition of any penalty against an approved participant does not prevent the imposition by the Bourse of any penalty against any of the approved persons or employees of such approved participant in respect of the same facts.

### **4352 Responsibility of Partners, Directors and Officers of Approved Participant** (11.03.85, 11.03.92, 15.03.05)

Any partner, director or officer of an approved participant may be found liable by the Bourse for the conduct, business or affairs of the approved participant if they had responsibility for same, in fact or in law, and shall be subject to the same penalties as if they had engaged themselves in that conduct, business or affairs.

The imposition of any penalty against any partner, director or officer of an approved participant does not prevent the imposition by the Bourse of any penalty against the approved participant in respect of the same facts.

### **4353 Responsibility of Supervisors** (11.03.85, 11.03.92, 15.03.05)

An approved person or an employee of an approved participant who has authority over, supervises or is responsible to the approved participant for another approved person or employee of the approved participant may be found liable by the Bourse for the conduct of the approved person or employee under their supervision and shall be subject to the same penalties as if they had themselves engaged in that conduct.

The imposition of any sanction against a supervising approved person or employee does not prevent the imposition by the Bourse of any penalty against the supervised approved person, or employee, or the approved participant in respect of the same facts.

**Section VI**  
**Miscellaneous Provisions**

**4401 Service**

(11.03.85, 11.03.92, 15.03.05)

- a) For the purposes of this Rule :
- i) any document required to be served on the Bourse must be addressed to the attention of the Secretary of the Bourse and delivered by messenger or by registered mail, in either case, with proof of receipt signed by a representative of the Bourse;
  - ii) any document required to be served on any person other than the Bourse must be served by delivering it directly to the person or by sending it by registered mail addressed to the person to their latest residence or business address shown in the records of the Bourse;
- b) If it is not possible to serve a document in accordance with the requirements of paragraph a) ii), the Bourse may use any other manner of service that is likely to bring the document to the attention of the person.
- c) An affidavit signed by an employee or representative of the Bourse attesting that the service requirements of subparagraph a) ii) have been complied with is sufficient proof of service.

**4402 Computation of Delay**

(11.03.85, 11.03.92, 15.03.05)

In computing any delay fixed by this Rule, the day which marks the start of the delay is not counted, but the terminal day is counted.

**4403 Severability**

(11.03.92, 15.03.05)

The powers and procedures provided for in this Rule are to be construed as severable, and the in validity of any provision hereof shall not affect the validity of any other provision of this Rule.

**4404 Transitional Provision**

(11.03.92, 15.03.05)

The present rules take effect immediately but shall not apply to any matter in which a hearing has already begun.



**RULE FIVE**

**MISCELLANEOUS RULES**

**Section 5001 - 5100  
Business Day**

**5001 Business Day**  
(25.02.94, 15.03.05)

Unless indicated otherwise, as to particular days, the term "business day" means any day on which the Bourse is open for business. However, on any business day that settlement may not occur through the clearing corporation, settlements ordinarily due on such a day shall be due on the following business day.

**5002 Montréal Local Time**  
(15.03.05)

The Bourse shall conform to local Montréal time.

**Section 5101 - 5125  
Canadian Investor Protection Fund**

**5101 Canadian Investor Protection Fund**  
(15.03.05)

The terms of any agreement entered into by the Bourse with other exchanges or other self-regulatory organizations of the securities industry in Canada in order to provide for the protection of the Bourse and of the public in the event approved participants would become insolvent or unable to meet their liabilities to their customers shall be binding on approved participants. No approved participant shall act contrary to the terms of any such agreement or expose the Bourse to liability thereunder.

Without restricting the above, all approved participants must pay the assessments levied for the purposes of the Canadian Investor Protection Fund.

**5102 Display as Canadian Investor Protection Fund Participant**  
(01.01.95, 15.03.05)

1) Definitions

For the purposes of this article, the term:

"advertising" means any promotional material used in or on any media such as any newspaper, magazine, radio, video, television, telephone or cassette recording, motion picture, slide presentation or sign, billboard or Internet;

"CIPF" means the Canadian Investor Protection Fund;

"CIPF official explanatory statement" means the following statement:

"Customers' accounts are protected by the Canadian Investor Protection Fund within specified limits. A brochure describing the nature and limits of coverage is available upon request."

or such other statement as may be prescribed by the CIPF for use by approved participants;

"CIPF official brochure" means any brochure or publication prescribed by the CIPF for use by approved participants;

"CIPF official symbol" means the symbol, mark or other designation prescribed by the CIPF for use by approved participants with the word "Member" appearing on top of the official symbol.

## 2) Display at Premises

Each approved participant must conspicuously display in a prominent place at each of its locations to which customers have access the CIPF official symbol. No approved participant shall be required to display the CIPF official symbol until 30 days after the first day of operations as an approved participant.

## 3) Account Statements and Confirmations

Each approved participant must include on the front of each confirmation and account statement sent to a customer the CIPF official symbol. Also, they must include in legible print on either the front or the back (at the approved participant's option) the CIPF official explanatory statement.

## 4) CIPF Official Brochure

Each approved participant must make available to its customers, on request, the current version of the CIPF official brochure.

## 5) Advertising

Each approved participant must include in any written, visual or audio advertising the words "Member CIPF" together with, at the option of the approved participant, a reproduction of the CIPF official symbol. Except as provided in this paragraph, no approved participant shall display or include in any advertising, promotional or other materials any symbol, statement or explanation relating to the CIPF or its membership in the CIPF, other than the ones prescribed by the CIPF.

## 6) Members of the CIPF

For the purposes only of complying with this article and to the extent permitted by the CIPF, approved participants must identify themselves as members of CIPF.

## 7) Termination of CIPF Membership

Upon its resignation, suspension or revocation, each approved participant must immediately cease using the CIPF official explanatory statement, the official brochure or the official symbol, and must immediately cease identifying itself as a member of the CIPF.

8) Exemptions

An approved participant may be exempted from all or part of the requirements of paragraph 5) to the extent prescribed by CIPF.

**Section 5126 - 5200**  
**Brokers' Clearing Fund**  
(abr. 15.03.05)

**5126 Creation of Fund**  
(abr. 15.03.05)

**5127 Financing**  
(abr. 15.03.05)

**5128 Advances from Reserves**  
(abr. 15.03.05)

**5129 Benefits**  
(abr. 15.03.05)

**5130 Exclusions**  
(abr. 15.03.05)

**5131 Failure to Pay Assessments**  
(abr. 15.03.05)

**5132 Winding-up**  
(abr. 15.03.05)

**Section 5201 - 5250**  
**Disputes - Arbitration**

**5201 Arbitration of Disputes**  
(07.05.97, 15.03.05)

Any dispute arising between approved participants regarding a Bourse contract must be submitted to the majority decision of three arbitrators appointed as hereinafter provided.

**5202 Appointment of Arbitrators**  
(15.03.05)

The procedure for the appointment of the arbitrators shall be as follows. The approved participant believing himself to be the injured party shall deliver to the Secretary of the Bourse a written memorandum in triplicate, stating in a summary way the matter in dispute and the redress he claims, and appointing an arbitrator. The Secretary shall forward one copy of such memorandum to the opposite party, who shall within seven business days after receipt thereof file with the Secretary a written memorandum in triplicate containing his statement of the matter in dispute, and appointing an arbitrator. The Secretary shall forward one copy thereof to the opposite party and copies of both memoranda to the arbitrators so appointed, and the latter shall proceed within forty-eight hours after receipt of the

memoranda to appoint a third arbitrator. If a party fails to appoint an arbitrator, the Bourse shall appoint one for him, and in the event of the two arbitrators already appointed failing to appoint the third arbitrator within the time set above, he shall be appointed by the Bourse.

**5203 Arbitration Hearing**  
(15.03.05)

The three arbitrators so appointed must forthwith give written notice to the parties of the date, time and place of their first sitting, which shall be held within seven days after the appointment of the third arbitrator and at which the parties shall be required to be present and to produce any books or documents respecting the matter in dispute. The arbitrators shall hear the parties, receive such evidences as they may deem necessary, make their award and fix the costs of the arbitration within thirty days from the date of the first sitting or such other period as the parties may agree upon. They shall forward their award in writing to the Secretary of the Bourse who shall give notice thereof to all the parties concerned.

**5204 Court Proceedings**  
(15.03.05)

Submission to arbitration in accordance with this section shall be a condition precedent to any legal proceedings between approved participants with reference to an exchange contract.

No approved participant shall commence legal proceedings against another approved participant with reference to an exchange contract unless and until he has given due notice thereof to the Special Committee.

**5205 Persons other than approved participants**  
(15.03.05)

A person or an entity who is not an -approved participant may submit to arbitration under this section any dispute with an approved participant and relating to a Bourse contract.

**5206 Costs**  
(15.03.05)

The arbitrators may require that prior to an arbitration hearing the parties deposit with the Secretary of the Bourse such sum as an advance on the costs for which the parties or either of them may be adjudged liable.

**5207 Arbitration award and failure to Comply**  
(15.03.05)

Any approved participant who fails to comply with any arbitration award shall deemed to be guilty of an act detrimental to the interest and welfare of the Bourse.

**5208 Multiparty Disputes**  
(15.03.05)

When more than two parties are involved in a dispute which is subject to arbitration, the rules set forth in articles 5201 to 5207 above shall apply mutatis mutandis. Each party to the dispute shall be entitled to appoint an arbitrator, and in the event that an even number of parties is involved, the arbitrators appointed

by or for them shall appoint an additional arbitrator in the manner provided in article 5202. In the event that an uneven number of parties is involved, the arbitrators appointed by or for them shall appoint two additional arbitrators in the manner provided in article 5202.

**Section 5251 - 5300**

**Fees and Charges**

**5251 Fees and Charges**  
(15.03.05)

The Bourse may levy fees and charges as determined from time to time by the Board of Directors in respect of services or facilities provided by the Bourse.

The Bourse may require, in exceptional circumstances, to be reimbursed for the costs of its professional fees for the services of its lawyers and accountants in accordance with their hourly rate.

**Section 5301 - 5350**  
**Electronic Records**

**5301 Electronic Records**  
(15.03.05)

An approved participant is permitted to maintain required records and documents in electronic form provided that :

- a) such records are retained for the required time and are protected against loss or falsification, and
- b) the approved participant provides means for making the records available for inspection in a complete and intelligible form within a reasonable period of time.

**Section 5351-5400**  
**Exchange Reorientation**  
(22.11.99, abr. 12.02.02)