RULE SEVEN
OPERATIONS OF APPROVED PARTICIPANTS

Section 7001 - 7075
Financial Conditions - General

7001 Compliance with the requirements of the Securities Act
(01.04.93, 13.09.05)

Every approved participant must comply with the requirements of the Securities Act relating to the regulation of brokerage and accounts, examination and information and must provide or make available to the vice-president of the Regulatory Division of the Bourse all information which he may request for the purpose of any examination or investigation being made by him of the business or operations of such approved participant. Failure to comply with any of the provisions of the said Act or with any requirements of the Bourse pursuant thereto shall be deemed an act detrimental to the interest and welfare of the Bourse.

7002 Form of Reports
(01.04.93, 13.09.05)

The Special Committee may set the scope, basis and form of accounting audits, balance sheets, reports and statements prepared by approved participants' auditors under the provisions of the Securities Act and the system of book or record keeping and accounting to be used by approved participants in connection with the carrying on of their business.

7003 Disclosure to Customers of Approved Participants' Financial Condition
(30.10.89, 01.02.93, 01.04.93, 13.09.05)

1) Approved participants or related companies, where applicable, must make available to their clients, on request, a statement of their financial condition as of the close of their latest financial year and based on the latest annual audited financial report filed with the Bourse provided that in order to prepare such statement, they have 75 days from the close of such financial year.

   Instead of the statement referred to in the preceding paragraph, approved participants or related companies, where applicable, which are also members or participants of any exchange in Canada or the United States may make available to clients the audited statement of financial condition which complies with the requirements of such other exchange.

2) A statement of financial condition must be made available to clients by those approved participants or related companies, who issue confirmations or monthly statements to such clients.

3) The statement of financial condition which is made available to clients must be accompanied by a report of the auditor of the approved participant or related company.

4) Any statement of financial condition published in a newspaper or other medium must be in the same form and of the same substance as the statement made available to customers.

5) As a minimum, the statement of financial condition of the approved participant must contain information under the following or similar headings:

ASSETS

Cash

Accounts receivable from brokers

Accounts receivable from clients

Inventory of securities (at the lower of cost or market value or at market value - state basis of valuation)

Investments in related companies and other companies

Other material assets (state basis of valuation)

Goodwill

LIABILITIES

Bank loans - secured

Accounts payable to other brokers and dealers

Accounts payable to clients

Accounts payable and accrued expenses

Securities sold short (at the higher of cost or market value or at market value - state basis of valuation)

Other material liabilities

CAPITAL

(including subordinated loans and retained earnings).

7004 Publication of a Consolidated Statement of Financial Condition
(01.02.93, 01.04.93, 13.09.05)

An approved participant may publish in a newspaper or other medium in Canada a statement of financial condition prepared on a consolidated basis with any holding company, related company or subsidiary of the approved participant. In the case of a consolidated statement of financial condition of an approved participant with a holding company, related company or subsidiary having a name similar to that of the approved participant, such statement must be accompanied by a note to the effect that the statement contains information relating to corporations which may not be subject to regulatory review in Canada. If an approved participant fails to include such note in its consolidated statement of financial condition, he must, simultaneously with publication, send to each of its clients an unconsolidated statement of his financial condition.

7005 Definitions
(01.04.93, 13.09.05)

For the purposes of Rule Seven, unless otherwise specified, terms used are defined either in article 1102 or in the Joint Regulatory Financial Questionnaire and Report of Policy C-3.

7006 Capital Requirements
(01.04.93, 13.09.05)

No approved participant must permit his risk adjusted capital to be less than zero, other than pursuant to a specific temporary exemption granted by the Bourse due to unusual circumstances. Each approved participant must promptly notify the vice-president of the Regulatory Division of the Bourse if and whenever his risk adjusted capital is less than zero.

The method of computation and the requirements as to risk adjusted capital can be found in the Joint Regulatory Financial Questionnaire and Report in Policy C-3. The Bourse may modify the method of computation and the requirements as to risk adjusted capital.

Risk adjusted capital must be established after taking into account all such deductions that the Special Committee may generally make applicable, including any special deductions deemed appropriate in individual cases in order to recognize special situations and the additional risk of loss inherent in large holdings or concentration of particular securities. It is incumbent upon every approved participant, on his own initiative and whether or not any formal pronouncement has been made by the Bourse with regard to the need for a particular special deduction, to make all such special deductions as may be necessary in computing risk adjusted capital.

The Special Committee has full discretion as to the necessity and sufficiency of special deductions in any particular case, and its decisions are not limited to the ordinary margin requirements of the Bourse but may take into consideration all factors pertaining to the market for the concerned security or futures contract and the affairs as a whole of the concerned approved participant.

7007 Restricted Trading Permit Holders
(01.05.89, 01.04.93, 13.09.05)

Restricted trading permit holders who are not dealing with the public, except in the capacity of trading representative for an approved participant, are not required to maintain any minimum net worth. However, they must make an annual declaration to the Bourse that their status in this respect has not changed during the past year.

Restricted trading permit holders who clear their transactions through a clearing approved participant must maintain a net worth equal to $25,000.

If, in addition, these restricted trading permit holders act as market-makers or as traders in futures contracts, they must, in addition to the net worth required in the preceding paragraph, maintain an additional net worth

1) as market makers:

of $10,000 per assignation up to a maximum of $25,000;

2) as futures contracts traders:

   $25,000.

For the purpose of this article, "net worth" means the excess of cash and marketable securities, marked to market, over the aggregate liabilities.

This requirement is deemed satisfied if a letter of guarantee, in a form prescribed by the Bourse and containing a provision regarding the maintenance of "net worth", has been issued and is still in effect on behalf of such restricted trading permit holder by the clearing approved participant and in accordance with article 6082. The clearing approved participant must provide against its own capital any deficiency of "net worth" in the account of the restricted trading permit holder approved participant for whom it has issued a letter of guarantee.

7008 Joint Account
(01.04.93, 13.09.05)

1) A restricted trading permit holder who is a market-maker and does not deal with the public may have a joint account agreement with one other person who may not be an approved participant of the Bourse. Each joint account agreement must comply with the requirements of the Bourse, including disclosure for all other securities accounts in which the partner who is not an approved participant has a direct or an indirect interest and be approved by the Bourse. Such approval may be withdrawn at the discretion of the Bourse.

2) Each market-maker who makes an arrangement to finance his transactions in securities on which he has been appointed must inform the Bourse of the name of the creditor and the terms of such arrangement. The Bourse must be informed immediately of the intention of any party to terminate or change any such arrangement, or to issue a margin call.

3) On request, a market-maker must submit to the Bourse a monthly report of his use of credit pursuant to the present rule.

7009 Subordinated Loans
(01.04.93, 13.09.05)

All subordinated loans whether cash or securities or both, where the proceeds are to be considered in the computation of the risk adjusted capital must be substantiated by the completion of a subordinated loan agreement in the form prescribed by the Bourse. Any reduction of a subordinated loan must also be approved by the Bourse.

An approved participant must not make advances to a subordinated lender where, in the opinion of the Bourse, these advances could be considered as a direct or indirect reduction of capital or subordinated loans. Advances made in the normal course of business and for commercial purposes are allowed but other types of advances must be first approved by the Bourse.

7010 Early Warning System
(01.09.89, 01.07.91, 01.10.92, 01.04.93, 11.03.98, 08.05.03, 29.07.03, 13.09.05)

1) No transaction, of the type of those described in subparagraph 2 e) iv) of the present article and the undertaking of which would place the approved participant into the Early Warning System, must be

done without prior notice to the vice-president of the Regulatory Division of the Bourse and prior written authorization from him to complete such transaction.

2) LEVEL 1 An approved participant is deemed to be in the early warning category Level 1 when one of the following situations occurs:

a) the risk adjusted capital of the approved participant is less than 5% of the aggregate of the total margin required for the approved participant;

b) the quotient based upon dividing the risk adjusted capital by the average (when the average is a loss) of the preceding six months net profits or losses (before interest on internal subordinated debt, bonuses, income taxes and extraordinary items) is:

i) for two consecutive months, greater or equal to 3, but less than 6;

ii) for the current month, greater or equal to 3, but less than 6 and for the preceding month, less than 3;

c) the risk adjusted capital of the approved participant is less than 6 times the net loss (before interest on internal subordinated debt, bonuses, income taxes and extraordinary items) of the approved participant for the current month;

d) the Early Warning Reserve is negative; or

e) the situation of the approved participant, at the discretion of the vice-president of the Regulatory Division of the Bourse, is not satisfactory for any reason including, without limitation, financial or operating difficulties, problems arising from record keeping conversion or significant changes in clearing methods, the fact that the approved participant is a new approved participant or that he has been late in filing reports required pursuant to the regulations of the Bourse;

in these cases, the following provisions apply:

i) when in the normal course of its capital surveillance activities, the approved participant realizes that he has crossed the threshold that activates the Early Warning System Level 1, then he must promptly notify in writing the vice-president of the Regulatory Division of the Bourse. The notice must be provided by letter signed by the Chief Executive Officer and the Chief Financial Officer of the approved participant and must contain the following information:

[1] which circumstances in paragraphs a), b), c) or d) are applicable;

[2] an outline of the problems associated with the circumstances that triggered the Early Warning;

[3] an outline of the proposal of the approved participant to rectify the problems identified; and

[4] an acknowledgment that the approved participant is in an Early Warning category and that the restrictions contained in sub-paragraph iv) of the present article apply;

A copy of said notice must be provided to the approved participant’s external auditor and to the Canadian Investor Protection Fund.

ii) the vice-president of the Regulatory Division of the Bourse must immediately designate the approved participant as being in Level 1 of the Early Warning System and must deliver to each of the Chief Executive Officer and Chief Financial Officer a letter containing the following:

[1] advice that the approved participant is designated as being in level 1 of the Early Warning System;

[2] a request that the approved participant files its next monthly financial report no later that 15 business days therefrom or, in the discretion of the vice-president of the Regulatory Division of the Bourse if he considers it to be necessary, at such earlier time following the end of the relevant month;

[3] a request that the approved participant provides the notice required under sub-paragraph e) i), if this has not already been done, and any additional information as required in sub-paragraph e) iii) and a statement that the notices received pursuant to sub-paragraphs e) i) and e) iii) will be forwarded to the Canadian Investor Protection Fund and may be forwarded to any securities commission having jurisdiction over the approved participant;

[4] advice that the restrictions referred to in subparagraph e) iv) of the present article apply to the approved participant; and

[5] such other information as the vice-president of the Regulatory Division of the Bourse considers relevant.

iii) within five business days of receipt of the letter referred to in subparagraph e) ii), the Chief Executive Officer and the Chief Financial Officer of the approved participant must respond to the vice-president of the Regulatory Division of the Bourse by letter signed by them both, with a copy to be sent to the external auditor of the approved participant. This letter must contain the information and acknowledgment required pursuant to sub-paragraph e) i) 2), 3) and 4), to the extent not previously provided, or an update of such information if any circumstances or facts have changed materially;

iv) if and so long as the approved participant remains designated as being in this Early Warning category, it must not, without the prior written consent of the vice-president of the Regulatory Division of the Bourse:

[1] reduce its capital in any manner including the re-purchase or cancellation of any of its shares;

[2] reduce or repay any subordinated indebtedness;

[3] make directly or indirectly any payments by way of loan, advance, bonus, dividend, repayment of capital or other distribution of assets to any director, officer, partner, shareholder, related company or subsidiary; or

[4] increase its non-allowable assets unless a prior binding commitment to do so exists or enter into any new commitments, which would have the effect of materially increasing the non-allowable assets of the approved participant;

v) if and so long as the approved participant remains designated as being in this Early Warning category, it must continue to file its monthly financial reports within the time specified pursuant to subparagraph e) ii) 2) of the present article;

vi) as soon as practicable after the approved participant is designated as being in this Early Warning category, the vice-president of the Regulatory Division of the Bourse must conduct an on-site review of the approved participant's procedures for monitoring capital on a daily basis and prepare a report as to the results of this review;

vii) the vice-president of the Regulatory Division of the Bourse must also advise the Examination Subcommittee of the fact that an approved participant has been designated as being in an Early Warning Category Level 1 without naming the approved participant.

3) LEVEL 2 An approved participant is deemed to be in Early Warning Level 2 when one of the following situations occurs:

a) risk adjusted capital of the approved participant is less than 2% of the aggregate of the total margin required for the approved participant;

b) the quotient based upon dividing the risk adjusted capital of the approved participant by the average (where the average is a loss) of the preceding six months net profits or losses (before interest on internal subordinated debt, bonuses, income taxes and extraordinary items) is:

i) less than 3, for two successive months;

ii) greater or equal to 3, but less than 6 for the current month and less than 3 for the preceding month;

c) the sum (where the sum is a loss) of the preceding three months net profit or loss (before interest on internal subordinated debt, bonuses, income taxes and extraordinary items) exceeds the risk adjusted capital at the end of the third month;

d) the risk adjusted capital of the approved participant is less than three times its net loss (before interest on internal subordinated debt, bonuses, income taxes and extraordinary items) for the immediately preceding completed month;

e) the Early Warning Excess is negative;

f) the approved participant has been on Early Warning 3 times in the last 6-month period;

g) one or the other of the two profitability tests triggers Level 1 in conjunction with capital or liquidity tests of Level 1;

h) the condition of the approved participant, at the sole discretion of the vice-president of the Regulatory Division of the Bourse, is not satisfactory for any reason including, without limitation, financial or operating difficulties, problems arising from record keeping conversion or significant changes in clearing methods, the fact that the approved participant is a new approved participant or that he has been late in filing the reports required by the regulations of the Bourse;

in these cases, the following provisions apply in addition to the provisions of Level 1 which must continue to apply, except to the extent inconsistent with paragraph 3:

i) when in the normal course of its capital surveillance activities, the approved participant realizes that he has crossed the threshold that activates the Early Warning System Level 2, then he must promptly notify in writing the vice-president of the Regulatory Division of the Bourse. The notice must be provided by letter signed by the approved participant's Chief Executive Officer and Chief Financial Officer;

ii) the approved participant must file a weekly financial report containing the same information required in a monthly financial report no later than 5 business days or, if the vice-president of the Regulatory Division of the Bourse considers it to be necessary, at such earlier time;

iii) the Chief Executive Officer and the Chief Financial Officer of the approved participant must be called to meet the vice-president of the Regulatory Division of the Bourse to outline the proposals of the approved participant for rectifying the problems which account for the approved participant being designated as being in Early Warning Level 2;

iv) the approved participant must report weekly in a format satisfactory to the vice-president of the Regulatory Division of the Bourse aged segregation deficiencies and indicate their resolution;

v) the approved participant must pay the costs associated with any special examination or monitoring deemed necessary by the vice-president of the Regulatory Division of the Bourse;

vi) the approved participant may be subject, at the discretion of the vice-president of the Regulatory Division of the Bourse, to a reduced allowable free credit ratio;

vii) the vice-president of the Regulatory Division of the Bourse may require from the approved participant and the latter must then elaborate and provide, in such time and for such period as the vice-president of the Regulatory Division of the Bourse deems expedient, a business plan relating to its business in order to answer his questions;

viii) the vice-president of the Regulatory Division of the Bourse may request and the approved participant must provide in such time as the vice-president of the Regulatory Division of the Bourse considers necessary, such reports or information, on a daily or a less frequent basis, as may be necessary or desirable in the opinion of the vice-president of the Regulatory Division of the Bourse to assess and monitor the financial condition or operations of the approved participant;

ix) the vice-president of the Regulatory Division of the Bourse, as soon as practicable after he has designated an approved participant as being in Level 2 of the Early Warning System, must prepare and submit a report to the Examination Subcommittee outlining the financial and operational conditions of the approved participant and must, at its request, identify the approved participant to the Examination Subcommittee;

x) the vice-president of the Regulatory Division of the Bourse may, without according the approved participant a hearing, issue a proposed order that prohibits an approved participant from opening any new branch offices, hiring any new registered representatives or investment representatives, opening any new customer accounts or changing in any material respect its inventory positions. If the vice-president of the Regulatory Division of the Bourse imposes any

such prohibitions pursuant to the present article, he must give written notice to the approved participant and the approved participant may request in writing within three (3) business days of receipt of notice that the proposal be reviewed by members of the Examination Subcommittee. If no request for review is made, the order must apply as of such date designated by the vice-president of the Regulatory Division of the Bourse, occurring on or after the expiration of the three (3) business days. If such a request is made, the Examination Subcommittee must designate at least two (2) members of the Examination Subcommittee to review the order and to confirm, amend or revoke the proposal of the vice-president of the Regulatory Division of the Bourse within seven (7) business days of the request for review, or such longer time as may be agreed by the approved participant. The approved participant and the vice-president of the Regulatory Division of the Bourse must be permitted to make representations in such review in person (including by their staff, agents or counsels) or in writing. Pending the expiration of the said three (3) business days notice by the vice-president of the Regulatory Division of the Bourse and the result of the review, if applicable, the prohibitions must not apply but on becoming effective they must continue until the approved participant is so designated as not being in an early warning category level 2;

xi) the vice-president of the Regulatory Division of the Bourse must promptly advise any other participating institution of the Canadian Investor Protection Fund of which the approved participant is also a member, of the fact that the approved participant has been designated as being in Level 2 of the Early Warning System, the reasons for such designation and any sanctions or restrictions that have been imposed upon the approved participant pursuant to paragraph 3 of the present article.

4) Requirements imposed in the present article must continue to apply until the approved participant is no longer designated as being in Level 1 or Level 2 of the Early Warning System as demonstrated by the latest filed monthly financial report of the approved participant or any such other evidence or assurance as may be appropriate in the circumstances. If the vice-president of the Regulatory Division is satisfied by the measures taken by the approved participant to improve its financial situation, he may release him from all or from some of the restrictions imposed under the present article.

5) An approved participant shall remain designated as being in level 1 or level 2 of the Early Warning System, as the case may be, and pursuant to the present article, until the latest filed Monthly Financial Report of the approved participant demonstrates, in the opinion of the vice-president of the Regulatory Division of the Bourse, that the approved participant is no longer required to be designated as being in one of the levels of the Early Warning System and that he has otherwise complied with the present article.

7011 Establishing and maintaining adequate internal controls
(00.00.96, 13.09.05)

Every approved participant must establish and maintain adequate internal controls in accordance with Policy C-4 of the Bourse.

Section 7076 - 7150
Insurance

7076 Insurance
(28.02.87, 09.10.87, 30.12.88, 06.08.90, 20.12.91, 01.05.92, 03.03.93, 01.04.93, 01.12.94, 08.11.95, 20.12.96, 01.07.97, 01.04.03, 01.01.05)

1) Mail Insurance

Every approved participant must effect and keep in force mail insurance against loss arising by reason of any outgoing shipments of money or securities, negotiable or non negotiable, by first class mail, registered mail, registered air mail, express or air express, such insurance to provide at least 100% cover.

The vice-president of the Regulatory Division of the Bourse may exempt an approved participant from the requirement of the present paragraph if the approved participant delivers a written undertaking to the vice-president Regulatory Division, that it will not use the mail for outgoing shipments of money or securities, negotiable or non-negotiable, by first-class mail, registered mail, registered air mail, express or air express.

2) Financial Institution Bond

Every approved participant must, by means of a Financial Institution Bond or Bonds (with Discovery Rider attached or Discovery Provisions incorporated in the Bond), effect and keep in force insurance against losses arising as follows as provided for in the standard-form contract:

a) Clause (A) - Fidelity

Any loss through any dishonest or fraudulent act of any of its employees, committed anywhere and whether committed alone or in collusion with others, including loss of property through any such act of any of its employees;

b) Clause (B) - On Premises

Any loss of money and securities or other property through robbery, burglary, theft, hold-up or other fraudulent means, mysterious disappearance, damage or destruction while within any office of the insured, of a banking institution or of a clearing corporation or within any recognized place of safe deposit, as more fully defined in the Standard Form Number 14 of Financial Institution Bond, herein referred to as the Standard Form;

c) Clause (C) - In Transit

Any loss of money and securities or other property (except certified cheques and bank drafts), whether negotiable or non-negotiable, must be covered by insurance. The value of securities in transit in the custody of any employee or any person acting as a messenger must not at any time exceed the protection provided under the present subparagraph;

d) Clause (D) - Forgery or Alterations

Any loss through forgery or alteration of any cheques, drafts, promissory notes or other written orders or directions to pay sums in money, excluding securities, as more fully defined in the Standard Form;

e) Clause (E) - Securities

Any loss through having purchased or acquired, sold or delivered, or extended any credit or acted upon securities or other written instruments which prove to have been forged, counterfeited, raised or altered, or lost or stolen, or through having guaranteed in writing or witnessed any signatures upon any transfers, assignments or other documents or written instruments, as more fully defined in the Standard Form.

3) a) Notice of termination

Each Financial Institution Bond maintained by an approved participant must contain a rider containing provisions to the following effect:

i) the insurer must notify the Bourse at least 30 days prior to the termination or the cancellation date of the bond, except in the event of termination of the bond due to:

a) the expiration of the coverage period provided by the bond;

b) the receipt of written notice from the insured requesting to cancel the bond;

c) the taking over of the insured by a receiver or other liquidator, or by provincial, federal or state officials; or

d) the taking over of the insured by another institution or entity.

ii) In the event of termination of the bond in accordance with sub-paragraphs i) b), c) or d), the insurer must, upon becoming aware of such termination, give immediate written notice of the termination to the Bourse. Such notice shall not impair or delay the effectiveness of the termination.

b) Termination or cancellation as a result of a take-over

In the event a Financial Institution Bond is to be terminated or cancelled as a result of the take-over of an approved participant by another institution or entity as described in paragraph 3 a) i) d), the approved participant must ensure that bond coverage is in place and provides a period of 12 months from the date of such take-over within which to discover the losses, if any, sustained by the approved participant prior to the effective date of such take-over. The approved participant must then pay, or cause to be paid, any applicable additional premium.

4) Amounts required

The minimum amounts of insurance to be maintained for each clause in the aggregate under paragraph 2 of this article must be the greater of:

a) $500,000 or, in the case of a Type 1 introducing broker, $200,000; or

b) 1% of the balance of the base amount or, in the case of a Type 1 and Type 2 introducing broker, one half of one percent of the base amount (½%);

provided that, for each clause, such minimum amount of insurance need not exceed $25,000,000.

For the purposes of the present paragraph, the term "base amount" means the greater of:

i) the aggregate of net equity for each customer, such aggregate being determined by taking the total value of cash and securities owed to the customer by the approved participant less the total value of cash and securities owed by the customer to the approved participant; and

ii) the aggregate of total liquid assets and total other allowable assets of the approved participant determined in accordance with Statement A of the Joint Regulatory Financial Questionnaire and Report.

5) Provisos

a) the amounts of insurance required to be maintained by an approved participant must as a minimum be by way of a Financial Institution Bond with a double aggregate limit or including a provision for full reinstatement of the amount of coverage;

b) should there be insufficient coverage, an approved participant will be deemed to be complying with the requirements of this article provided that any such deficiency does not exceed 10 percent of the insurance coverage required and that evidence is provided within two months of the dates of completion of the quarterly operations questionnaires or the annual audit that the deficiency has been corrected. If the deficiency of the insurance coverage required is greater than 10 percent, measures must be taken by the approved participant in order to correct the said deficiency within 10 days of its determination and the approved participant must immediately notify the vice-president of the Regulatory Division of the Bourse;

c) insurance against losses under sub-paragraph 2*)* e), Clause (E) – Securities, may be incorporated in the Financial Institution Bond or may be carried by means of a rider attached thereto or by a separate Securities Forgery Bond;

d) the Financial Institution Bond maintained pursuant to paragraph 2 of this article may contain a clause or rider stating that all claims made under the bond are subject to a deductible;

e) for the purposes of calculating insurance requirements, no distinction must be made between securities in non-negotiable form and those in negotiable form.

6) Insurer

Insurance required to be effected and kept in force by an approved participant pursuant to the present article may be underwritten directly with either (i) an insurer registered or licensed under the laws of Canada or any province of Canada or (ii) any foreign insurer approved by the Bourse. No foreign insurer will be approved by the Bourse if its net worth, according to the last audited balance sheet,

is lesser than $75 millions, provided acceptable financial information with respect to such insurer is available for examination and the Bourse is satisfied that the insurer is subject to supervision by regulatory authorities in the jurisdiction of incorporation of the insurer which is substantially similar to the supervision of insurance companies in Canada.

7) Global Insurance Policies

Where the insurance maintained by an approved participant in respect of any of the requirements under the present article names as the insured or benefits the approved participant, together with any other person or group of persons, whether within Canada or elsewhere, the following must apply:

a) the approved participant must have the right to claim directly against the insurer in respect of any loss, and any payment or satisfaction of such loss must be made directly to the approved participant; and

b) the individual or aggregate limits under the insurance policy may only be affected by claims made by or on behalf of:

i) the approved participant;

ii) any of the approved participant's subsidiaries whose financial results are consolidated with those of the approved participant; or

iii) a holding company of the approved participant provided that this holding company does not carry on any business or own any investment other than its interest in the approved participant,

without regard to the claims, experience or any other factor referable to any other person.

8) Exemption

The Special Committee may exempt an approved participant from the requirements of the present article where the approved participant is not dealing with the public and/or is not a member of a clearing corporation.

7077 Reporting of Insurance Claims
(01.04.93, 13.09.05)

Every approved participant must give to the vice-president of the Regulatory Division of the Bourse written notice, with all available particulars, of any claim (other than client losses relating to lost document bonds) reported in writing by the approved participant to its insurers or their authorized representatives arising under the Financial Institutional Bond which such approved participant is required to effect and keep in force under article 7076. Such notice must be given within two business days of the approved participant so reporting to the insurer or its authorized representatives.

Section 7151 - 7159
Financial Reports

7151 Financial Questionnaire
(01.04.93, 13.09.05)

Approved participants must file with the Bourse at such times as may be designated, a completed financial questionnaire in such form prescribed in Policy C-3 of the Bourse.

7152 Members of Other Recognized Exchanges or Associations
(01.04.93, 13.09.05)

Where an approved participant of the Bourse is also a regulated entity, as defined in Policy C-3, and prepares reports and financial statements as required by such other recognized exchange or association, the Bourse may, by prior arrangement with the approved participant, accept, in lieu of the requirements under this section, an annual certificate, from such other recognized exchange or association, stating that the approved participant satisfies all of its requirements as of the date of the annual statement together with a copy of the statements and reports submitted to such other recognized exchange or association.

7153 Trading activity statement - Restricted Trading Permit Holders
(04.05.98, 13.09.05)

Upon request from the Bourse, the clearing approved participant has the obligation to provide a trading activity statement from the previous day or for a specified period of time, for each restricted trading permit holder. This statement must contain the following information:

a) daily activity result;

b) year to date activity result;

c) margin required on positions held;

d) guarantee deposits;

e) cash movements (deposits, withdrawals, interest or dividend adjustments to the account); and

f) the global balance of account.

7154 Interim Questionnaires
(01.04.93, 13.09.05)

1) The vice-president of the Regulatory Division of the Bourse may request every approved participant and related company to submit one or more interim financial questionnaires every year.

2) One copy of the completed interim financial questionnaire must be submitted to the vice-president of the Regulatory Division of the Bourse within 5 weeks of the questionnaire date.

3) If an extension of time is required from the regular 5-week period, a written request to the vice-president of the Regulatory Division of the Bourse must be made, indicating the reason for the delay

and the proposed date of completion. A copy of the approved participant's internal financial statements as at the questionnaire date may be requested.

7155 Monthly Financial Report
(01.04.93, 11.03.98, 13.09.05)

Every approved participant must prepare and submit a monthly financial report in the form prescribed no later than 20 business days following the end of the month or at the date prescribed in article 7010. The report must be prepared in accordance with generally accepted accounting principles and the directives to the "Joint Regulatory Financial Questionnaire and Report" of Policy C-3 of the Bourse.

Where an approved participant concludes that its risk adjusted capital is negative, he must immediately notify the vice-president of the Regulatory Division of the Bourse.

The Bourse may impose to approved participants who do not submit their monthly financial report or the financial report required pursuant to article 7010 at the prescribed date a fine in an amount approved by the Special Committee for each business day of delay.

7156 Working Papers
(01.04.93, 13.09.05)

A copy of each monthly financial report and of the interim financial questionnaire and all working papers and memorandum relating thereto must be retained by the approved participant for at least one year.

The Chief Financial Officer of the approved participant must ensure that his working papers include at least the following:

1) reconciliation of all bank accounts;

2) trial balances of the general and subsidiary ledgers;

3) details of margin accounts showing for each account:

   - name of account;

   - account number;

   - amount required to fully margin;

   - for all other accounts, the reason for which no margin is required;

4) a summary of cash settlement accounts, debit or credit along with the margin required or the reason for which no margin is required;

5) reconciliation of all brokers' and dealers' accounts regardless of classification.

7157 Statistical Information
(01.04.93, 29.07.02, 01.10.02)

Every approved participant must provide to the Bourse such statistical information with respect to his business as, in the opinion of the Special Committee, may be necessary in the interest of all approved participants of the Bourse, provided that any request for such information be approved by the Special Committee.

Section 7160 - 7170
Audit Requirements

7160 Audits
(01.04.93, 13.09.05)

Audits of an approved participant's accounts must be made once a year, and more often if so directed by the Bourse.

Unless otherwise directed, the mandatory audit must be made as of the approved participant's financial year-end.

7161 Appointment of Approved Participants' Auditors
(01.04.93, 13.09.05)

Approved participants' auditors must have practiced not less than 5 years and be approved by the Bourse.

7162 Resignation of Approved Participants' Auditors
(01.04.93, 13.09.05)

The resignation, voluntary of otherwise, by an approved participant's auditor must be reported immediately to the Bourse by the approved participant and by its auditor giving reasons therefore.

7163 Auditor's Reports
(01.04.93, 13.09.05)

The auditors' reports cover the statements, schedules and certificates of the Joint Regulatory Financial Questionnaire and Report of Policy C-3 of the Bourse.

7164 Audit Deadline
(23.06.89, 01.04.93, 15.07.97, 13.09.05)

The Joint Regulatory Financial Questionnaire and Report, including the auditors' reports and the required financial statements and schedules, must be forwarded to the vice-president of the Regulatory Division of the Bourse within 7 weeks of the date of the audit. If an extension is required, a written request must be made to the vice-president of the Regulatory Division of the Bourse before the due date, giving the reason for the delay and specifying the proposed date for completion.

7165 Audit Guidelines
(30.09.89, 01.04.93, 15.07.97, 13.09.05)

1) Approved participants' auditors must be independent and free from any obligation to or interest in the management, ownership or the financing of any approved participant, on whose financial statements they are reporting. The approved participants' auditor must declare any such interest to the Bourse.

2) Approved participants' auditors must refer to Title V of the *Securities Act (Quebec)* or any future amendments thereto.

3) The audit must be conducted in accordance with generally accepted auditing standards and must include a review of the accounting system, the internal accounting control and procedures for safeguarding assets. It must include all audit procedures necessary under the circumstances to support the opinions which must be expressed in the approved participant's auditor's reports of Parts I and II of the "Joint Regulatory Financial Questionnaire and Report". Because of the nature of the securities industry, the substantive audit procedures must be carried out as of the audit date and not as of an earlier date, notwithstanding the fact that the audit is otherwise conducted in accordance with generally accepted auditing standards.

4) The scope of the audit must include the following procedures, but nothing herein must be construed as limiting the audit or permitting the omission of any additional audit procedure which any approved participant's auditor would deem necessary under the circumstances. For purposes of the present article, tests fall into two basic categories (as described in the Canadian Institute of Chartered Accountants (CICA) Handbook paragraphs 5300.11 to 5300.21).

   i) specific item tests, whereby the auditor examines individual items which he considers should be examined because of their size, nature or method of recording (CICA Handbook paragraph 5300.13);

   ii) representative item tests, whereby the auditor's objective is to examine an unbiased selection of items (CICA Handbook paragraph 5300.13).

   The determination of an appropriate sample on a representative basis may be made using either statistical or non-statistical methods (CICA Handbook paragraph 5300.15).

   In determining the extent of the tests appropriate in paragraphs A) i), ii), iii) and iv) below, the approved participant's auditor must consider the adequacy of the system of internal control and the level of materiality appropriate in the circumstances so that in the auditor's professional judgement, the risk of not detecting a material misstatement, whether individually or in the aggregate, is reduced to an appropriately low level (e.g. in relation to the estimated risk adjusted capital and early warning provisions).

   The approved participant's auditor must:

   A) as of the audit date:

      i) compare ledger accounts with the trial balances obtained from the general and subsidiary ledgers and compare the subsidiary ledger totals with their respective control accounts (see paragraph 6 below dealing with electronic data processing);

ii) account for, by examination and comparison with the books and records, all securities, including those held in safekeeping or in segregation, currencies and other like assets on hand, in vault or otherwise in the physical possession of the approved participant. Where the nature and size of an approved participant's operations are such that there are employees who are independent of those employees who handle or record securities, such independent employees may undertake all or a portion of the count and examination under the approved participant's auditor's supervision. The approved participant's auditor must then test count and compare with the independent employees' counts and the security position records, sufficient securities so as to be satisfied that the entire count was materially correct. The approved participant's auditor must maintain control over these assets until the physical examination has been completed;

iii) on a test basis, verify securities in transfer and in transit between offices of the approved participant;

iv) review the balancing of all security positions and open futures contracts and options on futures contracts. Review the reconciliation of all mutual funds, brokers, dealers and clearing accounts. Where a position or account is not in balance with the records (after adjustment to the physical count), ascertain that an adequate provision has been made in accordance with the Notes and Instructions for out of balance positions embodied in Statement B of the Joint Regulatory Financial Questionnaire and Report for any potential loss;

v) review bank reconciliations. After allowing at least ten business days to elapse, obtain bank statements, cancelled cheques and all other debit and credit memos directly from the banks and, by appropriate audit procedures, substantiate on a test basis the reconciliations with the ledger control accounts as of the audit date;

vi) ensure that all custodial agreements are in place for securities deposited with acceptable securities locations. In addition, for locations classified as other foreign securities locations, the auditor must obtain evidence, on an annual basis, of the approval of such locations as documented in the minutes of the Board of Directors or other duly constituted Board committee meetings of the approved participant;

vii) obtain written confirmation with respect to the following:

1) bank balances and other deposits including hypothecated securities;

2) money, security positions and open futures contracts and options on futures contracts including deposits with clearing corporations and like organizations and money and security positions with mutual fund companies;

3) money and securities loaned or borrowed (including subordinated loans)and, as the case may be, details of securities received or deposited in guarantee thereof;

4) accounts of, or with brokers, or dealers representing regular, joint and contractual commitment positions including money and security positions as well as open futures contracts and options on futures contracts;

5) accounts of directors and officers or partners, including money and security positions as well as open futures contracts and options on futures contracts;

6) accounts of clients, employees and shareholders, including money and security positions and open futures contracts and options on futures contracts;

7) guarantees in cases where required to margin guaranteed accounts, as at the date of audit at the end of the year;

8) statements from the approved participant's lawyers as to the status of lawsuits and other legal matters pending; these declarations must, if possible, include an estimate of the extent of the liabilities so disclosed;

9) all other accounts which in the opinion of the approved participant's auditor must be confirmed.

Confirmation requirements shall be deemed to have been complied with if positive requests for confirmation have been mailed by the approved participant's auditor in an envelope bearing the auditor's return address and second requests are similarly mailed to those not replying to the initial request. Appropriate alternative audit procedures must be used where replies to second requests have not been received. For accounts mentioned in paragraphs 4), 6) and 7) above, the approved participant's auditor must i) select specific accounts for positive confirmation based on (a) their size (all accounts with a net equity exceeding a certain monetary amount, such amount being related to the level of materiality) and (b) other characteristics such as accounts in dispute, accounts that are significantly undermargined, nominee accounts, and accounts that would require significant margin without the existence of an effective guarantee, and ii) select a representative sample from all other accounts of sufficient extent to provide reasonable assurance that a material error, if it exists, will be detected. For accounts in paragraphs 4), 6) and 7) above that are not confirmed positively, the approved participant's auditor must mail statements with a request that any differences be reported directly to the auditor. Clients' accounts without any balance whatsoever and those closed since the last audit date must also be confirmed on a test basis using either positive or negative confirmation procedures, the extent of which will be governed by the adequacy of the internal control.

Where a reply to a positive confirmation request for the guarantee referred to in paragraph 7) above has not been received, this guarantee must not be accepted for margin reduction purposes in respect of the account guaranteed unless and until a written form of confirmation of the guarantee has been received by the approved participant's auditor (or by the approved participant if received subsequently to the filing of the Joint Regulatory Financial Questionnaire and Report), or a new guarantee agreement is signed by the customer. If a guarantor responds to a positive or negative confirmation disputing the validity of the guarantee or its extent, such guarantee must not be accepted for margin reduction purposes until the dispute is resolved and the confirmation of the guarantee is provided in acceptable form. In addition to the confirmation procedures, the approved participant's auditor must review a sample of guarantee agreements to ensure duly executed and completed agreements exist and such agreements comply with article 7461 of the Rules of the Bourse.

viii) subject the statements in Part I and Schedules in Part II to audit tests or other auditing procedures to determine that the margin and capital requirements, which are used in the determination of the excess (or deficiency) of risk adjusted capital are calculated in accordance with the Rules and Policies of the Bourse, in all material respects in relation to the financial statements taken as a whole;

ix) obtain a letter of representation from the senior officers of the approved participant with respect to the fairness of the financial statements including among other things, the existence of contingent assets and liabilities and of commitments.

B) check on a test basis that the approved participant's procedures are such that securities held for safekeeping are described as being so held on the statement remitted to the client and on the approved participant's security position record;

C) complete and report on the results of applying the prescribed procedures contained in the Report on Compliance for Segregation of Securities in the "Joint Regulatory Financial Questionnaire and Report".

5) In addition, the approved participant's auditor must:

a) complete and report on the results of applying the prescribed procedures contained in the Report on Compliance for Insurance in the "Joint Regulatory Financial Questionnaire and Report";

b) report whether the approved participant's membership titles or shares in a self-regulatory organization are owned outright and free of any encumbrance; and

c) report on any event subsequent to the date of filing, which has had a material adverse effect on the excess (or deficiency) of risk adjusted capital.

6) The approved participant's auditor's review of the accounting system, the internal accounting control and procedures for safeguarding securities prescribed in the above audit requirements must encompass any in-house or service bureau operations. (This may include reliance on CICA Handbook Section 5900 report "Opinions on Control Procedures at a Service Organization"). As a result of such review and evaluation, the approved participant's auditor may be able to reduce the extent of detailed checking of clients and other account statements to trial balances and security position records.

7) Copies of the Joint Regulatory Financial Questionnaire and Report and all audit working papers must be retained by the approved participant's auditor for 6 years (the two most recent years in a readily accessible location). All working papers must be made available for review by the vice-president of the Regulatory Division of the Bourse and the Canadian Investor Protection Fund.

8) If the approved participant's auditor observes during the regular conduct of his audit any material breach of the provisions of the Quebec Securities Act or of the Rules and Policies of the Bourse pertaining to the calculation of the approved participant's financial position, handling and custody of securities and maintenance of adequate records, he must make a report to the vice-president of the Regulatory Division of the Bourse.

Section 7201 - 7250
Margins

7201 Margin Rates
(01.02.91, 01.04.93, 13.09.05)

Every approved participant must obtain from clients such minimum margin in such amount and in accordance with the requirements, as set out in the present section.

7202 Listed Securities
(15.12.86, 30.09.87, 18.06.88, 01.04.93, 11.02.00, 29.04.02, 16.09.02, 01.05.03, 17.05.04, 01.01.05, 13.09.05)

1) The margins required on securities including rights and warrants (other than bonds and debentures) listed on any of the recognized exchanges in Canada and in the United States, on the stock list of The London Stock Exchange and on the first section of the Tokyo Stock Exchange are as follows:

	Long Positions	**Margin Required**
a)	Securities trading at $2.00 or more	50% of market value
b)	Securities trading between $1.75 and $1.99	60% of market value
c)	Securities trading between $1.50 and $1.74	80% of market value

d) Securities selling under $1.50, securities of companies designated as Capital Pool Companies on the TSX Venture Exchange and securities of companies classified as Tier 3 or inactive Tier 2 issuers on the TSX Venture Exchange may not be carried on margin.

	Short Positions	**Credit Required**
a)	Securities trading at $2.00 or more	150% of market value
b)	Securities trading between $1.50 and $1.99	$3.00 per share
c)	Securities trading between $0.25 and $1.49	200% of market value
d)	Securities trading at less than $0.25	Market value plus $0.25 per share

2) Index products

For the purpose of this article, the terms “floating margin rate”, “incremental basket margin rate”, “index”, “qualifying basket of index securities” and “tracking error margin rate” are defined in article 9001.

A) Long qualifying basket of index securities or long index participation units

The minimum margin required, must be the sum of:

i) the floating margin rate of the qualifying basket of index securities (or index participation units); and~~)~~

ii) in the case of a qualifying basket of index securities, the calculated incremental basket margin rate;

multiplied by the market value of the qualifying basket of index securities (or index participation units).

B) Short qualifying basket of index securities or short index participation units

The minimum margin required must be the sum of:

i) 100%; and

ii) the floating margin rate of the qualifying basket of index securities (or index participation units); and

iii) in the case of a qualifying basket of index securities, the calculated incremental basket margin rate;

multiplied by the market value of the qualifying basket of index securities (or index participation units).

C) Long qualifying basket of index securities offset with short index participation units

Where a position in a qualifying basket of index securities is carried long in an account and the account is also short an equivalent number of index participation units, the margin required must be the sum of the published tracking error margin rate and the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the index participation units.

D) Short qualifying basket of index securities offset with long index participation units

Where a position in a qualifying basket of index securities is carried short in an account and the account is also long an equivalent number of index participation units, the margin required must be the sum of:

i) the tracking error margin rate, unless the short basket of index securities is of a size sufficient to comprise a basket of securities or multiple thereof required to obtain the index participation units;

and

ii) the calculated incremental basket margin rate for the qualifying basket of index securities;

multiplied by the market value of the index participation units.

E) Long qualifying basket of index securities – short index participation units – commitment to purchase index participation units

Where an approved participant has a commitment pursuant to an underwriting agreement to purchase a new issue of index participation units, and holds an equivalent long position in a qualifying basket of index securities and also holds an equivalent number of short index participation units, no capital is required, provided the long basket:

i) is of size sufficient to comprise a basket of securities or multiple thereof required to obtain the index participation units; and

ii) does not exceed the approved participant's underwriting commitment to purchase the index participation units.

3) Securities eligible to a reduced margin rate

The margin required is 30% of the market value on long positions and the credit required is 130% of the market value on short positions if such securities are:

i) on the list of securities eligible to a reduced margin rate as approved by a recognized self-regulatory organization and such securities continue to be traded at $2.00 or more;

ii) securities against which options issued by the Options Clearing Corporation are traded;

iii) convertible into securities that qualify under subparagraph i) or subparagraph ii);

iv) non-convertible preferred and senior shares of an issuer any of whose securities qualify under subparagraph i); or

v) securities whose original issuance generated Tier 1 capital for a financial institution any of whose securities qualify under subparagraph i) and the financial institution is under the regulatory oversight of the Office of the Superintendent of Financial Institutions of Canada.

For the purpose of the present paragraph 3) the Bourse and the Investment Dealers Association of Canada are designated as recognized self-regulatory organizations.

4) The margin required in respect of positions in warrants issued by a Canadian chartered bank and which are listed on any recognized stock exchange or other listing organization referred to above and which entitle the holder to purchase securities issued by the Government of Canada or any province thereof must be the greater of:

a) The margin otherwise required by paragraph 1) of the present article according to the market value of the warrant; or

b) 100% of the margin required in respect of the security to which the holder of the warrant is entitled upon exercise of the warrant. However, in the case of a long position, the amount of margin need not exceed the market value of the warrant.

5) For the purpose of the present article, "inactive Tier 2" securities are securities of companies classified as Tier 2 issuers that are considered to be inactive by the TSX Venture Exchange. Such securities are identifiable through the use of unique trading symbols.

7202A Margin Offsets on Capital Shares
(19.03.93, 01.04.93, 01.01.04, 13.09.05)

1) For the purposes of the present article:

a) "capital share" means a share issued by a split share company which represents all or a substantial portion of the capital appreciation portion of the underlying common share;

b) “capital share conversion loss” means any excess of the market value of the capital shares over the retraction value of the capital shares;

c) “combined conversion loss” means any excess of the combined market value of the capital and preferred shares over the combined retraction value of the capital and preferred shares;

d) "preferred share" means a share issued by a split share company which represents all or a substantial portion of the dividend portion of the underlying common share, and includes equity dividend shares of split share companies;

e) “retraction value” means:

A) for capital shares:

i) where the capital shares can be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the excess of the market value of the underlying common shares received over the retraction cash payment to be made when retraction of the capital shares takes place;

ii) where the capital shares cannot be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the retraction cash payment to be received when retraction of the capital shares takes place;

B) for capital shares and preferred shares in combination:

i) where the capital shares and preferred shares can be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the market value of the underlying common shares received;

ii) where the capital shares and preferred shares cannot be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the retraction cash payment to be received when retraction of the capital and preferred shares takes place;

f) "split share company" means a corporation formed for the sole purpose of acquiring underlying common shares and issuing its own capital shares based on all or a substantial portion of the capital appreciation portion and its own preferred shares based on all or a substantial portion of the dividend income portion of such underlying common shares.

2) Long capital shares and short common shares

Where capital shares are carried long in an account and the account is also short an equivalent number of common shares, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:

i) the lesser of:

a) the sum of:

I) the capital share conversion loss, if any; and

II) the normal capital required (margin required in the case of client account positions) on the equivalent number of preferred shares;

or

b) the normal capital required (margin required in the case of client account positions) on the underlying common shares;

and

ii) where the capital shares cannot be tendered to the split share company for retraction directly for the underlying common shares at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying common shares.

3) Long capital shares, long preferred shares and short common shares

Where both capital shares and an equivalent number of preferred shares are carried long in an account and the account is also short an equivalent number of common shares, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:

i) the lesser of:

a) combined conversion loss, if any; or

b) the normal capital required (margin required in the case of client account positions) on the underlying common shares;

and

ii) where the capital shares and preferred shares cannot be tendered to the split share company for retraction directly for the underlying common share, at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying common shares.

4) Long capital shares and short call options

Where capital shares are carried long in an account and the account is also short an equivalent number of call options expiring on or before the redemption date of the capital shares, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:

i) the lesser of:

a) the normal capital required (margin required in the case of client account positions) on the capital shares less, if any, the market value of the short call options, however, the capital required cannot be less than zero; and

b) any excess of the market value of the underlying common shares over the aggregate exercise value of the call options;

and

ii) the capital share conversion loss, if any; and

iii) where the capital shares cannot be tendered to the split share company for retraction directly for the underlying common shares at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying common shares.

5) Long common shares and short capital shares

Where common shares are carried long in an account and the account is also short an equivalent number of capital shares, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:

i) the lesser of:

a) the sum of:

I) the capital share conversion loss, if any; and

II) the normal capital required (margin required in the case of client account positions) on the equivalent number of preferred shares;

and

b) the normal capital required (margin required in the case of client account position) on the underlying common shares;

and

ii) 40% of the normal capital required (margin required in the case of client account positions) on the underlying common shares.

6) Long common shares, short capital shares and short preferred shares

Where common shares are carried long in an account and the account is also short both an equivalent number of capital shares and an equivalent number of preferred shares, the capital and margin requirements, for approved participants and client account positions respectively, must be equal to the sum of:

i) the lesser of:

a) the combined conversion loss, if any; or

b) the normal capital required (margin required in the case of client account positions) on the underlying common shares;

and

ii) where the capital and preferred shares cannot be tendered to the split share company for retraction directly for the underlying common shares at the option of the holder, 40% of the normal capital required (margin required in the case of customer account positions) on the underlying common shares.

7202B Instalment Receipts
(20.12.96, 13.09.05)

a) For the purposes of this article, the following definitions apply:

i) "instalment receipt" means a security issued by or on behalf of an issuer or a selling security holder that evidences partial payment for an underlying security and requires one or many subsequent payments by instalments in order to entitle the holder of the instalment receipt to delivery of the underlying security;

ii) "underlying security" means the security of an issuer purchased pursuant to an instalment receipt;

iii) "future payment(s)" means the unpaid payment or payments of the purchase price of an underlying security pursuant to an instalment receipt.

b) No approved participant must purchase or hold an instalment receipt pursuant to which the approved participant, or any nominee or holder for the approved participant including The Canadian Depository for Securities Limited or other depository (collectively a "nominee"), is required to make any payment (other than a payment made for the approved participant's own account as beneficial owner of the instalment receipt), unless the agreement, pursuant to which the instalment receipts are created and issued, allows the approved participant or its nominee to be released from the responsibility to make any such payment, either by:

i) transfer of the instalment receipt to a person other than the approved participant, if there has been a failure to pay in full any instalment when due. In this regard, the agreement in question must provide that such transfer can take place at any time prior to the close of business (Montreal time) on the second business day following the default in payment and prior to the

time the issuer's or selling security holder's rights, with respect to this default, can be exercised; or

ii) any other mechanism as may from time to time be approved by the Bourse.

c) If there has been a failure to pay in full any instalment when due pursuant to an instalment receipt and if such instalment receipt is registered in the name of the approved participant or its nominee, such approved participant must forthwith, within the time permitted by the applicable agreement pursuant to which the instalment receipts are created and issued, take all the necessary steps to be released from the responsibility to make any payment, including, if relevant, causing such instalment receipt to be transferred to another person.

d) Subject to sub-paragraphs e) and f) below, the margin or the capital required for an instalment receipt held, respectively, in a client account or in inventory must be the margin or the capital applicable to the underlying security.

e) The margin required for an instalment receipt in a client account must not exceed the market value of the instalment receipt.

f) Where the future payments exceed the market value of the underlying security, the capital required for an instalment receipt held in inventory must be the capital applicable to the underlying security plus (except in the case of a short position) the amount by which the future payments exceed the market value of the underlying security.

7203 Unlisted Securities
(01.04.93, 18.02.00, 13.09.05)

Securities of the following types not listed on any exchange may be carried on margin on the same basis as prescribed for exchange listed securities:

- Canadian banks;

- insurance companies licensed to do business in Canada;

- Canadian trust companies;

- securities of mutual funds which are qualified for sale under prospectus in any province of Canada;

- senior securities of already listed companies;

- unlisted securities in respect of which application for listing has been approved by a recognized exchange in Canada, subject to fulfilling all of the requirements of such recognized exchange including distribution of these securities to a minimum number of public shareholders, may be carried on margin for a period not exceeding 90 days from the date of the conditional approval or such other period as may be specified by the Bourse or another recognized exchange in Canada;

- all securities eligible for investment by Canadian life insurance companies, without recourse to the "basket clause";

and

- all securities listed on the Nasdaq Stock Market[sm] (Nasdaq National Market® and The Nasdaq SmallCap Market[sm]).

The minimum margin required on all other securities unlisted on any exchange must be as follows :

Long Positions	**Margin Required**
	100% of market value
Short Positions	**Credit Required**
Securities trading at $0.50 or more	200% of market value
Securities trading at less than $0.50	Market value plus $0.50 per share

7204 Bonds, Debentures, Treasury Bills and Notes
(01.07.86, 04.02.87, 15.09.89 30.04.91, 09.10.91, 01.03.93, 01.05.93, 05.07.93, 01.04.93, 27.05.97, 18.02.98, 29.08.01, 17.05.04, 13.09.05)

GROUP I Governments of Canada, United States, United Kingdom and other foreign national governments

The margins required on bonds, debentures, Treasury bills, and other securities of or guaranteed by the Government of Canada, of the United States, of the United Kingdom and of any other national foreign government (provided such foreign government securities are currently rated Aaa or AAA by Moody's Investors Service Inc. or Standard & Poor's Corporation, respectively), and maturing (or called for redemption) in the periods indicated below, are as follows:

	Margin Required
1 year or less	1% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365.
over 1 year to 3 years	1% of market value
over 3 years to 7 years	2% of market value
over 7 years to 11 years	4% of market value
over 11 years	4% of market value

GROUP II Provinces of Canada and International Bank of Reconstruction and Development

The margins required on bonds, debentures, treasury bills and other securities of or guaranteed by any Province of Canada, bonds of the International Bank of Reconstruction and Development, and bonds and debentures guaranteed by the deposit in trust of a grant payable by a province in Canada covering the principal and the interest maturing, or called for redemption in the time periods indicated below are as follows:

	Margin required
1 year or less	2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years	3% of market value
over 3 years t 7 years	4% of market value
over 7 years to 11 years	5% of market value
over 11 years	5% of market value

GROUP III Municipal, school and hospital corporations and religious orders

Margins required on bonds, debentures or notes (not in default) of or guaranteed by any municipal corporation in Canada or in the United Kingdom, maturing in the time periods indicated below, are as follows:

	Margin required
1 year or less	3% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years	5% of market value
over 3 years to 7 years	5% of market value
over 7 years to 11 years	5% of market value
over 11 years	5% of market value

Bonds and debentures (not in default) of or guaranteed by any school corporation, religious order or hospital corporation in Canada, 5% of market value.

GROUP IV Other non-commercial bonds and debentures

The margin required on other non-commercial bonds and debentures (not in default), is equal to 10% of market value.

GROUP V Corporations and trust and mortgage loan companies – non-negotiable and non-transferable debt securities

The margins required on commercial and corporate bonds, debentures and notes (not in default) and non negotiable and non transferable trust company and mortgage loan company obligations registered in

the approved participant's name, maturing in the time periods indicated below, are, subject to the provisions of paragraphs a) and b) hereafter, as follows :

	Margin Required
1 year or less	3% of market value
over 1 year to 3 years	6% of market value
over 3 years to 7 years	7% of market value
over 7 years to 11 years	10% of market value
over 11 years	10% of market value

a) i) if convertible and trading over par, apply the above rates on par value and add 50% (30% for clients' accounts, 25% for market-makers and approved participants of the Bourse when convertible into shares eligible for a reduced margin rate as provided for in paragraph 3 of article 7202) of the excess of market value over par when convertible into securities acceptable for margin purposes or 100% of the excess of market value over par when convertible into securities not acceptable for margin purposes with a minimum addition to the above rates of 10% of par value, whether convertible into securities acceptable or not for margin purposes. If convertible and selling at or below par, add 10% of par value to the quoted rates;

ii) if trading at 50% of par value and under, and if rated "B" or lower by Canadian Bond Rating Service and Dominion Bond Rating Service for Canadian dollar pay securities or by Moody's and Standard and Poor's for U.S. dollar pay securities, the margin required is 50% of the market value;

b) where such commercial bonds, debentures and notes are debt securities of companies whose notes are acceptable notes, as defined in Group VI of the present article ,then the margin requirements of this Group VI must apply.

GROUP VI Corporations and trust and mortgage loan companies – negotiable and transferable debt securities

The margins required on acceptable commercial, corporate and finance company notes, and trust company and mortgage loan company bonds, readily negotiable and transferable and maturing in the time periods indicated below are as follows:

	Margin Required
1 year or less	3% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year	apply rates for commercial and corporate bonds, debentures and notes

Acceptable commercial, corporate and finance company notes means notes issued by a company incorporated in Canada or in any province of Canada and a) having a net worth of not less than

$10,000,000 or b) guaranteed by a company having a net worth of not less than $10,000,000 or c) a binding agreement exists whereby a company having a net worth of not less than $25,000,000 is obliged, as long as the notes are outstanding, to pay to the issuing company or to a trustee for the noteholders, amounts sufficient to cover all indebtedness under the notes where the borrower, :

a) files annually under the applicable provincial legislation a prospectus relating to its notes which have a term to maturity of one year or less and provides to approved participants acting as authorized agents the following information in written form:

   i) disclosure of limitation, if any, on the maximum principal amount of notes authorized to be outstanding at any one time;

   ii) a reference to the bank lines of credit of the borrower or of its guarantor if a guarantee is required;

   or

b) provides to approved participants acting as authorized agents an information circular or memorandum which includes or is accompanied by the following:

   i) recent audited financial statements of the borrower or of its guarantor if a guarantee is required;

   ii) an extract from the borrower's general borrowing by-law dealing with the borrower's corporate authorization to borrow;

   iii) a true copy of a resolution of directors of the borrower certified by the borrower's secretary, and stating in substance:

      [1] the limitation, if any, on the maximum amount authorized to be borrowed by way of issues or notes;

      [2] those officers of the borrower company who may legally sign the notes by hand or by facsimile;

      [3] the denomination in which notes may be issued;

   iv) where notes are guaranteed, a certified copy of a resolution of directors of the guarantor company, authorizing the guarantee of such notes;

   v) a certificate of incumbency and facsimile signatures of the authorized signing officers of the borrower and its guarantor, if any;

   vi) specimen copies of the note or notes;

   vii) a favorable opinion from the legal counsel of the borrower regarding the incorporation, the organization and the corporate status of the borrower, its corporate capacity to issue the notes and the due authorization by it of the issuance of the notes;

   viii) where notes are guaranteed, a favorable opinion from the legal counsel of the guarantor regarding the incorporation, the organization and the corporate status of the guarantor, its

capacity to guarantee the notes and the due authorization, validity and effectiveness of its guarantee;

ix) a summary setting forth the following:

[1] a brief historical summary of the borrowing company and of its guarantor, if any;

[2] the purpose of the issue;

[3] a reference to the bank lines of credit of the borrowing company or of its guarantor, if a guarantee is required;

[4] the denomination in which notes may be issued.

GROUP VII Bonds in default

The margin required on bonds in default must be equal to 50% of market value.

GROUP VIII Income bonds

The margins required on income bonds and debentures on which interest has been paid in full at the stated rate for the two preceding years as required by the related trust indenture which must specify that such interest be paid if earned, are as follows:

Currently paying interest at the stated rate :

Margin required

10% of market value

Not paying interest, or paying at less than the stated rate :

Margin required

50% of market value

GROUP IX British Columbia Government guaranteed parity bonds:

Long Positions : ¼ of 1 % of par value or rates prescribed under Group II above;

Short Positions: rates prescribed under Group II above.

GROUP X Floating rate debt obligations:

50% of the rates of margin otherwise required. If margin is otherwise required in respect of excess market value over par, 100 % of the margin rates otherwise required must apply to the excess market value.

For the purpose of this paragraph, the term "floating rate debt obligation" means a debt instrument described in Groups I, II, III and VI of the present article and in article 7205 for which the rate of interest is adjusted at least quarterly by reference to an interest rate for periods of 90 days or less.

This paragraph is applicable only to an account of a market-maker or to inventory accounts of an approved participant.

GROUP XI Stripped Coupons and Residual Debt Securities

1) The margin required for stripped coupons and residual debt securities, which is based on a percentage of the market value, is equal to:

   a) for securities with a term to maturity of less than 20 years, one and a half times the margin rate applicable to the debt instrument which has been stripped or to which the detached coupon or other evidence of interest relates; and

   b) for securities with a term of 20 years or more, three times the margin rate applicable to the debt instrument which has been stripped or to which the detached coupon or other evidence of interest relates.

   In determining the term to maturity of a coupon or other evidence of interest, the payment date for such interest must be considered the maturity date for the purposes of the present paragraph).

2) Where an approved participant holds a short (or long) position in bonds or debentures denominated in Canadian dollars issued or guaranteed by either the Government of Canada or a Province of Canada and also holds a long (or short) position in the stripped coupons or residual portion of such debt securities, the margin required must be the excess of the margin required on the long (or short) position over the margin required on the short (or long) position, provided that the net margin may only be determined as aforesaid on the basis that:

   a) margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in stripped coupons or residual portion to the extent that the market value of the two positions is equal. No offset is permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position;

   b) margin required in respect of bonds or debentures issued or guaranteed by the Government of Canada may only be netted against the margin required for the stripped coupons or residual portion of other Government of Canada securities which mature within the same periods referred to in Group I of the present article;

   c) margin required in respect of bonds or debentures issued or guaranteed by a Province of Canada may only be netted against the margin required for the stripped coupons or residual portion of another Province of Canada securities which mature within the same periods referred to in Group II of the present article.

3) Notwithstanding the foregoing provisions of this Group XI, where an approved participant holds:

   a) a short (or long) position in bonds or debentures issued or guaranteed by the Government of Canada and a long (or short) position in the stripped coupons or residual portion of bonds or debentures issued or guaranteed by a province of Canada; or

   b) a short (or long) position in bonds or debentures issued or guaranteed by a province of Canada and a long (or short) position in the stripped coupons or residual portion of bonds or debentures issued or guaranteed by the Government of Canada;

   the margin required must be 50% of the total margin required for both positions otherwise determined under the Rules, provided that such margin may only be determined as aforesaid on the basis that:

   i) margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in stripped coupons or residual portion to the extent that the market value of the two positions is equal, and no such netting is permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position;

   ii) margin required in respect of bonds or debentures may only be netted against the margin required for the stripped coupons or residual portion of securities which mature within the same periods referred to in Group I and II of this article;

   iii) the bonds and debentures and the stripped coupons or residual portion of such debt instrument must be denominated in Canadian dollars.

4) Where an approved participant holds a short (or long) position in bonds or debentures denominated in Canadian dollars issued by a corporation with a single A or higher rating by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard and Poor's Bond Record, and also holds a long (or short) position in the stripped coupon or residual portion of such debt instruments, the margin required must be the lesser of 20% and the greater of the margin required on the long (or short) position and the margin required on the short (or long) position, provided that the margin may only be determined as aforesaid on the basis that:

   a) the offset is permitted only to the extent that the market value of the two positions is equal, and no offset is permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position; and

   b) margin required in respect of bonds or debentures issued by a corporation may only be offsetted against the margin required for the stripped coupons or residual portion of debt instruments of the same issuer, which mature within the same periods referred to in Group XI in this article for the purpose of determining margin rates.

5) Where an approved participant holds a short (or long) position in bonds or debentures denominated in a foreign currency referred to in Group I of this article and also holds a long (or short) position in the stripped coupons or residual portion of such debt instruments denominated in the same currency, the margin required must be the excess of the margin required on the long (or short) position over the margin required on the short (or long) position, provided that the net margin may only be determined as aforesaid on the basis that:

a) margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in stripped coupons or residuals to the extent that the market value of the two positions is equal, and no such netting or offset is permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position; and

b) margin required in respect of bonds or debentures issued or guaranteed by a particular government may only be netted against the margin required for the stripped coupon or residual portion of debt instruments of the same government, which mature within the same periods referred to in Group I of this article for the purpose of determining margin rates.

GROUP XII Mortgage-backed securities

On securities which are based upon mortgages and are guaranteed as to timely payment of principal and interest by the issuer or its agent, the margin rate is the rate prescribed in articles 7204, 7205 and 7206 applicable to the securities of such guarantor according to the relevant maturity plus an additional margin of 25% of such applicable rate.

Where an approved participant holds a short (or long) position in bonds or debentures issued or guaranteed by the Government of Canada and also holds a long (or short) position in mortgage-backed securities guaranteed by the Government of Canada, the margin required must be the excess of the margin required on the long (or short) position over the margin required on the short (or long) position, provided that the net margin may only be determined as aforesaid on the basis that:

1) Margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in mortgage-backed securities to the extent that the market value of the two positions is equal. No netting or offset is permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position;

2) Margin required in respect of bonds or debentures may only be netted against the margin required for the mortgage-backed securities which mature within the same periods referred to in the present article for the purpose of determining margin rates; and

3) Notwithstanding the foregoing, if the market value of a long (or short) position in mortgage-backed securities exceeds the remaining principal amount of such position and the mortgages underlying such mortgage-backed securities position are subject to being repaid in full at the option of the mortgagee prior to maturity, the margin required must be the greater of the individual margins for (i) the long (or short) position in mortgage-backed securities as determined under the present paragraph or (ii) the short (or long) position in bonds or debentures as determined under Group I of this article.

7204A Pairing for Margin Purposes
(09.10.91, 27.05.97, 18.02.98, 19.08.98, 17.12.02, 01.01.05, 13.09.05)

1) Where an approved participant

a) owns securities described in Group I or II of article 7204 whose maturity is over one year, and

b) has a short position in securities

i) issued or guaranteed by the same issuer of the securities referred to in a) (provided that for these purposes each of the Provinces of Canada must be regarded as the same issuer as any other Province);

ii) maturing over one year;

iii) maturing within the same periods for the purpose of determining margin rates for the securities referred to in a); and

iv) with a market value equal to the securities referred to in paragraph a) (with the intent that no pairing is permitted in respect of the market value of a long [or short] position which is in excess of the market value of the short [or long] position);

the two positions may be offset and the required margin must be computed with respect to the net long or net short position only. This rule also applies to future purchase and sale commitments.

2) Where an approved participant

a) owns securities described in Group I or II of article 7204 maturing within one year, and

b) has a short position in securities

i) issued or guaranteed by the same issuer of the securities referred to in a) (provided that for these purposes, each of the Provinces of Canada must be regarded as the same issuer as any other Province), and

ii) maturing within one year, then the margin required must be the excess of the margin on the long (or short) position over the margin required on the short (or long) position. This rule also applies to future purchase and sale commitments.

3) A) Where an approved participant has a short and long position in the following groups of securities of article 7204:

Short (Long)		Long (Short)
a) Group I (Canada and U.S. Government only)	and	Group II (Province of Canada)
b) Group I (as above)	and	Group III (Municipality of Canada only)
c) Group I (Canada Government only)	and	Group I (U.S. Government only)

d)	Group I (Canada and U.S. Government only)	and	Group V (corporate)
e)	Group II (Province of Canada)	and	Group III (Municipality of Canada only)
f)	Group II (as above)	and	Group V (corporate)
g)	Group V (corporate)	and	Group V (corporate of the same issuer)

Then, the margin required in respect of both positions must be the greater of the margin required on the long or short position.

For the purposes of the present paragraph, securities described in article 7205 are eligible for an offset identical to the one applicable to securities described in Group V of article 7204.

B) Furthermore, the offsets described above in paragraph A) may only apply if the following requirements are complied with:

i) securities described in Group V (corporate) of article 7204 are eligible for offset only if they are not convertible and have a single A or higher rating by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poors Bond Record;

ii) securities in offsetting positions must be denominated in the same currency;

iii) securities in offsetting positions must mature within the same periods referred to in article 7204 for the purpose of determining margin rates;

iv) the market value of the offsetting positions is equal and no offset is permitted in respect of the market value of the short (or long) position which is in excess of the market value of the long (or short) position; and

v) securities in offsetting positions used in the calculation must represent an equivalent maturity value.

7204B Supplemental margin
(09.10.91, 01.04.93, 13.09.05)

For the purposes of articles 7204, 7205, 7206 and 7209, a supplemental margin shall be required in addition to the margin requirements prescribed elsewhere in the Rules, in respect of all securities evidencing a debt obligation of an issuer on the following basis:

1) A debt security issued by the Government of Canada maturing in each of the three periods below shall be monitored for price volatility in the primary markets in which approved participants trade such securities:

a) over 1 year to 3 years;
b) over 3 years to 7 years; and
c) over 7 years

2) The closing price of the relevant security on each trading day in the markets being monitored (a "base day") shall be compared to the closing price of such security on the next four trading days succeeding such base day. The first day of such four succeeding days on which the difference (negative or positive) between i) the closing price of this day and ii) the base day closing price, expressed as a percentage of the base day closing price, is greater than the margin rate prescribed for the relevant security under the rules shall be designated as an "offside base day". If an offside base day has been designated as such, that day shall be the new base day for the purpose of making further base day closing price comparisons as aforesaid.

   For any 90 calendar day period, the percentage that the number of offside base days is to the total number of trading days in such period shall be determined. If such percentage exceeds 5% for any two of the three classes of debt securities being monitored, supplemental margin will be required for all debt securities in accordance with this article.

3) The amount of supplemental margin that may be required in respect of any securities shall be 50% of the margin otherwise required under articles 7204, 7205, 7206 and 7209.

4) The period of time during which supplemental margin shall be required shall not be less than 30 days.

5) The Bourse shall be responsible for monitoring the price volatility of debt securities and determining when supplemental margin is required in accordance with paragraph 2) and when the requirement for supplemental margin shall be revoked in accordance with paragraph 6).

6) If at any time after supplemental margin has been required for at least 30 days in accordance with paragraph 2), the percentage that the number of offside base days is to the total number of trading days for the immediately preceding 90 days period does not exceed 5%, the requirement for supplemental margin shall be revoked.

7) The Bourse shall notify approved participants of the imposition or revocation of the requirement for supplemental margin. Any such notification shall be communicated in writing to all approved participants immediately upon the determination that such supplemental margin must be imposed or revoked and such notice shall be effective not less than five business days after giving the notice.

7205 Bank Papers
(01.04.93, 13.09.05)

Deposit certificates, promissory notes, debentures or banker's acceptances issued by a Canadian chartered bank maturing:

	Margin Required
within 1 year or less	2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365

	Margin required
over 1 year	same rates as for commercial and corporate bonds, debentures and notes

7206 Foreign Bank and Company Acceptable Papers
(01.04.93, 13.09.05)

1) Foreign bank acceptable papers

Deposit certificates or promissory notes issued by a foreign bank, readily negotiable and transferable and maturing:

	Margin required
within 1 year	2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year	same rates as for commercial and corporate bonds, debentures and notes

"Foreign bank acceptable papers" means deposit certificates or promissory notes issued by a bank other than a Canadian chartered bank with a net worth (capital and reserves) of not less than $200,000,000.

2) Foreign commercial, corporate and finance company acceptable notes

Foreign commercial, corporate and finance company acceptable notes readily negotiable and maturing:

	Margin Required
within 1 year	3% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year	same rates as for commercial and corporate bonds, debentures and notes

" Foreign commercial, corporate and finance company acceptable notes" means promissory notes issued by a company, or guaranteed by a company incorporated in a country other than Canada, with a net worth of not less than $25,000,000 and which provides information equivalent to that required under Group VI of article 7204.

7207 Margin Requirements for Repurchase, Resale and Cash and Securities Loan Transactions
(01.01.94, 13.09.05)

1) For the purposes of the present article:

"repo" means an agreement to sell and repurchase securities;

"reverse repo (resale)" means an agreement to purchase and resell securities; and

"securities loan" means a cash and securities loan agreement where cash is to be paid by or delivered to the approved participant as part of the transaction.

2) Notwithstanding the requirements set out in the “Joint Regulatory Financial Questionnaire” and Report of Policy C-3 of the Bourse to make any provision out of an approved participant's capital in respect of a repo, reverse repo or securities loan, where:

   a) the date of repurchase, resale or termination of the loan, as the case may be, is determined at the time of entering into the transaction; and

   b) the amount of any compensation, price differential, fee, commission or other financing charge to be paid in connection with the repurchase, resale or loan is calculated according to a fixed rate (whether expressed as a price, a decimal or annual percentage or any other manner that does not vary until termination),

   the margin in respect of the obligation of the approved participant thereunder must be determined in accordance with Group I of article 7204 -, provided that this paragraph 2) does not apply in the case of an overnight repo, reverse repo or securities loan which for the purposes of this article means an obligation to repurchase, resell or terminate the loan within five (5) business days of the date the obligation is assumed. All calculations must be performed daily and must make full provision for any principal and return of capital then payable, all accrued interest, dividends or other distributions on securities used as collateral.

3) Where an approved participant

   a) has entered into a repo, reverse repo or securities loan transaction as described in paragraph 2) and in respect of which the time period to the date of repurchase, resale or termination of the loan, as the case may be, is over one (1) year; and

   b) has an offsetting position in a reverse repo, repo or securities loan transaction denominated in the same currency and within the same margin category based on maturity,

   the two positions may be paired and the required margin computed with respect to the net position only.

4) Where an approved participant

   a) has entered into a repo, reverse repo or securities loan transaction as described in paragraph 2) in respect of which the time to the date of repurchase, resale or termination of the loan is within one (1) year; and

   b) has an offsetting position in a reverse repo, repo or securities loan transaction denominated in the same currency and maturing within one (1) year,

   the margin required must be the difference between the margin on the two positions.

7208 Margin on Gold, Silver and Platinum
(27.01.87, 01.03.90, 01.04.93, 13.09.05)

The minimum amounts of margin which must be obtained from customers (and which must be maintained) on precious metals and on negotiable certificates on precious metals issued by Canadian chartered banks and trust companies authorized to do business in Canada are:

Gold :	10% of market value
Platinum and silver :	15% of market value.

7209 Mortgage - National Housing Act (N.H.A.)
(01.04.93, 13.09.05)

1) Mortgage insured under the National Housing Act:

6% of market value.

2) Conventional first mortgages held in approved participant or market makers inventories:

12% of market value or the rates set by chartered banks, whichever is greater.

7210 Margin requirements on Unhedged Foreign Exchange Positions
(03.09.96, 13.09.05)

Unhedged foreign exchange positions of an approved participant or customer of an approved participant must be margined in accordance with the present article. Foreign exchange positions are monetary assets and liabilities (as hereinafter defined) and must include currency spot transactions, futures contracts, forward contracts, swaps and any other transaction which results in exposure to foreign exchange rate risk.

1) GENERAL PRINCIPLES

A) Each unhedged foreign exchange position must be margined in the manner provided in the present article, on a currency by currency basis, according to the four currency groups defined in paragraph 5) at the following margin rates, subject to an adjustment to the margin rate of a group 1, 2 or 3 currency pursuant to sub-paragraph 5 C) of the present article:

	CURRENCY GROUPS			
	1	**2**	**3**	**4**
Spot Risk Margin Rate	1.0%	3.0%	10.0%	25.0%
Term Risk Margin Rate	1.0%	3.0%	5.0%	12.5%

B) All calculations in respect of unhedged positions must be made on a trade date basis.

C) Approved participants are permitted, at their option, to margin certain inventory positions in accordance with paragraph 3, instead of the other applicable provisions of this article.

D) References to conversion to Canadian dollars at the spot exchange rate must be to the rate quoted by a recognized quote vendor for contracts with a term to maturity of one day.

E) Monetary assets and liabilities are assets and liabilities, respectively, of an approved participant in respect of money and claims to money, whether denominated in foreign or domestic currency, which are fixed by contract or otherwise.

F) Long or short currency futures contracts held in inventory and listed on a recognized exchange, which are included in the unhedged foreign exchange calculations hereunder, are not required to be margined pursuant to articles 14201 and 14209.

G) Approved participants are permitted, at their option, to exclude non-allowable monetary assets from monetary assets for the purpose of calculating the margin requirements under the present article.

H) For the purpose of this article, the Chicago Mercantile Exchange and the Philadelphia Board of Trade are deemed to be recognized exchanges.

2) FOREIGN EXCHANGE MARGIN REQUIREMENTS

The margin requirements for foreign exchange positions must correspond to the aggregate of the spot risk margin requirement and the term risk margin requirement, calculated based on the spot risk margin rate and the term risk margin rate, respectively, specified in sub-paragraph 1 A) of this article.

A) Spot Risk Margin requirement

i) The spot risk margin requirement must apply to all monetary assets and liabilities, regardless of term to maturity.

ii) The spot risk margin requirement must be calculated as the product of the net monetary position and the spot risk margin rate.

iii) Monetary assets and liabilities will be considered to be spot positions, unless they have a term to maturity of more than 3 days.

iv) The spot risk margin requirement must be converted to Canadian dollars at the then current spot exchange rate.

B) Term Risk Margin requirement

i) The term risk margin requirement must apply to all monetary assets and liabilities which have a term to maturity of more than 3 days, the term to maturity being defined as the amount of time to when the right to the monetary asset or the obligation to satisfy monetary liability expires.

ii) The term risk margin requirement is calculated as the product of the market value of the monetary asset or liability, the weighting factor and the term risk margin rate. The weighting factor of a monetary asset or liability having a term to maturity of 2 years or less must

correspond to the number of days to maturity of the monetary asset or liability divided by 365 days, provided that if the term to maturity is 3 calendar days or less, the weighting factor must be zero.

iii) The term risk margin rate for an unhedged foreign exchange position must not exceed the following rates:

	CURRENCY GROUPS			
	1	**2**	**3**	**4**
Maximum Term Risk Margin Rate	4.0%	7.0%	10.0%	25.0%

iv) Where the approved participant has both monetary assets and monetary liabilities, the term risk margin requirements may be netted as follows:

i) 2 years or less to maturity

The term risk margin requirements in respect of monetary assets or liabilities denominated in the same currency, which both have a term to maturity of 2 years or less, must correspond to the net of the term risk margin requirements of the monetary assets and liabilities;

ii) Over 2 years to maturity

The term risk margin requirements in respect of monetary assets or liabilities denominated in the same currency, which both have a term to maturity of more than 2 years, must correspond to the greater of the term risk margin requirements of the monetary assets and liabilities;

iii) Provisos

a) The term risk margin requirements in respect of monetary assets or liabilities denominated in the same currency, where one has a term to maturity of 2 years or less and the other has a term to maturity of more than 2 years and which have a difference in their respective terms to maturity of 180 days or less, must correspond to the net of the term risk margin requirements of the monetary assets and liabilities.

b) Where an approved participant has offsetting positions, one having a term to maturity of 2 years or less and the other having a term to maturity of more than 2 years, the sum of the term risk margin requirements of the offsetting positions must not exceed the product of the market value which is offsetted and the following rates:

CURRENCY GROUPS			
1	**2**	**3**	**4**
5.0%	10.0%	20.0%	50.0%

v) The term risk margin requirement must be converted to Canadian dollars at the then current spot exchange rate; and

vi) The sum of the security margin requirement and of the foreign exchange margin requirement must not exceed 100%.

3) ALTERNATIVE MARGIN ON FUTURES AND FORWARD CONTRACTS HELD IN INVENTORY

As an alternative to the foreign exchange margin requirement determined under the present article, for futures contracts and forward contracts positions held in inventory and denominated in a currency for which a currency futures contract is traded on a recognized exchange, the foreign exchange margin requirement may be calculated as follows:

A) Futures Contracts

Foreign exchange positions consisting of futures contracts may be margined at the margin rates prescribed by the exchange on which such futures contracts are listed.

B) Forward Contracts Pairings

Forward contracts positions which are not denominated in Canadian dollars may be margined as follows:

i) the margin must be the greater of the margin as prescribed in paragraphs 1) and 2) of this article for each position; and

ii) two forward contracts held by an approved participant which (a) have one currency common to both contracts, (b) are for the same settlement date and (c) have equal and offsetting amounts of common currency positions may be treated as a single contract for the purposes of this sub-paragraph 3 B).

C) Futures and Forward Contract Pairings

Futures contracts and forward contracts positions which are not denominated in Canadian dollars may be margined as follows:

i) a) margin must be the greater of the margin as prescribed in paragraphs 1) and 2) of this article for each position;

b) margin rates applicable to unhedged positions under this sub-paragraph 3 C) must be the rates established by the present article and not the rates prescribed by the exchange on which the futures contracts are listed; and

ii) two forward contracts held by an approved participant which (a) have one currency common to both contracts, (b) have the same settlement date and (c) have equal and offsetting amounts of common currency positions may be treated as a single contract for the purposes of this sub-paragraph 3 C).

4) CLIENT ACCOUNTS MARGIN

Unhedged foreign exchange positions of clients must be margined in accordance with paragraphs 1, 2, and 5 of this article, provided that:

i) no margin is required in respect of the accounts of clients who are acceptable institutions, as defined in Policy C-3 of the Bourse entitled "Joint Regulatory Financial Questionnaire and Report";

ii) the margin required in respect of acceptable counterparties and regulated entities, as defined in Policy C-3 of the Bourse entitled "Joint Regulatory Financial Questionnaire and Report", must be calculated on a mark-to-market basis;

iii) the margin required in respect of foreign exchange positions (excluding cash balances) held in accounts of clients who are classified as other counterparties, as defined in Policy C-3 of the Bourse entitled "Joint Regulatory Financial Questionnaire and Report", which are denominated in a currency other than the currency of the account, must correspond to the aggregate of the security margin requirement and the foreign exchange margin requirement, provided that where the margin rate applicable to the security is greater than the spot risk margin rate specified in sub-paragraph 1 A) of this article, the foreign exchange margin requirement must be nil. The sum of the security margin requirement and the foreign exchange margin requirement must not exceed 100%; and

iv) listed futures contracts must be margined in the same manner as prescribed in articles 14201 and 14209.

5) CURRENCY GROUPS

A) Currency Groups Criteria

The qualitative and quantitative criteria for each currency group are as follows:

Group 1

- the volatility of the currency must be below the volatility threshold specified in sub-paragraph 5 B) i) of this article; and

- it is the primary intervention currency of the Canadian dollar.

Group 2

- the volatility of the currency must be below the volatility threshold specified in sub-paragraph 5 B i) of this article; and

- there must be a daily quoted spot rate by a Canadian Schedule 1 chartered bank, and one of the following:

  - a daily quoted spot rate by a member of the European Monetary System and a participant in the Exchange Rate Mechanism; or

. a listed futures contract for the currency on a recognized exchange.

Group 3

- the volatility of the currency must be below the volatility threshold specified in sub-paragraph 5 B) i) of this article;

- there must be a daily quoted spot rate by a Canadian Schedule 1 chartered bank; and

- the currency must be of a member country of the International Monetary Fund with Article VIII status, and there are no capital payment restrictions as they relate to security transactions.

Group 4

- None

B) Monitoring adherence to currency groups criteria

The Vice-President of the Regulatory Division of the Bourse is responsible for monitoring the adherence of each group 1, 2 or 3 currency to the quantitative and qualitative criteria described in sub-paragraph 5 A) of the present article.

i) Currency Volatility

The volatility of each group 1, 2 or 3 currency must be monitored as follows:

The Canadian dollar equivalent closing price on each of the four trading days succeeding the "base day" must be compared to the base day closing price. The first of four succeeding trading days on which the percentage change in price (negative or positive) between the closing price on the succeeding day and the closing price on the base day is greater than the unhedged positions margin rate prescribed for this currency in sub-paragraph 1 A) of this article must be designated an "offside base day".

If an offside base day has been designated, this offside base day must be designated as a new base day for the purpose of making further base day closing price comparisons, as aforesaid. If the number of offside base days during any 60 trading days period is greater than 3, the currency shall be deemed to have exceeded the volatility threshold of the currency group.

ii) Qualitative Criteria

The vice-president of the Regulatory Division of the Bourse, at least on an annual basis, must assess the adherence, by each currency in a group, to the qualitative criteria of this currency group to determine whether the currency continues to satisfy the qualitative criteria of the currency group.

C) Foreign Exchange Margin Surcharge

If the volatility of a group 1, 2 or 3 currency exceeds the volatility threshold defined in sub-paragraph 5 B) i), then the margin rate must be increased by increments of 10% until the application of the increased

margin rate results in no more than two offside base days during the preceding 60 trading days. The increased margin rate must apply for a minimum of 30 trading days and must be automatically decreased to the margin rate otherwise applicable when, after such 30 trading day period, the volatility of the currency is less than the volatility threshold defined in sub-paragraph 5 B) i) of the present article.

The vice-president of the Regulatory Division of the Bourse is responsible for determining the required increase or decrease in foreign exchange margin rates under this sub-paragraph 5 C) of this article.

D) Currency Groups Downgrades and Upgrades

Where:

i) the vice-president of the Regulatory Division of the Bourse determines that a particular currency no longer satisfies the criteria of this currency group, as defined in sub-paragraph 5 A) of this article; or

ii) an approved participant has provided to the vice-president of the Regulatory Division of the Bourse information demonstrating that a currency satisfies the criteria specified in sub-paragraph 5 A) of this article for a currency group other than the one for which the currency is then designated, and the vice-president of the Regulatory Division of the Bourse has verified such information to his or her satisfaction, the vice-president of the Regulatory Division of the Bourse must decide that the currency be moved to the currency group with the lower or higher margin rate, as the case may be, and notify approved participants of the change.

E) Foreign Exchange Concentration Capital Charge

When, in respect of any group 2, 3 or 4 currency, the aggregate of the foreign exchange margin provided under the present article on an approved participant's monetary assets and liabilities and the foreign exchange margin on client accounts exceeds 25% of the firm's net allowable assets, net of minimum capital required (as determined for the purposes of the Joint Regulatory Financial Questionnaire and Report of Policy C-3 of the Bourse), a concentration capital charge, in addition to the foreign exchange margin already provided under this article, must apply. The concentration capital charge must be equal to the amount of the foreign exchange margin provided under this article, which is in excess of 25% of the approved participant's net allowable assets, net of minimum capital required.

7211 Approved Participant Accounts
(01.04.93, 13.09.05)

1) Securities carried by approved participants and restricted trading permit holders in inventory, trading, arbitrage and joint accounts are subject to the margin requirements of this section, subject to the exceptions provided in article 7213.

2) Income tax on unrealized profit on inventory position may be deducted from the margin required on such position for a maximum deduction equal to the lesser of the income tax or the margin required.

7212 Margin Calculations
(01.04.93)

Margins may be calculated on a settlement (value) date basis.

7213 Exceptions to Margin Rules
(30.11.86, 15.12.86, 01.06.88, 01.01.92, 15.01.93, 10.05.93, 01.04.93, 25.02.94, 12.03.97, 21.12.98, 29.08.01, 18.07.03, 01.01.04, 17.05.04, 01.01.05, 13.09.05)

Exceptions to the margin rules are the following:

1) No margin is required on securities meeting the following conditions:

   a) securities which have been formally called for cash redemption;

   b) securities for which a legal and binding cash offer has been made provided that:

      i) all conditions of the offer have been met;

      ii) securities are not carried for an amount in excess of the price offered.

      When the legal and binding cash offer is for less than 100% of the issued and outstanding securities and all conditions of the offer have been met, the margin required must be adjusted prorata to shares purchased by the offeror on the number of shares deposited;

   c) deposit certificates issued by a Canadian chartered bank or a trust company in Canada qualifying as an acceptable institution or an acceptable counterparty, as these terms are defined in Policy C-3 of the Bourse, and having a 24-hour call feature that would not reduce the principal amount received on redemption if applicable.

2) Margin requirements for potential liability under an underwritten rights or warrants agreement.

   Where an underwriter has a commitment to purchase securities in connection with a rights or warrants offering, such commitment must be margined at the following rates:

   a) if the market value of the security which can be acquired pursuant to the exercise of the rights or warrants is below the subscription price, the underwriter's commitment must be valued at the current market price for the security and the margin rates applicable to the security must be applied;

   b) if the market value of the security is equal to or greater than the subscription price, the commitment must be margined at rates, calculated on the subscription price, equal to the following percentage of the margin rate applicable to the security under the present section:

      50%, where market value is 100% to 105% of the subscription price;

      30%, where market value is more than 105% but not more than 110% of the subscription price;

      10% where market value is more than 110% but not more than 125% of the subscription price;

no margin is required where market value is more than 125% of the subscription price.

3) Securities eligible to a reduced margin rate

The margin required is 25% of the market value if such securities held by an approved participant are:

i) on the list of securities eligible to a reduced margin rate as approved by a recognized self-regulatory organization and such securities continue to trade at $2.00 or more;

ii) securities against which options issued by the Options Clearing Corporation are traded;

iii) convertible into securities that qualify under the subparagraph i) or subparagraph ii);

iv) non-convertible preferred and senior shares of an issuer any of whose securities qualify under subparagraph i); or

v) securities whose original issuance generated Tier 1 capital for a financial institution any of whose securities qualify under subparagraph i) and the financial institution is under the regulatory oversight of the Office of the Superintendent of Financial Institutions of Canada.

For the purpose of the present paragraph 3), the Bourse and the Investment Dealers Association of Canada are designated as recognized self-regulatory organizations.

4) Whenever the Bourse decides not to open for trading any additional options of the class covering that underlying security according to article 6605, the margin rate as permitted in paragraph 3) of this article remains in force up to the expiration of the last series of options.

5) Any security which is part of a control block has no loan value for margin calculation purposes, except to the extent that the control block constitutes any or all of the securities which an approved participant has an obligation or commitment to acquire, or has acquired, under a prospectus filing. In such case, the appropriate margin requirement provided for in article 7224 applies as long as the criteria in said article have been met. For the purpose of the present paragraph, a "control block" means a sufficient number of any securities of the same issuer to affect materially the control of that issuer. In the absence of evidence to the contrary, any holding by any person, company or combination of persons or companies of more than 20% of the outstanding voting securities of an issuer is deemed to affect materially the control of that issuer.

6) Where the account of an approved participant, a market-maker or a restricted trading permit holder contains preferred shares for which the principal and dividends are unconditionally guaranteed by the Canadian government or a provincial government, the margin rate for these securities must be 25% of their market value.

7) a) For the purposes of sub-paragraphs b) to f) of this paragraph, the term "floating rate preferred share" means a preferred share, for which the rate of dividend fluctuates at least quarterly, in relation with a prescribed short-term interest rate. The sub-paragraphs b) to f) of this paragraph are applicable only to an account of a market-maker, a restricted trading permit holder or inventory account of an approved participant.

b) Margin on floating rate preferred shares of companies with securities which are eligible to a reduced margin rate under paragraph 3 of article 7202 must be provided at the rate of 10% of the market value of such securities.

c) The margin rate which must be applied on floating rate preferred shares which qualify for margin under this paragraph, but which are of companies which do not have securities which are eligible to a reduced margin rate under paragraph 3 of article 7202, is 25% of the market value of such securities.

d) Where the issuer is in default of payment of a dividend due on floating rate preferred shares which qualify for margin purposes under this paragraph, margin must be provided at the rate of 50% of the market value of such securities.

e) Where the floating rate preferred shares of companies with securities which are eligible to a reduced margin rate under paragraph 3 of article 7202 are convertible and are trading over par, margin must be provided at the rate of 10% of the par value of such securities plus 25% of the excess of market value of such securities over par.

f) Where the floating rate preferred shares of companies which do not have securities which are eligible to a reduced margin rate under paragraph 3 of article 7202, but are convertible and are trading over par, margin must be provided at the rate of 25% of the par value of such securities plus 50% of the excess of market value of such securities over par.

8) a) For the purposes of sub-paragraphs b) to f) of this paragraph, the term "floating rate preferred share" means a preferred share, by the terms of which the rate of dividend fluctuates at least quarterly, in tandem with a prescribed short-term interest rate. The sub-paragraphs b) to f) of this paragraph are applicable only to an account of a market-maker, specialist, a restricted trading permit holder or inventory account of an approved participant.

b) Margin on floating rate preferred shares of companies with securities which are eligible to a reduced margin rate under paragraph 3 of article 7202 of the Rules of the Bourse must be provided at the rate of 10% of the market value of such securities.

c) The margin rate which must be provided on floating rate preferred shares which qualify for margin under this paragraph but which are of companies which do not have securities which are eligible to a reduced margin rate under paragraph 3 of article 7202 of the Rules of the Bourse, is 25% of the market value of such securities.

d) Where the issuer is in default of payment of a dividend due on floating rate preferred shares which qualify for margin under this paragraph, margin must be provided at the rate of 50% of the market value of such securities.

e) Where the floating rate preferred shares of companies with securities which are eligible to a reduced margin rate under paragraph 3 of article 7202 of the Rules of the Bourse are convertible and are selling over par, margin must be provided at the rate of 10% of the par value of such securities plus 25% of the excess of market value of such securities over par.

f) Where the floating rate preferred shares of companies which do not have securities which are eligible to a reduced margin rate under paragraph 3 of article 7202 of the Rules of the Bourse,

but are convertible and are selling over par, margin must be provided at the rate of 25% of the par value of such securities plus 50% of the excess of market value of such securities over par.

9) Consideration other than cash to be obtained following an offer

a) For the purpose of computing the margin on shares which are the subject of an offer, and in respect of which all conditions have been met, the margin required may be computed on the consideration, other than cash, that would be obtained upon acceptance of the offer. The margin rate to be used is the one prescribed in articles 7201 and following on the consideration to be obtained.

b) Where the offer is made for less than 100% of the issued and outstanding shares, the preceding principle must be applied pro rata in the same proportion as the offer.

10) Bank warrants for governments securities

Where the account of a market maker or an approved participant contains bank warrants for government securities the margin rate must be the one required in respect of the securities to which the holder of the warrant is entitled upon exercise of the warrant provided that, in the case of a long position, margin need not exceed the market value of the warrant.

For the purpose of this paragraph, bank warrants for government securities means warrants issued by a Canadian chartered bank which are listed on any recognized stock exchange or other listing organization referred to in paragraph 1) of article 7202, and which entitle the holder to purchase securities issued by the Government of Canada or any province thereof.

11) Maximum Margin Required for Convertible Securities

The margin required for a security that is currently convertible or exchangeable into another security (the "underlying security") need not exceed the sum of:

i) the margin required for the underlying security; and

ii) any excess of the market value of the convertible or exchangeable security over the market value of the underlying security.

7214 Discretionary Margin
(01.04.93, 13.09.05)

The Bourse may, whenever it determines that market conditions so warrant, prescribe higher margin requirements with respect to specific listed or unlisted securities.

Without in anyway limiting the generality of the foregoing paragraph, the following are examples of higher margin requirements:

1) a provision for 100% margin on specific securities halted or suspended from trading;

2) the establishment of a fixed maximum price above which long securities positions must not be priced for margin purposes;

3) a provision for prior appropriate margin.

7215 Maturity Date for Bonds with Embedded Options
(28.04.03)

A) For the purposes of the present article:

Callable Debt Security means a security which allows the issuer to redeem the security at a fixed price (the call price), subject to the call protection period.

Call Protection Period means the period of time during which the issuer cannot redeem a callable debt security.

Extendible Debt Security means a security which allows the holder of the security, during a fixed time period, to extend the maturity date of the security to the extension maturity date, and to change the principal amount of the security to a fixed percentage (the extension factor) of the original principal amount.

Extension Election Period means the period of time during which the holder may elect to extend the maturity date and change the principal amount of an extendible debt security.

Retractable Debt Security means a security which allows the holder of the security, during a fixed time period, to retract the maturity date of the security to the retraction maturity date and to change the principal amount of the security to a fixed percentage (the retraction factor) of the original principal amount.

Retraction Election Period means the period of time during which the holder may elect to retract the maturity date and change the principal amount of a retractable debt security.

B) A callable debt security may, at the approved participant's election, be deemed to have a maturity date equal to:

i) the original maturity date, if the market price of the callable debt security is trading at or below 101% of the call price; or

ii) the first business day after the call protection period, if the market price of the callable debt security is trading above 101% of the call price.

C) An extendible debt security may, at the approved participant's election, be deemed to have a maturity date equal to:

i) the original maturity date, if the extension election period has not expired and the market value of the extendible debt security is trading at or below the extension factor multiplied by the current principal amount; or

ii) the extension maturity date, if the extension election period has not expired and the market value of the extendible debt security is trading above the extension factor multiplied by the current principal amount; or

iii) the original maturity date, if the extension election period has expired.

D) A retractable debt security may, at the approved participant's election, be deemed to have a maturity date equal to:

i) the original maturity date, if the retraction election period has not expired and the market value of the retractable debt security is trading at or above the retraction factor multiplied by the current principal amount; or

ii) the retraction maturity date, if the retraction election period has not expired and the market value of the retractable debt security is trading below the retraction factor multiplied by the current principal amount; or

iii) the original maturity date, if the retraction period has expired.

7216 Margin Rquirements on Options
(01.04.93, 13.09.05)

7217 (Reserved for future use)

7218 (Reserved for future use)

7219 (Reserved for future use)

7220 (Reserved for future use)

7221 (Reserved for future use)

7222 (Reserved for future use)

7223 (Reserved for future use)

7224 Margin Requirements for Underwriting Commitments
(01.06.88, 19.08.93, 01.03.05)

a) In the present article, the expression:

i) "appropriate documentation" with respect to the portion of the underwriting commitment where expressions of interest have been received from exempt purchasers means, at a minimum:

A) that the lead manager has a record of the final affirmed exempt purchaser allocation indicating for each expression of interest:

I) the name of the exempt purchaser;

II) the name of the employee of the exempt purchaser accepting the amount allocated;

III) the name of the representative of the lead underwriter responsible for affirming the amount allocated to the exempt purchaser; and

IV) the date and time of the affirmation,

and

B) that the lead manager has notified in writing all the banking group participants when the entire allotment to exempt purchasers has been affirmed pursuant to paragraph A) above so that all banking group participants may take advantage of the reduction in the capital requirement.

Under no circumstances may the lead manager reduce its own capital requirement on an underwriting commitment due to such expressions of interest from exempt purchasers without providing notification to the rest of the banking group.

ii) a “commitment” pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities means, where all other non-pricing agreement terms have been agreed to, where two of the following three pricing terms have been agreed to:

A) issue price;

B) number of shares;

C) commitment amount [issue price x number of shares].

iii) "disaster out clause" means a provision in an underwriting agreement substantially in the following form:

“The obligations of the underwriter (or any of them) to purchase the securities under this agreement may be terminated by the underwriter (or any of them) at its option by written notice to that effect to the issuer at any time prior to the closing if there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence or any law or regulation which, in the opinion of the underwriter, seriously affects adversely, or involves, or will seriously affect adversely, or involve, the financial markets or the business, operations or affairs of the issuer and its subsidiaries taken as a whole”.

iv) “exempt purchasers” means all persons with whom the issuer could, pursuant to applicable securities laws, proceed with the sales of securities without having the obligation to produce a prospectus if such sales were made exclusively to these persons.

v) "market out clause" means a provision in an underwriting agreement which permits an underwriter to terminate its commitment to purchase in the event of unsaleability due to market conditions, substantially in the following form:

“If, after the date hereof and prior to the time of closing, the state of financial markets in Canada or elsewhere where it is planned to market the securities is such that, in the reasonable opinion of the underwriters (or any of them), the securities cannot be marketed profitably, any underwriter must be entitled, at its option, to terminate its obligations under this agreement by notice to that effect given to the issuer at or prior to the time of closing”.

vi) "new issue letter" means an underwriting loan facility in a form satisfactory to the Bourse. Where the provider of the new issue letter is other than an acceptable institution, the funds that can be drawn pursuant to the letter must either be fully collateralized by high-grade securities or held in escrow with an acceptable institution.

Under the terms of the new issue letter, the letter issuer must:

A) provide an irrevocable commitment to advance funds based only on the strength of the new issue and the approved participant;

B) advance funds to the approved participant for any portion of the commitment not sold:

I) for an amount based on a stated loan value rate;

II) at a stated interest rate; and

III) for a stated period of time,

and

C) under no circumstances, in the event that the approved participant is unable to repay the loan at the termination date, resulting in a loss or potential loss to the letter issuer, have or seek any right of set-off against:

I) collateral held by the letter issuer for any other obligations of the approved participant or the approved participant’s clients;

II) cash on deposit with the letter issuer for any purpose whatsoever; or

III) securities or other assets held in a custodial capacity by the letter issuer for the approved participant either for its own account or for the approved participant’s clients,

in order to recover the loss or potential loss.

vii) "normal margin" means margin otherwise required by the Rules.

viii) “normal new issue margin” means:

A) where the market value of the security is $2.00 per share or more and the security qualifies for a reduced margin rate pursuant to paragraph 3 of article 7213, 60% of normal margin for the period from the date of commitment to the business day prior to settlement date and 100% of normal margin from settlement date on; or

B) where the market value of the security is $2.00 per share or more and the security does not qualify for a reduced margin rate pursuant to paragraph 3 or article 7213, 80% of normal margin for the period from the date of commitment to the business day prior to settlement date and 100% of normal margin from settlement date on; or

C) where the market value of the security is less than $2.00 per share, 100% of normal margin.

b) Where an approved participant has a commitment pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities, the following margin rates are prescribed:

i) without new issue letter:

A) in the case where the underwriting agreement includes neither a disaster out clause nor a market out clause:

normal new issue margin from the date of commitment;

B) in the case where the underwriting agreement includes a disaster out clause:

50% of normal new issue margin from the date of the commitment until settlement date or the expiry of the disaster out clause, whichever is earlier. Thereafter margin as required in A) above applies;

C) in the case where the underwriting agreement includes a market out clause:

10% of normal new issue margin from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier. Thereafter margin as required in A) above applies;

D) in the case where the underwriting agreement includes a disaster out clause and a market out clause:

10% of normal new issue margin from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier. Thereafter margin as required in A), B) and C) above applies.

ii) with new issue letter:

A) in the case where the underwriting agreement includes neither a disaster out clause nor a market out clause:

10% of normal new issue margin from the date of the letter to the business day prior to settlement date or when the new issue letter expires, whichever is earlier;

10% of normal new issue margin from settlement date to 5 business days after settlement date or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn;

25% of normal new issue margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn;

50% of normal new issue margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn;

75% of normal new issue margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn;

otherwise, the normal new issue margin is required;

B) in the case where the underwriting agreement includes a disaster out clause:

10% of normal new issue margin from the date of the commitment until the settlement date or the expiry of the disaster out clause, whichever is earlier. Thereafter margin as required in A) above applies;

C) in the case where the underwriting agreement includes a market out clause:

5% of normal new issue margin from the date of commitment until the settlement date or the expiry of the market out clause, whichever is earlier. Thereafter margin as required in A) above applies;

D) in the case where the underwriting agreement includes a disaster out clause and a market out clause:

5% of normal new issue margin from the date of commitment until the settlement date or the expiry of the market out clause, whichever is earlier. Thereafter margin as required in A), B) and C) above applies.

If the margin rates prescribed above in respect of commitments for which a new issue letter is available are less than the margin rates required by the issuer of such letter, the higher rates required by the issuer must be applied.

c) Where an approved participant has a commitment pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities and the approved participant has determined through obtaining appropriate documentation:

I) that the allocation between retail and exempt purchasers has been finalized;

II) that expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed;

III) that there is unlikely to be a significant renege rate on the expressions of interest received from exempt purchasers; and

IV) that the approved participant is not significantly leveraging its underwriting activities through the use of the capital requirement reduction provided on that portion of the underwriting commitment where expressions of interest have been received from exempt purchasers.

The following margin rates must be applied for the portion of the commitment allocated to exempt purchasers:

i) without new issue letter:

A) in the case where the underwriting agreement includes neither a market out clause nor a disaster out clause:

From the date that the expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed until the date the sales are contracted:

20% of normal new issue margin is required, provided the current market value of the commitment is at or above 90% of new issue value (90% x issue price x number of shares);

40% of normal new issue margin is required, provided the current market value of the commitment is at or above 80% of new issue value (80% x issue price x number of shares) but less than 90% of new issue value;

otherwise, normal new issue margin is required;

B) in the case where the underwriting agreement includes a disaster out clause:

from the date that the expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed until the date the sales are contracted:

20% of normal new issue margin is required, provided the current market value of the commitment is at or above 90% of new issue value (90% x issue price x number of shares);

40% of normal new issue margin is required, provided the current market value of the commitment is at or above 80% of new issue value (80% x issue price x number of shares) but less than 90% of new issue value;

otherwise normal new issue margin is required;

C) in the case where the underwriting agreement includes a market out clause:

margin required is the one prescribed in paragraph b) i) C) above;

D) in the case where the underwriting agreement includes a disaster out clause and a market out clause:

margin required is the one prescribed in paragraph b) i) D) above.

ii) with new issue letter:

A) in the case where the underwriting agreement includes neither a disaster out clause nor a market out clause:

margin required is the one prescribed in paragraph b) ii) A) above;

B) in the case where the underwriting agreement includes a disaster out clause:

margin required is the one prescribed in paragraph b) ii) B) above;

C) in the case where the underwriting agreement includes a market out clause:

margin required is the one prescribed in paragraph b) ii) C) above;

D) in the case where the underwriting agreement includes a disaster out clause and a market out clause:

margin required is the one prescribed in paragraph b) ii) D) above.

d) Concentration

Where the normal new issue margin required is reduced by a new issue letter or by a qualifying expressions of interest received from exempt purchasers that have been verbally affirmed but not yet contracted, the approved participant must determine if there is any concentration by doing the calculations prescribed in the Joint Regulatory Financial Questionnaire and Report.

e) In determining the amount of an approved participant's commitment pursuant to an underwriting agreement or banking group agreement for the purposes of paragraphs b), c) and d) above, receivables from members of the banking or selling groups in respect of their obligations to take down a portion of a new issue of securities may be deducted from the liability of the approved participant to the issuer.

7225 (Reserved for future use)

7226 Margin on Swaps
(01.05.92, 01.04.93, 01.01.04, 13.09.05)

A) Interest Rate Swaps

For the purposes of the present article, a "fixed interest rate" is an interest rate which is not reset at least every 90 days and a "floating interest rate" is an interest rate which is not a fixed interest rate. On interest rate swap agreements where payments are calculated with reference to a notional amount, the obligation to pay and the entitlement to receive must each be margined as separate components as follows:

i) where a component is a payment calculated according to a fixed interest rate, the margin required must be the margin rate specified in article 7204 - Group I for a security with the same term to maturity as the outstanding term of the swap, multiplied by 125% and in turn multiplied by the notional amount of the swap;

ii) where a component is a payment calculated according to a floating interest rate, the margin required must be the margin rate specified in article 7204 - Group I for a security with the same term to maturity as the remaining term to the swap reset date, multiplied by the notional amount of the swap.

The counterparty to the interest rate swap agreement must be considered to be the approved participant's client. No margin is required in respect of an interest rate swap entered into with a client which is an acceptable institution. The margin requirement for clients which are acceptable counterparties must be any market value deficiency calculated relating to the interest rate swap agreement. The margin requirement for clients which are other counterparties shall be any loan value deficiency calculated relating to the interest rate swap agreement, determined by using the same margin requirements for each swap component as calculated in clauses (i) and (ii) above.

B) Total Performance Swaps

On total performance swap agreements, the obligation to pay and the entitlement to receive must each be margined as separate components as follows:

i) where a component is a payment calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount, the margin requirement must be the normal margin required for the underlying security or basket of securities relating to this component, based on the market value of the underlying security or basket of securities;

ii) where a component is a payment calculated according to a floating interest rate, the margin required must be the margin rate specified in article 7204 -Group I for a security with the same term to maturity as the remaining term to the swap reset date, multiplied by the notional amount of the swap.

The counterparty to the total performance swap agreement must be considered the approved participant’s client. No margin is required in respect of a total performance swap entered into with a client which is an acceptable institution. The margin requirement for clients which are acceptable counterparties must be any market value deficiency calculated relating to the total performance swap agreement. The margin requirement for clients which are other counterparties must be any loan value deficiency calculated relating to the total performance swap agreement, determined by using the same margin requirements for each swap component as calculated in clauses i) and ii) above.

7226A Swap Positions Offsets
(01.01.04)

For the purposes of the present article, a “fixed interest rate” is an interest rate which is not reset at least every 90 days, a “floating interest rate” is an interest rate which is not a fixed interest rate and a “realization clause” is an optional clause within a total performance swap agreement which allows the approved participant to close out the swap agreement at the realization price (either the buy-in or sell-out price) of the security position involved in the offset.

A) Interest Rate Swap Versus Interest Rate Swap Offset

Where an approved participant

i) is a party to an interest rate swap agreement requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar fixed or floating interest rate amounts calculated with reference to a notional amount, and

ii) is a party to another offsetting interest rate swap agreement entitling it to receive (or requiring it to pay) fixed or floating interest rate amounts calculated with reference to the same notional

amount denominated in the same currency and is within the same maturity band for margin purposes as the interest rate swap referred to in i),

the margin required in respect of the positions in i) and ii) may be netted, provided that margin on fixed interest rate component payment (or receipt) positions may only be offset against margin on fixed interest rate component receipt (or payment) positions, and margin on floating interest rate component payment (or receipt) positions may only be offset against margin on other floating interest rate component receipt (or payment) positions.

B) Fixed Interest Rate Swap Component and Securities Position Offset

Where an approved participant

i) is a party to an interest rate swap agreement requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar fixed interest rate amounts calculated with reference to a notional amount, and

ii) holds a long (or short) position in securities described in article 7204 - Group I with a principal amount equal to and denominated in the same currency as the notional amount of the interest rate swap and with a term to maturity that is within the same maturity band for margin purposes as the interest rate swap,

the margin required in respect of the positions in i) and ii) may be netted.

C) Floating Interest Rate Swap Component and Securities Position Offset

Where an approved participant

i) is a party to an interest rate swap agreement requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar floating interest rate amounts calculated with reference to a notional amount, and

ii) holds a long (or short) position in securities described in articles 7204 - Group I or 7205, maturing within one year with a principal amount equal to and denominated in the same currency as the notional amount of the swap,

the margin required in respect of the positions in i) and ii) may be netted.

D) Total Performance Swap versus Total Performance Swap offset

Where an approved participant

i) is a party to a total performance swap agreement requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar amounts calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount; and

ii) is a party to another total performance swap agreement entitling it to receive (or requiring it to pay) amounts calculated based on the performance of the same underlying security or basket of securities, with reference to the same notional amount and denominated in the same currency;

the margin required in respect of the position in i) and ii) may be netted, provided that margin on performance component payment (or receipt) positions may only be offset against margin on performance component receipt (or payment) positions, and margin on floating interest rate component payment (or receipt) positions may only be offset against margin on other floating interest rate component receipt (or payment) positions.

E) Total Performance Swap Component and Securities Position Offset

i) Short Total Performance Swap Component and Long Underlying Security or Basket of Securities

Where an approved participant

a) is a party to a total performance swap agreement requiring it to pay amounts calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount; and

b) holds long an equivalent quantity of the same underlying security or basket of securities;

the capital required in respect of the position described in a) and b) must be either:

c) nil, where it can be demonstrated that the sell-out risk relating to the offset has been mitigated:

I) through the inclusion of a realization clause in the total performance swap agreement, which allows the approved participant to close out the swap agreement using the sell-out price(s) for the long position in the underlying security or basket of securities; or

II) since, due to the features inherent in the long position in the underlying security or basket of securities or the market on which the security or basket of securities trades, the realization value of the long position in the underlying security or basket of securities is determinable at the time the total performance swap agreement is to expire and this value will be used as the closeout price for the swap;

or

d) 20% of the normal capital required on the long position in the underlying security or basket of securities where the sell-out risk relating to the offset has not been mitigated.

ii) Long Total Performance Swap Component and Short Underlying Security or Basket of Securities

Where an approved participant

a) is a party to a total performance swap agreement entitling it to receive amounts calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount; and

b) holds short an equivalent quantity of the same underlying security or basket of securities;

the capital required in respect of the positions described in a) and b) must be:

c) nil, where it can be demonstrated that the buy-in risk relating to the offset has been mitigated:

I) through the inclusion of a realization clause in the total performance swap agreement which allows the approved participant to close out the swap agreement using the buy-in price(s) for the short position in the underlying security or basket of securities; or

II) since, due to the features inherent in the short position in the underlying security or basket of securities or the market on which the security or basket of securities trades, the realization value of the short position in the underlying security or basket of securities is determinable at the time the total performance swap agreement is to expire and this value will be used as the closeout price for the swap.

or

d) 20% of the normal capital required on the short position in the underlying security or basket of securities where the buy-in risk relating to the offset has not been mitigated.

7227 Margin Offsets on Convertible Securities
(01.01.04)

1) For the purpose of the present article:

a) “conversion loss” means any excess of the market value of the convertible securities over the market value of the equivalent number of underlying securities;

b) “convertible security” means a convertible security, exchangeable security or any other security that entitles the holder to acquire another security, the underlying security, upon exercising a conversion or exchange feature;

c) “currently convertible” means a security that is either:

A) convertible into another security, the underlying security, either currently or within 20 business days, provided all legal requirements have been met and all regulatory, competition bureau and court approvals to proceed with the merger, acquisition, spin-off or other security related reorganization have been received; or

B) convertible into another security, the underlying security, after the expiry of a specific period, and the approved participant or client has entered into a term securities borrowing agreement. The agreement must be a written, legally enforceable agreement enabling the approved participant or client to borrow the underlying securities for the entire period from the current date until the expiry of the specific period until conversion;

d) “Newco securities” means securities of a successor issuer or issuers resulting from an amalgamation, acquisition, spin-off or any other securities related reorganization transaction;

e) “Oldco securities” means securities of a predecessor issuer or issuers resulting from an amalgamation, acquisition, spin-off or any other securities related reorganization transaction;

f) "underlying security" means the security, which is received upon exercising the conversion or exchange feature of a convertible security.

2) Long convertible securities considered "currently convertible" and short underlying securities

Where convertible securities are held long in an account and such securities are currently convertible and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:

i) the conversion loss, if any; and

ii) where the convertible security cannot be converted directly into the underlying security, at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying securities.

3) Long convertible securities not considered "currently convertible" and short underlying securities

Where convertible securities are held in an account and such securities are not currently convertible and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:

i) the conversion loss, if any; and

ii) 20% of the normal capital required (margin required in the case of client account positions) on the underlying securities, to cover the sell-out risk associated with holding convertible securities not considered to be "currently convertible"; and

iii) where the convertible security cannot be converted directly into the underlying security, at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying securities.

4) Short convertible securities and long underlying securities

Where convertible securities are held short in an account and the account is also long an equivalent number of underlying securities, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:

i) the conversion loss, if any; and

ii) 40% of the normal capital required (margin required in the case of client account positions) on the underlying securities.

5) Long "Oldco securities" and short "Newco securities" relating to an amalgamation, acquisition, spin-off or any other securities related reorganization transaction

i) Where, pursuant to a securities related reorganization involving predecessor and successor issuers, Oldco securities are held long in an account, the account is also short an equivalent

number of Newco securities, and the conditions set out in sub-paragraph ii) are met, the capital and margin requirements for approved participant and client account positions, respectively, must be the excess of the combined market value of the Oldco securities over the combined market value of the Newco securities, if any.

ii) The offset described in subparagraph i) above may be taken where all legal requirements have been met and all regulatory, competition bureau and court approvals to proceed with the merger, acquisition, spin-off or other security related reorganization have been received and where the Oldco securities will be cancelled and replaced by an equivalent number of Newco securities within 20 business days.

7228 Margin Offsets on Exercisable Securities
(01.01.04)

1) For the purpose of the present article:

a) "exercise loss" means any excess of combined sum of the market value of the exercisable securities and the exercise or subscription payment, over the market value of the equivalent number of underlying securities;

b) "exercisable security" means a warrant, right, instalment receipt or any other security that entitles the holder to acquire another security, the underlying security, upon making an exercise or subscription payment;

c) "currently exercisable" means a security that is either:

A) exercisable into another security, the underlying security, either currently or within 20 business days, provided all legal requirements have been met and all regulatory, competition bureau and court approvals to proceed with exercising have been received; or

B) exercisable into another security, the underlying security, on a future date, and the approved participant or client has entered into a term securities borrowing agreement. The agreement must be a written, legally enforceable agreement enabling the approved participant or client to borrow the underlying securities for the entire period from the current date until the exercise or subscription date;

d) "underlying security" means the security, which is received upon invoking the exercise feature of an exercisable security.

2) Long exercisable securities considered "currently exercisable" and short underlying securities

Where exercisable securities are held long in an account and such securities are currently exercisable and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:

i) in the case of client account positions, the amount of the exercise or subscription payment; and

ii) the exercise loss, if any; and

iii) where the exercisable security cannot be exercised directly into the underlying security, at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying securities.

3) Long exercisable securities not considered "currently exercisable" and short underlying securities

Where exercisable securities are held long in an account and such securities are not currently exercisable and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:

i) in the case of client account positions, the amount of the exercise or subscription payment; and

ii) the exercise loss, if any; and

iii) 20% of the normal capital required (margin required in the case of client account positions) on the underlying securities, to cover the sell-out risk associated with holding exercisable securities not considered to be "currently exercisable"; and

iv) where the exercisable security cannot be converted directly into the underlying security, at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying securities.

4) Short exercisable securities and long underlying securities

Where exercisable securities are held short in an account and the account is also long an equivalent number of underlying securities, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:

i) in the case of client account positions, the amount of the exercise or subscription payment; and

ii) the exercise loss, if any; and

iii) 40% of the normal capital required (margin required in the case of client account positions) on the underlying securities.

Section 7251 - 7300
Registration of Securities

7251 Registration of Securities
(01.04.93)

No security, with the exception of a new issue at delivery date, must be registered in the name of the client or his nominee prior to the receipt of payment.

7252 Redemption agent
(01.04.93, 01.03.94, 13.09.05)

No approved participant must, in respect of debt securities of any maturity, pay to a client the redemption price or other amount due on redemption or maturity of such securities which price or amount exceeds $100,000 unless it first has received an amount equal to such price or other amount from the borrower or its agent by an irrevocable bank transfer or by a cheque which is certified or accepted without qualification by a chartered bank (as defined in article 1102) or payment has been received by or to the credit of the approved participant through the facilities of The Canadian Depository for Securities Limited or Depository Trust Company provided that this rule must not apply in respect of :

1) securities referred to in Group I of article 7204, , issued by or guaranteed by the Government of Canada;

2) securities referred to in Group II of article 7204, , issued by or guaranteed by any Province of Canada;

3) securities representing obligations which are a charge on and payable out of the Consolidated Revenue Fund of Canada or out of the consolidated revenue fund or similar fund of any Province of Canada;

4) bankers acceptances, deposit certificates, promissory notes or debentures issued by a chartered bank (as defined in article 1102);

5) securities which are rated by any of the following: Dominion Bond Rating Service, Canadian Bond Rating Service Limited, Moody's Investors Service Inc. or Standard & Poor's Corporation at the highest applicable category.

Section 7351 - 7400
Offices and Employees

7351 Addresses of Approved Participants
(01.04.93, 13.09.05)

Every approved participant must provide the Bourse with an address, and subsequent changes thereof, where notices may be served.

7352 Branch Offices
(01.08.87, 01.04.93, 21.08.02, 13.09.05)

No approved participant must establish a branch office (four or more registered representatives or investment representatives) or appoint or replace the person in charge of a branch office without the prior consent of the Bourse. An approved participant may operate a sub-branch (less than four registered representatives or investment representatives) but must obtain prior approval from the Bourse. The person in charge of a branch must have experience acceptable to the Bourse and have satisfied the applicable proficiency requirements outlined in Policy F-2 of the Bourse. An approved participant having a sub-branch with more than two registered representatives or investment representatives must designate a supervisor of such office who must normally be present at such office.

The Bourse may, at its discretion, at any time, withdraw any such consent as aforesaid and the approved participant concerned must comply with such directions as the Bourse may make pursuant to such withdrawal.

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

7353 (Reserved for future use)

7354 Hiring of Exchange Employees
(01.04.93, abr. 13.09.05)

7355 Use of Offices by Clients and other Non-Employees Prohibited
(01.04.93, 13.09.05)

No approved participant must allow clients and others who are not employees of the approved participant or of a related company of the approved participant to operate out of the business premises of the approved participant or a related company of such approved participant or use the facilities thereof except with the prior approval of the Bourse, and no such approval shall be given if the Bourse is of the opinion that the application is being made on behalf of a promoter in securities or for the purpose of facilitating the promotion of securities.

Section 7401 - 7449
Registered Representatives and Investment Representatives

7401 Approval
(01.04.93, 13.09.05)

No person must have any dealings with any client or prospective client of any approved participant or related company, in obtaining, taking or soliciting orders for or advising on trades in securities, listed or unlisted, including mutual fund units, unless such person has been approved for this purpose by the Bourse.

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

7402 Classes of Registration
(01.04.93, 21.08.02, 13.09.05)

There are three classes of registration:

a) full registration entitles the registered representative to handle any and every type of securities business on behalf of his employer, including to give advices or opinions or to make recommendations to the clients he is dealing with;

b) limited registration limits the registrant to the selling of mutual fund units on behalf of his employer;

c) restricted registration (investment representative) applies to persons who, in the opinion of the Bourse, are not fully qualified, are not engaged primarily to deal with clients or, if so engaged, are solely executing orders on behalf of clients without giving them advice or opinion or any

recommendation. Such persons may only perform such functions or services for their employer as may be approved by the Bourse. Solicitation of orders for trades in securities is strictly forbidden.

d) In any case, the applicant must have satisfied the applicable proficiency requirements outlined in Policy F-2 of the Bourse.

7403 Application for Approval
(01.04.93, 13.09.05)

The application for approval as an investment advisor or representative must be submitted on the form prescribed by the Bourse and must be signed by both the applicant and the approved participant or related company by whom the applicant is employed.

Exemption: Notwithstanding the foregoing provisions of the present article, an application for approval need not be filed nor submitted when a person is exempted from seeking approval by the Bourse under article 7401 of the Rules.

7404 Qualifications (Full Registration)
(01.04.93, abr. 21.08.02)

7405 (Reserved for future use)

7406 Qualifications (Limited Registration)
(01.04.93, abr. 21.08.02)

7407 Qualifications (Restricted Registration)
(01.04.93, abr. 21.08.02)

7407 General Restrictions
(01.04.93, 13.09.05)

A registered representative or investment representative may only transact business for the approved participant or related company by whom he is employed.

All transactions by a registered representative or investment representative must be made in the name of the approved participant or related company by whom he is employed, and such approved participant is responsible for all acts and omissions of such registered representative or investment representative. Any act or omission of a registered representative or investment representative which would constitute an infraction of any rule of the Bourse shall be deemed to be an infraction by the approved participant who employed him.

7408 Joint Accounts
(13.09.05)

No approved participant or related company must approve the opening of a joint account in which registered representative or investment representative employed by such approved participant or related company has an interest of any kind, whether direct or indirect.

7409 Dealings with Other Firms
(01.04.93, 13.09.05)

No registered representative or investment representative must maintain, in his own name or any other name, an account in securities, options or futures contracts over which he has, directly or indirectly, trading authority or control with any approved participant or related company other than the approved participant or related company by which he is employed, without the written consent of his employer as required by article 7454.

7410 Fixed Duties
(02.04.91, 01.04.93, 07.04.03)

Every registered representative or investment representative of an approved participant must devote his entire time during business hours to the business of the approved participant employing him, and must not at any time be engaged in any other business or be employed by any other corporation, firm or individual as officer or for any other duty except if:

1) such corporation or firm is a related company of the approved participant employing the registered representative or the investment representative and the approved participant and related company provide cross-guarantees, pursuant to article 3603;

2) such dual employment is not contrary to the provisions of the applicable securities legislation or any regulation.

A registered representative or investment representative may serve as a director of a public corporation if the approved participant employing him has, prior to the fact, advised the Bourse.

In Quebec, unless the dual employment is expressly in relation with one of the exception provided for in the Quebec legislation and regulation, a registered representative or an investment representative of an approved participant is not allowed to carry out other activities than the ones for which he has been approved nor to be employed by any other corporation, firm or individual.

7411 Outside Remuneration Prohibited
(06.08.90, 01.04.93, 13.09.05)

For the purposes of this article "employee" includes, but is not limited to, a registered representative or investment representative, branch manager, assistant or co-branch manager, supervisor of a sub-branch, partner, director and officer.

No employee of an approved participant must accept nor permit any associate to accept, directly or indirectly, any remuneration, gratuity, advantage, benefit or any consideration from any person other than the approved participant or its affiliates or its related companies in respect of the activities carried out by such employee within the framework of his employment with the approved participant or its affiliates or its related companies.

However, this prohibition does not apply in the case of remuneration which is expressly authorized by the Autorité des marches financiers or as a result of a decision of the latter.

7412 Arrangements with Clients
(01.04.93, 13.09.05)

Registered representatives or investment representatives are strictly forbidden to:

1) give any guarantee to a client in connection with the account of such client;

2) accept a share in the profits of the account of any client or to have any arrangement with any person whatsoever involving an allocation of profits or losses accruing to any account opened with the approval of the approved participant;

3) except as provided by the provisions of Section 7476 – 7500 of the present Rule, execute a discretionary order or exercise any discretion in the handling of an account of a client of an approved participant;

4) lead any client to believe that such client will not suffer any loss as a result of opening an account or as a result of any dealings in connection therewith.

7413 Notice to the Bourse of Termination of Employment or of Lawsuits and other proceedings
(01.04.93, 13.09.05)

Every approved participant and related company must immediately give to the Bourse:

1) notice of the termination of the employment of any registered representative or investment representative and, in the case of a dismissal for cause, a statement of the reasons therefore; and

2) a report of any information it has regarding any lawsuit, investigation or proceedings affecting the licensing or registration of any of its registered representatives or investment representatives by any securities commission or comparable body.

Exemption: Notwithstanding the foregoing provisions of the present article, such approved participant and related company are exempted to give to the Bourse the above-mentioned notice and report provided such notice and report have been given to the self-regulatory organization responsible for supervision of the approved participant concerned under the agreement establishing the Canadian Investor Protection Fund.

7414 Transfers
(01.04.93, 13.09.05)

No approved participant or related company must employ a registered representative or investment representative formerly employed by any other approved participant or related company until the Bourse has given its prior approval to such employment. Any application for such consent must be submitted in the form prescribed by the Bourse and must be signed by both the registered representative or investment representative and the approved participant or related company proposing to employ him.

Exemption: Notwithstanding the foregoing provisions of the present article, no consent of nor application for approval to the Bourse is required provided consent is sought from and granted by the self-regulatory organization responsible for the supervision of the concerned approved participant under the agreement establishing the Canadian Investor Protection Fund.

7415 Suspension or Revocation of Approval
(01.04.93, 13.09.05)

If a registered representative or investment representative no longer meets the required qualifications, the Bourse may suspend or revoke its approval.

In the event of any such revocation of approval of a registered representative or investment representative pursuant to the present article or of article 4105 and unless otherwise ordered by the Special Committee, the approved participant or related company employing him must immediately discontinue his employment and thereafter he must not be employed in any capacity by any approved participant or related company without the permission of the Special Committee. Any such permission may be revoked at any time by the Special Committee.

7416 Approved Participant's Responsibility
(01.04.93, 13.09.05)

Each approved participant and related company must ensure that all registered representatives or investment representatives employed by it comply with the provisions of all Rules and Policies of the Bourse.

7417 Mutual Fund Units Sales Incentives
(19.09.94, 13.09.05)

a) No approved participant, affiliate or related person in respect of an approved participant, or partner, director, officer, registered representative or investment representative or employee of such approved participant, affiliate or related person, may accept from any person, directly or indirectly, any non-cash sales incentive in connection with the sale or distribution of mutual fund units.

b) No approved participant, or affiliate or related person in respect of an approved participant, may pay to any partner, director, officer, registered representative, investment representative or employee of such approved participant, affiliate or related person any non-cash sales incentive in connection with the sale or distribution of mutual fund units.

c) Nothing in this article prohibits an approved participant, affiliate or related person in respect of an approved participant or any partner, director, officer, registered representative, investment representative or employee of such approved participant, affiliate or related person from accepting or paying, as the case may be:

   i) non-cash sales incentives earned or awarded in connection with internal incentive programs of such approved participant for which eligibility is determined with respect to all services and products offered by the approved participant;

   ii) commissions or fees payable in cash and calculated with reference only to particular sales or volumes of sales of mutual fund units;

   iii) service fees or trailing commissions;

   iv) marketing materials; or

v) reasonable business promotion activities that are undertaken in the normal course of business and take place in the locale where the recipient is employed or resides.

d) For the purpose of this article, the term "non-cash sales incentive" includes, without limitation, domestic or foreign trips, goods, services, gratuities, advantages, benefits and any other non-cash consideration.

e) The present article does not apply to an affiliate of an approved participant or a partner, director, officer, registered representative or investment representative or employee of an affiliate where, pursuant to article 3604, the affiliate has been excluded as a related company of the approved participant or exempted from compliance, as a related company, with all or any of the Rules, Policies or rulings of the Bourse.

Section 7450 - 7475
Conduct of Accounts

7450 Business Conduct
(01.04.93, 13.09.05)

All approved participants must at all times adhere to the principles of good business practice in the conduct of their affairs.

The business of approved participants, approved persons or restricted trading permit holders and their dealings amongst themselves and with the public must at all times comply with the standards set forth in the Bourse regulations.

All approved participants and all approved persons must comply with Policy C-2 of the Bourse.

7451 Disclosure of Conflicts of Interests or Contrary Views
(11.03.85, 11.03.92, 13.09.05)

An approved person must disclose and discuss with his client any circumstances that may give rise to a conflict of interests with his client and, in particular, any information or opinion held by the approved person, knowledge of which could affect the decision of a client concerning a particular transaction, an investment or an investment strategy.

7452 Diligence as to Accounts
17.06.86, 01.08.87, 05.09.89, 15.09.89, 04.12.92, 01.04.93, 02.07.96, 09.03.99, 23.08.02, 21.11.03, 22.01.04, 13.09.05)

1) Every approved participant must use diligence:

a) to learn and remain informed of the essential facts relative to every customer and to every order or account accepted;

b) to ensure that the acceptance of any order for any account is done in accordance with principles of good business practice;

c) to ensure, subject to paragraphs d), e) and f) hereunder, that the acceptance of any order for any account from a customer is suitable for such customer given his financial situation, his investment knowledge, his investment objectives and his risk tolerance;

d) to ensure, when recommending to a customer the purchase, sale, exchange or holding of any security, that the recommendation is suitable for such customer given his financial situation, his investment knowledge, his investment objectives and his risk tolerance.

However,

e) an approved participant that has applied for and received approval from the Bourse, pursuant to Policy C-12, is not required, when accepting orders from a customer where no recommendation is provided, to make a determination that the order is suitable for such customer;

f) the Bourse in its discretion, shall only grant such approval where the Bourse is satisfied that the approved participant will comply with the policies and procedures outlined in Policy C-12 of the Bourse.

2) Every approved participant:

a) must appoint, in accordance with Policy C-13 of the Bourse, an ultimate designated person or, in the case of a branch office, a branch manager reporting directly to an ultimate designated person; and

b) where necessary to ensure continuous supervision, may appoint one or more alternate designated person;

who must be approved by the Bourse. The ultimate designated person or, in the case of a branch office, the branch manager is responsible for establishing and maintaining procedures and for supervising account opening and account activity. He must ensure that the handling of client business is within the bounds of ethical conduct, consistent with just and equitable principles of trade and not detrimental to the reputation of the Bourse or the interests or the welfare of the public or the Bourse. He must supervise activity relating to securities in accordance with Bourse requirements and policies. In the absence or incapacity of the ultimate designated person, his authority and responsibilities must be assumed by an alternate designated person.

3) Notwithstanding paragraph 2) of the present article, an approved participant or a separate business unit of the approved participant is exempt from the requirement that a new account form include the information required with regard to the suitability of transactions where the approved participant or separate business unit of an approved participant does not provide recommendations to any of its customers and has received the approval mentioned in paragraph 1 e) of the present article.

4) For each new account, there must be a properly completed account application form and, prior to or promptly after the completion of the first transaction for such account, it must be authorized or approved:

a) by the designated person or his alternate, or

b) except in the case of discretionary and managed accounts, by the branch manager of the branch office where the account is opened,

and such authorization or approval must be indicated on the account application form.

5) Every approved participant must ensure that his registered representatives and investment representatives and other concerned personnel comply with the code of ethics and general rules of conduct for representatives as stated in the Conduct and Practices Handbook for Securities Industry Professionals published by the Canadian Securities Institute.

6) An approved participant must send prior to the first trade to a client who is a first time purchaser of stripped coupons or of residual debt instruments an information document approved by the securities commission having jurisdiction.

7) a) An approved participant, partner, director, officer or approved person of an approved participant must provide to each retail client a Leverage Risk Disclosure Statement:

i) at the time a new account is opened,

ii) when a recommendation is made to a retail client to purchase securities using in whole or in part borrowed money,

iii) when an approved participant, partner, director, officer or approved person of the approved participant becomes aware of a retail client's intent to purchase securities using, in whole or in part, borrowed money.

b) No approved participant, partner, director officer or approved person of the approved participant is required to comply with sub-paragraphs a ii) and a iii), if within the six preceding months a Leverage Risk Disclosure Statement has been provided to the retail client.

c) The Leverage Risk Disclosure Statement must be similar to the following:

"Using borrowed money to finance the purchase of securities involves greater risk than using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and to pay interest, as required by its terms, remains the same even if the value of the securities purchased declines."

d) The Leverage Risk Disclosure Statement is not required with respect to margin accounts operated in accordance with the Rules and Policies of the Bourse.

7453 Application as to Diligence of Accounts
(01.04.93, 13.09.05)

1) Corporate Clients

In the case of a margin account carried by an approved participant for a corporation, the approved participant must make sure that the corporation has the right under its charter and by-laws to engage in margin transactions for its own account and that the persons from whom orders and instructions are accepted are duly authorized by the corporation to act on its behalf. It is advisable in each such case for the approved participant accepting the margin account to obtain a copy of the corporate charter, by-laws and authorizations.

Where it is not possible to obtain such documents, a partner, an officer or a director of the approved participant carrying the account must prepare and sign a memorandum for the files of the approved participant indicating the basis upon which he believes that the corporation may properly engage in margin transactions and that the persons acting for the corporation are duly authorized to do so.

In the case of a cash account carried for a corporation, the approved participant must ensure through a partner, an officer or a director that persons entering orders and issuing instructions with respect to the account do so upon the proper authority.

2) Nominee Accounts

When a nominee account is carried by an approved participant, its records must contain the name of the principal for whom the nominee is acting and written evidence of the nominee's authority.

7454 Designation of Accounts and Transactions by Employees of Approved Participants
(01.04.93, 13.09.05)

No approved participant must carry an account:

1) in the name of a person other than that of the client, except that an account may be designated by a number, a nominee name or other identification provided the approved participant maintains at its principal office in Canada sufficient identification in writing to establish the beneficial owner of the account or the person or persons financially responsible for same. This information must be available at all times upon the request of the Bourse;

2) for a partner, officer, director or any employee of another approved participant either jointly or with another or others without the prior written consent of the employer; nor must make a cash or margin transaction or carry a margin account in securities or futures contracts in which any of the above is directly or indirectly interested. A copy of such consent of the employer must be kept in the client's file and duplicate reports and monthly statements must be sent to a partner, officer or director designated in such consent (other than the person for whom the account is carried). This paragraph does not apply to any director who is an outside investor with respect to the approved participant or its holding company and whose investment therein does not contravene Rule Three.

7455 Confirmation and Statement of Account to Client
(06.11.89, 01.04.93, 29.10.93, 30.09.94, 02.08.95, 18.02.97, 26.03.03, 13.09.05)

1) Subject to paragraph 7), the approved participant must promptly furnish to each client a written confirmation of each transaction in securities. This confirmation must at least provide:

   a) the quantity and description of the securities traded;

   b) the selling or purchase price;

   c) whether the approved participant was acting as principal or agent;

   d) if acting as agent, the name of the approved participant from, or to, or through whom the security was purchased or sold;

   e) the date on which the purchase or sale took place;

f) the amount of the commission, if any, charged in respect of such purchase or sale;

g) the name of the registered representative or investment representative or other person instructed by the customer to make the purchase or sale;

h) the name of the exchange, if any, on which the transaction took place;

i) where the transaction includes non-voting shares, subordinate voting shares or restricted voting shares, these shares must be designated as such on the confirmation and they must not be described as "common";

j) for transactions on stripped coupons and stripped bonds:

i) the yield thereon calculated on a semi-annual basis in a manner consistent with the yield calculation for the debt instrument which has been stripped;

ii) the yield thereon calculated on an annual basis in a manner consistent with the yield calculation for other debt securities which are commonly regarded as being competitive in the market with such coupons or stripped bonds such as guaranteed investment certificates, bank deposit receipts and other indebtedness for which the term and interest rate are fixed.

k) the fees or other charges, if any, levied by any securities regulatory authority in connection with the trade.

2) For the purpose of subparagraphs 1) d) and g), a person, a company, a registered representative or an investment representative may be identified in a written confirmation by means of a code or symbol if the written confirmation also contains a statement that the name of the person, the company, the registered representative or the investment representative will be furnished to the customer on request.

3) A copy of all confirmations and all statements of account must be retained by each approved participant for 5 years.

4) A statement of account must be sent at the end of each month to each client in whose account there have been any transactions recorded (exclusive of entries related to interest and dividends). Additionally, statements must be sent to all clients having open security positions or money balances at the end of each quarter. Quarterly statements must set forth the dollar balance carried forward and security position as of the statement date. Statements must indicate all securities which are segregated or held in safekeeping. In addition, exchange listed non-voting shares, subordinate voting shares or restricted voting shares must be designated as such on the statement and these shares must not be described as "common".

5) Every statement of account issued to a client by an approved participant or related company must bear the notation required by paragraph 1 of article 7502.

6) Every confirmation and every statement of account issued to a client by an approved participant or related company must contain the following notice:

"Clients' 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."

7) The requirements of the present article may be complied with by delivery of the confirmation of purchase or sale or of a statement of account to the customer by electronic means, provided that the approved participant complies with Policy C-15 and that:

   i) the client has authorized, in writing, the approved participant to deliver the confirmation or the statement of account by electronic means;

   ii) the electronic transmission procedure has been approved by the Bourse;

   iii) the confirmation or the statement of account delivered electronically complies with all other requirements of the present article; and

   iv) the electronic transmission system can, if necessary, reproduce a copy of the confirmation or statement of account in printed form.

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

7456 Conflict of interests
(01.04.93, 13.09.05)

No approved participant acting as agent for a customer to buy or sell securities may be the buyer or seller on his own account or otherwise act in such a manner as to create a conflict between his own interests and those of his client.

Notwithstanding the foregoing, an approved participant acting as a market-maker will be deemed not to act in a manner as to create a conflict of interest.

7457 Transactions Prohibited
(01.04.93, 13.09.05)

No approved participant must be directly or indirectly interested in or associated in business with, or have his or its office directly or indirectly connected by public or private wire or other method or contrivance with, or transact any business directly or indirectly with or for:

1) any organization, firm or individual making a practice of dealing on differences in market quotations; or

2) any organization, firm or individual engaged in purchasing or selling securities for clients and making a practice of taking the side of the market opposite to the side taken by the clients.

7458 Service Fees
(01.07.89, 01.04.93, 13.09.05)

No approved participant must impose on any customer or deduct from the account of any customer any service fee or charge relating to services provided by the approved participant for the administration of that client's account unless prior written notice has been given on the opening of such account or if such notice was not given or if the amounts of the fees are changed, notice has been given to the client not less than sixty days prior to the establishment of such charge.

Interest charges and commissions are not covered by this provision.

7459 Margin Agreements
(01.04.93, 13.09.05)

Whenever an approved participant carries a margin account for a client, there must be a written agreement between the approved participant and the client dealing with their relationship. Such agreement must cover inter alia any matters that the Special Committee may prescribe and must conform to any requirements as to form and content that the Special Committee may prescribe.

Every agreement relating to a margin account between an approved participant and a client must, without limitation as to any other provisions in the present article, contain undertakings by the client covering the following matters and providing that:

1) all transactions are and must be subject to the rules, policies, customs and usages of the Bourse or market and its clearing corporation;

2) the client must at the request of the approved participant give to the approved participant security for the client's indebtedness to the approved participant;

3) if the client does not promptly supply securities or property sold on his order, the approved participant may but shall not be bound to borrow them and the client shall reimburse to the approved participant any loss suffered or expense incurred by the approved participant through such borrowing or client's failure to make delivery;

4) except as otherwise directed in written instructions received from the client, any securities or property held by the approved participant for or on account of the client may, at the discretion of the approved participant, be kept at any of the places where the approved participant has an office;

5) all notices and communications to the client may be effectively given by mailing them by ordinary mail addressed to the client at the client's address as it appears in the approved participant's records.

7460 Clients' Indebtedness - Approved Participants' Rights
(01.04.93, 13.09.05)

Whenever and so often as a client is indebted to an approved participant, all securities and other assets held by such approved participant for or on account of such client represents collateral security for the payment of such indebtedness and such approved participant has the right, in its discretion, subject to the provisions of section 7501-7550, to raise money on or carry such securities in its general loans and to pledge and re-pledge or to loan such securities either separately or together with any security or securities held by such approved participant for or on account of one or more other clients, or otherwise, in such

manner and to such amount and for such purpose as it may deem advisable; and if such approved participant deems it necessary for its protection, it has the right in its discretion, to buy in any or all of the securities of which such client's account may be short or, as the case may be, to sell out any or all of the securities held by it for or on account of such client, and, without in any way restricting the foregoing, such approved participant also has the right in every case to recover from such client the amount of his indebtedness to such approved participant or any part thereof remaining unpaid, either with or without realization of the whole or any part of the securities held by such approved participant for or on account of such client.

Nothing in the present article must prejudicially affect the rights of approved participants under any established usage, custom or course of dealing.

7461 Guarantees of Margin Accounts
(01.05.87, 30.09.87, 01.09.92, 13.09.05)

The margin required in respect of the account of a customer of an approved participant which is guaranteed in accordance with the present article may be reduced to the extent that there is excess margin in the accounts of the guarantor held by the approved participant calculated on an aggregated or consolidated basis.

In calculating margin reductions for guaranteed accounts, the following rules must apply:

a) guarantees in respect of customers' accounts by shareholders, registered representatives or investment representatives or employees of the approved participant must not be accepted, unless paragraph b) is applicable and has been complied with, or in the case of guarantees by shareholders, there is public ownership of the securities held by the shareholder and the shareholder is not an employee, registered representative or investment representative, partner, director or officer of the approved participant or the holder of a major position in respect of the approved participant or its holding company within the meaning of article 1102;

b) guarantees in respect of customers' accounts by partners, directors or officers of the approved participant must only be accepted on the following basis:

   i) the self-regulatory organization having prime audit jurisdiction in Canada over the approved participant must expressly approve the guarantee in writing by providing separate written approval and the release of the guarantee shall only be effective upon receipt of the express approval of the self-regulatory organization given in the same manner;

   ii) the guarantor must not be permitted to transfer cash, securities, contracts or any other property from the accounts of the guarantor in respect of which the margin reduction is based without the prior written approval of the self-regulatory organization referred to in subparagraph b) i);

   iii) the provisions of paragraph 6 of the notes and instructions to Schedule 4 of the Joint Regulatory Financial Questionnaire and Report, of Policy C-3 of the Bourse must apply to the customer's account regardless of the guarantee and, if the account has been restricted in accordance with these provisions and is subsequently fully margined, no trading must occur in the account until the guarantee is released in accordance with subparagraph b) i) above.

c) guarantees in respect of accounts of partners, directors, officers, shareholders, registered representatives, investment representatives or employees and given by customers of the approved participant must not be accepted;

d) paragraphs a), b) and c) do not apply to guarantees given by any of the persons referred to therein in respect of accounts of members of the immediate families of such persons nor to guarantees in respect of the accounts of any of the persons referred to therein by members of their immediate families;

e) in determining the margin deficiency of the account of any client, a guarantee in respect of the account may be accepted for margin purposes unless and until, in connection with the annual audit, the confirmation requirements have not been satisfied in accordance with paragraph 4) A) vii) of article 7165, . If the audit confirmation requirements for an account have not been satisfied, the margin reduction must not be allowed until a confirmation is received or a new guarantee agreement is signed by the customer;

f) a general guarantee in respect of the accounts of a customer which does not specify such accounts must not be accepted and no guarantee or guarantees from one or more customers in respect of more than one account must be accepted unless supported by proper documentation from such customers sufficient to establish the identity and liability of each guarantor and the accounts and customers in respect of which each guarantee is given;

g) a guarantee in respect of an account of a customer must only be accepted for margin if it directly guarantees the customer's obligations under such account, and a guarantee in respect of an account of a customer who in turn, directly or indirectly, provides a guarantee in respect of another account must not be accepted for margin purposes in the latter account;

h) no guarantee must be accepted unless it is enforceable by written agreement, binding upon the guarantor, its successors and assigns and personal legal representatives and containing the following minimum terms:

   i) the prompt payment on demand of all present and future liabilities of the customer to the approved participant in respect of the identified accounts must be unconditionally guaranteed on an absolute and continuing basis with the guarantor being jointly and severally liable for the obligations of the customer;

   ii) the guarantee may only be terminated upon written notice to the approved participant, provided that such termination must not affect the guarantee of any obligations incurred prior thereto;

   iii) the approved participant must not be bound to demand from or to proceed or exhaust its remedies against the customer or any other person, or any security held to secure payment of the obligations, before making demand or proceeding under the guarantee;

   iv) the liability of the guarantor must not be released, discharged, reduced, limited or otherwise affected by [1] any right of set-off, counterclaim, appropriation, application or other demand or right the customer or guarantor may have, [2] any irregularity, defect or informality in any obligation, document or transaction relating to the customer or its accounts, [3] any acts done, omitted, suffered or permitted by the approved participant in connection with the customer, its accounts, the guaranteed obligations or any other guarantees or security held in respect thereof including any renewals, extensions, waivers, releases, amendments, compromises or indulgences

agreed to by the approved participant, or [4] the death, incapacity, bankruptcy or other fundamental change of or affecting the customer; provided that in the event the guarantor must be released for any reason from the guarantee, it must remain liable as principal debtor in respect of the obligations which he had guaranteed prior to the release;

v) the guarantor must waive in favour of the approved participant any notices as to the terms and conditions applicable to the customer's accounts or agreements or dealings between the approved participant and customer, or relating in any way to the status or condition of or transactions or changes in the customer's accounts; furthermore, he must agree that the accounts as settled or stated between the approved participant and the customer are conclusive as to the amounts owing, and waive any rights of subrogation until all guaranteed obligations are paid in full;

vi) all securities, moneys, futures contracts and options, foreign exchange contracts and other property held or carried by the approved participant for the guarantor must be pledged or a security interest granted therein to secure the payment of the guaranteed obligations and the approved participant must have full ability to deal with such assets at any time, before or after demand under the guarantee, to satisfy such payment.

7461A Hedge Agreement
(30.07.97, 13.09.05)

1) Notwithstanding article 7461 and prior to reducing the margin requirement as provided by this article, an approved participant may hedge:

a) any long securities positions, other than options, futures contracts or foreign exchange contracts, held in the account of a guarantor that guarantees the account of a client of an approved participant in accordance with article 7461 with any short securities positions, other than options, futures contracts and foreign exchange contract, in that client account; and

b) any long security position convertible, including warrants, options, futures contracts, rights, shares, instalment receipts or other securities pursuant to their terms, which allow the holder to acquire the underlying securities, held in the account of a guarantor that guarantees a client account with any short positions in the underlying securities held in that client's account, provided that the convertible securities held in the guarantor's account are readily convertible into related underlying securities held in that client's account and the number of underlying securities available for conversion purposes be equal to or greater than the number of securities sold short.

2) No hedge must be accepted for the purpose of the present article unless the approved participant obtains from the guarantor a written hedge agreement, in a form acceptable to the Bourse, that:

a) authorizes the approved participant to use any or all securities, other than options, futures contracts or foreign exchange contracts held in long positions in the guarantor's account to hedge any or all short positions in the guaranteed client account for the purposes of eliminating the margin required on such securities in the client's account;

b) upon the sale of any long securities positions that hedges a short position and that creates a margin deficiency in the guaranteed account, the guarantor agrees that the approved participant may restrict the guarantor's ability to withdraw any cash or securities from his account or

otherwise restrict his ability to enter into transactions in that account until such deficiency is rectified; and

c) the guarantor agrees that the terms of the hedge agreement must remain in effect as long as any hedge positions between the two accounts remain in effect.

7462 Account transfers
(01.02.91, 01.04.93, 02.06.95, 06.10.99, 13.09.05)

1) For the purposes of this article:

"CDS" means The Canadian Depository for Securities Limited;

"partial account" means, in respect of an account transfer, any assets and balances in the account of a client to be transferred from a delivering approved participant to a receiving approved participant which comprise less than the total assets and balances held by the delivering approved participant for that account;

"recognized depository" means an acceptable clearing corporation or an acceptable securities location, as defined in the General notes and Definitions of the Joint Regulatory Financial Questionnaire and Report of Policy C-3 of the Bourse;

"delivering approved participant" means, in respect of an account transfer, the approved participant from which the account of the client is to be transferred;

"receiving approved participant" means, in respect of an account transfer, the approved participant to which the account of the client is to be transferred;

"account transfer" means the full transfer in its entirety of an account of a client with an approved participant to another approved participant at the request or with the authorization of the client;

2) Transfer

Each account transfer must be effected wherever possible through the facilities or services of a recognized depository. The procedures to be followed for full or partial account transfers must be as set out in the present article.

For the purposes of the present article, written communications by approved participants with other approved participants including, without limitation, delivery of request for transfer forms and asset listings must be transmitted electronically through the account transfer facility of CDS, unless both approved participants agree otherwise. Each approved participant must bear its own costs in respect of the receipt of delivery of such communications. Each approved participant is responsible for the selection, implementation and maintenance of appropriate security products, tools and procedures in order to protect any communications sent by electronic delivery pursuant to the present article.

Each approved participant acknowledges that the communications that it sends by electronic delivery pursuant to the present article will be relied on by the other receiving approved participants and such approved participant sending a communication must indemnify and save harmless any such other receiving approved participants against and from any claims, losses, damages, liabilities or expenses

suffered by such approved participants and arising as a result of reliance on any such communication which is unauthorized, inaccurate or incomplete.

3) Authorization

Each approved participant which receives a request from a client to accept an account transfer must provide the client with the authorization to transfer account form approved by the Bourse.

On return of the authorization to transfer account form, duly executed by the client, to the office designated by the receiving approved participant, the latter must promptly send a request for transfer form (as approved by the Bourse) by electronic delivery through the account transfer facility of CDS providing the prescribed information required by CDS. The original of the authorization to transfer account form must remain on file with the receiving approved participant and will be available at any time upon request.

In addition, the receiving approved participant must ensure that such forms or documents as may be required in order to transfer trust accounts, provincial stock savings plan or registered retirement savings plan accounts or other accounts which cannot be transferred without such other forms or documents are duly completed and available on the same day as the electronic delivery of the request for transfer form.

4) Response to Request for Transfer

On electronic receipt of the request for transfer, the delivering approved participant must, either deliver electronically to the receiving approved participant the asset listing of the client account being transferred by the return date as specified, or reject the request for transfer if the client account information is unknown to the delivering approved participant, or is incomplete or incorrect. The return date must be no later than two clearing days after the date of electronic receipt at the delivering approved participant.

If, for any reason, an impediment exists which prevents the requested transfer of an asset for an account from the delivering approved participant to the receiving approved participant, the delivering approved participant must forthwith notify the receiving approved participant electronically, identifying such asset and the reason for the inability to deliver. The receiving approved participant must obtain instructions or directions from the client with regard to that asset and deliver them electronically to the delivering approved participant.

Transfer of the balance of assets belonging to the client must be completed in accordance with the present article.

5) Settlement

Within one (1) clearing day after the return date specified on the request for transfer, the delivering approved participant must input, or cause the account transfer facility at CDS to implement automatically, the set up for settlement of those assets which are to be settled through CDS. All other assets must be delivered using the standard industry practice for such assets.

No approved participant must accept transfer of an account from another approved participant which is not margined in accordance with regulatory requirements unless at the time of the transfer the

receiving approved participant has in its possession sufficient available funds or collateral for the credit of the client to cover the deficiency in his account.

Any assets which cannot be transferred through recognized depositories must be settled over-the-counter or by such other appropriate means as may be agreed between the receiving approved participant and the delivering approved participant, within the same time limits specified above for assets which can be transferred through a depository.

6) Failure to settle

If the delivering approved participant fails to settle the transfer of any assets in the account of a client within ten (10) clearing days of the receipt of the request for transfer form by electronic delivery, the receiving approved participant may complete the account transfer by, at its choice:

a) buying the unsettled position;

b) establishing a loan of the assets from the receiving approved participant to the delivering approved participant through a recognized depository, which loan must be marked to market and the relevant assets must be deemed to have been delivered to the receiving approved participant for the purpose of settling the account transfer; or

c) making such other mutually agreed arrangements with the delivering approved participant such that the account transfer can be deemed to have been completed for the client.

7) Non-certificated Mutual Funds

Assets in an account to be transferred in the form of non-certificated mutual fund securities must be considered transferred upon delivery by the delivering approved participant to the receiving approved participant of a duly completed Broker to Broker Mutual Fund Transfer form approved by the Bourse and a properly completed and endorsed power of attorney, or by entry of transfer instructions in the electronic account transfer facility of Mutual Funds Clearing and Settlement Services Inc.

8) Miscellaneous Balances

Balances comprising interest or dividend receipts must be settled promptly between a delivering approved participant and receiving approved participant and the failure to so settle such balances for any reason must not constitute grounds for not complying with the account transfer procedures contained in the present article.

9) Capital Charges and Margin Required

Delivering approved participants must not be subject to capital charges or margin requirements in respect of assets which are in the process of being transferred in accordance with the present article. The receiving approved participant is required to margin all assets or balances which are in the process of being transferred in accordance with the present article.

10) Fees and Charges

The delivering approved participant is entitled to deduct any fees or charges on accounts to be transferred prior to or at the time of transfer in accordance with that approved participant's current published schedule for such fees and charges.

11) Exemptions

The Bourse may exempt an approved participant from the requirements of the present article where it is satisfied that to do so would not be prejudicial to the interests of the approved participant, its clients or the public and, in granting such exemption, the Bourse may impose such terms and conditions, if any, it may consider necessary.

7463 (Reserved for future use)

7464 Discretionary Cash Settlement Rule
(01.04.93, 13.09.05)

The Bourse may, whenever it determines that market conditions so warrant, prescribe such other terms and conditions as it deems appropriate relating to the settlement of transactions in specific securities trading either on or off an exchange.

Without in any way limiting the generality of the foregoing paragraph, the following are examples of such other terms and conditions:

a) a provision that all delivery against payment and receipt against payment transactions must be settled by a specified time or be required to be margined on a 100% margin basis;

b) a provision that new transactions be subject to advance payment in full or receipt of securities to be sold.

7465 R.R.S.P.s Administered by Approved Participants and Other Similar Plans
(01.04.93. 02.08.94, 13.09.05)

Approved participants are authorized to administer self-directed Registered Retirement Savings Plans (R.R.S.P.) and other similar plans if the following conditions are met:

a) i) The trustee is an acceptable institution as defined in the Joint Regulatory Financial Questionnaire and Report of Policy C-3 of the Bourse;

ii) Primary liability to plan holders for any breach of trust remains that of the authorized trustee.

b) Physical control over plan's securities on hand is maintained by designated employees of the approved participant.

c) Subject to any additional requirements of the trustee:

i) securities held by an approved participant for the trustee on behalf of its individual annuitants must be held in safekeeping for the trustee. Such securities may only be released on instructions of the trustee or the annuitant;

ii) while such securities are held in safekeeping for the trustee within such safekeeping system, they may be held in bulk segregation on behalf of its individual annuitants and identified as being so held in the approved participant's security position record, customers' ledger and the statement of account provided to the annuitant and to the trustee. Where an approved participant is a member of a recognized depository, the use of that depository for lodging of securities held for plan accounts is recommended;

iii) a revision of the segregation requirements must be done at least twice each week and the approved participant must act immediately to make up any segregation deficiency.

d) The means, be it numerical code or otherwise, by which annuitants' accounts for self-directed plans are identified must be clearly distinguishable from the manner of identifying other types of accounts and each account itself must be identified as being that of the trustee for the annuitants as beneficial owner, each being named. All such accounts must be kept in a separate section of the customer's account record specifically reserved for such plan accounts.

e) All cash received by the approved participant for and on behalf of plan accounts must be transferred to the trustee by the next business day except that cash required or received in connection with the settlement of securities transactions must be transferred from the approved participant to the trustee or from the trustee to the approved participant as the case may be, on the settlement or value date specified in the confirmation of trade.

f) The agreement between the approved participant and the trustee must incorporate the protection afforded to annuitants by sub-paragraph c) i) above and prohibit the approved participant from using assets from the trustee's plan account for the annuitants to pay claims the approved participant may have against that particular annuitant's non plan account other than claims in respect of administration fees or administration expenses relating to the plan account.

g) The approved participant must advise each annuitant:

i) that there are tax consequences pursuant to the income tax acts (Canada and Quebec) on the acquisition or holding by the account of non-qualified investments or excess foreign property; and

ii) on a monthly basis, if non-qualified investments or excess foreign properties have been acquired for the account or if previously acquired qualified investments have become unqualified.

h) All of the regulatory authorities under which the trustee operates must have acknowledged that they have received all legal opinions, tax rulings or other documentation the authorities have requested from the trustee.

i) A report must prepared by the approved participant on the prescribed form and on a monthly basis identifying, by security, the quantity required to be segregated but which is not yet segregated. Such report must be filed with the Bourse within ten business days following the end of each month.

j) The foregoing report will not be required from an approved participant where the Bourse is satisfied that the system and procedures pertaining to the operation of the plan are in accordance with the requirements of the present article.

Notwithstanding the provisions of the present article, approved participants are exempted from obtaining approval of the Bourse provided approval is granted by the self-regulatory organization responsible for the supervision of the firm under the agreement establishing the Canadian Investor Protection Fund.

7466 Record of Complaints
(01.04.93, 13.09.05)

1) Each approved participant must keep an up-to-date record in a central place of all written complaints received by the approved participant that relate in any way to the conduct, business or affairs of the approved participant or of a director, partner, officer or employee of the approved participant.

2) A complaint and any reply to the complaint must be retained for twenty-four months from the date of receipt of the complaint by the approved participant and must be made available to the Bourse upon request.

7467 Keeping Records of Orders
(08.09.89, 01.04.93, 02.07.96, 13.09.05)

1) A record must be kept by each approved participant in its office of each order received for the purchase or sale of listed and unlisted securities.

2) The record of each order filled must show the person receiving the order, the time the order is entered, the price paid or received, to the extent feasible the time of execution, the broker from or to or through whom the security was bought or sold and must be retained for seven (7) years.

3) No order can be executed on an exchange until it has been stamped as above in the office of the approved participant who receives the order.

4) The record of each order which remains unfilled must show the person receiving the order and the time of receipt and must be retained for seven (7) years.

5) The Special Committee may grant exemptions from all or any part of the above requirements.

7468 Forwarding Documents Concerning Securities Belonging to Non-Registered Clients
(29.07.88, 01.04.93, 13.09.05)

1) Whenever an approved participant is provided with sufficient copies of any take-over bid circular, issuer bid circular, directors' or officers' circular or other similar and relevant material in respect of or relating to securities registered in the approved participant's name, or in the name of a depository or other intermediary and credited to the approved participant's account, but in respect of which there is an underlying owner; and

2) where the issuer, or other sender of material, has agreed to bear the reasonable costs of so doing,

the approved participant must forthwith send or deliver to each such underlying owner a copy of such material.

NOTE: Approved participants are reminded that their responsibilities with respect to providing proxies to clients corresponding to securities held in their accounts, and other matters relating to shareholder communication, are found in the Securities Act and more particularly in National Policy No. 54-101.

7469 Cash and Securities Loan Transactions
(01.09.88, 15.03.93, 01.04.93, 13.09.05)

1) For the purposes of the present article:

a) "overnight cash loan agreements" means verbal or written agreements whereby an approved participant deposits cash with another approved participant for a period not exceeding two (2) business days.

b) "Schedule I Bank" means a Schedule I Bank pursuant to the Bank Act (Canada) that has a capital and reserves position of one billion dollars ($1,000,000,000) or more at the time of the securities loan transaction.

2) Written Agreements:

Cash and securities loan agreements, with the exception of "overnight cash loan agreements", must be in writing, and must, at a minimum, provide:

a) for the rights of either party, in addition to any other remedies provided in the agreement, for which each party may otherwise have under applicable law, to retain the securities delivered to it by the other party pursuant to the loan in the event of default by the other party;

b) for events of default;

c) for the treatment of the value of securities or collateral held by the non-defaulting party that is in excess of the amount owed by the defaulting party;

d) either:

ii) for provisions enabling the parties to set off their debts; or

ii) [1] for provisions enabling the parties to effect a secured loan and, in particular, for the continuous segregation by the lender of securities held by it as collateral for the loan; and

[2] if the parties intend to effect a secured loan, where there is available to the lender more than one method of perfecting its security interest in the collateral, the lender must perfect such interest in a manner that provides it with the higher priority in a default situation; and

e) if the parties intend to rely on set-off or effect a secured loan, for the securities borrowed and the securities loaned to be, pursuant to applicable legislation, free and clear of any trading restrictions and duly endorsed for transfer.

3) Failure to fulfill the conditions of paragraph 2) will result in:

   a) the cash or market value of the collateral given by the borrower to the lender being deducted from the net allowable assets of the borrower; and

   b) the cash or market value of the loan given by the lender to the borrower being deducted from the net allowable assets of the lender.

   except where the counterparty is an acceptable institution, in which case no margin is required.

4) Buy-in (liquidating transactions):

   Buy-in must be commenced within two (2) business days of the date of the buy-in notice.

5) Accounting system:

   Record-keeping requirements provided for in the relevant provincial securities legislation, regulations and policies must be applied with respect to record-keeping and control for all securities borrowed and loaned.

6) Where the cash or securities loan transaction is between regulated entities, the following rules apply;

   a) the written agreement prescribed in paragraph (2) above must also contain an acknowledgement by the parties that either has the right, upon notice, to call for any shortfall in the difference between the collateral and the borrowed securities at any time;

   b) letters of credit issued by Schedule I Banks may be used as collateral;

   c) except where the cash or securities loan is processed through an acceptable clearing corporation, confirmations and month-end statements must be issued;

7) Where the cash or securities loan transaction is between an approved participant and an acceptable institution or an acceptable counterparty, the following rules apply:

   a) confirmations and month-end statements must be issued;

   b) letters of credit issued by Schedule I Banks may be used as collateral.

8) Where cash or securities loan transaction is between an approved participant and a party other than those mentioned in paragraphs 6) or 7), the following rules apply:

   a) marking to market:

      borrowed securities and collateral must be marked to market daily on a one-for-one basis;

   b) loan accounts:

      loan accounts must be maintained separately from the securities trading accounts maintained by the approved participant;

c) collateral:

i) the securities hypothecated as collateral must be held by the approved participant on a fully segregated basis or must be held by a custodian that is an acceptable institution or an acceptable counterparty pursuant to an escrow agreement, acceptable to the Bourse, between the approved participant and the institution or the counterparty;

ii) subject to clause (iii), securities pledged as hypothecation must have a margin rate of 5% or less; and

iii) preferred shares convertible into the common shares borrowed or debt securities convertible into the common shares borrowed may be hypothecated against common stock of the issuer;

d) confirmations and month-end statements:

i) confirmations and month-end statements must be issued; and

ii) loans of securities from a retail client must be recorded separately from retail client's trading accounts.

9) Where in a money or securities loan transaction between an acceptable institution, an acceptable counterparty or a regulated entity, a letter of credit issued by a Schedule I bank is used as hypothecation in compliance with subparagraphs 6 b) and 7 b) of this article, no capital charge will be imposed upon the approved participant for any excess of the value of the letter of credit deposited as hypothecation which is in excess of the market value of the borrowed securities.

7470 Introducing/carrying broker agreements
(26.07.88, 01.04.93, 01.07.97, 05.07.00, 07.05.02, 01.04.03, 13.09.05)

1) General

a) An approved participant may, with the approval of the vice-president of the Regulatory Division of the Bourse and if otherwise in compliance with the terms of the present article and any requirements of the regulatory authority in the jurisdiction of the introducing broker, carry accounts of clients which have been introduced to it by:

i) another approved participant of the Bourse; or

ii) a member or a participating organization of a self-regulatory organization which is a participant in the Canadian Investor Protection Fund.

b) An approved participant must not introduce accounts to any person other than:

i) another approved participant of the Bourse; or

ii) a member or a participating organization of a self-regulatory organization which is a participant in the Canadian Investor Protection Fund.

c) For the purposes of the present article, the approved participant, the member or the participating organization of a self-regulatory organization which is a participant in the Canadian Investor Protection Fund that carries clients accounts, which includes at a minimum the clearing and settlement of trades, the maintenance of books and records of clients transactions and the custody of some or all clients funds and securities, will be designated as the "carrying broker".

The approved participant of the Bourse, the member or the participating organization of a self-regulatory organization which is a participant in the Canadian Investor Protection Fund who introduces client accounts to the carrying broker will be designated as the "introducing broker".

Furthermore, agreements whereby employees of an approved participant's affiliated Canadian financial institution handle securities clearing and settlement, maintain records and perform operational functions on behalf of the approved participant must not be considered as introducing/carrying agreements, for the purposes of the present article, provided that pursuant to the agreement the employees of the approved participant's Canadian financial institution affiliate handle custodial functions on a segregated basis, in accordance with the segregation provisions of the Rules and Policies of the Bourse.

For the purposes of paragraph 1 c), "Canadian financial institution" means a Schedule 1 or Schedule II bank pursuant to the *Bank Act* (Canada), an insurance company governed by federal or provincial insurance legislation and a loan or trust company governed by federal or provincial loan and trust company legislation.

d) i) Approved participants who enter into an introducing/carrying broker agreement must enter into a written contract in a form prescribed from time to time by the vice-president of the Regulatory Division of the Bourse and each such agreement must come into effect only after the vice-president of the Regulatory Division of the Bourse has given a written confirmation that the contract is acceptable.

ii) An introducing broker that is party to an introducing broker Type 1 or Type 2 agreement cannot enter into more than one introducing/carrying broker agreement other than one additional introducing/carrying broker agreement exclusively for trading in futures contracts and options on futures contracts.

iii) An introducing broker that is party to an introducing Type 1 or Type 2 agreement may not fully service any part of its securities-related activities, other than fully servicing trading in futures contracts and options on futures contracts.

iv) An introducing broker that is party to an introducing Type 1 agreement must carry out trade settlement and custody of securities related to its principal trading through the facilities of its carrying broker.

v) An introducing broker that is party to an introducing Type 3 or Type 4 agreement may enter into more than one introducing/carrying broker agreement and may also fully service part of its securities-related activities.

e) Each introducing or carrying broker that is a party to an introducing and carrying broker relationship and that is not an approved participant of the Bourse, as well as each partner, director, officer, shareholder and employee of such broker, must comply with all the Rules and Policies of the Bourse.

f) Each introducing/carrying broker agreement must be classified as an Introducing Broker Type 1, Type 2, Type 3 or Type 4 agreement and must meet the requirements of such agreement, as set out in the present article.

g) The Bourse may, in its discretion, exempt an approved participant from the application of any part of the present article.

2) Introducing Broker Type 1 Agreement

For an introducing/carrying broker agreement to be considered an Introducing Broker Type 1 agreement the parties must execute an agreement in the form prescribed and approved by the vice-president of the Regulatory Division of the Bourse and the agreement must meet the following criteria:

a) Minimum capital requirement

An introducing broker that is a party to an Introducing Broker Type 1 agreement must maintain at all times a minimum capital of $75,000 for the purposes of calculating its risk adjusted capital.

b) Margin arising from principal and agency business

i) The carrying broker must calculate and maintain the margin for any agency business that it carries on behalf of the introducing broker, in accordance with the relevant margin requirements of the Rules and Policies of the Bourse.

ii) The introducing broker must calculate and maintain the margin for any principal business that the carrying broker carries on its behalf, in accordance with the relevant margin requirements of the Bourse. The carrying broker must provide for margin for any principal business which it carries on behalf of the introducing broker, to the extent of any equity deficiency in the introducing broker's trading account.

c) Margin offsets permitted

The carrying broker must be permitted to offset any margin required to be maintained, as determined in subparagraph b), against the loan value of any deposits made by the introducing broker to the extent of the excess risk adjusted capital of the introducing broker. The carrying broker must notify the introducing broker of all such offsets at the time they are made. Upon receiving notification of such offset, the introducing broker must reclassify that portion of the security deposit, which relates to the margin offset, as a non-allowable asset on its Joint Regulatory Financial Questionnaire and Report or its Monthly Financial Report.

d) Reporting of clients balances

In calculating the risk adjusted capital required pursuant to article 7006 and to the Joint Regulatory Financial Questionnaire and Report of Policy C-3 of the Bourse, the carrying broker must, and the introducing broker must not, report all accounts of clients introduced to the carrying broker by the introducing broker on the carrying broker's Joint Regulatory Financial Questionnaire and Report or Monthly Financial Report.

e) Net clients balances and funding deployment

In relation to the accounts of clients introduced to the carrying broker by the introducing broker, the carrying broker must be responsible for meeting any financing requirements of such clients accounts.

f) Security deposit

Any deposit provided to the carrying broker by the introducing broker pursuant to the terms of the agreement between them must be segregated by the carrying broker and, in the case of a cash deposit, such deposit must be held by the carrying broker in a separate bank account in trust for the introducing broker.

The security deposit provided by the introducing broker to the carrying broker must be reported by the introducing broker as an allowable asset on its Joint Regulatory Financial Questionnaire and Report or its Monthly Financial Report. However, any portion of the security deposit that may be impaired in value due to the fact that the carrying broker carries clients accounts having unsecured debit balances on behalf of the introducing broker, must be reclassified as a non-allowable asset on the Joint Regulatory Financial Questionnaire and Report or the Monthly Financial Report of the introducing broker.

g) Concentration calculation

For the purposes of the concentration calculations required in Schedules 9 and 12 of the Joint Regulatory Financial Questionnaire and Report, the carrying broker must include, and the introducing broker must not include, all clients positions which the carrying broker maintains on behalf of the introducing broker in the carrying broker's calculation.

h) Segregation of clients securities

The carrying broker must be responsible for segregating all securities which it holds for clients which have been introduced to it by the introducing broker, in accordance with the segregation requirements of the Rules and Policies of the Bourse.

i) Free credit balances segregation

The carrying broker must be responsible for the compliance with the free credit balances segregation requirements of the Rules and Policies of the Bourse in relation to accounts of clients which have been introduced to it by the introducing broker.

j) Insurance

i) The introducing broker must maintain a minimum insurance of $200,000, for the purposes of article 7076.

ii) The introducing broker and the carrying broker must each be responsible for providing Financial Institution Bond Clause (A) coverage for fidelity insurance, pursuant to article 7076.

iii) The carrying broker must include all accounts which have been introduced to it by the introducing broker in its calculation of the asset measurement for minimum Financial Institution Bond coverage for Clauses (A) through (E), pursuant to article 7076.

iv) The introducing broker must include all accounts which have been introduced to the carrying broker in its calculation of the asset measurement for minimum Financial Institution Bond coverage for Clauses (A) through (E), pursuant to article 7076.

v) Both the introducing broker and the carrying broker must maintain adequate mail insurance, as required pursuant to article 7076.

k) Required disclosure when opening client accounts

At the time of opening of each client account, the introducing broker must, in a form satisfactory to the vice-president of the Regulatory Division of the Bourse, obtain from the client an acknowledgement that the introducing broker has advised him of the introducing broker's relationship to the carrying broker and of the relationship between the client and the carrying broker.

l) Contracts, statements and correspondence

The name and role of each of the introducing broker and carrying broker must be shown on all contracts, statements, correspondence and other documentation. Both the introducing broker and the carrying broker must be parties to any margin agreements and guarantee documentation with clients that the carrying broker carries.

m) Clients introduced to the carrying broker

Each client introduced to the carrying broker by the introducing broker must be considered a client of the carrying broker for the purposes of complying with the Rules and Policies of the Bourse.

n) Responsibility for compliance with all non-financial requirements

Unless otherwise specified in the present paragraph 2), the introducing broker and the carrying broker must be jointly and severally responsible for compliance with all non-financial requirements of the Rules and Policies of the Bourse for each account introduced to the carrying broker by the introducing broker.

o) Cash transactions

The introducing broker may facilitate cash transactions on behalf of clients that the carrying broker carries, only with the approval of the carrying broker and through the use of an account in the name of the carrying broker.

p) Reporting of principal positions

The introducing broker must report all principal positions, introduced to the carrying broker by the introducing broker, as inventory on its Joint Regulatory Financial Questionnaire and Report or its Monthly Financial Report. The carrying broker must report all principal positions, which

have been introduced to it by the introducing broker, as a client account on its Joint Regulatory Financial Questionnaire and Report or its Monthly Financial Report.

3) Introducing Broker Type 2 Agreement

For an introducing/carrying broker agreement to be considered an Introducing Broker Type 2 agreement the parties must execute an agreement in the form prescribed and approved by the vice-president of the Regulatory Division of the Bourse and the agreement must meet the following criteria:

a) Minimum capital requirement

An introducing broker that is a party to an Introducing Broker Type 2 agreement must maintain at all times a minimum capital of $250,000 for the purposes of calculating its risk adjusted capital.

b) Margin arising from principal and agency business:

i) The carrying broker must calculate and maintain the margin for any agency business that it carries on behalf of the introducing broker, in accordance with the relevant margin requirements of the Rules and Policies of the Bourse.

ii) The introducing broker must calculate and maintain the margin for any principal business that the carrying broker carries on its behalf, in accordance with the relevant margin requirements of the Bourse. The carrying broker must provide for margin for any principal business which it carries on behalf of the introducing broker, to the extent of any equity deficiency in the introducing brokers' trading account.

c) Margin offsets permitted

The carrying broker must be permitted to offset any margin required to be maintained, as determined in subparagraph b), against the loan value of any deposits made by the introducing broker to the extent of the excess risk adjusted capital of the introducing broker. The carrying broker must notify the introducing broker of all such offsets at the time they are made. Upon receiving notification of such offset, the introducing broker must reclassify that portion of the security deposit, which relates to the margin offset, as a non-allowable asset on its Joint Regulatory Financial Questionnaire and Report or its Monthly Financial Report.

d) Reporting of clients balances

In calculating the risk adjusted capital required pursuant to article 7006 and to the Joint Regulatory Financial Questionnaire and Report, the carrying broker must, and the introducing broker must not, report all accounts of clients introduced to the carrying broker by the introducing broker on the carrying broker's Joint Regulatory Financial Questionnaire and Report or Monthly Financial Report.

e) Net clients balances and funding deployment

In relation to the accounts of clients introduced to the carrying broker by the introducing broker, the carrying broker must be responsible for meeting any financing requirements of such clients accounts.

f) Security deposit

Any deposit provided to the carrying broker by the introducing broker pursuant to the terms of the agreement between them must be segregated by the carrying broker and, in the case of a cash deposit, such deposit must be held by the carrying broker in a separate bank account in trust for the introducing broker.

The security deposit provided by the introducing broker to the carrying broker must be reported by the introducing broker as an allowable asset on its Joint Regulatory Financial Questionnaire and Report or its Monthly Financial Report. However, any portion of the security deposit, which may be impaired in value due to the fact that the carrying broker carries clients accounts having unsecured debit balances on behalf of the introducing broker, must be reclassified as a non-allowable asset on the Joint Regulatory Financial Questionnaire and Report or the Monthly Financial Report of the introducing broker.

g) Concentration calculation

For the purposes of the concentration calculations required in Schedules 9 and 12 of the Joint Regulatory Financial Questionnaire and Report, the carrying broker must include, and the introducing broker must not include, all clients positions which the carrying broker maintains on behalf of the introducing broker in the carrying broker's calculation.

h) Segregation of clients securities

The carrying broker must be responsible for segregating all securities which it holds for clients which have been introduced to it by the introducing broker, in accordance with the segregation requirements of the Rules and Policies of the Bourse.

i) Free credit balances segregation

The carrying broker must be responsible for the compliance with the free credit balances segregation requirements of the Rules and Policies of the Bourse in relation to accounts of clients which have been introduced to it by the introducing broker.

j) Insurance

i) The introducing broker must maintain a minimum insurance of $500,000, for the purposes of article 7076.

ii) The introducing broker and the carrying broker must each be responsible for providing Financial Institution Bond Clause (A) coverage for fidelity insurance, pursuant to article 7076.

iii) The carrying broker must include all accounts which have been introduced to it by the introducing broker in its calculation of the asset measurement for minimum Financial Institution Bond coverage for Clauses (A) through (E), pursuant to article 7076.

iv) The introducing broker must include all accounts which have been introduced to the carrying broker in its calculation of the asset measurement for minimum Financial Institution Bond coverage for Clauses (A) through (E), pursuant to article 7076.

v) Both the introducing broker and the carrying broker must maintain adequate mail insurance, as required pursuant to article 7076.

k) Required disclosure when opening client accounts

At the time of opening of each client account, the introducing broker must, in a form satisfactory to the Vice-President of the Regulatory Division of the Bourse, obtain from the client an acknowledgement that the introducing broker has advised him of the introducing broker's relationship to the carrying broker and of the relationship between the client and the carrying broker.

l) Contracts, statements and correspondence

At the option of the introducing broker and the carrying broker, as they may agree, the name and role of each of the introducing broker and carrying broker may be shown on all contracts, statements, correspondence and other documentation. Otherwise, the name of the introducing broker must be shown. Notwithstanding the foregoing, both the introducing broker and the carrying broker must be parties to any margin agreements and guarantee documentation with clients that the carrying broker carries.

m) Required annual disclosure

At least once a year, the introducing broker must provide written disclosure, in a form satisfactory to the vice-president of the Regulatory Division of the Bourse, to each of its clients whose accounts are being carried by the carrying broker, outlining the relationship between the introducing broker and the carrying broker and the relationship between such client and the carrying broker.

Notwithstanding the foregoing, if the name and role of each of the introducing broker and carrying broker are shown on all contracts, statements, correspondence and other documentation, in accordance with subparagraph 1) above, the introducing broker does not need to provide annual disclosure, as required by the present subparagraph m).

n) Clients introduced to the carrying broker

Each client introduced to the carrying broker by the introducing broker must be considered a client of the carrying broker for the purposes of complying with the Rules and Policies of the Bourse.

o) Responsibility for compliance with all non-financial requirements

Unless otherwise specified in the present paragraph 3), the introducing broker must be responsible for compliance with all non-financial requirements of the Rules and Policies of the Bourse for each account introduced to the carrying broker by the introducing broker.

p) Cash transactions

The introducing broker may facilitate cash transactions on behalf of clients that the carrying broker carries, through the use of an account in the name of either the carrying broker or the introducing broker.

q) Reporting of principal positions

The introducing broker must report all principal positions, introduced to the carrying broker by the introducing broker, as inventory on its Joint Regulatory Financial Questionnaire and Report or its Monthly Financial Report. The carrying broker must report all principal positions, which have been introduced to it by the introducing broker, as a client account on its Joint Regulatory Financial Questionnaire and Report or its Monthly Financial Report.

4) Introducing Broker Type 3 Agreement

For an introducing/carrying broker agreement to be considered an Introducing Broker Type 3 agreement, the parties must execute an agreement in the form prescribed and approved by the vice-president of the Regulatory Division of the Bourse and the agreement must meet the following criteria:

a) Minimum capital requirement

An introducing broker that is a party to an Introducing Broker Type 3 agreement must maintain at all times a minimum capital of $250,000 for the purposes of calculating its risk adjusted capital.

b) Margin arising from principal and agency business

The carrying broker must calculate the margin for any principal and agency business that it carries on behalf of the introducing broker, in accordance with the relevant margin requirements of the Rules and Policies of the Bourse, and the introducing broker must maintain such required margin.

c) Margin offsets permitted

The carrying broker must be permitted to offset any margin required to be maintained, as determined in subparagraph b), against the loan value of any deposit made by the introducing broker with the carrying broker.

d) Reporting of clients balances

In calculating the risk adjusted capital required pursuant to article 7006 and to the Joint Regulatory Financial Questionnaire and Report, the introducing broker must, and the carrying

broker must not, report all accounts of clients introduced to the carrying broker by the introducing broker on the introducing broker's Joint Regulatory Financial Questionnaire and Report or Monthly Financial Report.

Notwithstanding the foregoing, the carrying broker is required to report, on its Joint Regulatory Financial Questionnaire and Report or its Monthly Financial Report, one balance owing to or from the introducing broker in relation to the accounts of clients which it carries on behalf of the introducing broker. Such reporting of one balance must not release, discharge, limit or otherwise affect the carrying broker's obligations and liabilities to each individual client whose account it carries on behalf of the introducing broker.

e) Net clients balances and funding deployment

In relation to the accounts of clients introduced to the carrying broker by the introducing broker, the carrying broker must be responsible for meeting any financing requirements of such clients accounts.

f) Security deposit

Any deposit provided to the carrying broker by the introducing broker pursuant to the terms of the agreement between them must be segregated by the carrying broker and, in the case of a cash deposit, such deposit must be held by the carrying broker in a separate bank account in trust for the introducing broker.

g) Concentration calculation

For the purposes of the concentration calculations required in Schedules 9 and 12 of the Joint Regulatory Financial Questionnaire and Report, the introducing broker must include, and the carrying broker must not include, all clients positions which the carrying broker maintains on behalf of the introducing broker in the introducing broker's calculation.

h) Segregation of clients securities

The carrying broker must be responsible for segregating all securities which it holds for clients which have been introduced to it by the introducing broker, in accordance with the segregation requirements of the Rules and Policies of the Bourse.

i) Free credit balances segregation

The carrying broker must be responsible for complying with the free credit balances segregation requirements of the Rules and Policies of the Bourse in relation to accounts of clients introduced to it by the introducing broker.

j) Insurance

i) The introducing broker must maintain a minimum insurance of $500,000, for the purposes of article 7076.

ii) The introducing broker and the carrying broker must each be responsible for providing Financial Institution Bond Clause (A) coverage for fidelity insurance, pursuant to article 7076.

iii) The carrying broker and the introducing broker must include all accounts introduced to the carrying broker by the introducing broker in each of their calculations of the asset measurement for minimum Financial Institution Bond coverage for Clauses (A) through (E), pursuant to article 7076.

iv) Both the introducing broker and the carrying broker must maintain adequate mail insurance, as required pursuant to article 7076.

k) Required disclosure when opening client accounts

At the time of opening of each client account, the introducing broker must advise the client, in a form satisfactory to the vice-president of the Regulatory Division of the Bourse, of the introducing broker's relationship to the carrying broker and of the relationship between the client and the carrying broker.

l) Contracts, statements and correspondence

At the option of the introducing broker and the carrying broker, as they may agree, the name and role of each of the introducing broker and carrying broker may be shown on all contracts, statements, correspondence and other documentation. Otherwise, the name of the introducing broker must be shown. Notwithstanding the foregoing, both the introducing broker and the carrying broker must be parties to any margin agreements and guarantee documentation with clients that the carrying broker carries.

m) Required annual disclosure

At least once a year, the introducing broker must provide written disclosure, in a form satisfactory to the vice-president of the Regulatory Division of the Bourse, to each of its clients whose accounts are being carried by the carrying broker, outlining the relationship between the introducing broker and the carrying broker and the relationship between such client and the carrying broker.

Notwithstanding the foregoing, if the name and role of each of the introducing broker and carrying broker are shown on all contracts, statements, correspondence and other documentation, in accordance with subparagraph 1) above, the introducing broker need not provide annual disclosure, as required by the present subparagraph m).

n) Clients introduced to the carrying broker

Each client introduced to the carrying broker by the introducing broker must be considered a client of the carrying broker for the purposes of complying with the Rules and Policies of the Bourse.

o) Responsibility for compliance with all non-financial requirements

Unless otherwise specified in the present paragraph 4), the introducing broker must be responsible for compliance with all non-financial requirements of the Rules and Policies of the Bourse for each account introduced to the carrying broker by the introducing broker.

p) Cash transactions

The introducing broker may facilitate cash transactions on behalf of clients that the carrying broker carries, through the use of an account in the name of either the carrying broker or the introducing broker.

q) Reporting of principal positions

The introducing broker must report all principal positions, introduced to the carrying broker by the introducing broker, as inventory on its Joint Regulatory Financial Questionnaire and Report or its Monthly Financial Report. The carrying broker must report all principal positions, which have been introduced to it by the introducing broker, as a client account on its Joint Regulatory Financial Questionnaire and Report or its Monthly Financial Report.

5) Introducing Broker Type 4 Agreement

For an introducing/carrying broker agreement to be considered an Introducing Broker Type 4 agreement, the parties must execute an agreement in the form prescribed and approved by the vice-president of the Regulatory Division of the Bourse and the agreement must meet the following criteria:

a) Minimum capital requirement

An introducing broker that is a party to an Introducing Broker Type 4 agreement must maintain at all times a minimum capital of $250,000 for the purposes of calculating its risk adjusted capital.

b) Margin arising from principal and agency business

The carrying broker must calculate the margin for any principal and agency business that it carries on behalf of theintroducing broker, in accordance with the relevant margin requirements of the Rules and Policies of the Bourse, and the introducing broker must maintain such required margin.

c) Margin offsets permitted

The carrying broker must be permitted to offset any margin required to be maintained, as determined in subparagraph b), against the loan value of any deposits made by the introducing broker with the carrying broker.

d) Reporting of clients balances

In calculating the risk adjusted capital required pursuant to article 7006 and to the Joint Regulatory Financial Questionnaire and Report, the introducing broker must, and the carrying

broker must not, report all accounts of clients introduced to the carrying broker by the introducing broker on the introducing broker's Joint Regulatory Financial Questionnaire and Report or Monthly Financial Report.

Notwithstanding the foregoing, the carrying broker is required to report one balance owing to or from the introducing broker in relation to the accounts of clients which it carries on behalf of the introducing broker on its Joint Regulatory Financial Questionnaire and Report or its Monthly Financial Report. Such reporting of one balance must not release, discharge, limit or otherwise affect the carrying broker's obligations and liabilities to each individual client whose account it carries on behalf of the introducing broker.

e) Net clients balances and funding deployment

In relation to the accounts of clients introduced to the carrying broker by the introducing broker, the introducing broker must be responsible for meeting any financing requirements of such clients accounts.

f) Security deposit

Any deposit provided to the carrying broker by the introducing broker pursuant to the terms of the agreement between them must be segregated by the carrying broker and, in the case of a cash deposit, such deposit must be held by the carrying broker in a separate bank account in trust for the introducing broker.

g) Concentration calculation

For the purposes of the concentration calculations required in Schedules 9 and 12 of the Joint Regulatory Financial Questionnaire and Report, the introducing broker must include, and the carrying broker must not include, all clients positions which the carrying broker maintains on behalf of the introducing broker in the introducing broker's calculation.

h) Segregation of clients securities

The carrying broker must be responsible for segregating all securities which it holds for clients which have been introduced to it by the introducing broker, in accordance with the segregation requirements of the Rules and Policies of the Bourse.

i) Free credit balances segregation

The introducing broker must be responsible for complying with the free credit balances segregation requirements of the Rules and Policies of the Bourse in relation to accounts of clients introduced to the carrying broker by the introducing broker.

j) Insurance

i) The introducing broker must maintain a minimum insurance of $500,000, for the purposes of article 7076.

ii) The introducing broker and the carrying broker must each be responsible for providing Financial Institution Bond Clause (A) coverage for fidelity insurance, pursuant to article 7076.

iii) The carrying broker and the introducing broker must include all accounts introduced to the carrying broker by the introducing broker in each of their calculations of the asset measurement for minimum Financial Institution Bond coverage for Clauses (A) through (E), pursuant to article 7076 of the Rules.

iv) Both the introducing broker and the carrying broker must maintain adequate mail insurance, as required pursuant to article 7076.

k) Required disclosure when opening client accounts

At the time of opening of each client account, the introducing broker must advise the client, in a form satisfactory to the Vice-President of the Regulatory Division, of the introducing broker's relationship to the carrying broker and of the relationship between the client and the carrying broker.

l) Contracts, statements and correspondence

At the option of the introducing broker and the carrying broker, as they may agree, the name and role of each of the introducing broker and carrying broker may be shown on all contracts, statements, correspondence and other documentation. Otherwise, the name of the introducing broker must be shown.

Notwithstanding the foregoing, if any margin or guarantee agreements are solely between the client and the introducing broker, the agreement between the introducing broker and the carrying broker must provide that the carrying broker may act to protect its interest in those securities for which it has not been paid by the introducing broker at the time that the introducing broker becomes insolvent, bankrupt or ceases to adhere to a self-regulatory organization which is a participant in the Canadian Investment Protection Fund.

m) Required annual disclosure

At least once a year, the introducing broker must provide written disclosure, in a form satisfactory to the vice-president of the Regulatory Division of the Bourse, to each of its clients whose accounts are being carried by the carrying broker, outlining the relationship between the introducing broker and the carrying broker and the relationship between such client and the carrying broker.

Notwithstanding the foregoing, if the name and role of each of the introducing broker and carrying broker are shown on all contracts, statements, correspondence and other documentation, in accordance with subparagraph 1) above, the introducing broker need not provide annual disclosure, as required by the present subparagraph m).

n) Clients introduced to the carrying broker

Each client introduced to the carrying broker by the introducing broker must be considered a client of the carrying broker for the purposes of complying with the Rules and Policies of the Bourse.

o) Responsibility for compliance with all non-financial requirements

Unless otherwise specified in the present paragraph 5), the introducing broker must be responsible for compliance with all non-financial requirements of the Rules and Policies of the Bourse for each account introduced to the carrying broker by the introducing broker.

p) Cash transactions

The introducing broker may facilitate cash transactions on behalf of clients that the carrying broker carries, through the use of an account in the name of either the carrying broker or the introducing broker.

q) Reporting of principal positions

The introducing broker must report all principal positions, introduced to the carrying broker by the introducing broker, as inventory on its Joint Regulatory Financial Questionnaire and Report or its Monthly Financial Report. The carrying broker must report all principal positions, which have been introduced to it by the introducing broker, as a client account on its Joint Regulatory Financial Questionnaire and Report or its Monthly Financial Report.

6) Exemption for agreements between an approved participant and a foreign affiliate

Notwithstanding the provisions of the present article, on the application of an approved participant, the vice-president of the Regulatory Division of the Bourse may exempt any agreements between an approved participant and an approved participant's foreign affiliate, pursuant to which the approved participant carries accounts of the foreign affiliate or of its clients, from the requirements of the present article (other than paragraph 6)), provided that the agreements meet the following criteria:

a) Exemption applicable to affiliates of the approved participant

The exemption in paragraph 6 of the present article must apply only to agreements between an approved participant and a foreign affiliate of the approved participant. The approved participant must provide the Bourse with evidence satisfactory to the Vice-President of the Bourse of such relationship and of the details concerning the agreements between them.

b) Disclosure of relationship to clients of foreign affiliate

The approved participant must ensure that the foreign affiliate provides, at least annually, written disclosure in a form satisfactory to the vice-president of the Regulatory Division of the Bourse, to each of the foreign affiliate's clients whose accounts are being carried by the approved participant, outlining the relationship between the approved participant and the approved participant's foreign affiliate and the relationship between the approved participant and the client of the foreign affiliate, and indicating any limitations with regards to coverage of such clients accounts by the Canadian Investor Protection Fund, as determined by the Canadian

Investor Protection Fund in conjunction with the Bourse and the other self-regulatory organizations from time to time.

c) Approval by the competent authority in the foreign affiliate's jurisdiction

The exemption provided in paragraph 6 of the present article must only be granted by the vice-president of the Regulatory Division upon receipt of written approval from the competent authority in the foreign affiliate's jurisdiction acknowledging and approving the agreement between the approved participant and the approved participant's foreign affiliate.

d) Responsibility for compliance with the requirements of the Bourse

Foreign affiliates of an approved participant that have an agreement with the approved participant, as described in paragraph 6) of the present article, are not required to comply with the requirements of the Rules and Policies of the Bourse solely as a result of such an agreement.

e) Reporting of balances

In calculating its risk adjusted capital required pursuant to article 7006 and to the Joint Regulatory Financial Questionnaire and Report, the approved participant must report one balance owing to or from its foreign affiliate in relation to the accounts of clients which the approved participant carries on behalf of its foreign affiliate on its Joint Regulatory Financial Questionnaire and Report or its Monthly Financial Report.

f) Segregation of securities

The approved participant must be responsible for segregating all securities which it holds for clients of its foreign affiliate, in accordance with the segregation requirements of the Rules and Policies of the Bourse.

g) Insurance

The approved participant must include all accounts introduced to it by its foreign affiliate in its calculation of the asset measurement for minimum Financial Institution Bond coverage for Clauses (A) through (E), pursuant to article 7076.

Section 7476-7500
Specific Provisions
on Discretionary Accounts

7476 Definitions
(01.04.93, 13.09.05)

"Commingled funds investment portfolio"

means an investment portfolio of a bank, trust company, loan company, insurance company, mutual fund or pension plan, including a profit sharing or other retirement savings or similar plan but excluding a self-administered retirement savings plan;

"Managed account"

means an investment portfolio of a client managed by an approved participant through discretionary authority granted by the client on a continuing basis, whether in consideration of fees or otherwise, where:

i) such investment portfolio is a commingled funds investment portfolio, or

ii) the management of such investment portfolio by the approved participant arises because such approved participant has held itself out or has described itself as having special skills or abilities regarding the management of investment portfolios,

but must not include either

iii) the management of such investment portfolio on a temporary basis at the written request of a client because of its inability to communicate instructions by reason of absence, illness or other reasonable cause, or

iv) the management of such investment portfolio on a continuing basis by a partner, an officer or director of an approved participant on the basis of a personal relationship between such partner, officer or director and the client, where such management was in effect at the time this section came into effect.

"Discretionary Account"

means an account in which the client gives a director, an officer or a partner of an approved participant discretion, which may be complete or within specific limits, as to the purchase and sale of securities, options or futures contracts including selection, timing and price to be paid or received.

No registered representative, investment representative or other employee, other than a director, or officer or partner of an approved participant must be permitted to accept authorization for a discretionary account from a customer of an approved participant. No approved participant must exercise any discretionary power with respect to a client's account unless such client has given prior written authorization and the account has been accepted in writing by the partner or director designated pursuant to article 7452. Each discretionary order must be identified as such at the time of entry.

"Portfolio manager"

means any partner, director, officer or employee of an approved participant designated by such approved participant, which designation must be made in writing.

"Responsible person"

means the approved participant and every individual who is a partner, director, officer or employee of any approved participant or such individual who participates in the formulation of investment decisions or has access to information prior to implementation of investment decisions made on behalf of or advice given to the managed account.

7477 Obligation to comply
(01.04.93, 13.09.05)

Each approved participant and related company that manages a managed account must comply with the provisions of articles 7476 to 7487 hereof in connection with such managed account.

7478 Written Authorization
(01.04.93, 13.09.05)

No approved participant nor any person acting on its behalf, must exercise any discretionary authority with respect to a managed account unless the individual who is responsible for the management of such account has been designated as portfolio manager, the client has given prior written authorization to the approved participant to manage the account and the approved participant has accepted the managed account. Such acceptance must be evidenced by a document in writing which must be available for examination and signed on behalf of the approved participant by a partner, director or officer of the approved participant.

The authorization given to the approved participant must specify the investment objectives of the client with respect to the particular managed account. Each such authorization or acceptance may be terminated by notice in writing by the approved participant or the client, as the case may be. Notice of termination of authority by a client must be effective on receipt of the written notice by the approved participant except with respect to transactions entered into prior to the receipt of such notice. Notice of termination of acceptance by the approved participant must be effective on the date specified therein which date must not be earlier than thirty (30) days from the mailing of the written notice to a client.

7479 Designation of a Supervisory Authority
(01.04.93, 13.09.05)

The approved participant must designate in writing one or more partners, directors or officers who must assume supervisory responsibility for each managed account and the client must be advised in writing of which such individual(s) supervise the particular managed account. The failure to advise the client in writing of the name of the individual supervising his managed account shall not vitiate the authority of the approved participant to manage the client's account.

7480 Designation as a Portfolio Manager or Associate Portfolio Manager
(01.04.93, 21.08.02, 13.09.05)

Designation as a portfolio manager or Associate Portfolio Manager must be made in writing by the approved participant and may be granted where the designated individual has satisfied the applicable proficiency requirements outlined in Policy F-2 of the Bourse.

7481 Portfolio Management Committee
(01.04.93, 13.09.05)

Each approved participant (other than an approved participant that has less than two (2) partners, directors or officers) that has managed accounts must form a Portfolio Management Committee to be composed of two (2) or more individuals who must be partners, directors or officers and at least one of whom must not be a portfolio manager of the approved participant. The Portfolio Management Committee must review not less than once in each quarter of any twelve-month period the investment

policies of the approved participant in respect of its managed accounts and record the results of each such review in writing.

7482 Quarterly Review of the Managed Accounts
(01.04.93, 13.09.05)

Each managed account must be reviewed at least four times in each twelve-month period, preferably quarterly, by a responsible person of the approved participant to ensure that the investment objectives of the client are diligently pursued and that the managed account is being conducted in accordance with the Rules of the Bourse.

7483 Investment Policies
(01.04.93, 13.09.05)

The approved participant must maintain standards directed to ensuring fairness in the allocation of investment opportunities among its managed accounts and a copy of the policies established must be furnished to each client and to the Bourse upon demand.

7484 Fees Agreement
(01.04.93, 13.09.05)

The approved participant may charge each client directly for services rendered to the managed account but, except with the agreement of the client, such charge must not be contingent upon profits or performance. Such agreement must be inscribed on the client account application form or contained in a written form.

7485 Separate and Distinct Supervision for each Managed Account
(01.04.93, 13.09.05)

The approved participant must ensure that each managed account is supervised separately and distinctly from other managed accounts.

An order placed on behalf of one managed account can be pooled with that of another managed account.

7486 Ethics
(01.04.93, 13.09.05)

The approved participant must obtain an undertaking from each responsible person not to trade for his or her own account or, as the case may be, knowingly permit or arrange for any associated person to trade in reliance upon information as to trades made or to be made for any managed account. The approved participant must establish and maintain procedures, satisfactory to the Bourse, designated to disclose when a responsible person or an associate of such a responsible person has contravened that undertaking.

7487 The Approved Participant's Mandate
(01.04.93, 13.09.05)

The approved participant must not without the written consent of the client, knowingly cause any managed account to:

1) invest in an issuing company in which a responsible person or an associate of a responsible person is an officer or director, and no such investment must be made even with the written consent of the client unless such office or directorship have been disclosed to the client;

2) purchase or sell the securities of any issuing company from or to the account of a responsible person, or from or to the account of an associate of a responsible person; or

3) make a loan to a responsible person or to an associate of a responsible person.

Section 7501 - 7550
Procedures Concerning the Custody, the Segregation and the Safekeeping of Clients' Securities and Free Credits

7501 Definitions
(01.10.86, 01.06.89, 01.04.93, 13.09.05)

For the purposes of this section:

1) Client:

means any person who maintains an account with an approved participant.

2) Net loan value of a security means in respect of:

a) long positions: the market value of the security less any margin required;

b) short positions: the market value of the security plus any margin required expressed as a negative number;

c) short option positions: any margin required expressed as a negative number.

3) Excess margin securities:

means those marginable securities of a client selected by the approved participant among all the marginable securities of the client which are not required to fully margin the client's account.

4) Free credit balances means:

a) for cash and margin accounts - the credit balance less an amount equal to the aggregate of (i) the market value of short positions, and (ii) margin required pursuant to the Rules on those short positions; and

b) for futures contracts accounts - the credit balance less an amount equal to the aggregate of (i) margin required on open futures contracts and/or options on futures contracts, (ii) less any unrealized gain in such contracts, (iii) plus any unrealized losses in such contracts, provided that such aggregate amount may not exceed the dollar amount of the credit balance.

7502 Clients Free Credit Balances
(01.04.93, 13.09.05)

1) Each approved participant which does not keep its clients' free credit balances in an account with an acceptable institution segregated in trust for clients from the other monies received by such approved participant must legibly make a notation on all statements of account sent to its clients in substantially the following form:

> "Any free credit balances represent funds payable on demand which, although properly recorded in our books, are not segregated and may be used in the conduct of our business."

2) No approved participant must use in the conduct of its business clients' free credit balances in excess of the aggregate of the following amounts:

   a) eight times the net allowable assets of the approved participant; plus

   b) four times the approved participant's Early Warning Reserve.

   Each approved participant must hold an amount at least equal to the amount of clients' free credit balances in excess of the foregoing either (i) in cash segregated in trust for clients in a separate account or accounts with an acceptable institution; or (ii) segregated in trust and separate and apart from the approved participant's property in bonds, debentures, treasury bills and other securities of or guaranteed by the Government of Canada or by any province thereof, the United Kingdom, the United States of America and any other national foreign government (provided such other foreign government is a member of the Basle Accord) having a term to maturity of one (1) year or less.

3) Approved participants must determine at least weekly the amounts required to be segregated in accordance with paragraph 2 of the present article.

4) Approved participants must review on a daily basis compliance with paragraph 2 of the present article against the latest determination under this article of amounts to be segregated with a view to identifying and correcting any deficiency in amounts of free credit balances to be segregated.

5) In the event that a deficiency exists in amounts of free credit balances required to be segregated by an approved participant, the approved participant must expeditiously take the most appropriate action to rectify the deficiency.

7503 General Concept
(01.10.86, 01.06.89, 01.04.93, 13.09.05)

1) The Special Committee may prescribe the manner in which securities owned or held by an approved participant or held by an approved participant for the account of a client are to be segregated and held including, without limitation, the locations in which securities may be held and the manner in which the amount or value of securities to be segregated must be calculated.

2) The securities of all clients of an approved participant may be segregated in bulk for all such clients, other than those clients whose securities are held apart from all other securities pursuant to a written safekeeping agreement.

3) Non-Negotiable Securities:

Securities which are restricted or which are non-negotiable or which cannot be made fully negotiable solely by signature or guarantee of the approved participant must be deemed not to be segregated unless such securities are registered in the name of the client (or the name of a person designated by the client) on whose behalf they are being held in an acceptable segregation location.

4) General restrictions:

In complying with its obligation to segregate client securities, each approved participant must ensure that:

a) a segregation deficiency is not knowingly created or increased;

b) no securities held by the approved participant are delivered against payment for the account of any client if such securities are required to satisfy the segregation requirements of the approved participant in respect of any client;

c) all free securities (i.e. fully paid and unencumbered securities which have not been sold or are not required for margin) received by the approved participant must be segregated.

5) When these securities are deposited by the approved participant in the book based system of the clearing corporation, the segregation requirements are met if the positions are recorded in the approved participant segregation subaccount.

7504 Acceptable Internal Locations
(01.10.86, 01.06.89, 01.04.93, 13.09.05)

The securities held within the physical possession or control of the approved participant may be segregated and held in trust for clients of the approved participant, or segregated and held by or for the approved participant, as the case may be, in the following prescribed locations:

1) Internal Locations:

All internal locations designated in the approved participant's ledger of accounts for which adequate internal accounting controls and systems for safeguarding of securities held for clients are maintained and which reflect unencumbered security positions in the possession and control of the approved participant.

All securities in transit between internal locations, for which adequate internal controls are maintained, provided that securities in transit for more than five (5) business days may not be considered as being in the possession and control of an approved participant for purposes of segregation.

2) Transfer Locations:

All securities which are in the process of being transferred by a registered or recognized transfer agent:

a) if such securities are with transfer agents in Canada and have not been received within twenty (20) business days of delivery, the approved participant must obtain a confirmation of the position receivable from the transfer agent. If such position remains unconfirmed after forty-five (45) business days of delivery, the approved participant must transfer the position to its difference account;

b) if such securities are with transfer agents in the United States, the approved participant must confirm the receivable after forty-five (45) business days of delivery and transfer the position to its difference account after seventy (70) business days of delivery if the position has not been confirmed;

c) if such securities are with transfer agents outside Canada and the United States, the approved participant must confirm the receivable after seventy (70) business days of delivery and transfer the position to its difference account after one hundred (100) business days of delivery if the position has not been confirmed.

Positions which are required to be transferred to the approved participant's difference account, must not be considered to be in the possession and control of the approved participant for the purposes of segregation.

7505 Restrictions on the Use of Clients' Securities
(01.10.86, 01.06.89, 01.04.93, 13.09.05)

1) Securities of a client used for margin purposes must not be pledged or loaned by the approved participant unless a margin agreement has been signed by the client.

2) Fully paid securities of a client must not be pledged or loaned by the approved participant except what is permitted by the conditions of article 7507.

3) No securities held by an approved participant for the account of a client, whether fully paid or representing excess margin, may be loaned to the approved participant in his capacity as broker, or to others, or delivered on sales made by the approved participant for any account in which the approved participant or any partner or employee has a direct or indirect interest unless a specific written authorization designating the particular securities to be loaned is first obtained from the client.

4) Under no circumstance may an approved participant pledge margin securities having a margin rate of 100%.

7506 Restrictions on Delivery of Customers' Securities
(01.10.86, 01.04.93, 13.09.05)

No general agreement between an approved participant and a client may justify the approved participant in delivering securities carried free or as collateral for the client, on sales made by the approved participant for any account in which such approved participant or any partner thereof or employee therein is directly or indirectly interested.

7507 Written Notice to Clients Required
(01.10.86, 01.04.93, 13.09.05)

Notwithstanding the terms and conditions of a contract between an approved participant and his client and without prejudice to the rights and obligations arising therefrom, an approved participant must not pledge or loan fully paid securities held for a client in a cash account having a debit balance, unless he has previously advised the client in writing and provided that the loan value of the securities loaned or pledged does not exceed the debit balance except if the excess is reasonable as defined by article 7508.

The notice to the client, which must be accompanied by a request for payment, must be sent by the approved participant before the said pledge or loan and must state in a plain and truthful manner:

1) that the approved participant has the right to loan and pledge all the securities held on behalf of the client, whether paid or unpaid, except for the restrictions imposed by the Securities Act and the regulations and policy statements enacted pursuant to such act;

2) that if the approved participant exercises such right, the securities loaned or pledged will no longer be in the possession of the approved participant nor available for immediate delivery to the client as a result of their being pledged or loaned by the approved participant.

The pledge or loan or fully paid securities for the purpose of fully covering a debit balance must mandatorily be preceded by the loan or pledge of all unpaid securities held on behalf of the same client and having a loan value.

The notice to the client may be put on the confirmation of an order or be a separate advice but in any case it must be clearly legible, highlighted and printed on the front of any document used to give the notice.

7508 Determination of the Number of Securities to Be Segregated
(01.10.86, 01.06.89, 01.04.93, 02.06.95, 13.09.05)

1) An approved participant who holds securities of clients must determine for all accounts of each client the following amounts:

   a) the net loan value of all securities held for such accounts less (or plus in the case of a credit) the aggregate debit cash balance in the accounts; and

   b) the market value of all securities not eligible for margin under articles 7202 and following of the Rules minus the aggregate amount, if any, by which such accounts are undermargined as calculated in a).

2) These amounts must represent the net loan value or market value, as the case may be, of securities required to be segregated by the approved participant in respect of such client's accounts. The amounts of securities required to be segregated by an approved participant in respect of the accounts of a client must not be greater than the market value of the securities held for such accounts.

3) An approved participant may satisfy its obligations to segregate client securities by segregating for all clients the number of securities determined as follows:

   a) Equity securities:

      The aggregate loan value and market value of each class or series of security required to be segregated for each client as determined above divided by the loan or market value, as the case

may be, of one unit of the security, must be the number of such securities required to be segregated.

b) Debt securities:

The aggregate loan value and market value of each class or series of security required to be segregated for each client as determined above divided by the loan or market value, as the case may be, of each $100 of principal amount of the security, multiplied by 100 and rounded to the lowest issuable denomination, must be the principal amount of such securities required to be segregated.

4) In determining which securities must be used to satisfy the segregation requirements in respect of each such client's positions, the approved participant may select among all of the securities carried for the client's accounts, subject to the restrictions of any applicable securities legislation including, without limitation, a requirement that fully-paid securities in a cash account be segregated before unpaid securities.

5) Securities which are required to be segregated but which have been sold by the approved participant on behalf of a client must remain segregated until three (3) business days prior to settlement date. Securities which are required to be segregated for a client must not be removed from segregation as a result of the purchase of any securities by such client until settlement date.

7509 Segregation on a Timely Basis and Corrections to be Made
(01.10.86, 01.06.89, 01.04.93, 02.06.95, 13.09.05)

1) Frequency and Review of Calculation:

An approved participant must determine at least twice weekly the securities required to be segregated.

Each approved participant must review on a daily basis compliance with its segregation requirements for its clients' securities according to the latest determination of such securities with the view of identifying any deficiency in securities required to be segregated and correcting any such deficiency.

2) Correction of Segregation Deficiencies:

In the event that a segregation deficiency exists, including, without limitation, deficiencies arising in the circumstances listed below, the approved participant must expeditiously take the most appropriate action required to settle the segregation deficiency.

a) Call Loans:

The approved participant must take action to recall such securities within the business day following the determination of the deficiency.

b) Securities Loans:

The approved participant must call for the return of such securities from the borrower within the business day following the determination of the deficiency or must borrow securities of the same issue to cover the deficiency and should such securities not have been received by the

approved participant within three (3) business days following the determination of the deficiency, the approved participant must undertake to buy-in the borrower.

c) Inventory or Trading Account Short Positions:

The approved participant must borrow securities of the same issue to cover the deficiency within the business day following the determination of the deficiency or must undertake to purchase the securities immediately.

d) Client Declared Short Sales:

The approved participant must borrow securities of the same issue to cover the deficiency within the business day following the determination of the deficiency or must undertake to buy-in the securities within three (3) business days.

e) Fails - clients, approved participants, acceptable institutions or acceptable counterparties:

If such securities have not been received by the approved participant within fifteen (15) business days of the settlement date, the approved participant must borrow securities of the same issue to cover the deficiency or must undertake to buy-in the securities.

f) Stock Dividends Receivable and Stock Splits:

If such securities have not been collected within forty-five (45) business days of the date receivable, the approved participant must obtain a written confirmation of the position receivable. If such position remains unconfirmed after the aforementioned forty-five (45) business days, the approved participant must transfer the position to its difference account.

g) Difference Accounts:

Each approved participant must maintain a difference or suspense account in which must be recorded all securities which have not been received by reason of irreconcilable differences or errors in any accounts. If securities recorded in a difference account have not been obtained by the approved participant within thirty (30) business days of the deficiency being recorded, the approved participant must borrow securities of the same class or series to cover the deficiency or must undertake to purchase the securities immediately.

7510 Securities Held in Safekeeping
(01.04.93, 13.09.05)

Securities held for safekeeping means those securities held by an approved participant for a client pursuant to a written safekeeping agreement. These securities must be free from any encumbrance, be kept apart from all other securities and be identified as being held in safekeeping for a client in an approved participant's security position record, customer's ledger and statement of account. Securities so held can only be released pursuant to an instruction from the client and not solely because the client has become indebted to the approved participant.

7511 Acceptable Securities Locations
(01.10.86, 20.12.91, 01.05.92, 01.04.93, 13.09.05)

1. For the purposes of articles 7503, 7504 and 7510 of the Rules, securities held beyond the physical possession of the approved participant may be segregated and held by or for an approved participant or segregated or kept in safekeeping and held in trust for clients of an approved participant, as the case may be, in the locations described as acceptable securities locations in the Joint Regulatory Financial Questionnaire and Report of Policy C-3 of the Bourse provided that the written terms upon which such securities are deposited and held beyond the physical possession of the approved participant include provisions to the effect that:

   a) no use or disposition of the securities must be made without the prior written consent of the approved participant;

   b) certificates representing the securities can be promptly delivered to the approved participant on demand or, where certificates are not available and the securities are represented by book entry at the location, the securities can be transferred either from the location or to another person at the location promptly on demand; and

   c) the securities are held in segregation or safekeeping for the approved participant or its clients free and clear of any charge, lien, claim or encumbrance of any kind in favour of the depository or institution holding such securities.