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CIRCULAR
March 22, 2010

**ACTUALIZATION OF RULE SEVEN OF THE BOURSE –
OPERATIONS OF APPROVED PARTICIPANTS**

ABROGATION OF POLICIES C-2, C-4, C-10, C-11, C-12, C-13 AND C-15

The Special Committee – Regulatory Division of Bourse de Montréal Inc. (the Bourse) and the Autorité des marchés financiers have approved a set of regulatory amendments whose purpose is to actualize Rule Seven of the Bourse regarding the operations of approved participants. All these amendments and abrogations are effective immediately.

The actualization of Rule Seven of the Bourse permits to abrogate numerous articles of this Rule which had become obsolete since the Bourse no longer carries member regulation activities. Also, this actualization was completed while taking into account two factors considered important by the Bourse:

- 1° notwithstanding the fact that it no longer carries on member regulation activities, the Bourse still maintains in its Rules some fundamental requirements that approved participants must comply with for what regards their operations; and
- 2° the Rules of the Bourse must, as much as possible, reflects its main regulatory responsibility which is to ensure that approved participants and their approved persons who trade derivative instruments listed on the Bourse are not only complying with the trading rules of the Bourse (Rule Six of the Bourse), but also with the operational requirements that the Bourse considers necessary to enforce in order to ensure market integrity.

Numerous articles of Rule Seven are therefore not abrogated but are rather amended so that the Bourse can maintain in its Rules some requirements that it considers to be important while at the same time deleting from these Rules detailed provisions or guidelines with which approved participants had to comply in connection with such requirements. For example, the Bourse

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maintains in its regulations a requirement that approved participants must provide it with a copy of their most recent financial year-end audited regulatory report if the Bourse requests it, but withdraws from the Rule all the detailed guidelines that approved participants and their external auditors had to comply with when preparing this audited report.

Finally, the Bourse abrogates various Policies of the C series that were found in the Rules and Policies Manual of the Bourse. The abrogation of these Policies is also justified by the fact that they had become obsolete following the withdrawal of the Bourse from member regulation activities.

A) Articles of Rule Seven that are abrogated

You will find in the attached appendices the list of articles of Rule Seven and of Policies of the Bourse that are abrogated. These abrogations result from the fact that no longer carrying member regulation activities, the Bourse has no longer any responsibility to enforce the regulatory provisions of these articles and Policies with Canadian approved participants since they already have to comply with corresponding regulatory provisions of the Investment Industry Regulatory Organization of Canada (IIROC). For what regards foreign approved participants of the Bourse, these regulatory requirements were not applicable in their case since they are exempted from such requirements at the time of their admission as foreign approved participants.

B) Amended Articles – Main Amendments

Hereafter is a summary of the main amendments that have been made to articles of Rule Seven that have not been abrogated. For a more exhaustive analysis of these amendments and of the reasons that motivated them, you can refer to the request for comments that was published by the Bourse on April 3, 2008 (Circular no. 051-2008 available at the following address: http://www.m-x.ca/f_circulaires_en/051-08_en.pdf).

Section 7001 – 7075 – Financial Conditions – General

Article 7001 – Compliance with Legal Requirements

The title of this article and its wording have been modified to better reflect the fact that approved participants of the Bourse are doing business not only in Quebec but also in many other provincial, territorial or foreign jurisdictions including, among others, the United States and the United Kingdom. Approved participants may therefore be subjected not only to the Quebec Securities Act or Derivatives Act, but also to various other securities and, in some jurisdictions, futures contracts laws. Whichever jurisdiction in which they are carrying on their activities, the Bourse requires that its approved participants comply with the laws that are applicable in such jurisdiction.

Article 7002 – Form of Reports

This article has been amended so that its scope be of a general nature and that its provisions be adapted to the current vocation of the Bourse regarding its regulation of approved participants while at the same time preserving the powers of the Special Committee – Regulatory Division to establish how to prepare and submit any report that an approved participant may be required to submit and to set the necessary criteria relating to any system required to be put in place to ensure the maintenance of books and records that must be used to prepare required reports or to ensure an efficient conduct of approved participants activities.

Article 7011 – Establishing and maintaining adequate internal controls

The Bourse considers that it must maintain in its regulations a general provision regarding the obligation for approved participants to establish and maintain adequate internal controls because such controls may contribute to ensure that the trading activities of approved participants on the Bourse's market are conducted in an orderly manner and that the supervision of such activities is efficient.

However, since Policy C-4 (*Establishing Adequate Internal Controls*) to which this article used to refer has been abrogated, such reference has been deleted and is replaced by a general purpose objective. Canadian approved participants must therefore ensure that they are complying with this obligation by referring to the requirements established by IIROC in its Rule 2600 (*Internal Control Policy Statements*). For what regards foreign approved participants, the Bourse expects that they will comply with the internal control requirements that are applicable in their home jurisdiction.

Section 7151 – 7159 – Financial Reports

Article 7151 – Financial Questionnaires and Reports

Since the Bourse no longer carries on member regulation activities, approved participants are no longer required to file audited regulatory financial reports at the end of their financial year-end. However, the Bourse wishes to retain its capacity that such reports are provided if deemed necessary. Such a request could, for example, be made when the Bourse is informed that an approved participant is incurring financial or operational difficulties in order to make a better assessment of the situation.

Article 7151 has therefore been amended by specifying therein that the obligation to file a regulatory financial report will apply only if the Bourse requests such a report.

Article 7152 – Members of Other Recognized Exchanges or Regulatory or Self-Regulatory Organizations

The main purpose of amendments made to this article is to word it so that it takes into account the fact that the Bourse has many foreign approved participants. Pursuant to the provisions of article 7151, the financial report that may be requested by the Bourse must be in the form prescribed by Policy C-3 of the Bourse (*Joint Regulatory Financial Questionnaire and Report - JRFQR*). This is the prescribed form for Canadian approved participants.

However, foreign approved participants are not required to use this form of report. In fact, they are exempted from using it when they are approved as foreign approved participants because in their case the Bourse exercises no jurisdiction for what regards regulatory capital matters. Such jurisdiction is exercised by a regulatory body (for example, the Financial Services Authority (FSA) in the United Kingdom), a self-regulatory organization (for example, the National Futures Association (NFA) in the United States or, for some U.S. approved participants, by an exchange (for example, the Chicago Board of Trade or the Chicago Mercantile Exchange) in their home jurisdiction. These foreign approved participants are therefore subjected to the regulatory capital requirements of their home country, and these requirements may differ from the Canadian requirements. As a result, the audited regulatory financial reports they must file with their audit jurisdiction differ from the Canadian JRFQR.

The Bourse has therefore modified the wording of article 7152 so that these forms of reports be acceptable instead of the prescribed form of report that is required from Canadian approved participants. Of course, as it is the case for Canadian approved participants, these reports must be audited reports in order to have some comfort as to the accuracy of the information that is contained therein.

Also, since the Bourse is not as familiar with regulatory capital requirements that are applicable in these foreign jurisdictions as it is with the Canadian requirements, when a financial report will be submitted in a format that differs from the JRFQR format, such report shall be accompanied of a written confirmation from the regulator, self-regulatory organization or exchange having jurisdiction stating that the foreign approved participant is in compliance with the applicable regulatory capital requirements.

Article 7157 – Statistical Information

From time to time, the Bourse may wish to obtain some statistical information from its approved participants in order to make some analysis. These statistics may be requested from all approved participants or from a specific category such as, for example, statistics regarding transactions on the futures market of the Bourse that would be requested only from approved participants who are active on that market. The Bourse has therefore considered that it was necessary to maintain article 7157 in its Rules. However, certain amendments were made to this article in order to specify that the requirements to provide such statistics apply only if the Bourse makes a request to that effect. Article 7157 does not regard reports that must be submitted on a periodic basis

such as, for example, futures contracts position reports that must be filed twice a week when the number of contracts held by an approved participant or by one of its clients exceeds a certain threshold.

Section 7401 – 7449 – Approved Persons

Article 7403 – Application for Approval as an Approved Person

A provision similar to the one that can be found in paragraph A of article 6366 of the Rules of the Bourse has been added to this article. This provision stipulates that any person employed by an approved participant and wishing to have access to the electronic trading system of the Bourse must obtain the prior approval of the Bourse. The addition of this provision to article 7403 allows clarifying the fact that all the provisions of the articles of Section 7401 – 7449 that have been maintained in the Rules of the Bourse apply to persons approved by the Bourse as SAM Authorized Persons.

The Bourse has also modified the scope of this article so that it does not apply to entities that are related to an approved participant. Entities that are related to approved participants but which are not approved participants themselves are considered to be clients of approved participants when they trade on the Bourse's market. As such, they cannot have a direct access to the trading system of the Bourse otherwise than through an order routing system provided to them by the approved participant and through which they execute their transactions on the market. The conditions that the approved participants must comply with when they make such an order routing system available to their clients are specified in paragraph B of article 6366 of the Rules of the Bourse. Since persons employed by clients of approved participants, including those employed by related firms that are not approved participants themselves, and designated by these clients to trade products listed on the Bourse do not have a direct access to the trading system of the Bourse, they are not required to be approved in any capacity by the Bourse.

Article 7407 – General Restrictions applicable to Approved Persons

The Bourse has clarified the wording of article 7407 by adding thereto a provision stipulating that an approved person wishing to execute transactions for the account of persons other than his/her own employer or clients of such employer must obtain the prior written consent of the Bourse. The Bourse considers that this requirement to obtain its prior consent will allow it to better control and a better monitoring of any person carrying on or intending to carry on trading activities for persons other than his/her employer or clients of such employer. An example of this type of situation is the case of "jitneys" who execute orders not only for the account of the approved participant who employs them, but also for the account of other approved participants.

As it is the case for article 7403 and for the same reasons, the scope of article 7407 provisions has been amended so that they are not applicable to the related firms of an approved participants (unless such related firms are themselves approved participants).

The Bourse has also added a specification that the provisions of this article apply not only in the case of a violation of the Rules of the Bourse, but also of its Policies and Procedures.

Finally, the scope of this article has been clarified so that it be clear that the responsibility of an approved participant regarding an infraction committed by an approved person while this person was employed by the approved participant could be invoked by the Bourse even if the infraction is noticed after this approved person has left his/her employment with the approved participant.

Article 7414 – Transfers of Approved Persons

In the same manner as it is important for the Bourse to be informed of the employment termination of persons that it approves and of lawsuits, investigations or legal proceedings involving these persons, it is also important for it to be informed of the fact that these persons have been hired by an approved participant different from the one for whom the Bourse had approved them, and this, mainly in order to have records that are continuously up to date.

Article 7414 of Rule Seven regarding the transfer of persons approved by the Bourse has therefore been maintained and some specifications have been added to it in order to clarify its interpretation and application. First, it is specified that the Bourse will not approve a transfer request for an approved person if it has not first received a uniform termination notice from this approved person previous employer as required by article 7413. It is also specified that if a delay of ninety (90) days or more has elapsed between the employment termination date of that person with an approved participant and the date on which this person began to work for the approved participant for which the transfer request is made, the Bourse will consider that this constitutes a new application and will therefore treat the request not as a transfer request but as a new application made pursuant to article 7403 of Rule Seven. This specification is necessary because pursuant to article 7415, the approval of a person by the Bourse will be cancelled if this person no longer carries on the activity for which the Bourse had approved him/her for a period of more than ninety (90) days or more.

The addition of these provision to article 7414 permits to formalize in Rule Seven the practices of the Bourse regarding the transfer of physical persons and the cancellation of approvals.

Article 7415 – Suspension or revocation of Approval of a Person Approved by the Bourse

In addition to adapting the wording of this article to the fact that the Bourse approves only SAM Authorized Persons, who are designated as "approved persons" for the purposes of Rule Seven, the following modifications have been made to article 7415.

First, the wording of the first paragraph has been amended so that it contains a reference not only to the qualifications required by the Bourse, but also to any other condition or requirement that the Bourse may deem appropriate to impose.

Also, the scope of the second paragraph has been expanded so that its provisions apply not only to situations where there is a revocation of the approval, but also in case of suspension of such an approval.

Furthermore, the obligation that was imposed upon approved participants to terminate the employment of the approved person and prohibiting an approved participant to employ this person in any capacity has been softened by replacing this obligation by a prohibition that the concerned person carries on activities that are normally permitted when a person has an approved person status granted by the Bourse. With this change, if, for any reason, an approved participant wishes to retain the services of the person to carry on duties or activities other than those that are related to status of a person approved by the Bourse, he will be free to do so. It is to be noted that if the concerned person has also been granted other approvals granted by other regulatory bodies or self-regulatory organizations, a suspension or revocation by the Bourse does not result in a suspension or revocation of the other approvals of this person granted by other regulators or self-regulators since the Bourse has no jurisdiction regarding such other approvals. In such a case, the concerned person should certainly no longer carry on activities that were related to her/his status as a person approved by the Bourse, but if the other approvals of this person are maintained by the regulatory or self-regulatory authorities having a jurisdiction, the Bourse is not empowered to impose upon the approved participant prohibitions that are such that the concerned person can no longer carry on not only activities related to his/her status as a person approved by the Bourse but also any other activity.

Finally, the Bourse has added a provision to article 7415 in order to specify that if, following a termination of employment with an approved participant, an approved person ceases to carry on any activity as an approved person for a period of more than ninety (90) days, the status of this person as an approved person will be automatically revoked.

Article 7416 – Approved Participant’s Responsibility

The Bourse has made some modifications to this article in order to specify the fact that approved participants have the obligation to ensure that not only their persons approved by the Bourse but also all their persons approved by a regulatory or self-regulatory organization comply with the regulatory requirements of the Bourse.

Section 7450 – 7475 – Conduct of Accounts

Article 7452 – Diligence as to Accounts

The wording of this article has been amended by adding a specification that the responsible person to whom the article refers is the person who is responsible for the supervision and monitoring of the approved participant’s trading activities in derivative instruments listed on the Bourse.

The Bourse has also deleted any reference to a branch office or branch manager and this in reason of the fact that the main purpose of the provisions of paragraph 2) of this article, as amended, is to ensure that approved participants have designated responsible persons for the supervision and the monitoring of trading activities in derivative instruments listed on the Bourse. It is left to the discretion of approved participants to determine the necessary number of such responsible persons as well as the location where these persons will carry on their responsibilities. Considering the electronic tools that are available to approved participants and which allow to supervise and monitor the trading activities that are carried on in a branch office at a distance, the Bourse does not see the relevance of having to designate a responsible person for each branch office.

A very important point to mention is the fact that the responsible persons to whom paragraph 2) of article 7452 refers do not have to be approved by the Bourse. The purpose of the modifications that have been made is not to create a new category of approved persons but to require from approved participants that they designate a person of their choice to ensure the supervision and the monitoring of trading in derivative instruments and they inform the Bourse of the identity of these persons so that the Bourse be able to contact these persons when a problem occurs or in connection with an analysis, an investigation or an examination. A specification has therefore been added to paragraph 2) of article 7452 in order to make it clear that the responsible person and the alternate persons designated by the approved participants to ensure the supervision and the monitoring of trading activities in derivative instruments do not have to be approved by the Bourse but that approved participants must provide the Bourse with all the necessary information regarding the identity of these persons.

Article 7453 – Application as to Diligence of Accounts

Paragraph 1) of article 7453 has been modified so that its scope is limited strictly to accounts opened for derivative instruments trading purposes. Situations may frequently occur where the corporate statutes of a company or institution prohibit them from trading derivative instruments or, if they do not prohibit it, impose some kind of restrictions such as, for example, limiting the trading of derivative instruments to hedging transactions.

The Bourse considers that it is important to require from its approved participants that they take all necessary measures to ensure that there are no prohibition or limitations regarding the capacity of a corporate or institutional account to trade derivative instruments and that the persons acting on behalf of such corporation or institution are effectively authorized to do so.

Article 7454 – Designation of Accounts and Transactions by Employees of Approved Participants

In the case of paragraph 1) of this article, the determination of the real identity of an account owner may prove to be an essential element of information for the purpose of an analysis, an investigation or an examination undertaken by the Bourse. The Bourse therefore deemed necessary to retain this paragraph in order to ensure the availability of such information. The

only modification made to this paragraph was to eliminate the requirement that the relevant information be maintained at the main office of the approved participant in Canada. The Bourse has more than thirty foreign approved participants who do not have any business place in Canada. In their case, it could prove impossible or uselessly complex and expensive to maintain the required information in a Canadian office. What is important, is that the information be available and readily accessible if requested.

The provisions of paragraph 2) have also been retained but their scope has been limited to derivative instruments accounts and transactions. Maintaining these provisions in its rules will allow the Bourse to ensure that the persons that are approved by the Bourse (SAM Authorized Persons) do not open derivative instruments trading accounts with an approved participant other than the one who employs them without such employer not being informed and expressly consenting to the opening of such an account. The opening of an account by an approved person with an approved participant other than the one who employs this approved person may present some conflict of interest risks, since such person could possibly take advantage of some privileged information to make transactions without this person's employer being aware. The Bourse therefore considers that it is necessary that the approved person's employer have the capacity to decide whether or not it consents to the opening of such an account and, if it so consents, that it be kept informed regarding the activities of this account by means of trade confirmations and statement of accounts issued by the approved participant with whom the approved person has opened an account.

Article 7466 – Complaints Record and Files

This article has been modified in order to reflect the fact the complaints that will interest the Bourse are mainly those that are related to the trading of derivative instruments listed on the Bourse.

Even though the Bourse no longer carries on member regulation activities, it may be called to handle some client, approved person, approved participant or other person complaints that are related to the trading of derivative instruments listed on the Bourse. These complaints may regard market quality (e.g. complaints due to lack of liquidity or the pricing of the derivative instrument), market manipulations or matters of non-compliance with the trading procedures of the Bourse.

Although some complaints are transmitted directly to the Bourse, it frequently happens that clients wishing to file a complaint will first address it to the approved participant. If this one settles the complaint to the satisfaction of the client, the Bourse will generally not be involved in the complaint file. However, it may be called to intervene and to initiate an analysis and/or an investigation if the complainant is not satisfied with the handling of his complaint by the approved participant or if this one refers the case to the Bourse.

When such complaints are received by approved participants, these ones have the obligation to register them in a record to that effect. They also have the obligation to maintain records

regarding these complaints, records in which all information and documents relating to the handling of these complaints will be accumulated and retained.

All these records and files must be made available to the Bourse upon request for consultation.

The Bourse also took the opportunity presented by the updating of article 7466 to incorporate therein requirements regarding the retention of records and files that are uniform with the retention requirements that already exist for other types of documents. For example, article 6377 of the Rules of the Bourse regarding the maintenance of order records imposes a seven (7) years retention period. National Instrument 21-101 (Regulation 21-101 in Quebec) regarding market place operation also imposes a seven-year (7) retention period for most records created by marketplaces. The Bourse will therefore apply to the complaint records and to files related to such complaints a retention period identical to the one which is already prescribed for most other files and records generated by the activities and operation of approved participants.

The Bourse has also added to article 7466 a new paragraph 3 in which is specified the minimum information that one should find in a complaint record so that such record be as informative as possible. The information that should be registered in the record is the following one:

- i) name of complainant;
- ii) date of complaint;
- iii) nature of complaint;
- iv) name of the person being the subject of the complaint;
- v) derivative instruments that are the subject of the complaint;
- vi) information that was subjected to a review by the approved participant in the course of its investigation;
- vii) as the case may be, names and titles of persons interviewed by the approved participant in the course of its investigation and dates of such interviews; and
- viii) date and conclusions of the decision rendered regarding the complaint.

The addition of these requirements to article 7466 will allow clarifying what are the expectations of the Bourse regarding the information that should be found in the complaint records that must be maintained by approved participants of the Bourse.

Article 7467 – Keeping Records of Orders

Pursuant to the requirements of Part 11 of National Instrument 23-101 (Regulation 23-101 in Quebec) titled *Trading Rules*, Canadian brokers-dealers must maintain records and files containing numerous information allowing to have a full audit trail of executed transactions. The starting point of this audit trail is the reception of an order and it allows tracing the complete path of such an order up to its final execution.

The regulations of the Bourse did not contain specific provisions regarding the information that must be found in order records and files. The Bourse has therefore incorporated such provisions

in article 7467 but limited them only to information that is relevant for derivative instruments that are traded on the Bourse's market.

For this, the Bourse based itself on National Instrument 23-101 and on IIROC Rule 200 (*Minimum Records*).

The regulatory amendments discussed in this circular were published for comments by the Bourse on April 3, 2008 (circular no. 051-2008). Following such publication, the Bourse did not receive any comment.

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APPENDIX I

**ACTUALIZATION OF RULE SEVEN OF THE BOURSE –
OPÉRATIONS OF APPROVED PARTICIPANTS**

ABROGATED ARTICLES

Section 7001 – 7075 – Financial Conditions – General

- Article 7003 – Disclosure to Customers of Approved Participants’ Financial Condition
- Article 7004 – Publication of a Consolidated Statement of Financial Condition
- Article 7006 – Capital Requirements
- Article 7009 – Subordinated Loans
- Article 7010 – Early Warning System

Section 7076 – 7150 – Insurance

- Article 7076 – Insurance
- Article 7077 – Reporting of Insurance Claims

Section 7151 – 7159 – Financial reports

- Article 7154 – Interim Questionnaires
- Article 7155 – Monthly Financial Reports
- Article 7156 – Working Papers

Section 7160 – 7170 – Audit Requirements

- Article 7160 – Audits
- Article 7161 – Appointment of Approved Participants’ Auditors
- Article 7162 – Resignation of Approved Participants’ Auditors
- Article 7163 – Auditor’s Reports
- Article 7164 – Audit Deadline
- Article 7165 – Audit Guidelines

Section 7251 – 7300 – Registration of Securities

- Article 7251 – Registration of Securities
- Article 7252 – Redemption Agent

Section 7351 – 7400 – Offices and employees

- Article 7352 – Branch Offices
- Article 7355 – Use of Offices by Clients and other Non-Employees Prohibited

Section 7401 – 7449 – Registered Representatives and Investment Representatives

(Note: The title of this Section has been changed for “Approved Persons” – See Section B of this circular where are the explanations relating to the amendments to articles of this Section that have not been abrogated)

- Article 7401 – Approval
- Article 7402 – Classes of Registration
- Article 7410 – Fixed Duties
- Article 7411 – Outside Remuneration Prohibited
- Article 7412 – Arrangements with clients
- Article 7417 – Mutual Fund Units Sales Incentives

Section 7450 – 7475 – Conduct of Accounts

- Article 7451 – Disclosure of Conflicts of Interests or Contrary Views
- Article 7455 – Confirmation and Statement of Account to Client
- Article 7457 – Transactions Prohibited
- Article 7458 – Service Fees
- Article 7459 – Margin Agreement
- Article 7460 – Clients’ Indebtedness – Approved Participants
- Article 7461 – Guarantees of Margin Accounts
- Article 7461A – Hedge Agreement
- Article 7462 – Account Transfers
- Article 7464 – Discretionary Cash Settlement Rule
- Article 7465 – R.R.S.P.s Administered by Approved Participants and Other Similar Plans
- Article 7468 – Forwarding Documents Concerning Securities Belonging to Non-Registered Clients
- Article 7469 – Cash Securities Loan Transactions
- Article 7470 – Introducing/Carrying Broker Agreements

Section 7476 – 7500 – Specific Provisions on Discretionary Accounts

- Article 7476 – Definitions
- Article 7477 – Obligation to Comply
- Article 7478 – Written Authorization
- Article 7479 – Designation of a Supervisory Authority
- Article 7480 – Designation as a Portfolio Manager or Associate Portfolio Manager
- Article 7481 – Portfolio Management Committee
- Article 7482 – Quarterly Review of Managed Accounts
- Article 7483 – Investment Policies
- Article 7484 – Fees Agreement
- Article 7485 – Separate and Distinct Supervision for each Managed Account
- Article 7486 – Ethics
- Article 7487 – The Approved Participant’s Mandate

Section 7501 – 7550 – Procedures Concerning the Custody, the Segregation and the Safekeeping of Clients’ Securities and Free Credits

Article 7501 – Definitions

Article 7502 – Clients Free Credit Balances

Article 7503 – General Concept

Article 7504 – Acceptable Internal Locations

Article 7505 – Restrictions on the Use of Clients’ Securities

Article 7506 – Restrictions on Delivery of Customers’ Securities

Article 7507 – Written Notice to Clients Required

Article 7508 – Determination of the Number of Securities to be Segregated

Article 7509 – Segregation on a Timely Basis and Corrections to be Made

Article 7510 – Securities Held in Safekeeping

Article 7511 – Acceptable Securities Locations

APPENDIX II

POLICIES OF THE BOURSE THAT HAVE BEEN ABROGATED

- Policy C-2 Minimum Standards for Retail Accounts Supervision
- Policy C-4 Establishing and Maintaining Adequate Internal Controls
- Policy C-10 Internal Control Policy – Pricing of Securities
- Policy C-11 Internal Control Policy on Derivative Risk Management
- Policy C-12 Minimum Requirements for Suitability Relief Concerning Trades Not Recommended by an Approved Participant
- Policy C-13 Responsibilities of the Chief Compliance Officer and the Ultimate Designated Person
- Policy C-15 Electronic Delivery of Documents

**RULE SEVEN
OPERATIONS OF APPROVED PARTICIPANTS**

**Section 7001 - 7075
Financial Conditions - General**

7001 Compliance with Legal Requirements
(01.04.93, 13.09.05, 22.03.10)

Every approved participant must comply with the requirements of any legislation applicable to the regulation of brokerage and accounts, examination and information and must provide or make available to the Bourse all information which the Bourse may request for the purpose of any examination or investigation of the business or operations of such approved participant. Failure to comply with any of the provisions of applicable laws 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, 22.03.10)

The Special Committee may set the scope, the preparation method and the form of any report that must be submitted to the Bourse by approved participants pursuant to the Rules of the Bourse, to the provisions of a securities legislation or pursuant to a decision, an order or a specific request of the Bourse or of one of its committees, including the Special Committee and the specifications of any system permitting to ensure the implementation and maintenance of books or records 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, abr. 22.03.10)

7004 Publication of a Consolidated Statement of Financial Condition
(01.02.93, 01.04.93, 13.09.05, abr. 22.03.10)

7005 Definitions
(01.04.93, 13.09.05, 22.03.10)

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

7006 Capital Requirements
(01.04.93, 13.09.05, abr. 22.03.10)

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, abr. 22.03.10)

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, abr. 22.03.10)

7011 Establishing and maintaining adequate internal controls

(00.00.96, 13.09.05, 22.03.10)

Every approved participant must establish and maintain adequate internal controls to assist in achieving the objective of ensuring, as far as practical, the orderly and efficient conduct of the approved participant's business.

**Section 7076 - 7150
Insurance (abr. 22.03.10)**

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, abr. 22.03.10)

7077 Reporting of Insurance Claims

(01.04.93, 13.09.05, abr. 22.03.10)

**Section 7151 - 7159
Financial Reports**

7151 Financial Questionnaires and Reports

(01.04.93, 13.09.05, 22.03.10)

Approved participants must file with the Bourse, when requested by it, a copy of the most recent audited financial questionnaire and report completed in the form prescribed by Policy C-3 of the Bourse.

7152 Members of Other Recognized Exchanges or Regulatory or Self-Regulatory Organizations

(01.04.93, 13.09.05, 22.03.10)

Where an approved participant of the Bourse is also a regulated entity, as defined in Policy C-3 of the Bourse, and prepares reports and financial statements as required by another recognized exchange or regulatory or self-regulatory organization, the Bourse may accept, in lieu of the questionnaire and report to which article 7151 refers, a copy of the most recent audited reports and financial statements filed by the approved participant with this other exchange or regulatory or self-regulatory organization along with a written confirmation from such other exchange or regulatory or self-regulatory organization that the approved participant satisfies all of its requirements relating to the regulatory capital required to be maintained.

7153 Trading activity statement - Restricted Trading Permit Holders

(04.05.98, 13.09.05, 22.03.10)

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 for whom the approved participant clears and guarantees the transactions made on the Bourse. 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, abr. 22.03.10)

7155 Monthly Financial Report
(01.04.93, 11.03.98, 13.09.05, abr. 22.03.10)

7156 Working Papers
(01.04.93, 13.09.05, abr. 22.03.10)

7157 Statistical Information
(01.04.93, 29.07.02, 01.10.02, 22.03.10)

Every approved participant must provide to the Bourse, upon request, such statistical information with respect to its business as, in the opinion of the Bourse, may be necessary or in the interest of all approved participants of the Bourse.

Section 7160 - 7170
Audit Requirements
(abr. 22.03.10)

7160 Audits
(01.04.93, 13.09.05, abr. 22.03.10)

7161 Appointment of Approved Participants' Auditors
(01.04.93, 13.09.05, abr. 22.03.10)

7162 Resignation of Approved Participants' Auditors
(01.04.93, 13.09.05, abr. 22.03.10)

7163 Auditor's Reports
(01.04.93, 13.09.05, abr. 22.03.10)

7164 Audit Deadline
(23.06.89, 01.04.93, 15.07.97, 13.09.05, abr. 22.03.10)

7165 Audit Guidelines
(30.09.89, 01.04.93, 15.07.97, 13.09.05, abr. 22.03.10)

Section 7251 - 7300
Registration of Securities (abr. 00.00.00)

7251 Registration of Securities
(01.04.93, abr. 22.03.10)

7252 Redemption agent
(01.04.93, 01.03.94, 13.09.05, abr. 22.03.10)

Section 7351 - 7400
Offices and Employees

7351 Addresses of Approved Participants
(01.04.93, 13.09.05, 22.03.10)

Every approved participant must provide the Bourse with an address where notices may be served and must subsequently inform the Bourse prior to any change thereof.

7352 Branch Offices
(01.08.87, 01.04.93, 21.08.02, 13.09.05, abr. 22.03.10)

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, abr. 22.03.10)

Section 7401 - 7449
Approved Persons
(22.03.10)

7401 Approval
(01.04.93, 13.09.05, abr. 22.03.10)

7402 Classes of Registration
(01.04.93, 21.08.02, 13.09.05, abr. 22.03.10)

7403 Application for Approval as an Approved Person
(01.04.93, 13.09.05, 22.03.10)

Any person employed by an approved participant of the Bourse and wishing to have access to the electronic trading system of the Bourse must obtain the prior approval of the Bourse.

The application for approval as an approved person must be submitted in the form prescribed by the Bourse and must be signed by both the applicant and the approved participant by whom the applicant is employed.

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 applicable to Approved Persons**
(01.04.93, 13.09.05, 22.03.10)

Unless prior written consent to the contrary from the Bourse, a person approved by the Bourse may only transact business for the account of the approved participant by whom this person is employed and for the accounts of the approved participant's clients.

All transactions made by an approved person must be made on behalf of the approved participant by whom the person is employed, and such approved participant is responsible for all acts and omissions of such approved person. Any act or omission of an approved person which would constitute an infraction of any rule, policy or procedure of the Bourse shall be deemed to be an infraction by the approved participant who was employing this approved person at the time such act or omission occurred.

7408 Joint Accounts
(13.09.05, 22.03.10)

No approved participant must permit the opening of a joint account in which an approved person employed by such approved participant has an interest of any kind, whether direct or indirect.

7409 Dealings with Other Firms by Approved Persons
(01.04.93, 13.09.05, 22.03.10)

No person approved by the Bourse 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 other than the approved participant 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, abr. 22.03.10)**7411 Outside Remuneration Prohibited**
(06.08.90, 01.04.93, 13.09.05, abr. 22.03.10)

7412 Arrangements with Clients
(01.04.93, 13.09.05, abr. 22.03.10)

7413 Notice to the Bourse of Termination of Employment or of Lawsuits and other proceedings
(01.04.93, 13.09.05, 22.03.10)

Every approved participant must give to the Bourse, within the prescribed delays, notice of the termination of the employment of any person approved by the Bourse and, in the case of a dismissal for cause, a statement of the reasons therefore.

In addition, any approved participant must provide to the Bourse, as soon as possible, a report of any information it has regarding any lawsuit, investigation or proceedings affecting the approval of any of its persons approved by the Bourse by any regulatory or self-regulatory organization.

7414 Transfers of Approved Persons
(01.04.93, 13.09.05, 22.03.10)

No approved participant must employ a person approved by the Bourse formerly employed by any other approved participant 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 approved person and the approved participant proposing to employ him.

The Bourse will not approve an application for such consent if it is established that the approved participant by which the approved person was previously employed has not transmitted to the Bourse the notice of termination of employment required pursuant to article 7413.

If the period of time between the date of the approved person termination of employment with the approved participant by which this approved person was employed and the date on which this approved person employment with another approved started is six (6) months or more, the Bourse will not approve the application for consent filed pursuant to this article and an application for approval pursuant to article 7403 of this Rule shall be submitted to the Bourse.

7415 Suspension or Revocation of Approval of a Person Approved by the Bourse
(01.04.93, 13.09.05, 22.03.10)

If a person approved by the Bourse no longer meets the required qualifications or any other condition or requirement that may be prescribed by the Bourse, the Bourse may suspend or revoke its approval.

In the event of a suspension or revocation by the Bourse of the approval of an approved person pursuant to this article or pursuant to article 4105 of the Rules of the Bourse, unless otherwise ordered by the Special Committee, the approved participant employing this person must immediately discontinue such employment as a person approved by the Bourse and thereafter this person must not be employed in the same capacity by any approved participant without the permission of the Special Committee. Any such permission may be revoked at any time by the Special Committee.

The approval by the Bourse of any person shall be automatically revoked when this person, following the termination of this person employment with an approved person, does not reintegrate an employment requiring such an approval with an approved participant within a delay of six (6) months following the date on which this person employment was terminated.

7416 Approved Participant's Responsibility
(01.04.93, 13.09.05, 22.03.100)

Each approved participant must ensure that all persons approved by the Bourse or by any other regulatory or self-regulatory organization 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, abr. 22.03.10)

Section 7450 - 7475
Conduct of Accounts

7450 Business Conduct
(01.04.93, 13.09.05, 22.03.10)

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.

7451 Disclosure of Conflicts of Interests or Contrary Views
(11.03.85, 11.03.92, 13.09.05, abr. 22.03.10)

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, 22.03.10)

- 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 paragraph d), 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 derivative instrument listed and traded on the Bourse, that the recommendation is suitable for such customer given his financial situation, his investment knowledge, his investment objectives and his risk tolerance.
- 2) Every approved participant must designate a person responsible for the supervision and surveillance of the trading activities in derivative instruments listed on the Bourse and where necessary to ensure continuous supervision, one or more alternate person to this responsible person.

The responsible person and the alternate persons do not have to be approved by the Bourse, but approved participants must provide the Bourse with a list of those persons along with all necessary information to allow the Bourse to communicate with them as needed. Approved participants are also required to immediately inform the Bourse when changes are made to this list.

The responsible person is responsible for establishing and maintaining procedures and for supervising trading activities in derivative instruments listed on the Bourse. This person must ensure that the handling of each client orders 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. This person must supervise activities relating to the trading of derivative instruments listed on the Bourse in accordance with Bourse requirements and policies. In the absence or incapacity of the responsible person, his authority and responsibilities must be assumed by an alternate responsible person.

7453 Application as to Diligence of Accounts
(01.04.93, 13.09.05, 22.03.10)

1) Corporate Clients

In the case of an account carried by an approved participant for a corporation for the purpose of trading in derivative instruments, the approved participant must make sure that the corporation has the right under its charter and by-laws to engage in the intended 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 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 the intended transactions and that the persons acting for the corporation are duly authorized to do so.

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, 22.03.10)

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 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 derivative

instrument transaction or carry an account in derivative instruments 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, abr. 22.03.10)

7456 Conflict of interests

(01.04.93, 13.09.05, 22.03.10)

No approved participant acting as agent for a customer to buy or sell derivative instruments listed on the Bourse 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, abr. 22.03.10)

7458 Service Fees

(01.07.89, 01.04.93, 13.09.05, abr. 22.03.10)

7459 Margin Agreements

(01.04.93, 13.09.05, abr. 22.03.10)

7460 Clients' Indebtedness - Approved Participants' Rights

(01.04.93, 13.09.05, abr. 22.03.10)

7461 Guarantees of Margin Accounts

(01.05.87, 30.09.87, 01.09.92, 13.09.05, abr. 22.03.10)

7461A Hedge Agreement

(30.07.97, 13.09.05, abr. 22.03.10)

7462 Account transfers

(01.02.91, 01.04.93, 02.06.95, 06.10.99, 13.09.05, abr. 22.03.10)

7463 (Reserved for future use)

7464 Discretionary Cash Settlement Rule

(01.04.93, 13.09.05, abr. 22.03.100)

7465 R.R.S.P.s Administered by Approved Participants and Other Similar Plans

(01.04.93, 02.08.94, 13.09.05, abr. 22.03.10)

7466 Complaints Record and Files

(01.04.93, 13.09.05, 22.03.10)

- 1) Each approved participant must keep an up-to-date record of all written complaints received by the approved participant resulting from the conduct of the approved participant or of one of its approved persons in connection with orders or transactions in derivative instruments listed on the Bourse
- 2) Complaint files must be retained for seven (7) years. Furthermore, approved participants must maintain an up-to-date record of all complaints and subsequent documentation received relating to the conduct of the approved participant or of one of its approved persons in connection with orders or transactions in derivative instruments listed on the Bourse. Such record must be retained for a period of seven (7) years from the date of receipt of the complaint by the approved participant and must be made available to the Bourse upon request.
- 3) The complaint record must, at a minimum, contain the following information:
 - i) the complainant's name;
 - ii) the date of complaint;
 - iii) the name of the individual who is the subject of the complaint;
 - iv) the derivative instruments which are the subject of the complaint;
 - v) the materials reviewed in the investigation made by the approved participant;
 - vi) if applicable, the name and title of the persons who were interviewed by the approved participant in the course of its investigation of the complaint and the date of such interviews; and
 - vii) the date and conclusions of the decision rendered in connection with the complaint.

7467 Keeping Records of Orders

(08.09.89, 01.04.93, 02.07.96, 13.09.05, 22.03.10)

- 1) Every approved participant must maintain books and records necessary to record properly its trading activities in derivative instruments listed on the Bourse, including, without limitation:
 - a) Records containing an itemized daily record of all orders and trades in derivative instruments. Such records must contain the following information for each such order or transaction:

In the case of trades in all derivative instruments;

 - i) the identity of the client for whom or the account for which the order was received;
 - ii) the date and time on which the order was received;
 - iii) the identity of the person who received the order;
 - iv) the class and designation of the derivative instrument;

- v) the expiry or delivery month and year of the derivative instrument;
- vi) the date and time on which the order was entered into the electronic trading system of the Bourse;
- vii) whether it is an opening or closing transactions;
- viii) the terms and conditions of the order, of any instruction and of any modification or cancellation thereof;
- ix) where the order is entered pursuant to the exercise of discretionary power of an approved participant, an indication to that effect;
- x) where the order relates to a fully disclosed introduced account or a fully disclosed omnibus account, the component accounts within the introduced or omnibus account on whose behalf the order is to be executed, and the intended allocation among the component accounts once the order has been executed;
- xi) where the order relates to managed accounts, the component accounts on whose behalf the order is to be executed, and the intended allocation among these component accounts once the order has been executed;
- xii) where the order or instruction is placed by an individual other than;
 - A) the person in whose name the account is operated, or
 - B) an individual duly authorized to place orders or instructions on behalf of a customer that is a company,the name, the number or the designation of the individual placing the order or instruction;
- xiii) the date and time on which the order was modified, executed or cancelled. If executed in more than one transaction, the date and time of each transaction executed to complete the order;
- xiv) the number of derivative instruments bought or sold. If the order has been executed in more than one transaction, the number of derivative instruments bought or sold for each transaction;
- xv) if the person who executed the order is not the person who received it, the identity of such person;
- xvi) if the order was executed by another approved participant acting as an executing broker for the approved participant, the identity of such other approved participant.

In the case of futures contracts,

- xvii) the price at which the futures contract was entered into.

In the case of options contracts,

- xviii) the premium;
 - xix) the type of option (put or call);
 - xx) the strike price.
- b) Derivative instruments records showing separately for each derivative instrument as of the trade date all long positions or short positions in such derivative instrument carried for the approved participant's account or for the account of customers and, in all cases, the name or designation of the account in which each position is carried.
- 2) All records of filled and unfilled orders, executed transactions and carried positions must be retained for a period of seven (7) years.
- 3) 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, abr. 22.03.10)

7469 Cash and Securities Loan Transactions
(01.09.88, 15.03.93, 01.04.93, 13.09.05, abr. 22.03.10)

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, abr. 22.03.10)

Section 7476-7500
Specific Provisions
on Discretionary Accounts
(abr. 22.03.10)

7476 Definitions
(01.04.93, 13.09.05, abr. 22.03.10)

7477 Obligation to comply
(01.04.93, 13.09.05, abr. 22.03.10)

7478 Written Authorization
(01.04.93, 13.09.05, abr. 22.03.10)

7479 Designation of a Supervisory Authority
(01.04.93, 13.09.05, abr. 22.03.10)

7480 Designation as a Portfolio Manager or Associate Portfolio Manager
(01.04.93, 21.08.02, 13.09.05, abr. 22.03.10)

- 7481 Portfolio Management Committee**
(01.04.93, 13.09.05, abr. 22.03.10)
- 7482 Quarterly Review of the Managed Accounts**
(01.04.93, 13.09.05, abr. 22.03.10)
- 7483 Investment Policies**
(01.04.93, 13.09.05, abr. 22.03.10)
- 7484 Fees Agreement**
(01.04.93, 13.09.05, abr. 22.03.10)
- 7485 Separate and Distinct Supervision for each Managed Account**
(01.04.93, 13.09.05, abr. 22.03.10)
- 7486 Ethics**
(01.04.93, 13.09.05, abr. 22.03.10)
- 7487 The Approved Participant's Mandate**
(01.04.93, 13.09.05, abr. 22.03.10)

Section 7501 - 7550
Procedures Concerning the Custody, the Segregation
and the Safekeeping of Clients' Securities and Free Credits
(abr. 22.03.10)

- 7501 Definitions**
(01.10.86, 01.06.89, 01.04.93, 13.09.05, abr. 22.03.10)
- 7502 Clients Free Credit Balances**
(01.04.93, 13.09.05, abr. 22.03.10)
- 7503 General Concept**
(01.10.86, 01.06.89, 01.04.93, 13.09.05, abr. 22.03.10)
- 7504 Acceptable Internal Locations**
(01.10.86, 01.06.89, 01.04.93, 13.09.05, abr. 22.03.10)
- 7505 Restrictions on the Use of Clients' Securities**
(01.10.86, 01.06.89, 01.04.93, 13.09.05, abr. 22.03.10)
- 7506 Restrictions on Delivery of Customers' Securities**
(01.10.86, 01.04.93, 13.09.05, abr. 22.03.10)
- 7507 Written Notice to Clients Required**
(01.10.86, 01.04.93, 13.09.05, abr. 22.03.10)

- 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, abr. 22.03.10)
- 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, abr. 22.03.10)
- 7510 Securities Held in Safekeeping**
(01.04.93, 13.09.05, abr. 22.03.10)
- 7511 Acceptable Securities Locations**
(01.10.86, 20.12.91, 01.05.92, 01.04.93, 13.09.05, abr. 22.03.10)

POLICY C-2
(01.03.93, 21.10.93, 21.08.02, 01.10.02, abr. 22.03.10)

MINIMUM STANDARDS FOR RETAIL ACCOUNTS SUPERVISION

- I. ESTABLISHING AND MAINTAINING MINIMUM INDUSTRY STANDARDS FOR ACCOUNT SUPERVISION**
(abr. 22.03.10)

- II. OPENING NEW ACCOUNTS**
(abr. 22.03.10)

- III. BRANCH OFFICE ACCOUNT SUPERVISION**
(21.10.93, abr. 22.03.10)

- IV. HEAD OFFICE ACCOUNT SUPERVISION**
(21.10.93, abr. 22.03.10)

- V. OPTION ACCOUNT SUPERVISION**
(abr. 22.03.10)

- VI. FUTURES AND OPTIONS ON FUTURES ACCOUNTS SUPERVISION**
(abr. 22.03.10)

- VII. DISCRETIONARY AND MANAGED ACCOUNT SUPERVISION**
(abr. 22.03.10)

- VIII. CLIENT COMPLAINTS**
(abr. 22.03.10)

POLICY C-4

ESTABLISHING AND MAINTAINING ADEQUATE INTERNAL CONTROLS

(26.01.96, 08.05.03, abr. 22.03.10)

I. CAPITAL ADEQUACY

(abr. 22.03.10)

II. INSURANCE

(abr. 22.03.10)

III. SEGREGATION OF CLIENTS' SECURITIES

(abr. 22.03.10)

IV. SAFEKEEPING OF CLIENTS' SECURITIES

(abr. 22.03.10)

V. SAFEGUARDING OF SECURITIES AND CASH

(abr. 22.03.10)

POLICY C-10
(06.03.02, abr. 22.03.10)

INTERNAL CONTROL POLICY
PRICING OF SECURITIES

POLICY C-11
(06.03.02, abr. 22.03.10)

INTERNAL CONTROL POLICY
ON DERIVATIVE RISK MANAGEMENT

POLICY C-12
(23.08.02, abr. 22.03.10)

**MINIMUM REQUIREMENTS FOR SUITABILITY RELIEF CONCERNING TRADES NOT
RECOMMENDED BY AN APPROVED PARTICIPANT**

APPENDIX A – POLICY C-12

**Supervision of accuracy of recommended or
non-recommended trade basis reporting for approved
participants granted approval under Policy C-12**

POLICY C-13
(21.11.03, abr. 22.03.10)

**RESPONSIBILITIES OF THE CHIEF COMPLIANCE OFFICER AND ULTIMATE
DESIGNATED PERSON**

I. DEFINITIONS
(abr. 22.03.10)

II. RESPONSIBILITIES
(abr. 22.03.10)

POLICY C-15
(26.03.03, abr. 22.03.10)

ELECTRONIC DELIVERY OF DOCUMENTS

- 1. Protection of personal information**
(abr. 22.03.10)

- 2. Review of an electronic delivery system**
(abr. 22.03.10)