

THE ALBERTA SECURITIES COMMISSION RULES

(As at March 17, 2008)

Table of Contents

Definitions	1
Determining aggregate acquisition cost	2
Registrant; foreign jurisdiction	3
Unusual effort to prepare market	4
Extraordinary commission or consideration	5
Repealed (March 17, 2008)	6
Disclosure of securities beneficially owned	7
Deemed to be a holding company or parent company	8

**Part 1
The Commission**

Record of proceeding	9
----------------------	---

**Part 2
Investigations**

Practices and procedures applying to investigations	10
---	----

**Part 3
Audits**

Audits under section 60 of the Act	11
Filing of financial statement under section 60 of the Act	12

**Part 4
Exchanges, Self-Regulatory Organizations, Quotation and
Trade Reporting Systems and Clearing Agencies**

Recognition	13
-------------	----

**Part 5
Registration**

Definition	14
Market value of securities not listed on an exchange	15
Categories of registration of dealers	16
Categories of registration of advisers	17
Deemed to be registered as an underwriter	18
Portfolio manager	19
Conditions of registration	20
No direct or indirect interest	21
Conditions of registration prescribed by Director	22
Conditions of registration re capital requirements	23
Subordination agreement	24
Bonding	25
Change in bond	26

ASC Rules

Payment on bond	27
Compensation fund or contingency trust fund	28
Records to be maintained	29
Managing of accounts	30
Policies governing accounts	31
Segregation of funds and securities held pursuant to a written agreement	32
Segregation of funds and securities not held pursuant to a written agreement	33
Free credit balances	34
Trust account	35
Reduction of debit balances	36
Repealed	37
Exemptions from requirements of sections 32 to 36	38
Statements of account and portfolio	39
Classification of persons employed by a dealer	40
Registration as a salesman	41
Registration as a dealer	42
Designation as a branch manager	43
Registration as a portfolio manager or investment counsel	44
Registration as a securities adviser	45
Registration where requirements not met	46
Repealed (Feb. 21, 2003)	47
Repealed (Feb. 21, 2003)	48
Expiration of registration and renewal registration	49
Renewal of registration as a dealer or adviser	50
Renewal of registration as a salesman	51
Summons for an examination	52
Repealed (Feb. 21, 2003)	53
Repealed (Feb. 21, 2003)	54
Dealers not members of a self-regulatory body	55
Report to be audited	56
Repealed	57
Registrant not a member of a self-regulatory body	58
Significant change in capital	59
Financial statements	60
Content of financial statements	61
Report required	62
Report of auditor	63
Guideline for auditing	64

Part 6 Exemptions from Registration

Repealed (September 14, 2005)	65
Repealed (September 14, 2005)	66
Repealed (September 14, 2005)	66.1
Repealed	67
Exemptions re securities of a capital accumulation plan	68
Registration exemption for exempt purchaser	68.1
Application to be recognized as an exempt purchaser	69
Registration exemption for promoter	69.1
Registration exemption for issuers under the <i>Rural Utilities Act</i>	69.2
Registration exemption for cooperative membership shares	69.3
Registration exemption for cooperative investment shares	69.4
Transitional: exemption of trades	69.5
Repealed (September 14, 2005)	70

Part 7
Trading in Securities and Exchange Contracts Generally

Trading in securities	71
Confirmation under section 90(1) of the Act	71.1
Confirmation of a trade in an option contract	71.2
Confirmation re offsetting trade	71.3
Outstanding exchange contract	71.4
Disclosure required by section 95 of the Act	72
Minimum margin required	73
Omnibus accounts	73.1
Compliance with section 97(1) of the Act	74
Risk disclosure statement under section 98 of the Act	74.1

Part 8
Distribution by Prospectuses

Repealed	75
Repealed (March 17, 2008)	76
Repealed (March 17, 2008)	77
Repealed	78
Repealed	79
Repealed	80
Repealed	81
Repealed	82
Repealed	83
Repealed	84
Repealed (March 17, 2008)	85
Repealed (March 17, 2008)	86
Repealed (March 17, 2008)	87
Repealed (March 17, 2008)	88
Repealed (March 17, 2008)	88.1
Repealed (March 17, 2008)	89
Repealed (March 17, 2008)	90
Repealed (March 17, 2008)	91
Repealed (March 17, 2008)	91.1
Repealed (March 17, 2008)	92
Repealed (March 17, 2008)	93
Repealed (March 17, 2008)	94
Repealed (March 17, 2008)	95
Repealed (March 17, 2008)	96
Repealed (March 17, 2008)	97
Repealed (March 17, 2008)	98
Repealed	99
Repealed	100
Repealed (March 17, 2008)	101
Repealed (March 17, 2008)	102
Repealed (March 17, 2008)	103
Repealed (March 17, 2008)	104
Repealed (March 17, 2008)	105
Repealed (March 17, 2008)	106
Repealed (March 17, 2008)	107
Repealed (March 17, 2008)	108
Repealed (March 17, 2008)	109
Repealed (March 17, 2008)	110
Repealed (March 17, 2008)	111
Repealed (December 31, 2007)	112
Repealed (December 31, 2007)	113
Repealed (March 17, 2008)	114
Repealed (March 17, 2008)	115
Repealed (March 17, 2008)	116

ASC Rules

Repealed (March 17, 2008)	117
Repealed (March 17, 2008)	118
Repealed (March 17, 2008)	119
Repealed (August 31, 2002)	120

Part 9 Distribution Generally

Where underwriter is not a registrant	121
---------------------------------------	-----

Part 10 Exemption From Prospectus Requirements

Repealed (September 14, 2005)	122
Repealed (September 14, 2005)	122.1
Exemption from section 110 or 121 of the Act	123
Repealed (September 14, 2005)	123.1
Repealed	124
Repealed (June 16, 2003)	125
Repealed (September 14, 2005)	126
Prospectus exemption for exempt purchaser	127.01
Prospectus exemption for promoter	127.02
Prospectus exemptions for cooperatives and corporations under the Rural Utilities Act	127.03
Transitional: exemptions of trades	127.04
Repealed (June 16, 2003)	127
Offering memorandum required for exempt purchaser and minimum amount investment exemptions	127.1
Offering memorandum filing requirements	127.2
No representations by the Commission	128
Repealed (June 16, 2003)	129
Report of exempt distribution	129.1
Transitional provision re report of exempt distribution	129.2
Repealed	130
Repealed (Nov. 30, 2001)	131
Repealed (Nov. 30, 2001)	132
Repealed (Nov. 30, 2001)	133
Repealed	134
Repealed	135
Repealed	136
Repealed	137
Repealed	138
Repealed	139
Repealed	140
Repealed	141
Options	142

Part 11 Continuous Disclosure

Repealed (Dec. 1, 2006)	143
Repealed (Dec. 1, 2006)	144
Repealed (Dec. 1, 2006)	145
Repealed (Dec. 1, 2006)	146
Repealed (Dec. 1, 2006)	147
Repealed (Dec. 1, 2006)	148
Repealed (Dec. 1, 2006)	149

ASC Rules

Repealed (Dec. 1, 2006)	150
Repealed (Dec. 1, 2006)	151
Repealed (Dec. 1, 2006)	152
Repealed (Dec. 1, 2006)	153
Repealed (Dec. 1, 2006)	154
Repealed (Dec. 1, 2006)	155
Repealed (Dec. 1, 2006)	156
Repealed (Dec. 1, 2006)	157
Repealed (Dec. 1, 2006)	158
Repealed (Dec. 1, 2006)	159
Repealed (Dec. 1, 2006)	160
Repealed (Mar. 1, 1999)	161
Repealed (Dec. 1, 2006)	162

Part 12

Proxies and Proxy Solicitation

Repealed (Dec. 1, 2006)	163
Repealed (Dec. 1, 2006)	164
Repealed (Dec. 1, 2006)	165
Repealed (Dec. 1, 2006)	166
Repealed (Dec. 1, 2006)	167
Repealed (Dec. 1, 2006)	168
Repealed (Dec. 1, 2006)	169

Part 13

Take-over Bids and Issuer Bids

Repealed (March 17, 2008)	170
Repealed (March 17, 2008)	171
Repealed (March 17, 2008)	172
Repealed (March 17, 2008)	173
Repealed (March 17, 2008)	174
Repealed (March 17, 2008)	175
Repealed (March 17, 2008)	176
Repealed (March 17, 2008)	177
Repealed (March 17, 2008)	178
Repealed (March 17, 2008)	179
Repealed (March 17, 2008)	180
Repealed (March 17, 2008)	181
Repealed (March 17, 2008)	181.1
Repealed (March 17, 2008)	181.2
Repealed (March 17, 2008)	181.3
Repealed (March 17, 2008)	181.4
Repealed (March 15, 2000)	181.5
Repealed (March 17, 2008)	181.6
Repealed (March 15, 2000)	181.7
Repealed (March 17, 2008)	181.8
Repealed (March 17, 2008)	181.9
Repealed (March 17, 2008)	181.91
Repealed (March 17, 2008)	181.92
Repealed (March 17, 2008)	181.93

ASC Rules

Part 14
Insider Trading and Self-Dealing

Report under section 182 of the Act	182
Exception to section 182(1) of the Act	183
Repealed (May 15, 2001)	184
Repealed (Nov. 13, 2001)	185
Report under section 183 of the Act	186
Filing by Facsimile	186.1
Sending of Report	186.2
Deemed Filing and Delivery	186.3
Report under section 191 of the Act	187
Reports under section 182 of the Act	188
Reports by personal representatives etc.	189
Prescribed Time Periods	190

Part 15
Enforcement

Warrant	191
Costs re investigations	191.1
Costs re hearing	191.2
Payment to Commission	191.3

Part 16
Civil Liability

Repealed (June 1, 1999)	192
-------------------------	-----

Part 16.1
Civil Liability for Secondary Market Disclosure

Definition of equity security	192.1
Definition of market capitalization	192.2
Definition of principal market	192.3
Definition of trading price	192.4
Application of Part 17.01 of the Act	192.5

Part 16.1 added and effective December 31, 2006

Part 17
Self-Regulating Bodies

Repealed	193
Repealed	194
Repealed	195

Part 18
General Provisions

Filing of material by reporting issuers	196
Filing of material by individuals, companies and other persons	197
Electronic signature of materials	197.1
Electronic filing of materials	197.2
Repealed	198

ASC Rules

Repealed	199
Repealed	200
Repealed	201
Repealed	202
Commencement	203

Schedule
Forms

Summons to Witness	Form 1
Affidavit of Service	Form 2
Application for Registration as Dealer, Advisor or Underwriter	Form 3
Repealed (Feb. 21, 2003)	Form 4
Repealed (March 17, 2008)	Form 4B
Application for Renewal of Registration as Dealer, Advisor or Underwriter	Form 5
Application for Renewal of Registration as Salesman	Form 6
Repealed (Feb. 21, 2003)	Form 7
Summons to Witness	Form 8
Repealed	Form 9
Repealed	Form 9A
Annual Questionnaire by a Portfolio Manager For Its Auditor	Form 10
Application for Recognition as an Exempt Purchaser	Form 11
Repealed (March 17, 2008)	Form 12
Repealed (March 17, 2008)	Form 13
Repealed (March 17, 2008)	Form 14
Repealed (March 17, 2008)	Form 15
Repealed	Form 15A
Repealed (June 30, 2002)	Form 16
Repealed (June 30, 2002)	Form 17
Repealed (June 30, 2002)	Form 18
Surety Bond	Form 19
Repealed and Replaced by Form 45-103F4 (June 16, 2003)	Form 20
Repealed (Nov. 30, 2001)	Form 21
Repealed (Nov. 30, 2001)	Form 22
Repealed (Nov. 30, 2001)	Form 23
Repealed	Form 24
Put Option Contract	Form 25
Call Option Contract	Form 26
Repealed (Dec. 1, 2006)	Form 27
Repealed (Dec. 1, 2006)	Form 28
Repealed	Form 29
Repealed (Dec. 1, 2006)	Form 30
Repealed (February 1, 2008)	Form 31
Repealed (February 1, 2008)	Form 32
Repealed (February 1, 2008)	Form 33
Repealed (February 1, 2008)	Form 34
Repealed (March 17, 2008)	Form 35
Repealed (Jan. 21, 2002)	Form 36
Report By A Registered Owner of Securities Beneficially Owned By An Insider	Form 37
Report Under Section 191 of the Act	Form 38
Endorsement of Warrant	Form 39
Repealed (March 17, 2008)	Form 40
Repealed	Form 41
Repealed	Form 42
Repealed (June 16, 2003)	Form 43

Definitions

1(1) In these Rules, unless otherwise defined in the *Securities Act or Regulations*,

- (a) “Act” means the *Securities Act*,
- (b) “aggregate” acquisition cost” means the present value of the purchase price of securities calculated at the time of purchase;
- (c) “contract”, “group insurance”, “life insurance” and “policy” as used in section 87(1) of the Act have the meaning ascribed to them under sections 1 and 451 of the *Insurance Act* and section 1 of the Classes of *Insurance Regulation*;
- (d) **Repealed** (June 1, 1999);
- (e) **Repealed** (March 17, 2008);
- (e.1) “exercise price” means the price at which a purchaser of an option contract has the right to assume a purchase or sell position in a futures contract or an underlying asset that is the subject of the option;
- (e.2) “expiry date” means the date on which a futures contract or option expires;
- (f) **Repealed** (March 17, 2008);
- (g) “Form” means a form under the rules;
- (h) **Repealed** (March 17, 2008);
- (i) **Repealed** (March 17, 2008);
- (i.1) “offsetting trade” means assuming an equal and opposite position in a futures contract or an option contract;
 - (i) on the originating exchange, or
 - (ii) on a different exchange that employs the clearing facilities of the originating exchange;
- (i.2) “settlement price” means the price used by an exchange or its clearing agency to determine, on a daily basis, the net gain or loss in the value of a futures contract or an option;
- (j) **Repealed** (June 16, 2003);
- (k) “variable insurance contract” means a contract of life insurance under which the interest of the purchaser is valued for purposes of conversion or surrender by reference to the value of a proportionate interest in a specified portfolio of assets.

(2) If a term is used in these Rules that is not otherwise defined in the Act or Regulation, that term shall be accorded the meaning given to it by general industry practice.

Determining
aggregate
acquisition cost

2 For the purpose of determining aggregate acquisition cost

(a) where

- (i) the entire purchase price is not paid at the time of purchase, and
- (ii) any portion of the purchase price consists of an obligation or covenant to pay that portion in the future,

then

- (iii) the balance of the obligation or covenant shall be included in making the calculation only if the purchaser is certain or virtually certain to be called on to make payment, and
- (iv) the present value of the obligation or covenant made under a promissory note or other form of indebtedness payable to the issuer or vendor of securities shall be calculated by discounting the note or other form of indebtedness applied over the time of the note or other form of indebtedness either

(A) at the interest rate of the note or other form of indebtedness, or

(B) at the current prime rate plus 1%,

whichever is higher,

and

- (b) where the note or other form of indebtedness is payable on demand, a reasonable maturity date based on any representations made by the promoter or distributor, as to the probable payment date, should be assumed for the calculation.

Registrant; foreign
jurisdiction

3 For the purposes of sections 4 and 5, if a transaction is effected in another jurisdiction, “registrant” means a person or company registered to trade in securities in that jurisdiction.

Unusual effort to
prepare market

4 For the purposes of sections 2.5(2)5., 2.5(3)5., 2.6(3)3., 2.6(4)3., 2.8(2)3. and 2.8(3)2. of National Instrument 45-102 *Resale of Securities*, an unusual effort to prepare the market or to create a demand for securities takes place if 1 or more of the following activities is engaged in by or on behalf of the vendor of the securities:

as amended (September 14, 2005)

- (a) the dissemination to prospective purchasers of material soliciting orders to purchase, unless the material consists only of a letter or communication
 - (i) identifying the securities being sold, and
 - (ii) advising that they are available,

ASC Rules

and that letter or communication may comprise or be accompanied by 1 or more of the following:

- (iii) an annual report;
 - (iv) an interim report;
 - (v) an information circular;
 - (vi) a take-over bid circular;
 - (vii) an issuer bid circular;
 - (viii) a prospectus;
 - (ix) an offering memorandum;
 - (x) a document or documents not referred to in subclause (iii) to (ix) prepared pursuant to a statute or a regulation primarily for some other purpose;
- (b) the formation of a selling group or any similar arrangement to co-ordinate the efforts of more than 1 registrant to effect the sale;
- (c) the implementation of any transaction or sequence of transactions, plan or other arrangement to manipulate or adjust the market price of the securities, other than price stabilization activities
- (i) reasonably necessary for the maintenance of an orderly market, and
 - (ii) not going beyond what is accepted on the market where those activities occur;
- (d) any sales effort that
- (i) is illegal or improper by the standards of the market in which it is made, or
 - (ii) involves the communication of false or misleading information;
- (e) the making of a sale to a purchaser with whom the vendor is not dealing at arm's length in order to put the purchaser in a position where the purchaser may re-sell the securities free of constraints to which the vendor was subject;
- (f) in the case of sales made as described in section 2.8(1) of National Instrument 45-102 *Resale of Securities* where there is a market for the securities, the making of a sale other than

as amended (September 14, 2005)

- (i) a sale made

ASC Rules

(A) in the market in which securities of the particular class are customarily traded, and

(B) in a manner customary in that market,

or

(ii) a sale made under an exemption referred to in the rules.

Extraordinary
commission or
consideration

5 For the purposes of sections 2.5(2)6., 2.5(3)6., 2.6(3)4., 2.6(4)4., 2.8(2)4. and 2.8(3)3. of Multilateral Instrument 45-102 *Resale of Securities*, an extraordinary commission or consideration is paid in respect of a trade if the trade is effected

- (a) on an agency basis and the aggregate compensation paid to the registrant through whom the securities are sold is greater than that which is customary in agency transactions of similar size involving similar securities in the relevant market,
- (b) through an exchange or other market in which it is customary for registrants to trade on an agency basis but the securities are instead sold by the vendor to another registrant acting as principal if the sale was prearranged to avoid the operation of clause (a), or
- (c) through the sale of the securities by the vendor to a registrant and the excess of the then market value of the particular securities over the price paid is greater than that which is customary in principal transactions of similar size involving similar securities in the relevant market.

Generally accepted
accounting
principles

6(1) Repealed (March 17, 2008).

(2) Repealed (March 17, 2008).

(3) Repealed (March 17, 2008).

Disclosure of
securities
beneficially owned

7(1) If the Act or the rules requires the disclosure of the number or percentage of securities beneficially owned by a person and, by virtue of section 5 of the Act, 1 or more companies will also have to be shown as beneficially owning the securities, a statement disclosing

- (a) all the securities beneficially owned or deemed to be beneficially owned by the person,
- (b) the name of the controlled company or the company affiliated with the controlled company through which the securities are indirectly owned, and
- (c) the number or percentage of the securities so owned by the company,

is deemed to be sufficient disclosure without disclosing the name of any other company that is deemed to beneficially own the same securities.

(2) If the Act or the rules requires the disclosure of the number or percentage of securities beneficially owned by a company and, by virtue of section 6 of the Act, 1 or more other companies will also have to be shown as beneficially owning the securities, a statement

- (a) disclosing all securities beneficially owned or deemed to be beneficially owned by the parent company, and
- (b) indicating whether the ownership is direct or indirect and, if indirect, indicating
 - (i) the name of the subsidiary through which the securities are indirectly owned, and
 - (ii) the number or percentage of the securities so owned,

is deemed to be sufficient disclosure without disclosing the name of any other company that is deemed to beneficially own the same securities.

Deemed to be a holding company or parent company

8 A company is deemed to be another company's holding company or parent company if that other company is its subsidiary.

PART 1

THE COMMISSION

Record of proceedings

9 For the purposes of section 29(h) of the Act the record of the proceeding for a hearing or a review shall include, in addition to the items referred to in that section, the decision of the Commission or the Executive Director, as the case may be.

PART 2

INVESTIGATIONS

Practices and procedures applying to investigations

10 The following practices and procedures apply to investigations conducted under the Act:

- (a) every person who is served with a summons issued by a person under section 42(1)(a) of the Act shall be paid the same fees and allowances for his attendance before that person as are paid for the attendance of a witness summoned to attend before the Court of Queen's Bench;
- (b) every summons issued to a witness to appear before a person appointed to make an investigation under section 41 of the Act shall be completed in accordance with Form 1;
- (c) the service of a summons on a witness, the payment or tender of fees and allowances to the witness and the service of a notice on a witness may be proved by an affidavit completed in accordance with Form 2.

PART 3

AUDITS

Audits under section 60 of the Act

11(1) Every audit under section 60 of the Act shall be performed in accordance with generally accepted auditing standards and any audit requirements published by the Commission.

(2) Every report of an auditor under section 60 of the Act shall be prepared in accordance with generally accepted auditing standards.

(3) No registrant shall withhold, destroy or conceal any information or documents or otherwise fail to co-operate with a reasonable request made by an auditor of a registrant in the course of an audit under section 60 of the Act.

Filing of financial statements under section 60 of the Act

12 For the purposes of section 60(5) of the Act, every registrant shall file with the Executive Director financial statements certified in accordance with the applicable provisions of section 197.

PART 4

EXCHANGES, SELF-REGULATORY ORGANIZATIONS QUOTATION AND TRADE REPORTING SYSTEMS AND CLEARING AGENCIES

Recognition

13 For the purposes of subsections 62(2), 63(4), 64(1), 64(6), 67(1) and 67(4) of the Act, no recognition or decision shall be made without giving the person or company affected an opportunity to have a hearing before the Commission.

PART 5

REGISTRATION

Definitions

14 In this Part,

- (a) “active assets” means money and the market value of assets readily convertible into money;
- (b) “adjusted liabilities” means total liabilities plus, where the accounts of the registrant are kept on a settlement date basis, any unrecorded purchase commitments minus, without duplication, the sum of
 - (i) cash,
 - (ii) money on deposit in a client's trust account,
 - (iii) any amounts deposited by the registrant pursuant to a compensation fund or contingency trust fund established under section 28,

ASC Rules

- (iv) the cash surrender value of life insurance if the registrant is the beneficiary,
 - (v) the market value of any securities that the registrant owns or has contracted to purchase and that, in either case, have a margin rate of 5% or less,
 - (vi) interest accrued to the registrant in respect of the securities referred to in subclause (v),
 - (vii) the sale price of securities for which the registrant has a sales commitment to a financial institution,
 - (viii) any debit balances with any financial institution, and
 - (ix) the market value of securities that have a margin rate of 5% or less
 - (A) included in non-segregated accounts of clients, partners, shareholders and dealers, or
 - (B) held as collateral for secured loans receivable, not exceeding the debit balance of the account or the secured loan receivable;
- (b.1) “Branch Managers Qualifying Examination (CSI)” means an examination set by the Canadian Securities Institute and so designated by that Institute;
- (b.2) “Branch Managers Qualifying Examination (IFIC)” means an examination set by the Investment Funds Institute of Canada and so designated by that Institute;
- (b.3) “Canadian Commodity Supervisors Examination” means an examination set by the Canadian Securities Institute and so designated by that Institute;
- (b.4) **Repealed** (March 1, 1999);
- (c) “Canadian Investment Finance Course” means a course prepared and conducted by the Canadian Securities Institute and so designated by that Institute;
- (c.1) “Canadian Investment Funds Course” means a course offered by the Investment Funds Institute of Canada and so designated by that Institute;
- (d) **Repealed** (June 15, 2000);
- (d.1) **Repealed** (March 1, 1999);
- (e) “Canadian Securities Course” means a course prepared and conducted by the Canadian Securities Institute and so designated by that Institute;
- (f) “capital” means money raised through the issuance of shares, certificates, bonds, debentures, long-term notes or any other long-term obligations, contributed surplus or retained earnings, and reserves;

- (g) “Chartered Financial Analysts Course” means a course prepared and conducted by the Institute of Chartered Financial Analysts and so designated by that Institute;
- (h) “clients' trust account” means a deposit account
 - (i) maintained by a registrant with a financial institution in the name of the registrant,
 - (ii) designated as a clients' trust account, and
 - (iii) into which a registrant deposits in trust money received from, or on account of, the registrant's clients;
- (h.1) “Derivatives Fundamentals Course” means a course prepared and offered by the Canadian Securities Institute and so designated by that Institute;
- (i) “financial institution” in addition to the meaning described in section 1(v) of the Act shall, for the purposes of this Part, include:
 - (i) the Government of Canada, the government of any province or territory of Canada, any municipal corporation, Crown corporation or public board or commission in Canada,
 - (ii) a trust company or insurance company if the company is licensed to do business in Canada and has a minimum paid up capital and surplus of \$5 000 000, and includes the pension funds of those companies,
 - (iii) a credit union or credit union league with a minimum paid up capital and surplus of \$5 000 000,
 - (iv) a mutual fund with minimum net assets of \$5 000 000, and
 - (v) a company, other than a dealer, having a minimum net worth of \$25 000 000 on its last audited balance sheet, if the balance sheet is available for inspection by the Executive Director, and includes any trusted pension plan of that company;
- (j) “free credit balance” includes money received from, or held for the account of, clients by a registrant:
 - (i) for investing in and paying for securities to be purchased or exchange contracts to be traded by the client from or through the registrant where, at the time of payment by the client, the registrant
 - (A) does not own the securities or exchange contracts, or
 - (B) has not yet purchased the securities or traded the exchange contracts on behalf of the client,

ASC Rules

- (ii) as proceeds of securities purchased from or sold to clients by the registrant for the account of clients if securities have been delivered to the registrant but payment to the client has not yet been made, or
- (iii) as proceeds of transactions in exchange contracts;
- (j.1) “Futures Licensing Course” means a course prepared and offered by the Canadian Securities Institute and so designated by that Institute;
- (j.2) “investment Funds in Canada Course” means a course offered by the Investment Funds Institute of Canada and so designated by that Institute;
- (j.3) “Joint Regulatory Financial Questionnaire and Report” means the interpretations, statements, schedules, notes and instructions approved and issued by the recognized self-regulatory bodies as amended from time to time for the purposes of their members completing that Questionnaire and Report and as approved by the Commission;
- (k) “loan value” means the market value of securities less the applicable margin requirements;
- (l) “margin”, “margin agreement”, “margin deficiency”, “margin rate” and “margin requirements” mean,
 - (i) subject to subclause (ii), the provisions in that regard determined pursuant to the by-laws of the Canadian Venture Exchange Inc., or
 - (ii) where used with respect to exchange contracts, the minimum dollar amount per exchange contract required under the rules and regulations of the exchange on which the exchange contract was entered into, or any greater amount that may be required by the Executive Director, that must be deposited with a member of that exchange for the purpose of ensuring the performance of obligations under the exchange contract, and includes original margin or initial margin and maintenance margin or variation margin,and for the purposes of subclause (ii)
- (iii) “maintenance margin” or “variation margin” means the amount that must be deposited to restore margin on deposit to original margin or initial margin when the margin on deposit falls to or under the required maintenance level because of adverse movement in the price of the exchange contract, and
- (iv) “original margin” or “initial margin” means the amount that must be deposited on entering into an exchange contract;
- (m) “market value”, when used with respect to

ASC Rules

- (i) an exchange contract, means the settlement price on the relevant date or last trading day prior to the relevant date, or
- (ii) a security, means
 - (A) where the security is listed and posted for trading on an exchange,
 - I) the bid price, or
 - II) if the security is sold short, the ask price,

as shown on the exchange quotation sheets as of the close of business on the relevant date or last trading date prior to the relevant date, as the case may be, subject to an appropriate adjustment where an unusually large or unusually small quantity of securities is being valued, or
 - (B) where the security is not listed and posted for trading on an exchange, a value determined in accordance with section 15;
- (n) “material change in ownership” includes any direct or indirect material change in the beneficial ownership of
 - (i) the registrant, or
 - (ii) any person or company that directly or indirectly controls capital of the registrant;
- (n.1) “Officers, Partners and Directors Examination (IFIC)” means an examination set by the Investment Funds Institute of Canada and so designated by that Institute;
- (n.2) “Options Licensing Course” means a course prepared and offered by the Canadian Securities Institute and so designated by that Institute;
- (o) “Partners, Directors and Senior Officers Qualifying Examination (CSI)” means an examination set by the Canadian Securities Institute of Canada and so designated by that Institute;
- (o.1) “Registered Options Principal Examination” means an examination set by the Canadian Securities Institute and so designated by that Institute;
- (p) “Registered Representatives Examination” means an examination based on the Conduct and Practices Handbook Course that has been prepared and is conducted by the Canadian Securities Institute and so designated by the Institute;
- (q) “total liabilities” means all liabilities including,
 - (i) adequate provision for income taxes, and

- (ii) other accruals,

but excluding

- (iii) debts the payment of which is postponed in favour of other creditors pursuant to a subordination agreement in a form approved by the Executive Director, and
- (iv) deferred income taxes relating to non-active assets;
- (r) “working capital” means the excess of current assets over current liabilities.

Market value of securities not listed on an exchange

15(1) Subject to subsections (2), (3) and (4), the market value of a security not listed and posted for trading on an exchange shall be determined by assigning a reasonable value on the basis of values shown on published market reports or inter-dealer quotation sheets on the relevant date or last trading day prior to the relevant date.

(2) The registrant may vary a value from that shown on published market reports or inter-dealer quotation sheets if, in consideration of all the circumstances, some other value would be more appropriate.

(3) The Executive Director may require that a different value from that determined under subsection (1) or (2) be assigned if, in consideration of all the circumstances, some other value would be more appropriate.

(4) If no published market report or inter-dealer quotation sheet exists with respect to the security, the security shall be assigned a market value of zero unless the Executive Director agrees otherwise.

Categories of registration of dealers

16 Every registrant who is a dealer shall be classified into 1 or more of the following categories:

- (a) a broker, being a person or company that
 - (i) is registered to trade in securities, exchange contracts or in securities and exchange contracts, and
 - (ii) is a member of an exchange in Alberta recognized by the Commission;
- (b) an investment dealer, being a person or company
 - (i) registered to trade in securities, exchange contracts or securities and exchange contracts, and
 - (ii) that is a member or branch office member of the Investment Dealers Association of Canada;
- (c) a mutual fund dealer, being a person or company
 - (i) registered to trade exclusively in the shares or units of mutual funds, and
 - (ii) that is a member of a self-regulatory organization or exchange that is recognized by the Commission for the purpose of this clause;

ASC Rules

- (d) a scholarship plan dealer, being a person or company registered exclusively for the purpose of trading in securities of a scholarship or educational plan or trust;
- (e) a security issuer, being an issuer registered to trade in securities for the purpose of distributing securities of its own issue exclusively for its own account.

Categories of registration of advisers

17(1) Every registrant who is an adviser shall be classified into one of the following categories:

- (a) a portfolio manager, being a portfolio manager as defined in section 1(nn) of the Act;
- (b) an investment counsel, being an adviser who shall not instruct any trades in securities, exchange contracts or securities and exchange contracts on behalf of any client without
 - (i) advising the client of the specific trade being proposed, and
 - (ii) obtaining the approval of the client for that specific trade;
- (c) a securities adviser, being an adviser who shall not
 - (i) engage in advising a specific client about investing in or buying or selling specific securities, exchange contracts or securities and exchange contracts, or
 - (ii) instruct trades in securities, exchange contracts or securities and exchange contracts on behalf of any person or company.

(2) An adviser shall not receive, hold or dispose of any free credit balances or securities on behalf of any person or company.

Deemed to be registered as an underwriter

18 Every person or company registered as a broker, investment dealer or securities dealer is deemed to be registered as an underwriter.

Portfolio manager

19 If the provisions of section 65 are applicable and have been complied with, the provisions of this Part as they relate to a portfolio manager do not apply to a broker or investment dealer acting as a portfolio manager.

Conditions of registration

20 Registration or renewal of registration shall not be granted unless, at the time of the granting of the registration or renewal of registration, the applicant has complied with the applicable requirements of this Part.

No direct or indirect interest

21(1) A registrant or partner, officer or associate of a registrant shall not, without the approval of the Executive Director, have a direct or indirect interest in any other registrant.

(2) For the purpose of subsection (1), affiliated companies shall be treated as 1 company.

Conditions of registration prescribed by Director

22 The Executive Director may prescribe conditions of registration that

- (a) shall apply to a registrant or group of registrants, and
- (b) are in lieu of some or all of the conditions of registration prescribed in sections 24 to 26, 28 to 45 and 55 to 62,

where the Executive Director

- (c) gives prior notice of the proposed conditions to the registrant or registrants affected,
- (d) affords the registrant or registrants affected an opportunity to have a hearing, and
- (e) publishes a notice in a publication published by the Commission of each instance when the Executive Director prescribes those conditions.

Conditions of registration re capital requirements

23(1) Every broker and investment dealer shall continuously maintain net free capital calculated in accordance with the Joint Regulatory Financial Questionnaire and Report.

(1.1) A securities dealer shall continuously maintain net free capital calculated in accordance with the Joint Regulatory Financial Questionnaire and Report but shall, subject to subsection (1.2), include the capital requirements on adjusted liabilities to a minimum of \$100 000 instead of the minimum set out in that Questionnaire and Report.

(1.2) On application, the Executive Director may,

- (a) where the Executive Director is satisfied that to do so is in the public interest, and
- (b) subject to any terms or conditions set by the Executive Director,

require that the net free capital calculated in accordance with the Joint Regulatory Financial Questionnaire and Report shall include capital requirements on adjusted liabilities to a minimum amount that is greater or lesser than the amount of \$100 000 referred to in subsection (1.1)

(2) Every mutual fund dealer and scholarship plan dealer shall continuously maintain working capital, calculated in accordance with generally accepted accounting principles, that is equal to or greater than the maximum amount, if any, that is deductible under any bond or insurance coverage required under section 25 plus the greater of

- (a) \$25 000, and
- (b) an amount equal to the sum of
 - (i) 10% of the first \$2 500 000 of adjusted liabilities,
 - (ii) 8% of the next \$2 500 000 of adjusted liabilities,

ASC Rules

- (iii) 7% of the next \$2 500 000 of adjusted liabilities,
- (iv) 6% of the next \$2 500 000 of adjusted liabilities, and
- (v) 5% of adjusted liabilities in excess of \$10 000 000.

(3) Every adviser, other than a securities adviser, shall continuously maintain

- (a) working capital calculated in accordance with generally accepted accounting principles, that is equal to or greater than the maximum amount, if any, that is deductible under any bond or insurance coverage required under section 25 plus \$5000, or
- (b) where the adviser exercises control over clients' funds or securities, capital and working capital in such greater amount as the Executive Director considers necessary.

(4) Every underwriter shall continuously maintain net free capital calculated in accordance with the Joint Regulatory Financial Questionnaire and Report that is equal to or greater than

- (a) \$10 000, plus,
- (b) the maximum amount, if any, that is deductible under any bond or insurance coverage required under section 25.

(5) Every registrant required to maintain the capital levels set out in this section shall

- (a) promptly report to the Executive Director every failure to maintain the required level, and
- (b) provide those other details of the failure as the Executive Director may require.

Subordination
agreement

24 At the request of the Executive Director, a registrant shall enter into a subordination agreement in the form prescribed by the Executive Director.

Bonding

25(1) Except where the Executive Director, on application, decides in a particular case that reduced or no coverage would not be prejudicial to the public interest, every dealer other than

- (a) a mutual fund dealer,
- (b) a security issuer, or
- (c) a scholarship plan dealer,

shall maintain bonding by means of

- (d) a broker's blanket bond,
- (e) a surety bond completed in accordance with Form 19, or
- (f) both a broker's blanket bond and a surety bond completed in accordance with Form 19,

on terms acceptable to the Executive Director in an aggregate amount of not less than \$200 000 or such larger amount as is indicated to be necessary by the resolution referred to in subsection (4).

(2) Every mutual fund dealer shall maintain bonding and insurance on terms acceptable to the Executive Director,

- (a) for its employees in an amount of not less than \$50 000 for each employee, or such larger amount as is indicated to be necessary by the resolution referred to in subsection (4), and
- (b) for itself by means of a bond completed in accordance with Form 19 in an amount of not less than \$25 000.

(3) Except where the Executive Director, on application, decides in a particular case that reduced or no coverage would not be prejudicial to the public interest, every security issuer, portfolio manager, investment counsel and underwriter shall maintain bonding and insurance on terms acceptable to the Executive Director in an amount of not less than \$10 000 or such larger amount as is indicated to be necessary by the resolution referred to in subsection (4).

(4) Every person or company applying for registration or renewal of registration as a dealer, adviser or underwriter shall deliver to the Executive Director, with the application, a certified copy of a resolution of its directors stating that

- (a) full consideration has been given to the amount of bonding and insurance necessary to cover the insurable risks in the business of the applicant, and
- (b) either
 - (i) the minimum amount of coverage required by the rules is sufficient, or
 - (ii) the minimum amount of coverage required by the rules is not sufficient and stating an amount of coverage that would be sufficient.

(5) Registration or renewal of registration shall not be granted if, in the opinion of the Executive Director,

- (a) the minimum amount of bonding and insurance required by the rules, or
- (b) a larger amount as stated in a certified copy of a resolution referred to in subsection (4),

is not sufficient to cover the insurable risks in the business of the applicant.

(6) The Executive Director may exempt registrants who are members of

- (a) an exchange recognized by the Commission under section 62 of the Act, or

- (b) any self-regulatory organization recognized by the Commission under section 64 of the Act;

from compliance with subsection (4) if the Executive Director is satisfied that the registrant is subject to requirements

- (c) that are imposed by 1 or more of those organizations, and
- (d) that provide protection for its clients that is at least equal to that provided under subsection (4).

Change in bond **26** Every registrant shall promptly notify the Executive Director in writing of any change in, or claim made under, the provisions of any bond or insurance policy maintained pursuant to the requirements of this Part.

Payment on bond **27(1)** In this section,

- (a) “applicant” means a person or company that
 - (i) is a registrant, and
 - (ii) is required to maintain a surety bond completed in accordance with Form 19,

and includes the directors, officers, salesmen, employees, advising employees and agents of the applicant;

- (b) “bond” means a surety bond completed in accordance with Form 19;
- (c) “client” means a person or company on behalf of which an applicant receives securities or money in anticipation of buying or as a result of selling securities or trading exchange contracts from, to or through an applicant, but does not include any person or company that was a registrant or its equivalent in any jurisdiction at the time the applicant received the securities or money on behalf of that person or company;
- (d) “Clerk of the Court” means
 - (i) the Clerk of the Court for the Court of Queen's Bench, or
 - (ii) in the case of a superior Court, other than the Court of Queen's Bench, the clerk of that Court or other official of that Court who performs the function of the clerk;
- (e) “Court” means the Court of Queen's Bench or other superior Court that is a court of record;
- (f) “principal amount” means the amount of the bond payable in Canadian money;
- (g) “surety” means a company duly registered and authorized to carry on the business of suretyship in Alberta.

(2) On the principal amount becoming due and payable, the Court, pursuant to an application by way of an originating notice made by the Executive Director or the client, may make an order

- (a) declaring that the principal amount has become due and payable;
- (b) directing the surety to pay the principal amount to the Clerk of the Court;
- (c) declaring
 - (i) the date of an order made by the Commission suspending or cancelling the registration of the applicant based on the refusal or inability of the applicant to return to any client any securities or money that the applicant received from or on behalf of the client,
 - (ii) the date of the lapse of registration of the applicant, or
 - (iii) the effective date of the lapse or cancellation of the bond,

whichever is the earliest date, as the date for the purposes of subsections (5), (6) and (8);

- (d) directing the Clerk of the Court to pay to the Commission or the client from the principal amount the costs of the application as determined by the Court.

(3) The Clerk of the Court shall hold the principal amount paid to him pursuant to an order made under subsection (2), less costs, in an interest bearing account.

(4) The only persons or companies entitled to share in the principal amount held by the Clerk of the Court are

- (a) those clients who have obtained judgments against the applicant, and
- (b) those persons or companies entitled to costs as determined by the Court.

(5) For the purposes of subsection (4), the judgments referred to in subsection (4)(a) must

- (a) be obtained prior to the expiry of 2 years from the date declared by the Court pursuant to subsection (2)(c), and
- (b) be for the return of, or for damages based on the non-return of, any securities or money received by the applicant from or on behalf of the client.

(6) On the expiry of 2 years from the date declared by the Court pursuant to subsection (2)(c) or a sooner date as the Court may determine, the Executive Director or a client may apply to the Court by notice of motion for an order

ASC Rules

- (a) determining which judgments against the applicant are those judgments referred to in subsection (4)(a) and based on that determination settling a list of the clients entitled to share in the principal amount,
- (b) directing the Clerk of the Court to pay, from the principal amount held, the costs of the application to the persons or companies in an amount or amounts as determined by the Court, and
- (c) directing the Clerk of the Court to pay, from the remaining principal amount and interest, to those clients entitled to share in the principal amount the amount of their judgments and costs.

(7) If the principal amount plus interest held by the Clerk of the Court is not sufficient to satisfy all the client judgments and costs, the Clerk of the Court shall pay to the clients a pro rata share of those funds in the following order of priority

- (a) firstly, the principal amounts of all judgments until, as the case may be, either
 - (i) the judgments are fully paid, or
 - (ii) there are no funds left;
- (b) secondly, any interest owing on the principal of the judgments as set out in the judgments until, as the case may be, either
 - (i) the interest owing is fully paid, or
 - (ii) there are no funds left;
- (c) thirdly, any costs as set out in the judgments until, as the case may be, either
 - (i) the costs are fully paid, or
 - (ii) there are no funds left.

(8) On the expiry of 3 years from the date declared by the Court pursuant to subsection (2)(c), or a sooner date as the Court may determine, the surety may apply to the Court by notice of motion for an order instructing the Clerk of the Court to pay to the surety the balance of the principal amount and interest still held by the Clerk of the Court.

(9) On becoming aware of any facts that may result in a claim being made against its bond, an applicant shall

- (a) immediately notify the Executive Director that fact, and
- (b) secure additional bond coverage to ensure that at all times the applicant has bond coverage of not less than the total of
 - (i) the amount prescribed pursuant to section 25, and
 - (ii) the amount that may be claimed against the bond,

unless the Executive Director, on application, decides that not securing additional bond coverage is not prejudicial to the public interest.

- (10) The Commission may suspend the registration of an applicant on
- (a) becoming aware that an action exists that may result in a claim being made against the bond of an applicant,
 - (b) receipt of a certified copy of a judgment against an applicant that may result in a claim being made against the bond of the applicant, or
 - (c) becoming aware that the total bond coverage of the applicant has fallen below the amount prescribed by subsection (9)(b).

Compensation fund
or contingency
trust fund

(28)(1) Compensation fund or contingency trust fund - The Executive Director may

- (a) establish a compensation fund or contingency trust fund with a trust company, or
- (b) approve a compensation fund or contingency trust fund established by
 - (i) a recognized self-regulatory organization,
 - (ii) a recognized exchange, or
 - (iii) a trust company.

(2) Every broker, investment dealer and mutual fund dealer must participate in and contribute to a compensation fund or contingency trust fund approved under subsection (1).

(3) The Executive Director may require any of the following persons or companies to participate in a fund established or approved under subsection (1):

- (a) a scholarship plan dealer,
- (b) an adviser, other than a securities adviser.

(4) Every person or company required pursuant to subsections (2) or (3) to participate in a fund established or approved under subsection (1) must contribute an amount of money to the fund as required by the recognized self-regulatory organization, recognized exchange, or, in the case of a fund established by a trust company or by the Executive Director, the Executive Director requires.

(5) The Executive Director may exempt a broker, investment dealer or mutual fund dealer from the requirements of subsection (2).

Records to be
maintained

(29)(1) Every registrant shall maintain those books and records that are necessary to record properly its business transactions and financial affairs.

(2) All records may be kept by means of mechanical, electronic or other devices that are not prohibited under applicable legislation if the registrant

- (a) takes adequate precautions that are appropriate to the means used to guard against the risk of falsification of the information recorded, and
- (b) provides a means for making the information available in an accurate and intelligible form within a reasonable time to any person lawfully entitled to examine the records.

(3) Without restricting the generality of subsection (1), a registrant shall maintain the following books and records that, in the opinion of the Executive Director, are appropriate to the registrant's business:

- (a) blotters, or other records of original entry, containing an itemized daily record of
 - (i) all purchases and sales of securities,
 - (i.1) all trades in exchange contracts,
 - (ii) all receipts and deliveries of securities, including certificate numbers,
 - (iii) all receipts and disbursements of cash,
 - (iv) all other debits and credits,
 - (v) the account for which each transaction was effected,
 - (vi) in the case of a trade in securities, the name of the securities purchased or sold and in respect of that trade
 - (A) the class or designation of the securities,
 - (B) the number or value of the securities,
 - (C) the unit and aggregate purchase or sale price, if any,
 - (D) the trade date,
 - (E) the name or other designation of the person from whom the securities were purchased or received or to whom they were sold or delivered, and
 - (F) the exchange, if any, on which the trade took place,and
 - (vii) in the case of a trade in exchange contracts, the name of the exchange contracts traded and in respect of that trade
 - (A) the class or designation of the exchange contracts,

ASC Rules

- (B) the number or value of the exchange contracts,
 - (C) the unit and aggregate purchase or sale price, if any,
 - (D) the trade date,
 - (E) the name or other designation of the person from whom the exchange contracts were purchased or received and to whom they were sold or delivered,
 - (F) if the trade is in an option,
 - I) the premium,
 - II) the underlying asset or exchange contract that is the subject of the option, and
 - III) the exercise price,
- and
- (G) the exchange, if any, on which the trade took place;
- (b) ledgers or other records maintained in detail reflecting all the
 - (i) assets and liabilities,
 - (ii) income and expense, and
 - (iii) capital accounts;
 - (c) ledger accounts or other records itemizing separately for each cash and margin account of every client,
 - (i) in the case of securities, all purchases, sales, receipts and deliveries of securities for the account,
 - (i.1) in the case of exchange contracts, all trades, receipts and deliveries of exchange contracts for the account, and
 - (ii) all other debits and credits to the account;
 - (d) ledgers or other records reflecting
 - (i) securities in transfer,
 - (ii) dividends and interest received,
 - (iii) securities borrowed and securities loaned,
 - (iv) money borrowed and money loaned, together with a record of the collateral therefor and any substitutions in the collateral, and

ASC Rules

- (v) securities that the registrant has failed to receive and failed to deliver;
- (e) a securities record or ledger showing separately for each security as of the trade date or settlement date
 - (i) all long and short positions, including securities in safekeeping, carried for the registrant's account or for the account of clients,
 - (ii) the location of all securities long and the position offsetting securities sold short, and
 - (iii) the name or designation of the account in which each position is carried;
- (f) an adequate record of each order and of any other instruction, or a copy of the order or instruction, given or received for the purchase or sale of a security or a trade in an exchange contract, whether executed or unexecuted, showing
 - (i) the terms and conditions of the order or instruction and of any modification or cancellation of the order or instruction,
 - (ii) the account to which the order or instruction relates,
 - (iii) if 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 client that is a company,

the name, sales number or designation of the individual placing the order or instruction,
 - (iv) the time of the entry of the order or instruction, and, if the order is entered pursuant to the exercise of discretionary power of a registrant or any employee of a registrant, a statement to that effect,
 - (v) the price at which the order or instruction was executed,
 - (vi) to the extent feasible, the time of execution or cancellation, and
 - (vii) the time at which the client was notified of the execution or cancellation of the order or instructions;
- (g) copies
 - (i) of confirmations or other records of all purchases and sales of securities or trades in exchange contracts, or

ASC Rules

both, as required under sections 71.1, 71.2 and 71.3, and

- (ii) of notices of all other debits and credits of securities, exchange contracts, cash and other items for the accounts of clients;
- (h) subject to section 30(4), a client record in respect of each cash and margin account containing
- (i) the name and address of the beneficial owner and the guarantor, if any, of the account,
 - (ii) if trading instructions are accepted from a person or company other than the client, written authorization or ratification from the client naming the person or company, and
 - (iii) in the case of a margin account, a properly executed margin agreement containing
 - (A) the signature of the owner and of the guarantor, if any, and
 - (B) the additional information obtained pursuant to the requirements of sections 30 and 31,but, in the case of a joint account or an account of a company, those records are required only in respect of any person authorized to transact business for the account;
- (i) a record of all options, including those in which the registrant has any direct or indirect interest or that the registrant has granted or guaranteed, containing at least
- (i) an identification of the security or exchange contract and the underlying security or exchange contract, and
 - (ii) the number of underlying securities or exchange contracts to which the options relate;
- (j) a record of
- (i) the proof of money balances of all ledger accounts in the form of trial balances, and
 - (ii) a calculation of minimum free capital, adjusted liabilities and capital required,
- prepared for each month within a reasonable time after the end of the month.
- (4)** Unless otherwise required by applicable legislation to be maintained for a longer period of time, records relating to
- (a) executed orders, unexecuted orders or instructions as required to be maintained under subsection (3)(f), and

- (b) confirmations required to be maintained under subsection (3)(g),

shall be maintained for a period of at least 6 years from the date of their creation, and for the first 2 years of that 6-year period shall be retained in a readily accessible location.

(5) Subject to subsection (6), every registrant shall maintain its books and records at a location in Alberta.

(6) If the head office of the registrant is not in Alberta, the registrant shall maintain in Alberta those books and records that are necessary to properly record its business transactions and financial affairs in Alberta.

Managing of
accounts

30(1) Every registered dealer and adviser shall

- (a) establish procedures for dealing with its clients that
 - (i) conform with prudent business practice,
 - (ii) enable it to service its clients fairly and in a timely manner, and
 - (iii) safeguard or protect
 - (A) free credit balances, and
 - (B) securities or exchange contracts held on behalf of clients,

and

- (b) take whatever steps that are necessary or appropriate to supervise properly those procedures referred to in clause (a).

(1.1) Where a registrant is a dealer that is registered to trade in exchange contracts, that registrant shall

- (a) employ in the registrant's head office at least 2 individuals, each of whom is registered as a salesman or as a partner or officer of the registrant, and
- (b) in the case where the registrant has one or more branch offices, employ in each branch office at least 2 individuals, each of whom is registered as a salesman or as a partner or officer of the registrant,

unless the Executive Director prescribes otherwise under section 22.

(1.2) Where individuals are employed in the head office or a branch office for the purposes of subsection (1.1), at least one of those individuals must be available in that office to serve clients under normal circumstances and during the regular business hours of the office unless the Executive Director prescribes otherwise under section 22.

(2) Brokers and investment dealers may comply with this section by conforming with the by-laws, rules, regulations or guidelines of the

Canadian Venture Exchange Inc. and the Investment Dealers Association of Canada if those by-laws, rules, regulations or guidelines are approved by the Commission.

(3) The procedures referred to in subsection (1) shall be in writing and designate

- (a) a partner or director, or
- (b) in the case of a branch office, a manager reporting directly to the designated partner or director,

who shall be responsible for approving the opening of new accounts and the supervision of trades made for or to that client.

(4) For the purposes of subsection (1), but without limiting the requirements of that subsection, each dealer, investment counsel and portfolio manager shall make those enquiries that

- (a) will enable the dealer, investment counsel or portfolio manager, as the case may be, to establish
 - (i) the identity and, if applicable, the credit worthiness of each client, and
 - (ii) the reputation of the client if information known to the dealer, investment counsel or portfolio manager causes doubt as to whether the client is of good reputation,

and

- (b) subject to subsection (7), are appropriate in view of the nature of the client's investment and of the type of transaction being effected for his account, in order to determine
 - (i) the general investment needs and objectives of that client, and
 - (ii) the suitability of a proposed purchase, sale or trade for that client.

(5) Each dealer, investment counsel and portfolio manager shall ensure that the recommendation made for an account of a client is

- (a) appropriate for the client, and
- (b) in keeping with the client's investment objectives.

(6) If

- (a) a client places an order for a trade in a security or an exchange contract, and
- (b) the dealer, investment counsel or portfolio manager determines that he cannot recommend the trade referred to in clause (a),

the dealer, investment counsel or portfolio manager, as the case may be, shall advise the client that he cannot recommend the trade.

(7) Subsections (4)(b), (5) and (6) do not apply to a dealer who executes a trade on the instructions of an investment counsel, portfolio manager, another dealer or a financial institution.

(8) For the purposes of complying with the requirements of this section with respect to the obtaining of the appropriate information concerning new clients, use of a form in accordance with the published requirements of the Commission is sufficient, but other forms or procedures may be used if, in the opinion of the Executive Director, they are more appropriate.

(9) Notwithstanding subsection (1), where an account is opened and traded by an investment counsel or portfolio manager on behalf of a client, the dealer shall,

- (a) if the investment counsel or portfolio manager executes orders in his own name or identifies the client by means of a code or symbols, satisfy himself as to the credit worthiness of the investment counsel or portfolio manager, and
- (b) if the investment counsel or portfolio manager executes orders in the name of the client with no agreement that payment of the account is guaranteed by the investment counsel or portfolio manager,
 - (i) obtain full information concerning the client with a view to determining the credit worthiness of the client, or
 - (ii) obtain a letter of undertaking from the investment counsel or portfolio manager
 - (A) stating that the investment counsel or portfolio manager is familiar with applicable rules of account supervision, and
 - (B) containing a covenant
 - I) to make the inquiries contemplated by those rules, and
 - II) to advise, where known, if the client is an insider or an employee, director or officer of a company or a partner in a firm engaged in the securities or exchange contracts business,

but the dealer shall not have any responsibility for determining the suitability of any trade for the client of the investment counsel or portfolio manager.

Policies governing accounts

31(1) Every investment counsel and portfolio manager shall

- (a) establish and carry out policies that ensure fairness in the allocation of investment opportunities among his clients,

- (b) furnish a copy of the policies established under clause (a) to each client, and
- (c) file a copy of the policies established under clause (a) with the Executive Director.

(2) Every investment counsel and portfolio manager shall directly charge his clients for his services and that charge

- (a) may be based on the dollar value of the client's portfolio but not on the value or volume of the transactions initiated for the client, and
- (b) except with the written agreement of the client, shall not be contingent on profits or performance.

(3) Subject to subsection (4) every investment counsel and portfolio manager shall ensure that

- (a) the account of each client is supervised separately and distinctly from other clients, and
- (b) except in the case of mutual or pension funds, an order placed on behalf of one account is not pooled with that of another account.

(4) Notwithstanding subsection (3)(b), an order placed on behalf of one account may be pooled with that of another account, subject to the by-laws of the Canadian Venture Exchange Inc. with respect to commission rate structure.

(5) If

- (a) there has been a material change in the ownership or control of an adviser, or
- (b) it is proposed that an adviser sell or assign the account of a client in whole or in part to another registrant,

the adviser shall,

- (c) immediately after that material change or prior to that sale or assignment, as the case may be, give a written explanation to the client of the proposal or change, and
- (d) inform the client of the client's right to withdraw his account.

(6) No purchase or sale of any security in which an investment counsel or portfolio manager or any partner, officer or associate of an investment counsel or portfolio manager has a direct or indirect beneficial interest shall be made from or to any portfolio managed or supervised by the investment counsel or portfolio manager.

Segregation of funds and securities held pursuant to a written agreement

32(1) Securities that are held by a registrant for a client pursuant to a written safekeeping agreement and that are unencumbered shall

- (a) be kept apart from all other securities, and

- (b) be identified as being held in safekeeping for a client in the registrant's security position record, client's ledger and statement of account.

(2) Securities held under subsection (1) may be released only on an instruction from the client and not solely because the client has become indebted to the registrant.

Segregation of funds and securities not held pursuant to a written agreement

33(1) Securities held by a registrant for a client that are unencumbered and that are either fully paid for or are excess margin securities but that are not held pursuant to a written safekeeping agreement shall be

- (a) segregated and identified as being held in trust for the client, and
- (b) described as being held in segregation on the registrant's security position record, client's ledger and statement of account.

(2) Segregated securities may be used by the registrant by way of sale or loan whenever a client becomes indebted to a registrant but only to the extent reasonably necessary to cover the indebtedness.

(3) Bulk segregation of securities described in subsection (1) is permissible.

Free credit balances

34 Free credit balances received by a registrant shall be

- (a) deposited in a client's trust account, and
- (b) properly identified promptly on their receipt by the registrant.

Trust account

35 A client's trust account shall not

- (a) be used as a general account by or for the registrant or its affiliates,
- (b) have deposited in it any funds of the registrant, or
- (c) be used to margin an account of, or to secure or extend the credit of, a client other than the client for whom the trust account is held.

Reduction of debit balances

36(1) Where

- (a) a registrant maintains 2 or more accounts for the same client, and
- (b) one account contains a free credit balance and another of the accounts contains a debit balance of \$5000 or more,

the registrant may transfer to the debit account as much of the free credit balance as is necessary to eliminate, or reduce to the greatest extent possible, the debit balance.

(2) Where

ASC Rules

- (a) a registrant maintains accounts for a client and the client's guarantor,
- (b) any of the guarantor's accounts contain a free credit balance, and
- (c) any of the client's accounts contain a debit balance of \$5000 or more,

the registrant may, if such a transfer is authorized by the contract of guarantee, transfer as much of the free credit balance in the guarantor's accounts as is necessary to eliminate, or reduce to the greatest extent possible, the debit balance in the accounts of the client.

(3) Subsections (1) and (2) do not apply to a registrant in respect of a client's or guarantor's securities and exchange contract accounts if the client or guarantor has directed the registrant in writing, or orally if subsequently confirmed in writing,

- (a) to transfer an amount that is less than the amount otherwise required to be transferred, or
- (b) not to transfer any amount.

(4) A registrant who maintains a securities account and an exchange contract account for the same client may make a transfer of any amount of a free credit balance from the securities account to the exchange contract account or from the exchange contract account to the securities account of the client if

- (a) the transfer is made in accordance with a written agreement between the registrant and the client, and
- (b) the transfer is not a transfer referred to in subsections (1) to (3).

(5) For the purposes of this section, "free credit balance" does not include money that

- (a) is in a client's securities account, and
- (b) is committed to be used on a specific settlement date as payment for securities,

if the registrant who maintains the account prepares financial statements on a settlement date basis.

37 Repealed

Exemptions from requirements of sections 32 to 36

38 The Executive Director may exempt registrants who are members of

- (a) the Investment Dealers Association of Canada,
- (b) an exchange recognized by the Commission under section 62 of the Act, or
- (b.1) any other self-regulatory organization recognized by the Commission under section 64 of the Act,

from compliance with sections 32 to 36 if the Executive Director is satisfied that the registrant is subject to requirements

- (c) that are imposed by one or more of those organizations, and
- (d) that provide protection for the registrant's clients that is at least equal to that provided under sections 32 to 36.

Statements of account and portfolio

39(1) Subject to subsection (5), a dealer shall promptly send a statement of account to each client as at the end of each month in which a transaction has been effected by or on behalf of the client.

(2) Subject to subsection (5), if

- (a) there have been no transactions by or on behalf of a client, and
- (b) there are funds, securities or exchange contracts held on behalf of the client by the dealer, portfolio manager or investment counsel,

the dealer, portfolio manager or investment counsel, shall promptly forward to the client not less than once every 3 months, a statement of account showing any debit or credit balance and the details of any securities or exchange contracts held.

(3) The Executive Director may vary the requirements of subsections (1) and (2) as they apply to any dealer, portfolio manager or investment counsel.

(4) The statements required by subsections (1), (2) and (6) shall

- (a) list the securities held for the client, and
- (b) indicate clearly which securities or exchange contracts are held for safekeeping or in segregation.

(5) A mutual fund dealer is not required to comply with subsections (1) and (2) if a statement of account is sent to each client at least once every 12 months, showing

- (a) the number and market value at the date of purchase or redemption, of securities purchased or redeemed during the period since the date of the last statement sent under this subsection, and
- (b) the total market value of all securities of the mutual fund held by the client at the date of the statement.

(6) Except if the client has expressly directed otherwise, every portfolio manager shall send to his client at least once every 3 months, a statement of the portfolio of that client.

Classification of persons employed by a dealer

40(1) Every registered individual employed or engaged by a dealer must be classified as either a

- (a) salesman, or
- (b) partner or officer.

(2) Only an individual may be registered as a

- (a) salesman, or
- (b) partner or officer

of a dealer.

(3) No individual shall be granted registration as a salesman

- (a) for the purposes of trading in securities unless that individual has successfully completed the Canadian Securities Course and the Registered Representatives Examination;
- (b) for the purposes of trading in futures contracts or options on futures contracts unless that individual has successfully completed either
 - (i) the Canadian Futures Examination Program, or
 - (ii) the Derivatives Fundamentals Course and the Futures Licensing Course;
- (c) for the purposes of trading in options, other than options on futures contracts, unless that individual has successfully completed either
 - (i) the Canadian Options Course, or
 - (ii) the Derivatives Fundamentals Course and the Options Licensing Course;
- (d) for the purposes of trading in securities of mutual funds unless that individual has successfully completed the Investment Funds in Canada Course or the Canadian Securities Course;
- (e) for the purposes of trading in securities of a scholarship or educational plan or trust unless that individual has successfully completed a training course of the dealer that has been approved by the Executive Director.

(4) No individual shall be granted registration as a partner or officer of

- (a) a securities dealer, investment dealer, broker or underwriter
 - (i) for the purposes of trading in securities, unless that individual has successfully completed the Canadian Securities Course and the Partners, Directors and Senior Officers Qualifying Examination (CSI),
 - (ii) for the purposes of trading in futures contracts or options on futures contracts, unless that individual has successfully completed the Canadian Futures Examination Program, the Derivatives Fundamentals Course and the Futures Licensing Course, the Canadian Commodity Supervisors Examination and

the Partners, Directors and Senior Officers Qualifying Examination (CSI), or

- (iii) for the purposes of trading in options, other than options on futures contracts, unless that individual has successfully completed the Canadian Options Course, the Derivatives Fundamentals Course and the Options Licensing Course, the Registered Options Principal Examination and the Partners, Directors and Senior Officers Qualifying Examination (CSI),

or

- (b) a mutual fund dealer unless that individual has successfully completed either the Canadian Investment Funds Course or the Canadian Securities Course, and either the Partners, Directors and Senior Officers Qualifying Examination (CSI) or the Officers, Partners and Directors Examination (IFIC).

Registration as a
salesman

41(1) No individual shall be granted registration or renewal of registration as a salesman unless that individual is employed full-time as a salesman.

(2) Notwithstanding subsection (1), an individual may be granted registration or renewal of registration as a salesman if

- (a) the individual is a part-time student enrolled in a business, commercial or financial course;
- (b) the individual is a full-time student enrolled in a business, commercial or financial course and the individual satisfies the Executive Director that the individual has a present intention of continuing a career in the investment business;
- (c) the individual is employed for 6 months or less during the calendar year and while so employed is not employed as a salesman;
- (d) the individual is carrying on a hobby, recreational or cultural activity that, in the opinion of the Executive Director, will not interfere with that individual's duties and responsibilities as a salesman;
- (e) in the case of a salesman employed by a mutual fund dealer, the area in which the individual is to be employed is, in the opinion of the Executive Director, so remote and sparsely populated that full-time employment as a salesman is not economically feasible;
- (f) the individual holds a licence as an insurance agent under the *Insurance Act* and is in the employ or under the sponsorship of the dealer who proposes to employ that individual;
- (g) with the written consent of both the dealer employing the individual and the Executive Director, the individual is employed outside normal working hours and, in the opinion of the Executive Director, there is no conflict of

interest arising from the individual's duties as a salesman and the individual's outside employment;

- (h) the individual is carrying on an activity that, in the opinion of both the Executive Director and the individual's employer,
 - (i) will not in the circumstances interfere with the individual's duties and responsibilities as a salesman, and
 - (ii) will not result in a conflict of interest between the individual's duties as a salesman and the individual's outside activity.

Registration as a dealer

42 No company or partnership shall be granted registration as a dealer unless

- (a) an individual who meets the requirements of section 40(4) is,
 - (i) in the case of a company, appointed as an officer of the company and is employed by the company on a full-time basis, and
 - (ii) in the case of a partnership, a partner engaged by the partnership on a full-time basis,

and

- (b) that individual
 - (i) is responsible for discharging the obligations of that company or partnership, as the case may be,
 - (ii) in the case of a securities dealer, an investment dealer or broker, has at least 5 years' experience with a registrant that is a member of
 - (A) a recognized exchange, or
 - (B) the Investment Dealers Association of Canada,and, out of that 5 years' experience, at least 2 years must have been in a position responsible for compliance, administration, finance and supervision,
 - (iii) in the case of a mutual fund dealer, has at least 5 years' experience with a mutual fund dealer, a self-regulatory organization recognized by the Commission under section 64 of the Act, securities dealer, investment dealer or broker, at least 2 years of which must include
 - (A) supervision of salesmen, and
 - (B) monitoring the net free capital requirements of a dealer,

and

- (iv) in the case of a scholarship plan dealer, has at least 5 years' experience with a dealer, other than a security issuer, at least 2 years of which must include supervision of salesmen.

Designation as a branch manager

43(1) Every branch office of a dealer must be supervised by a designated branch manager.

(2) A designated branch manager

(a) of a securities dealer, investment dealer or broker

(i) must

(A) have successfully completed the Branch Managers Qualifying Examination (CSI), and

(B) have at least 2 years' experience as a salesman of a securities dealer, investment dealer or broker,

(ii) in case of trading in futures contracts or options on futures contracts, must have successfully completed the Commodity Supervisors Examination, and

(iii) in the case of trading in options, other than options on futures contracts, must have successfully completed the Registered Options Principal Examination;

(b) of a mutual fund dealer must

(i) have successfully completed the Branch Managers Qualifying Examination (IFIC) or the Branch Managers Qualifying Examination (CSI), and

(ii) have at least 2 years' experience as a salesman of a mutual fund dealer, securities dealer, investment dealer or broker;

(c) of a scholarship plan dealer must have at least 2 years' experience as a registered salesman with a dealer other than a security issuer.

Registration as a portfolio manager or investment counsel

44(1) No individual shall be granted registration as a partner or an officer of a portfolio manager or an investment counsel unless the individual

(a) has

(i) successfully completed the Canadian Securities Course, Canadian Investment Management: Part I and II and the first year of the Chartered Financial Analysts Course, and

(ii) been employed for at least 5 years performing research involving the financial analysis of investments, at least 3 of which have been under the supervision of an investment counsel or portfolio manager who has the responsibility for the management or supervision of investment portfolios

ASC Rules

having an aggregate value of not less than \$1 000 000,

or

(b) has successfully completed Canadian Investment Management: Part I and II and,

(i) if advising on futures contracts or options on futures contracts, has

(A) successfully completed the Canadian Futures Examination Program or the Derivatives Fundamentals Course and the Futures Licensing Course, and

(B) been employed performing research involving the analysis of futures contracts or options on futures contracts for at least 5 years, at least 3 of which have been under the supervision of an adviser responsible for the management or supervision of futures contracts or options on futures contract portfolios having an aggregate value of at least \$1 000 000,

and

(ii) if advising on options, other than options on futures contracts, has

(A) successfully completed the Canadian Options Course or the Derivatives Fundamentals Course and the Options Licensing Course, and

(B) been employed performing research involving the analysis of options other than options on futures contracts for at least 5 years, at least 3 of which have been under the supervision of an adviser responsible for the management or supervision of options portfolios other than options on futures contract portfolios having an aggregate value of at least \$1 000 000.

(2) No company or partnership shall be granted registration as a portfolio manager or investment counsel unless

(a) an individual who meets the requirements of subsection (1) is,

(i) in the case of a company, appointed an officer of the company and is employed by the company on a full-time basis, and

(ii) in the case of a partnership, a partner engaged by the partnership on a full-time basis,

and

- (b) that individual is responsible for discharging the obligations of the company or partnership, as the case may be.

Registration as a securities adviser

45(1) No individual shall be granted registration as a partner, advising employee or officer of a securities adviser unless that individual

- (a) has

- (i) successfully completed the Canadian Securities Course and Canadian Investment Management: Part I and II, and
- (ii) established to the satisfaction of the Executive Director that for at least 5 years the individual has performed research involving the financial analysis of investments under the supervision of an adviser,

or

- (b) has successfully completed Canadian Investment Management: Part I and II and,

- (i) if advising on futures contracts or options on futures contracts, has

- (A) successfully completed the Canadian Futures Examination Program or the Derivatives Fundamentals Course and the Futures Licensing Course, and

- (B) been employed performing research involving the analysis of futures contracts or options on futures contracts for at least 5 years under the supervision of an adviser,

and

- (ii) if advising on options, other than options on futures contracts, has

- (A) successfully completed the Canadian Options Course or the Derivatives Fundamentals Course and the Options Licensing Course, and

- (B) been employed performing research involving the analysis of options, other than options on futures contracts, for at least 5 years under the supervision of an adviser.

(2) No company or partnership shall be granted registration as a securities adviser unless

- (a) an individual who meets the requirements of subsection (1) is,

- (i) in the case of a company, appointed an officer or advising employee of the company and is employed by the company on a full-time basis, and

- (ii) in the case of a partnership, a partner or advising employee engaged by the partnership on a full-time basis,

and

- (b) that individual is responsible for discharging the obligations of the company or partnership, as the case may be.

Registration where requirements not met

46 If the Executive Director, on application, decides that an individual has educational and experience qualifications that are equivalent to those required by section 40, 41, 42, 43, 44 or 45, as the case may be, the Executive Director may grant registration to the individual even though the requirements of those sections are not met.

Applications for registration

47 Repealed (February 21, 2003).

Changes in information

48 Repealed (February 21, 2003).

Expiration of registration and renewal of registration

49(1) Every registration and renewal of registration expires on the date specified by the Executive Director in the notice of registration or notice of renewal of registration, as the case may be.

(2) Every application for renewal of registration shall be delivered to the Executive Director at least 30 days prior to the date on which the registration or renewal of registration expires.

Renewal of registration as a dealer or adviser

50 Unless the Executive Director permits or requires otherwise, every application for renewal of registration as a dealer or adviser shall be completed in accordance with Form 5 and signed within 10 days prior to its being delivered to the Executive Director.

Renewal of registration as a salesman

51 Unless the Executive Director permits or requires otherwise, an application for renewal of registration as a salesman shall be completed in accordance with Form 6 and signed within 10 days prior to its being delivered to the Executive Director.

Summons for an examination

52 A summons for an examination under section 82 of the Act shall be completed in accordance with Form 8.

Notices to Executive Director under section 84(1) and (2) of the Act

53 Repealed (February 21, 2003).

Notices to Executive Director under section 84(3) of the Act

54 Repealed (February 21, 2003).

Dealers not members of a self-regulatory body

55 Every securities dealer that is not a member in good standing of a self-regulatory body referred to in Part 4 of the Act shall deliver to the Executive Director within 90 days after the end of its financial year a report completed in accordance with the Joint Regulatory Financial Questionnaire and Report.

Report to be audited

56 The report required by section 55 shall be audited in accordance with

- (a) generally accepted auditing standards, and

- (b) any audit requirements published by the Commission.

Report required

57 Repealed

Registrant not a member of a self-regulatory body

58(1) Every registrant that is not a member in good standing of a self-regulatory body referred to in Part 4 of the Act shall

- (a) issue a direction to its auditor instructing the auditor to conduct any audit requested by the Executive Director during the registrant's registration, and
- (b) deliver a copy of the direction referred to in clause (a) to the Executive Director
 - (i) with its application for registration, and
 - (ii) immediately after a change in the registrant's auditors.

(2) If the Executive Director requests an auditor to conduct an audit of the financial affairs of a registrant in accordance with a direction given under subsection (1)(a), all costs relating to the audit shall be paid by the registrant.

Significant change in capital

59 Any significant change in the capital of

- (a) a dealer who is not subject to examination under section 60 of the Act,
- (b) an adviser, or
- (c) an underwriter,

shall be reported to the Commission in a letter delivered to the Executive Director within 10 days after the day that the change occurred.

Financial statements

60 Every adviser, mutual fund dealer and scholarship plan dealer shall deliver to the Executive Director within 90 days after the end of its financial year a copy of its financial statements for that financial year.

Content of financial statements

61 The financial statements required to be delivered under section 60 shall include

- (a) an income statement, a statement of retained earnings and a statement of changes in financial position, each for the financial year, and
- (b) a balance sheet as at the end of the financial year, signed by at least 1 director of the registrant.

Report required

62 Every mutual fund dealer and scholarship plan dealer shall deliver to the Executive Director within 90 days after the end of its financial year a report completed in accordance with a Statement of Adjusted Liabilities.

- Report of auditor **63** The financial statements and reports required under sections 55 and 58 to 62 shall be reported on by an auditor, acceptable to the Executive Director, who is the auditor of the registrant.
- Guideline for auditing **64** Form 10 may be used as a guideline for the purpose of assisting in the auditing of the financial statements of a portfolio manager.

PART 6

EXEMPTIONS FROM REGISTRATION

- Exemption re portfolio manager **65 Repealed** (September 14, 2005).
- Additional exemptions re section 86(1)(ii) of the Act **66 Repealed** (September 14, 2005).
- Amount re section 86(1)(s) of the Act **66.1 Repealed** (September 14, 2005).
- Registration exemption if aggregate acquisition cost is not less than \$97,000 **66.2 Repealed** (September 14, 2005).
- Exemption re securities of a private issuer **67(1) Repealed** (May 31, 2000).
- Exemption re securities of a capital accumulation plan **68(1)** In subsection (2),
- (a) “capital accumulation plan” means any plan, profit sharing plan, fund, trust or other arrangement established by an employer for the benefit of employees that has in substance the following characteristics:
 - (i) the participating employee contributes to the arrangement;
 - (ii) the employer usually makes a contribution to the arrangement on behalf of individual employees;
 - (iii) the employee and the employer contributions are accumulated and invested;
 - (iv) the arrangement provides for, at least, the return of the value of or the securities attributable to the employee's contributions;
 - (b) “approved security” means
 - (i) a security of
 - (A) the employer, or
 - (B) an affiliate of the employer,

that is issued under a capital accumulation plan,

- (ii) a security identified as an exempt security in section 87 of the Act, or
- (iii) a security that at the time of purchase is permitted to be purchased by
 - (A) an insurance company registered under the insurance legislation of a jurisdiction in Canada when acting as a principal, or
 - (B) a trust company registered under the trust companies legislation of a jurisdiction in Canada when acting as trustee for a trust;
- (c) “portfolio” means the investments held pursuant to a capital accumulation plan.

(2) For the purposes of section 87(m) of the Act, a trade in securities of a capital accumulation plan shall be exempt from the registration requirements of section 75 of the Act where the portfolio of the capital accumulation plan consists solely of approved securities.

Registration exemption for exempt purchaser

68.1 The dealer registration requirement does not apply to a trade of a security if the party purchasing as principal is recognized by the Commission as an exempt purchaser.

as amended (September 14, 2005)

Application to be recognized as an exempt purchaser

69(1) A person or company may apply

- (a) to be recognized by the Commission as an exempt purchaser, or
- (b) to renew its recognition as an exempt purchaser,

by executing and filing with the Executive Director an application completed in accordance with Form 11.

(2) An applicant under subsection (1) shall provide to the Commission evidence that

- (a) assets of a substantial value are under administration by the applicant, and
- (b) the applicant possesses sufficient investment expertise that enables the applicant to evaluate the merits of any particular investment without the need of assistance from a registrant or the need of a prospectus.

(3) No person or company shall be granted recognition as an exempt purchaser for a period of more than 5 years.

(4) Every application for renewal of recognition as an exempt purchaser shall be filed at least 30 days prior to the date on which the then current recognition as an exempt purchaser expires.

Registration exemption for promoter

69.1 The dealer registration requirement does not apply to a trade by an issuer in securities of its own issue with a promoter of the issuer or by a promoter of an issuer in securities of the issuer with another promoter of the issuer.

as amended (September 14, 2005)

Registration exemption for issuers under the Rural Utilities Act

69.2 The dealer registration requirement does not apply to a trade of a voting security of a corporation to which the *Rural Utilities Act* applies.

as amended (September 14, 2005)

Registration exemption for cooperative membership shares

69.3 The dealer registration requirement does not apply to a trade of membership shares, including member loans deemed to be membership shares as defined in the Cooperatives Act, issued by a cooperative to which that Act applies, if the aggregate acquisition cost for membership shares and member loans

- (a) for the first 18 months following incorporation is not greater than \$10,000 per member and not more than \$1,000 of that amount is payable for membership shares, and
- (b) in any subsequent year is not greater than
 - (i) \$5,000 for cooperatives with 100 members or less, or
 - (ii) \$2,500 cooperatives with more than 100 members.

as amended (September 14, 2005)

Registration exemption for cooperative investment shares

69.4 The dealer registration requirement does not apply to a trade in investment shares as defined in the Cooperatives Act, issued by a cooperative pursuant to that Act, other than a cooperative under Division 1 or 4 of Part 18 of that Act, if

- (a) the investment shares are purchased only by members of the cooperative who have been members of the cooperative for at least 12 months before the share purchase, and
- (b) the aggregate acquisition cost to the members in any one year is not great than
 - (i) \$10,000 for cooperatives with 100 members or less, or
 - (ii) \$5,000 for cooperatives with more than 100 members.

as amended (September 14, 2005)

Transitional: exemption of trades

69.5

(1) In this section,

- (a) “eligible party” means,

ASC Rules

- (i) with respect to a trade in a previously traded section 86(1)(y) security,
 - (A) in the case of a person or company disposing of a previously trade section 86(1)(y) security, the person or company that holds that security, and
 - (B) in the case of a person or company acquiring a previously traded section 86(1)(y) security, a person or company that already holds or has held a previously traded section 86(1)(y) security of the kind that is being acquired;
- (ii) with respect of a trade in a previously traded section 86(1)(z) security,
 - (A) in the case of a person or company disposing of a previously traded section 86(1)(z) security, the person or company that holds that security, and
 - (B) in the case of a person or company acquiring a previously traded section 86(1)(z) security, a person or company that already holds or has held a previously trade section 86(1)(z) security of the kind that is being acquired;
- (b) "previously traded section 86(1)(y) security" means a security that was traded pursuant to the exemption contained in section 86(1)(y) prior to the repeal of that provision by section 9 of the *Securities Amendment Act, 2003*;
- (c) "previously traded section 86(1)(z) security" means a security that was traded pursuant to the exemption contained in section 86(1)(z) prior to the repeal of that provision by section 9 of the *Securities Amendment Act, 2003*.

(2) The dealer registration requirement does not apply to the following trades in securities:

- (a) with respect to a previously traded section 86(1)(y) security, a trade in that security if all the parties to that trade are eligible parties;
- (b) with respect to a previously traded section 86(1)(z) security, a trade in that security if all the parties to that trade are eligible parties.

(3) Section 86(2) of the Act, as it existed prior to its repeal by section 14 of the *Securities Amendment Act, 2005*, applies to subsection (2) of this section in the same manner as it applied to section 86(1) prior to the repeal of that provision by section 14 of the *Securities Amendment Act, 2005*.

as amended (September 14, 2005)

PART 7

**TRADING IN SECURITIES AND EXCHANGE
CONTRACTS GENERALLY**

Trading in
securities

71(1) In this section,

- (a) “agency” means a person or company that is
 - (i) recognized by the Commission for the purposes of this section, and
 - (ii) established for the purpose of receiving, assembling and publishing information collected from registrants concerning the details of trades in securities specified by the Commission and executed through negotiation or otherwise in the over-the-counter market;
- (b) “over-the-counter market” includes all trading in securities other than trades in securities that are listed and posted for trading on any exchange recognized by the Commission for the purpose of this section if the securities are traded pursuant to the by-laws, rules and policies of that exchange.

(2) The Executive Director may require any class of registrants, as a condition of registration,

- (a) to report all trades in the over-the-counter market to an agency in accordance with the requirements of the agency, and
- (b) to pay to the agency the fees of the agency that are approved by the Commission.

(3) The forms, fees and other requirements of an agency are subject to the approval of the Commission and those forms, fees and other requirements, and any amendment to any of them, shall be published by the Commission in the month immediately following their approval.

(4) The Executive Director may inspect all books, documents, correspondence and other records of any description maintained by an agency.

(5) If the information received by an agency under this section is recorded by means of a mechanical, electronic or other device, the agency shall

- (a) take adequate precautions that are appropriate to the means used to guard against the falsification of the information recorded, and
- (b) provide means for making the information available to the Executive Director in an accurate and intelligible form within a reasonable time.

Confirmation under
section 90(1) of the
Act

71.1(1) Where a trade is made in a security, the written confirmation required under section 90(1) of the Act shall set out the following:

ASC Rules

- (a) the number and description of the securities;
- (b) the consideration;
- (c) whether or not the registered dealer is acting as principal or agent;
- (d) if acting as agent in a trade, the name of the person or company from, to, or through whom the security was bought or sold;
- (e) the name of the exchange, if any, through which the trade took place;
- (f) the date on which the trade took place;
- (g) the commission, if any, charged in respect of the trade;
- (h) the name of the dealer and salesman, if any, in the trade.

(2) Where a trade is made in an exchange contract, the written confirmation required under section 90(1) of the Act shall set out the following:

- (c) the exchange contract and quantity bought or sold;
- (d) the delivery month and year;
- (e) the expiry date of the exchange contract;
- (f) the name of the exchange through which the trade took place;
- (g) the date on which the trade took place;
- (h) the price at which the exchange contract was traded;
- (i) the commission and fees, if any, charged in respect of the trade;
- (j) the name of the dealer and salesman, if any, in the trade.

(3) If a trade is made in a security of a mutual fund, the confirmation shall, in addition to the requirements of subsection (1), contain the amount deducted by way of sales, service and other charges.

(4) When a trade is made in a security of a mutual fund under a contractual plan, the confirmation shall, in addition to the requirements of subsections (1) and (3), contain the following statements calculated up to the date that the confirmation is sent to the customer:

- (k) in the case of an initial payment made under a contractual plan that requires the prepayment of sales, service and other charges, a statement of
 - (i) the initial payment, and
 - (ii) the portion of sales, service and other charges that is allocated to subsequent investments in the mutual fund and the manner of allocation of those portions;

- (l) in the case of each subsequent payment after the initial payment made under a contractual plan that requires the prepayment of sales, service and other charges, a statement of the portion of the sales, service and other charges that is allocated to the payment that is the subject of the confirmation;
- (m) in the case of an initial purchase made under a contractual plan that permits the deduction of sales, service and other charges from the first and subsequent instalments, a statement of the sales, service and other charges to be deducted from subsequent purchases;
- (n) in the case of each purchase made under a contractual plan, a statement of
 - (i) the total amount of shares or units of the mutual fund acquired, and
 - (ii) the amount of sales charges paid under the contractual plan.

(5) If a trade is made in a security of a mutual fund under a contractual plan that requires some charges to be prepaid but permits other charges to be deducted from first and subsequent installments, the confirmation of trade required under subsection (4) shall contain, in addition to that required under subsections (1), (3) and (4)(d), the disclosure under

- (o) subsection (4)(a) and (b) in respect of sales, service and other charges or any portions thereof that are prepaid, and
- (p) subsection (4)(c) in respect of sales, service and other charges or any portions thereof that are to be deducted from subsequent instalments.

(6) Where a customer advises a registered dealer in writing before a trade in a security of a mutual fund of the customer's participation in

- (a) an automatic payment plan,
- (b) an automatic withdrawal plan, or
- (c) a contractual plan,

that provides for systematic trading in securities of the mutual fund at least once a month, the registered dealer

- (d) shall provide the confirmation of that trade as required under this section, and
- (e) following the provision of confirmation under clause (d), may thereafter, during the continued participation by the customer in the plan, provide confirmation of the trades in securities
 - (i) by sending to the customer at least semi-annually written summaries of the trades, or
 - (ii) as provided for under this section.

(7) Where a summary is provided under subsection (6)(e)(i), the summary must

- (a) contain the information required to be disclosed to a customer under this section, and
- (b) be provided for those trades that have taken place since the last confirmation or summary of trades was provided to the customer.

(8) A registered dealer who complies with subsection (6) is not required to comply with subsection (1)(d) if the confirmation or summary of trades contains a statement that the name of the person or company from, to or through whom the security of the mutual fund was bought or sold will be furnished to the customer on request.

(9) For purposes of subsections (1)(d) and (h), and (2)(d) and (h), a person, company or salesman 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, company or salesman will be furnished to the customer on request.

(10) If the person or company uses a code or symbol for identification in a confirmation under subsection (1) or (2), the person or company shall

- (a) promptly file with the Executive Director the code or symbol and its meaning, and
- (b) notify the Executive Director within 5 days of any change in or addition to the code or symbol or its meaning.

Confirmation of a trade in an option contract

71.2 Where a dealer acts as an agent for a customer in connection with a trade in an option contract, in addition to meeting the requirements of section 71.1(1) or (2), the confirmation must set out

- (a) the premium,
- (b) the exercise price, and
- (c) the underlying asset or exchange contract that is the subject of the option contract.

Confirmation re offsetting trade

71.3 Where a dealer acts as an agent in connection with an offsetting trade in an exchange contract, in addition to providing the written confirmation and authorization that is required under section 29(3)(g) and (h), or as the case may be, the dealer shall promptly send to the customer a written statement of purchase and sale setting out the following:

- (c) the exchange contract and quantity bought and sold;
- (d) the delivery month and year;
- (e) the expiry date of the exchange contract;
- (f) the name of the exchange where the trade took place;
- (g) the dates of the initial and offsetting trades;
- (h) the prices on the initial trade and on the liquidating trade;

ASC Rules

- (i) the gross profit or loss on the trade;
- (j) the commission and fees charged for the trade;
- (k) the net profit or loss on the trade;
- (l) the name of the dealer and salesman from, to or through whom the exchange contract was traded.

Outstanding exchange contract

71.4 Where a customer's account contains an outstanding exchange contract, the dealer shall promptly send to the customer a written statement setting out the following:

- (m) the opening cash balance in the customer's account;
- (n) all deposits, credits, withdrawals and debits to the customer's account;
- (o) the closing cash balance in the customer's account;
- (p) each open exchange contract;
- (q) the exercise price of each open option contract;
- (r) the settlement price of the underlying asset or exchange contract that is the subject of an open option contract;
- (s) the price at which each open exchange contract was traded.

Disclosure required by section 95 of the Act

72 The disclosure required by section 95 of the Act with respect to a person or company that would be an insider of the adviser if the adviser were a reporting issuer is required only if that person or company

- (a) participates in the formulation of investment decisions made on behalf of, or
- (b) has access, prior to implementation, to the advice given to,

clients of the adviser.

Minimum margin required

73 Where a dealer acts as agent in connection with a trade in an exchange contract, the dealer shall require from a customer a margin of not less than the minimum required under the by-laws, rules or other regulatory instruments of the exchange on which the exchange contract is traded.

Omnibus accounts

73.1(1) For the purposes of this section, “omnibus account” means an account for trading in exchange contracts carried by a dealer for another dealer in which the transactions of 2 or more persons or companies are combined and made in the name of the second dealer without disclosure of the identity of those persons or companies.

(1) No dealer trading in exchange contracts shall make trades made on its own behalf or on behalf of any partner, officer, director or employee of the dealer or any associate of those persons through an omnibus account maintained by the dealer for trades in exchange contracts by customers.

(2) No dealer shall make trades in exchange contracts made on behalf of its customers through an omnibus account maintained by the dealer for trades made on its own behalf.

(3) Every dealer shall require from each of its customers for whom trades in exchange contracts are made through an omnibus account no less than that amount of margin that would be required of those customers if their trades were made through fully disclosed accounts

Compliance with section 97(1)(c) of the Act

74(1) A dealer that is a member of a self-regulatory organization may comply with section 97(1)(c) of the Act by complying with the requirements of the self regulating body respecting the disclosure to clients of the dealer's financial condition.

(2) A dealer that is not a member of a self-regulatory organization may comply with section 97(1)(c) of the Act by complying with the requirements as established by the Executive Director for the dealer respecting the disclosure to clients of the dealer's financial condition.

Risk disclosure statement under section 98 of the Act

74.1(1) Every risk disclosure statement provided to a prospective customer by a registered dealer or adviser pursuant to section 98 of the Act must be in a format satisfactory to the Executive Director and must

- (a) explain the nature of and risk inherent in trading in exchange contracts and the obligations assumed by the customer on entering into an exchange contract,
- (b) advise the customer to request and study the terms and conditions of the contract, and
- (c) give details concerning commissions and other charges levied by the dealer or adviser.

(2) Where a registered dealer or adviser provides to a prospective customer a statement under subsection (1), the registered dealer or adviser, as the case may be, must obtain from the customer an acknowledgment signed and dated by the customer stating that the customer has received and understood the statement.

(3) On request, a dealer or adviser shall

- (d) provide a customer with a summary of the terms and conditions of an exchange contract traded by the dealer or recommended by the adviser, and
- (e) inform the customer where a copy of the terms and conditions of the exchange contract may be obtained and viewed.

PART 8

DISTRIBUTION BY PROSPECTUSES

75 Repealed

Application of Act and Regulation to other types of prospectuses

76 Repealed (March 17, 2008).

Forms of prospectuses

77(1) Repealed (March 17, 2008).

(2) Repealed

(3) Repealed

(4) Repealed (March 17, 2008).

78 Repealed

79 Repealed

80 Repealed

81 Repealed

82 Repealed

83 Repealed

84 Repealed

Consents

85(1) Repealed (March 17, 2008).

(2) Repealed (March 17, 2008).

(3) Repealed (March 17, 2008).

(4) Repealed (March 17, 2008).

Disclosure of an interest in the property of an issuer, etc.

86 Repealed (March 17, 2008).

Disclosure when acting as director, officer or employee of an issuer, etc.

87 Repealed (March 17, 2008).

Further consent

88 Repealed (March 17, 2008).

Sections 89, 90 and 91 cease to apply

88.1 Repealed (March 17, 2008).

Contents of report under section 90 and Form 14

89 Repealed (March 17, 2008).

- (a) **Repealed** (March 17, 2008);
- (b) **Repealed** (March 17, 2008);
- (c) **Repealed** (May 31, 2000);
- (d) **Repealed** (May 31, 2000);
- (e) **Repealed** (May 31, 2000);
- (f) **Repealed** (March 17, 2008);

- (g) **Repealed** (March 17, 2008);
- (h) **Repealed** (May 31, 2000);
- (i) **Repealed** (May 31, 2000);
- (j) **Repealed** (March 17, 2008);
- (k) **Repealed** (May 31, 2000);
- (l) **Repealed** (March 17, 2008);
- (m) **Repealed** (March 17, 2008);
- (n) **Repealed** (March 17, 2008);
- (o) **Repealed** (May 31, 2000);
- (p) **Repealed** (March 17, 2008).

Report by natural resource issuer **90(1) Repealed** (March 17, 2008).

(2) Repealed (March 17, 2008).

Preparing report under section 90 **91 Repealed** (March 17, 2008).

Prospectus Lapse Date **91.1 Repealed** (March 17, 2008).

General rules governing prospectus **92(1) Repealed** (March 17, 2008).

(2) Repealed (March 17, 2008).

(3) Repealed (March 17, 2008).

Prospectus form **93(1) Repealed** (March 17, 2008).

(2) Repealed (March 17, 2008).

Inapplicable Items **94 Repealed** (March 17, 2008).

No inference to be drawn **95 Repealed** (March 17, 2008).

Immaterial Information **96 Repealed** (March 17, 2008).

Information to be included in prospectus **97 Repealed** (March 17, 2008).

Reference aids **98(1) Repealed** (March 17, 2008).

(2) Repealed (March 17, 2008).

(3) Repealed (March 17, 2008).

Declaration re preliminary prospectus	99 Repealed (December 31, 2000).
Declaration re preliminary prospectus and prospectus	100 Repealed (December 31, 2000).
Form and content of pro forma prospectus	101(1) Repealed (March 17, 2008). (2) Repealed (March 17, 2008).
Underwriter's certificate	102(1) Repealed (March 17, 2008). (2) Repealed (March 17, 2008). (3) Repealed (March 17, 2008). (4) Repealed (March 17, 2008).
Exceptions allowed by Director	103 Repealed (March 17, 2008).
Use of the word "Trust" in the name of issuer	104(1) Repealed (March 17, 2008). (2) Repealed (March 17, 2008).
Contents of prospectus re financial statements	105(1) Repealed (March 17, 2008). (2) Repealed (March 17, 2008). (3) Repealed (March 17, 2008). (4) Repealed (March 17, 2008). (5) Repealed (March 17, 2008). (6) Repealed (March 17, 2008). (7) Repealed (March 17, 2008).
Contents of prospectus re financial statements of a mutual fund	106(1) Repealed (March 17, 2008). (2) Repealed (March 17, 2008). (3) Repealed (March 17, 2008). (4) Repealed (March 17, 2008). (5) Repealed (March 17, 2008).
Pro forma balance sheet	107 Repealed (March 17, 2008).

Proceeds used to purchase assets or shares	108(1) Repealed (March 17, 2008). (2) Repealed (March 17, 2008). (3) Repealed (March 17, 2008).
Notes re accounting matters	109 Repealed (March 17, 2008).
Exercise of option under section 6(2)	110 Repealed (March 17, 2008).
Statement of assets and earnings coverage	111(1) Repealed (March 17, 2008). (2) Repealed (March 17, 2008).
Financial forecast	112(1) Repealed (December 31, 2007). (2) Repealed (December 31, 2007). (3) Repealed (December 31, 2007).
Financial projections	113 Repealed (December 31, 2007).
Sections 109 to 113 apply to financial statements of businesses acquired	114 Repealed (March 17, 2008).
Financial statements of a subsidiary	115 Repealed (March 17, 2008).
Unconsolidated financial statements	116 Repealed (March 17, 2008).
Approval of financial statements	117(1) Repealed (March 17, 2008). (2) Repealed (March 17, 2008).
Exceptions re financial statements	118(1) Repealed (March 17, 2008). (2) Repealed (March 17, 2008). (3) Repealed (March 17, 2008).
Auditor's comfort letter	119(1) Repealed (March 17, 2008). (2) Repealed (March 17, 2008).
Escrow agreements	120 Repealed (August 31, 2002).

PART 9

DISTRIBUTION GENERALLY

Where underwriter or issuer is not a registrant

121 An underwriter or issuer that is not a registrant at the time of filing a preliminary prospectus shall not carry out the activities permitted under section 123 of the Act until the underwriter or issuer, as the case may be, has become a registrant.

PART 10

EXEMPTION FROM PROSPECTUS REQUIREMENTS

Additional exemptions re section 131(1)(cc) of the Act

122 Repealed (September 14, 2005).

Amounts, etc. re section 131 of the Act

122.1 Repealed (September 14, 2005).

Prospectus exemption if aggregate acquisition cost is not less than \$97,000

122.2 Repealed (September 14, 2005).

Exemption from section 110 or 121 of the Act

123 For the purposes of section 143(c) of the Act, a distribution of securities respecting a capital accumulation plan as defined in section 68(1) shall not be subject to section 110 or 121 of the Act where the portfolio of the plan consists solely of approved securities as defined in section 68(1)(b).

Non-applicability of section 110 of the Act

123.1 Repealed (September 14, 2005).

124 Repealed

Advertising under section 131(1)(d) of the Act

125 Repealed (June 16, 2003).

The first trade in securities

126 Repealed (September 14, 2005).

127 Repealed (June 16, 2003).

Prospectus exemption for exempt purchaser

127.01 The prospectus requirement does not apply to a distribution of a security if the party purchasing as principal is recognized by the Commission as an exempt purchaser.

as amended (September 14, 2005)

Prospectus exemption for promoter

127.02 The prospectus requirement does not apply to a trade by an issuer in securities of its own issue with a promoter of the issuer or by a promoter of an issuer in securities of the issuer with another promoter of the issuer.

as amended (September 14, 2005)

Prospectus
exemptions for
cooperatives and
corporations under
the Rural Utilities
Act

127.03 The prospectus requirement does not apply to a distribution of securities referred to in sections 69.2, 69.3 and 69.4 of these Rules.

as amended (September 14, 2005)

Transitional:
exemption of
trades

127.04

(1) In this section,

(a) “eligible party” means,

(i) with respect to a trade in a previously traded section 131(1)(q) security,

(A) in the case of a person or company disposing of a previously traded section 131(1)(q) security, the person or company that holds that security, and

(B) in the case of a person or company acquiring a previously traded section 131(1)(q) security, a person or company that already holds or has held a previously traded section 131(1)(q) security of the kind that is being acquired;

(ii) with respect to a trade in a previously traded section 131(1)(r) security,

(A) in the case of a person or company disposing of a previously traded section 131(1)(r) security, the person or company that holds that security, and

(B) in the case of a person or company acquiring a previously traded section 131(1)(r) security, a person or company that already holds or has held a previously traded section 131(1)(r) security of the kind that is being acquired;

(b) "previously traded section 131(1)(q) security" means a security that was traded pursuant to the exemption contained in section 131(1)(q) prior to the repeal of that provision by section 13 of the *Securities Amendment Act, 2003*;

(c) "previously traded section 131(1)(r) security" means a security that was traded pursuant to the exemption contained in section 131(1)(r) prior to the repeal of that provision by section 13 of the *Securities Amendment Act, 2003*.

(2) The prospectus requirement does not apply to the following distributions:

(a) with respect to a previously traded section 131(1)(q) security, a trade in that security if all the parties to that trade are eligible parties;

(b) with respect to a previously traded section 131(1)(r) security, a trade in that security if all the parties to that trade are eligible parties.

(3) Section 131(2) of the Act, as it existed prior to its repeal by section 19 of the *Securities Amendment Act, 2005*, applies to subsection (2) of this section in the same manner as it applied to section 131(1) prior to the repeal of that provision by section 19 of the *Securities Amendment Act, 2005*.

as amended (September 14, 2005)

Offering
memorandum
required for exempt
purchaser

127.1

(1) If any document purporting to describe the business and affairs of the issuer and prepared for review by prospective purchasers to assist in making an investment decision in respect of the securities being sold is delivered to a purchaser under section 127.01 of these Rules or section 2.10 of National Instrument 45-106 *Prospectus and Registration Exemptions* (NI 45-106), in respect of an offering commenced on or after September 14, 2005, the issuer must deliver to the purchaser, at the same time or before the purchaser signs the agreement to purchase the security, an offering memorandum in a form that

- (a) complies with sections 2.9 (10) to (13) and 6.4 of NI 45-106, or
- (b) includes
 - (i) the certificate required by section 2.9(10) to (13) and
 - (ii) a statement describing the rights of actions provided by section 204 of the Act and the time limits specified by section 211 of the Act in which an action to enforce a right under section 204 must be commenced.

(2) Subsection (1) does not apply if the documents delivered consist only of one or more of the following

- (a) an annual report, annual information form, interim report,
- (b) information circular, take-over bid circular, issuer bid circular, prospectus, or
- (c) continuous disclosure document, the content of which is prescribed by Alberta securities law,

that has been filed.

(3) The issuer must update the offering memorandum and any required update of a previously filed offering memorandum on or before the 10th day after each distribution under the offering memorandum or an update of the offering memorandum.

Repealed and restated (September 14, 2005)

Offering
memorandum filing
requirements

127.2 An issuer that delivered an offering memorandum under

- (a) section 127.01 of these Rules,
- (b) section 2.10 of NI 45-106,

- (c) section 122.2 of these Rules, as it existed prior to its repeal on September 14, 2005,
- (d) section 131(c) of the Act as it existed prior to its repeal by section 19 of the *Securities Amendment Act, 2005*, or
- (e) section 131(d), (q), (r), (s), (t) or (bb) of the Act, as they existed prior to their repeal by section 13 of the *Securities Amendment Act, 2003*,

must file a copy of the offering memorandum and any required update of a previously filed offering memorandum on or before the 10th day after each distribution under the offering memorandum or an update of the offering memorandum.

Repealed and restated (September 14, 2005)

No representations by the Commission

128 No person or company shall make any representations that the Commission has

- (a) in any way reviewed, or
- (b) passed upon the merits of the securities offered by an offering memorandum.

Report filed under section 132(1) of the Act

129 Repealed (June 16, 2003).

Report of exempt distribution

129.1 An issuer that makes a distribution under section 127.01 must, on or before the 10th day following completion of the distribution, file a report in accordance with Form 45-106F1 *Report of Exempt Distribution*.

Repealed and restated (September 14, 2005)

Transitional provision re report of trade

129.2(1) An issuer that makes a distribution under

- (a) section 131(1)(a), (d), (q), (r), (s), (t), (u), or (bb) of the Act, as they existed prior to their repeal by section 13 of the *Securities Amendment Act, 2003*,
- (b) section 131(b), (c), (l) or (m) of the Act, as they existed prior to their repeal by section 19 of the *Securities Amendment Act, 2005*
- (c) section 122(d) or 122.2 of these Rules as they existed prior to their repeal on September 14, 2005,

must, on or before the 10th day following completion of the distribution, file a report in accordance with Form 45-106F1 *Report of Exempt Distribution*.

130 Repealed

Report re sections 134, 135 or 136 of the Act or 126 of these Rules

131 Repealed (November 30, 2001).

Disclosure re purchase plan operated without prospectus	132 Repealed (November 30, 2001).
Nature of intention and declaration	133 Repealed (November 30, 2001).
	134 Repealed
	135 Repealed
	136 Repealed
	137 Repealed
	138 Repealed
	139 Repealed
	140 Repealed
	141 Repealed
Options	142(1) Every option to sell securities known as a “put” referred to in section 143(1)(b) of the Act shall be completed in accordance with Form 25.
	(2) Every option to purchase securities known as a “call” referred to in section 143(1)(b) of the Act shall be completed in accordance with Form 26.

PART 11

CONTINUOUS DISCLOSURE

Report under ASC Rule 81-501	143(1) Repealed (December 1, 2006).
Preparation of financial statements	144(1) Repealed (December 1, 2006).
	(2) Repealed (December 1, 2006).
	(3) Repealed (March 30, 2004).
	(4) Repealed (December 1, 2006).
	(5) Repealed (December 1, 2006).
	(6) Repealed (December 1, 2006).
	(7) Repealed (December 1, 2006).
Additional matters to be included in financial statements	145 Repealed (March 30, 2004).

Interim financial statements under section 148(1) of the Act	146 Repealed (December 1, 2006).
Information to be included re interim financial statements	147 Repealed (December 1, 2006).
Auditor's report not required	148 Repealed (December 1, 2006).
Interim financial statements under ASC Rule 81-501	149 Repealed (December 1, 2006).
Information to be included re interim financial statements of investment funds	150 Repealed (December 1, 2006).
Annual financial statements under section 149 of the Act	151 Repealed (December 1, 2006).
Financial statements of investment funds under section 149 of the Act	152 Repealed (December 1, 2006).
Statement of portfolio transactions	153 Repealed (December 1, 2006).
Financial statements of an investment fund	154 Repealed (December 1, 2006).
Statement of changes in net assets of an investment fund	155 Repealed (December 1, 2006).
Balance sheet of an investment fund	156 Repealed (December 1, 2006).
Statement of investment portfolio of an investment fund	157 Repealed (December 1, 2006).
Statement of portfolio transactions of an investment fund	158 Repealed (December 1, 2006).
Additional matters to be included in financial statements of an investment fund	159 Repealed (December 1, 2006).
Approval of financial statements	160 Repealed (December 1, 2006).
	161 Repealed (March 1, 1999).
Annual filing of reporting issuer	162 Repealed (December 1, 2006).

PART 12

PROXIES AND PROXY SOLICITATION

Information circular	163 Repealed (December 1, 2006).
Proxy	164 Repealed (December 1, 2006).
Rights and instructions re proxies and information circulars	165 Repealed (December 1, 2006).
Where discretionary authority may be exercised	166 Repealed (December 1, 2006).
Restrictions on authority to vote	167 Repealed (December 1, 2006).
Filing of information circulars, proxies, etc.	168 Repealed (December 1, 2006).
Certification of information circular	169 Repealed (December 1, 2006).

PART 13

TAKE-OVER BIDS AND ISSUER BIDS

Definitions	170 Repealed (March 17, 2008).
Contents of take-over or issuer bid circular	171(1) Repealed (March 17, 2008). (2) Repealed (March 17, 2008). (2.1) Repealed (March 17, 2008). (3) Repealed (March 17, 2008). (4) Repealed (March 17, 2008). (5) Repealed (March 17, 2008). (6) Repealed (March 17, 2008).
Market price of securities	172(1) Repealed (March 17, 2008). (2) Repealed (March 17, 2008). (3) Repealed (March 17, 2008). (4) Repealed (March 17, 2008).

(5) Repealed (March 17, 2008).

Exemption from section 166 to 175 of the Act **173 Repealed** (March 17, 2008).

Non-applicability of sections 164(2) and 165(4) of the Act **174(1) Repealed** (March 17, 2008).

(2) Repealed (March 17, 2008).

(3) Repealed (March 17, 2008).

Non-applicability of section 165(2) of the Act **175 Repealed** (March 17, 2008).

Content of news release **176 Repealed** (March 17, 2008).

Content of take-over bid circular **177 Repealed** (March 17, 2008).

Content of directors' circular **178 Repealed** (March 17, 2008).

Content of director's or officer's circular **179 Repealed** (March 17, 2008).

Content of issuer bid circular **180 Repealed** (March 17, 2008).

Content of notice of intention **181(1) Repealed** (March 17, 2008).

(2) Repealed (March 17, 2008).

Content of notice of change or variation **181.1 Repealed** (March 17, 2008).

Content of notice of change re directors' circulars, etc. **181.2 Repealed** (March 17, 2008).

No variation after deposit period **181.3(1) Repealed** (March 17, 2008).

(2) Repealed (March 17, 2008).

(3) Repealed (March 17, 2008).

Filing of consents **181.4 Repealed** (March 17, 2008).

News release re section 176 of the Act **181.5 Repealed** (March 15, 2000).

News release re section 177 of the Act **181.6(1) Repealed** (March 17, 2008).

(2) Repealed (March 17, 2008).

Dual filings	181.7 Repealed (March 15, 2000).
Statement of rights	181.8(1) Repealed (March 17, 2008). (2) Repealed (March 17, 2008). (3) Repealed (March 17, 2008).
Requirement of circular or notice	181.9 Repealed (March 17, 2008).
Signing of certificate by another person	181.91 Repealed (March 17, 2008).
Filing of circular or notice	181.92 Repealed (March 17, 2008).
Time Periods	181.93 Repealed (March 17, 2008).

PART 14

INSIDER TRADING AND SELF-DEALING

Report under section 182 of the Act	182 Every report required to be filed under section 182 of the Act shall be completed in accordance with National Instrument 55-102 <i>System for Electronic Disclosure by Insiders</i> (SEDI).
Exception to section 182(1) of the Act	183 Notwithstanding section 182(1) of the Act, a person or company is not required to file a report on becoming an insider of an issuer where the person or company does not own or exercise control or direction over securities of the issuer.
Compliance with Part 14 of the Act	184(1) & (2) Repealed (May 15, 2001).
Facsimile signature on Form 36	185 Repealed (November 13, 2001).
Report under section 183 of the Act	186 Every report required to be filed under section 183 of the Act shall be completed in accordance with Form 37.
Filing by Facsimile	186.1 A person or company may file a report under section 183 of the Act by sending a report to the Commission by way of facsimile at the number specified by the Commission.
Sending of Report	186.2 The sending of a report to the Commission under section 186.1 constitutes the filing of that report under the Act.
Deemed Filing and Delivery	186.3 A report sent by facsimile under section 186.1 is considered to be filed or delivered on the day that the facsimile transmission of the report is completed.
Report under section 191 of the Act	187 Every report required to be filed under section 191 of the Act shall be completed in accordance with Form 38.

Reports under section 182 of the Act

188 For the purposes of section 182 of the Act, a report filed by

- (a) a company that includes
 - (i) securities beneficially owned or deemed to be beneficially owned by an affiliate, or
 - (ii) changes in the affiliate's beneficial ownership of the securities,

shall be deemed to be a report filed by the affiliate and the affiliate need not file a separate report, or

- (b) a person that includes
 - (i) the securities beneficially owned or deemed to be beneficially owned by a company controlled by the person or by an affiliate of the controlled company, or
 - (ii) changes in the controlled company's or affiliate's beneficial ownership or deemed beneficial ownership of the securities,

shall be deemed to be a report filed by the controlled company or affiliate and the controlled company and affiliate need not file a separate report.

Reports by personal representatives etc.

189(1) If there are 1 or more executors, administrators or other personal representatives of an estate (referred to in this section as “an executor”) the reporting requirements of this Part shall be deemed to be satisfied as they apply to,

- (a) an executor or a co-executor, and
- (b) the directors and senior officers of an executor or co-executor,

where the applicable report is filed by a co-executor or by the executor in respect of securities owned by the estate.

(2) Subsection (1) applies only to reporting requirements that arise solely from the capacity of an executor, a co-executor or director or senior officer of an executor or co-executor.

Prescribed Time Periods

190(1) For the purposes of subsection 182(1) of the Act, the report referred to in that provision must be filed no later than 10 days after becoming an insider.

(2) For the purposes of subsection 182(2) of the Act, the report referred to in that provision must be filed no later than 10 days after the change takes place.

(3) For the purposes of subsection 182(3) of the Act, the report referred to in that provision must be filed no later than 10 days after the date on which the director or officer is deemed to be an insider pursuant to section 8 of the Act.

PART 15**ENFORCEMENT**

Warrant

191 The endorsement of a warrant by a provincial judge or justice of the Court of Queen's Bench provided for by section 196 of the Act shall be completed in accordance with Form 39.

Costs re investigations

191.1 Where the Commission or the Executive Director orders under section 202(1) of the Act that the costs of the investigation be paid by a person or company whose affairs were the subject of an investigation, the costs awarded may include one or more of the following:

- (a) not more than \$50 per hour for each staff member engaged in the investigation;
- (b) the actual amount of the fees and disbursements of a person appointed or engaged under section 28, 41 or 43 of the Act to a daily maximum of \$2000;
- (c) the actual amount of the witness examination costs;
- (d) the actual amount of the court reporters' fees;
- (e) the actual cost of the transcripts;
- (f) the costs of legal services to a maximum of \$300 per hour for each lawyer involved;
- (g) the disbursements and the incidental costs incurred in respect of the investigation.

Costs re hearing

191.2 Where the Commission or the Executive Director orders under section 202(2) of the Act that the costs of or related to a hearing be paid by a person or company whose affairs were the subject of the hearing, the costs awarded may include one or more of the following:

- (a) not more than \$50 per hour for time spent by each staff member of the Commission in respect of the hearing or on matters preliminary to the hearing;
- (b) the actual amount of the fees and disbursements paid to a person appointed or engaged under section 28, 41 or 43 of the Act to a daily maximum of \$2000;
- (c) the reasonable costs of witnesses, other than a witness referred to in clause (b), required to attend at the hearing;
- (d) the reasonable costs for the services of a lawyer acting as counsel to a daily maximum of \$2000;
- (e) the costs to the Commission to administer the hearing, including fees paid to Commission members, court reporter fees, transcripts and disbursements required to conduct a hearing to a maximum of \$2500 for each day or partial day of hearing;
- (f) the reasonable costs incurred for each expert or person engaged as an advisor assisting in the hearing to a maximum of \$300 per hour.

191.3 Money paid by a person or company pursuant to an agreement with the Executive Director shall be paid to the Commission.

PART 16

CIVIL LIABILITY

192 Repealed (June 1, 1999)

PART 16.1

CIVIL LIABILITY FOR SECONDARY MARKET DISCLOSURE

192.1 In this part, “equity security” means any security of an issuer that carries the residual right to participate in

- (a) the earnings of the issuer, and
- (b) the assets of the issuer on the liquidation or the winding-up of the issuer.

192.2 For the purposes of Part 17.01 of the Act, “market capitalization” means, in respect of an issuer, the amount determined as follows:

- (a) for each class of equity securities for which there is a published market, determine the sum of the number of outstanding securities of the class at the close of trading on each of the 10 trading days before the day on which the misrepresentation was made or the failure to make timely disclosure first occurred;
- (b) divide the sum determined under clause (a) by 10;
- (c) multiply the quotient determined under clause (b) for each class by the trading price of the securities of the class on the principal market for the securities for the 10 trading days before the day on which the misrepresentation was made or the failure to make timely disclosure first occurred;
- (d) add the amounts determined under clause (c) for each class of equity securities for which there is a published market;
- (e) for each class of equity securities not traded on a published market, determine the fair market value of the outstanding securities of that class as of the day on which the misrepresentation was made or the failure to make timely disclosure first occurred;
- (f) add the amounts determined under clause (e) for each class of equity securities not traded on a published market; and

- (g) add the amount determined under clause (d) to the amount determined under clause (f) to determine the market capitalization of the issuer.

192.3 For the purposes of Part 17.01 of the Act, “principal market” means, in respect of a class of securities of a responsible issuer,

- (a) the published market in Canada on which the greatest volume of trading in securities of that class occurred during the 10 trading days before the day on which the misrepresentation was made or the failure to make timely disclosure first occurred, or
- (b) the published market on which the greatest volume of trading in securities of that class occurred during the 10 trading days before the day on which the misrepresentation was made or the failure to make timely disclosure first occurred, if securities of that class are not traded during those 10 trading days on a published market in Canada.

192.4 For the purposes of Part 17.01 of the Act, “trading price” means, in respect of a security of a class of securities for which there is a published market, the amount determined under the following rules:

- (a) subject to clauses (b) and (c), the trading price of the security is the volume weighted average price of securities of that class on the published market during the period for which the trading price is to be determined;
- (b) subject to clause (c), if there was trading in the securities of that class in the published market on fewer than half of the trading days during the period for which the trading price of the securities is to be determined, the trading price of the security is determined as follows:
 - (i) calculate the sum of the average of the highest bid and lowest ask prices for each trading day in the period on which there were no trades in securities of that class in the published market,
 - (ii) divide the amount determined under subclause (i) by the number of trading days on which there were no trades in securities of that class in the published market,
 - (iii) add to the amount determined under subclause (ii) the volume weighted average price of securities of that class on the published market for those trading days on which securities of that class were traded,
 - (iv) divide by two the amount determined under subclause (iii);
- (c) if there were no trades of securities of that class in the published market during the period for which the trading price is to be determined, the trading price of the security is the fair market value of the security.

192.5(1) Part 17.01 of the Act applies to the acquisition of an issuer's security pursuant to an exemption from section 110 of the Act that is set out in clause 2.8 of National Instrument 45-102 *Resale of Securities*, which exemption is prescribed for the purposes of section 211.02 (b) of the Act.

(2) Part 17.01 of the Act applies to the acquisition or disposition of an issuer's security in connection with or pursuant to a take-over bid described in section 161 (1) (a), (b) or (e) of the Act or an issuer bid described in section 162 (e), (f) or (h) of the Act, which bids are prescribed for the purposes of section 211.02 (c) of the Act.

Part 16.1 added and effective December 31, 2006

PART 17

SELF-REGULATING BODIES

193 Repealed

194 Repealed

195 Repealed

PART 18

GENERAL PROVISIONS

Filing of material
filed in other
jurisdictions

196(1) An investment fund that is a reporting issuer shall file, in duplicate,

- (a) **Repealed** (March 17, 2008)
- (b) all information not already filed with the Executive Director whether in the same or a different form, that it files with
 - (i) a government of another jurisdiction,
 - (ii) an agency of a government of another jurisdiction, or
 - (iii) an exchange wherever situate,

under the securities or corporation law of that jurisdiction or under the by-laws, rules or regulations of the exchange, if it is material to purchasers of securities notwithstanding that the information is not specifically required to be filed by the terms of the applicable statute or regulation, or of the applicable by-laws, rules or regulations of the exchange.

(2) Information required to be filed with the Executive Director under subsection (1) shall be sent to the Executive Director

- (a) **Repealed** (March 17, 2008)
- (b) concurrently with the filing under subsection (1)(b).

Filing of material by individuals, companies and other persons **197** Except as otherwise provided under Alberta securities laws,

- (a) every document required or permitted to be filed with the Executive Director by an individual that is required to be signed or certified shall
 - (i) be manually signed, and
 - (ii) include below the signature, the name of the individual in typewritten or printed form,
- (b) subject to clause (c), every document required or permitted to be filed with the Executive Director by a company or person, other than an individual, that is required to be signed or certified shall
 - (i) be manually signed by
 - (A) an officer or director of the person or company,
 - (B) a person or company acting in a capacity similar to that of an officer or a director, or
 - (C) subject to clause (d), by the attorney or agent of the person or company, and
 - (ii) include below the signature, the name of the officer, director, attorney or agent in typewritten or printed form,
- (c) if a partner signs or certifies on behalf of a professional partnership, the partner is not required to sign his name but if an individual other than a partner signs or certifies,
 - (i) the individual shall manually sign his name, and
 - (ii) the name of the individual shall be included below his signature in typewritten or printed form,

and
- (d) if a document required or permitted to be filed with the Executive Director by an individual, company or person has been executed by an attorney or agent, a completed power of attorney or document of authority authorizing the signing of the document shall be filed with the document unless the Executive Director permits otherwise.

Electronic signature of material

197.1 Notwithstanding the requirement for manual or facsimile signatures in section 197 of these Rules, a document to be filed in electronic format under the rule entitled National Instrument 13-101 - *System for Electronic Document Analysis and Retrieval (SEDAR)* that is subject to any of those provisions shall be signed in the manner required under that rule.

Electronic filing of
material

197.2 Notwithstanding the requirement to file in duplicate or triplicate in section 196 of these Rules, a document to be filed in electronic format under the rule entitled National Instrument 13-101 - *System for Electronic Document Analysis and Retrieval* (SEDAR) that is subject to any of those provisions shall be filed in the manner required under that rule.

198 Repealed

199 Repealed

200 Repealed

201 Repealed

202 Repealed

203 These Rules come into force on June 1, 1995.

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