



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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TDX 76
CDS-OSC

June 5, 2001

Joseph Oliver, President
The Investment Dealers Association of Canada
Suite 1600, 121 King Street West
Toronto, Ontario
M5H 3T9

Dear Mr. Oliver:

Re: Coordination of Oversight of the Investment Dealers Association by the Canadian Securities Administrators – Monthly Reporting Requirements

The Canadian Securities Administrators (the "CSA") recognize that the Investment Dealers Association (the "IDA") plays a significant role in the regulation of market intermediaries in Canada. Many CSA jurisdictions have recognized the IDA and in those jurisdictions the IDA is subject to recognition orders which contain various terms and conditions of recognition. The CSA rely on the IDA to undertake day to day regulation of its member dealers and their salespersons. In relying on the IDA as a self-regulatory organization, the CSA have a responsibility to perform appropriate supervision of the IDA and ensure the IDA regulates its members consistently and fairly and continues to apply an appropriate standard of regulation.

The CSA have considered the challenges and opportunities raised by recognition of the IDA in multiple jurisdictions and the CSA agreed that a plan should be adopted across the CSA in order to promote a more effective and efficient system of oversight. An oversight plan was adopted by the CSA and IDA by letter agreement dated June 5, 2000 (the "Oversight Plan"). Increased reliance amongst CSA jurisdictions will streamline the decision-making process and effectively focus CSA resources for IDA oversight. The IDA will, in our view, receive the benefit of a coordinated and timely response to proposed changes or concerns.

This letter agreement describes the monthly reporting requirements that have been appended to the Oversight Plan.

CSA Committee on SRO Oversight

In recognition of the need to co-ordinate the CSA's approach to oversight of the IDA and other SROs, the CSA Committee on SRO Oversight (the "Committee") was struck. The Committee includes staff from several CSA jurisdictions and reports to the CSA Chairs. The Committee's

mandate is to develop a consistent approach to IDA oversight by all jurisdictions, promote mutual reliance among CSA jurisdictions and to develop a consistent reporting mechanism between the IDA and the CSA jurisdictions. The Committee acts as a forum for discussion and resolution of national issues pertaining to SROs and a forum for co-ordination between the CSA and CIPF for oversight of the financial compliance function of the IDA.

The Committee's immediate objective is to develop a model for oversight of the member regulation functions which includes:

- (1) review of the IDA's corporate governance structure,
- (2) co-ordination of an examination of member regulation functions of the IDA,
- (3) co-ordination of review and approval of IDA rules,
- (4) harmonization of the terms and conditions of recognition of the IDA, and
- (5) harmonization of IDA reporting requirements pursuant to obligations under recognition orders and undertakings.

Definitions

For the purposes of this letter agreement all terms shall have the meaning ascribed under the Oversight Plan.

Reporting Obligations

1. Periodic Reporting

The CSA agree to harmonize reporting requirements in order to allow the IDA to make identical reports to each recognizing regulator and participating regulator insofar as possible. The reporting requirements are set out in Appendix B to the Oversight Plan. The CSA agree to review and revise the reporting requirements as necessary on an on-going basis. As a result of this review the CSA has appended to the reporting requirements of the Oversight Plan, the monthly reporting requirements attached as Appendix I to this letter agreement.

2. Duration of Monthly Reporting

The IDA agrees to comply with the monthly reporting requirements attached as Appendix I to this letter agreement until such time as the CSA determines otherwise.

3. CSA Co-ordination

The Committee will use its best efforts to co-ordinate the response of the CSA jurisdictions to IDA reports described in this letter agreement.

Effective Date

This letter agreement comes into effect in the five recognizing jurisdictions of British Columbia, Alberta, Saskatchewan, Ontario and Nova Scotia on the date it is approved by the Minister of Finance in Ontario pursuant to Section 143.10 of the *Securities Act* ("Ontario"). In Québec, pursuant to Section pursuant to Section 3.12 of the Act respecting the ministère du Conseil exécutif, the CVMQ must obtain the authorization of the Minister for Canadian Intergovernmental Affairs before approving such an agreement. Once this authorization is obtained, the letter agreement will come into effect on the date it is approved by the CVMQ.

We trust that the co-ordinated oversight process described is one that will be consistent and efficient and therefore effective in carrying out the CSA's oversight of the IDA.

IN WITNESS WHEREOF the parties here to have executed this letter agreement, in duplicate, in French and in English, both versions being equally authentic, under the hands of their proper officers duly authorized in that behalf.

Alberta Securities Commission

Per: *John Stolt*

Title: CHAIR

Date: AUGUST 7, 2001

Ontario Securities Commission

Per: _____

Title: _____

Date: _____

British Columbia Securities Commission

Per: _____

Title: _____

Date: _____

Nova Scotia Securities Commission

Per: _____

Title: _____

Date: _____

Saskatchewan Securities Commission

Per: _____

Title: _____

Date: _____

Commission des valeurs mobilières du Québec

Per: _____

Title: _____

Date: _____

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Alberta Securities Commission

Per: _____

Title: _____

Date: _____

Ontario Securities Commission

Per: _____

Title: _____

Date: _____

British Columbia Securities Commission

Per:  _____

Title: *Chair* _____

Date: *2001.06.18* _____

Nova Scotia Securities Commission

Per: _____

Title: _____

Date: _____

Saskatchewan Securities Commission

Per: _____

Title: _____

Date: _____

Commission des valeurs mobilières du Québec

Per: _____

Title: _____

Date: _____

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Alberta Securities Commission

Ontario Securities Commission

Per: _____

Per: _____

Title: _____

Title: _____

Date: _____

Date: _____

British Columbia Securities Commission

Nova Scotia Securities Commission

Per: _____

Per: _____

Title: _____

Title: _____

Date: _____

Date: _____

Saskatchewan Securities Commission

Commission des valeurs mobilières du Québec

Per: Marcel de la Gorgendière

Per: _____

Title: Chair person

Title: _____

Date: 7 June, 2001

Date: _____



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Alberta Securities Commission

Per: _____

Title: _____

Date: _____

Ontario Securities Commission

Per: Paul Moore
Paul Moore

Title: Vice Chair

Date: June 5, 2001

British Columbia Securities Commission

Per: _____

Title: _____

Date: _____

Nova Scotia Securities Commission

Per: _____

Title: _____

Date: _____

Saskatchewan Securities Commission

Per: _____

Title: _____

Date: _____

Commission des valeurs mobilières du Québec

Per: _____

Title: _____

Date: _____

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Alberta Securities Commission

Per: _____

Title: _____

Date: _____

Ontario Securities Commission

Per: _____

Title: _____

Date: _____

British Columbia Securities Commission

Per: _____

Title: _____

Date: _____

Nova Scotia Securities Commission

Per: Robert B MacLellan
ROBERT B. MACLELLAN

Title: Chair

Date: June 22, 2001

Saskatchewan Securities Commission

Per: _____

Title: _____

Date: _____

Commission des valeurs mobilières du Québec

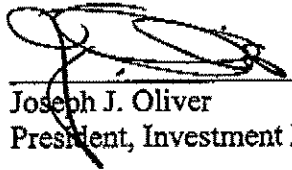
Per: _____

Title: _____

Date: _____



As President of the Investment Dealers Association of Canada, I agree with the foregoing letter agreement.



Joseph J. Oliver
President, Investment Dealers Association of Canada

APPENDIX I
MONTHLY REPORTING REQUIREMENTS

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Enforcement

Reporting

- ▶ The relevant recognizing and participating regulators shall be provided, on a monthly basis, with summary statistics regarding the current caseload. Such reports should include, but are not limited to:
 - the number of files outstanding at the beginning and at the end of the period, by section
 - the number of new files opened during the period, by section
 - the number of files transferred between sections during the period.*[See Schedule "A" for a sample format]*

- ▶ The relevant recognizing and participating regulators shall be provided, on a monthly basis, with a balanced scorecard. Such report will compare monthly productivity, by section, to established goals and measures. *[See Schedule "B" for a sample format]*

- ▶ The relevant recognizing and participating regulators shall be provided, on a monthly basis, with detailed statistics on open files, by section. Such report should include, but is not limited to:
 - the date the file was opened
 - the file number
 - the identity of the member firm
 - the identity of the Approved Person(s)
 - the identity of the IDA staff assigned
 - a discussion of the misconduct or violation
 - the projected completion date*[See Schedule "C" for a sample format]*

- ▶ The relevant recognizing and participating regulators shall be provided, on a monthly basis, with detailed statistics on closed files. Such report should include, but is not limited to:
 - the number of files closed during the month, by section, disposition and violation*[See Schedule "D" for a sample format]*

- ▶ The relevant recognizing and participating regulators shall be provided, on a monthly basis, with a report classifying all complaints and all inquiries separately as follows:
 - Insider Trading/Self Dealing Allegations
 - Penny Stock Dealers
 - Policy & Legislation Related & Interpretations
 - Prospectus, Exemptions and Related Filings
 - Registration Matters (including requirements, registrant history)
 - Reporting Issuer Matters (including CTOs & default companies)
 - Scams, Misappropriation, Theft and Fraudulent Activities
 - Shareholder Rights & Corporate Governance

- Take-Over Bids, Issuer Bids & Related Party Transactions
- MFDA Complaints
- Failure to KYC
- Unsuitable Investments
- Churning and Excessive Trading
- Unauthorized Trading
- Capital Deficiency
- Supervision
- Falsification of Documentation
- Internal Control Violations
- Inappropriate Personal Financial Dealings – selling away
- Account Documentation – no KYC form
- Account Documentation – no discretionary trading form
- Account Documentation – no 3rd party authorization
- Adequacy of Books & Records
- Margin Issues
- Other

[See Schedule “E” for a sample format]

**Monthly Summary Report
IDA Enforcement Branch
For the Month of MMM/YYYY
Region/Province (XXX)**

Division Statistics	Complaints	Investigations	Prosecutions	Total	Year To Date
<i>Open @MMM/DD/ YYYY</i>					
<i>Open During Quarter +</i>					
<i>Transferred In +</i>					
<i>Transferred Out -</i>					
<i>Closed -</i>					
<i>Open @MMM/DD/YYYY</i>					

**Monthly Balanced Scorecard Report
IDA Enforcement Branch
For the Month Ended MMM/DD/YYYY**

Balanced Scorecard	Year to Date	
Complaints	Within 3 months	Within 6 months
Files closed/transferred	%	%
Investigations	Within 9 months	
Files closed/transferred	%	
Prosecutions	Completed	
Matters resolved	#	
Division*	Ratio	
# of recommendations for prosecution/# of investigation staff		

* Division in this part includes investigation and prosecution staff only

**Closed Files Report
IDA Enforcement Branch
For the Month of MMM/YYYY
Region/Province (XXX)**

	Complaints	Investigations	Prosecutions	Total	Year to Date
No Action					
Suitability					
Churning					
Supervision					
Referrals					
Etc.					
Sub-total					
Warning Letters					
Suitability					
Churning					
Supervision					
Etc.					
Sub-total					
Disciplinary Action					
Suitability					
Churning					
Supervision					
Etc.					
Sub-total					
TOTAL					

The report lists all files closed for a specified month, by disposition and violation. The report contains a running year to date total.

**Monthly Report – Open Files
IDA Enforcement Branch
For the Month of MMM/YYYY
Region/Province (XXXX)**

Complaints						
<u>Date Opened</u>	<u>File #</u>	<u>Member Firm</u>	<u>Approved Person</u>	<u>IDA Staff</u>	<u>Violation</u>	<u>Projected Completion Date</u>
1.						
2.						
3.						
Etc.						

Investigations						
<u>Date Opened</u>	<u>File #</u>	<u>Member Firm</u>	<u>Approved Person</u>	<u>IDA Staff</u>	<u>Violation</u>	<u>Projected Completion Date</u>
1.						
2.						
3.						
Etc.						

Prosecutions						
<u>Date Opened</u>	<u>File #</u>	<u>Member Firm</u>	<u>Approved Person</u>	<u>IDA Staff</u>	<u>Violation</u>	<u>Notice of Hearing / Settlement Agreement</u>
1.						
2.						
3.						
Etc.						

NOTE: If a file has been opened and moved to another section within the month, the file will be listed in 2 sections. These files will be identified with asterisks (**). For example a complaint that was opened and moved to investigations in the same quarter will show up on the complaints report and the investigations report.

**Monthly Report - *Open Complaint Files*
 IDA Enforcement Branch
 For the Month of MMM/YYYY
 Region/Province (XXX)**

Violation	Complaints	Year to Date
Unsuitable Investments		
Churning and Excessive Trading		
Unauthorized Trading		
Etc.		
<i>TOTAL</i>		

The report lists all complaint files opened for a specified time period, by violation. The report contains a running year to date total.