

Variation Order

Canadian Investor Protection Fund

Section 171 of the *Securities Act*, RSBC 1996, c. 418

The Executive Director issued an order dated August 21, 2002, approving the Canadian Investor Protection Fund (CIPF) as a compensation fund for customers who suffered financial losses due to the failure of a member of certain self-regulatory organizations, under section 23 of the Rules (Previous Order).

The Investment Dealers Association of Canada (IDA) and the CIPF have applied for an order pursuant to section 171 of the Act to vary the Previous Order to reflect changes to the CIPF's roles and responsibilities.

The Executive Director considers it not prejudicial to the public interest to vary the Previous Order under Section 171 of the Act, and replace it with the following:

Approval Order

Canadian Investor Protection Fund

Section 23 of the *Securities Rules*, B.C. Reg. 194/97

The CIPF was established by sponsoring self-regulatory organizations (SROs); currently, the IDA is the only sponsoring SRO of the CIPF.

The CIPF provides protection on a discretionary basis to prescribed limits to eligible customers of SRO members suffering losses if customer property comprising of securities, cash and other property held by such members is unavailable as a result of the insolvency of the member and, in connection with such coverage, will engage in risk management activities to minimize the likelihood of such losses (CIPF Mandate).

The CIPF, the IDA, the Toronto Stock Exchange Inc., TSX Venture Exchange Inc., and Bourse de Montreal Inc. entered into an agreement dated December 14, 2001, pursuant to which the CIPF, among other things, provides certain financial compliance oversight of these SROs and financial examination of members of these SROs.

The CIPF and these SROs wish to terminate and replace the agreement with an agreement between the IDA, or its successor, and the CIPF that reflects the realignment of their respective regulatory roles and responsibilities, including the elimination of the CIPF's SRO oversight role and member examination functions (Industry Agreement).

The Industry Agreement contemplates that other SROs may become parties to the Industry Agreement (together with the IDA or its successor, Participating SRO's).

Pursuant to the Industry Agreement, the Participating SROs must levy assessments on their members (Member Firms) and the Participating SROs must pay to the CIPF the amount of these assessments.

The CIPF entered into a Memorandum of Understanding (MOU) with twelve of the members of the Canadian Securities Administrators (CSA). The CIPF also entered into a MOU with the Commission des valeurs mobilières du Québec (now, the Autorité des marchés financiers (Autorité)). The CIPF and the twelve members of the CSA have amended and restated the MOU to reflect the proposed realignment of regulatory roles and responsibilities as between the CIPF and its Participating SROs. The Autorité will rescind its MOU with the CIPF and become a party to the amended and restated MOU between the CIPF and the CSA.

The Executive Director considers it not prejudicial to the public interest to continue the approval of the CIPF as a compensation fund under Section 23 of the Rules, subject to the terms and conditions set out in Schedule A.

March • , 2008.

**Brenda M. Leong
Executive Director**