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COR#07/022

Recognition Order

egX Canada Inc.

Section 24 of the *Securities Act*, RSBC 1996, c. 418

- ¶ 1 egX Canada Inc., a subsidiary of Global Financial Group Inc. (GFG), has applied for recognition as an exchange in British Columbia under section 24 of the Act.
- ¶ 2 egX represents that it will operate an exchange for real estate related securities, will maintain its head office in British Columbia, and will:
- (a) provide listing and corporate finance services;
 - (b) perform listed issuer regulation functions;
 - (c) provide trading services to its participants; and
 - (d) perform market regulation functions.
- ¶ 3 In addition to being required to comply with the requirements of the Act, National Instrument 21-101 *Marketplace Operations* (NI 21-101), and National Instrument 23-101 *Trading Rules* (NI 23-101), egX has agreed to comply with Schedules A and B to this order.
- ¶ 4 Based on the application and the representations, acknowledgements, and undertakings made by egX and GFG, the Commission is satisfied that recognizing egX will not be prejudicial to the public interest.
- ¶ 5 The Commission recognizes egX as an exchange under section 24 of the Act and does not object to the egX Trading Rules and Listings Manual so long as egX
- (a) before operating as an exchange, complies with Schedule A, and
 - (b) complies with Schedule B, the Act, NI 21-101 and NI 23-101.

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- ¶ 6 This recognition will continue until the Commission, after giving egX an opportunity to be heard, revokes or varies it.
- ¶ 7 March 14, 2007

Douglas M. Hyndman
Chair

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Schedule A – Pre-operating conditions

egX's recognition is conditional on egX, before it begins operating as an exchange:

- (a) confirming to the Commission that its connectivity with Market Regulation Services Inc. is complete and it has entered into an agreement with RS for market regulation services;
- (b) confirming to the Commission that its connectivity with CDS is complete and that it has entered into an agreement with CDS for clearing and settlement services;
- (c) filing with the Commission an audit review report of egX's trading systems;
- (d) filing with the Commission an external and internal vulnerability test report on egX's non-trading systems; and
- (e) confirming to the Commission that all steps necessary to begin exchange operations have been taken, as set out in the business plan egX filed with its application for recognition.

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Schedule B – Conditions of Recognition

Public interest

1. egX must regulate listed issuers and its market to serve the public interest in protecting investors and market integrity. It must articulate and ensure it meets a clear public interest mandate for its regulatory functions.

Corporate governance

2. egX's corporate governance system must ensure effective oversight of egX's management and regulatory functions.
3. egX must ensure that each director, officer, and significant security holder¹ is a fit and proper person² for that role.

Conflicts of interest

4. egX must effectively identify and manage conflicts of interest.

Access

5. egX must have fair access criteria for its trading and listing services, and apply them fairly and transparently.

Financial viability and reporting

6. egX must have sufficient financial resources to perform its functions and meet its responsibilities.
7. egX must:
 - (a) report quarterly to the Commission what capital is available and why that capital is sufficient to ensure egX can perform its functions and meet its responsibilities for the next six months;
 - (b) report immediately to the Commission when it does not have sufficient capital for the next six months, setting out the reasons for

¹ A significant security holder holds 10% or more beneficial ownership or voting control.

² A fit and proper person is (a) appropriately qualified for that role by education and experience, and (b) of good character and integrity.

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the deficiency and the steps egX will take to rectify the deficiency;
and

- (c) file unaudited quarterly financial statements within 60 days of each quarter's end prepared according to generally accepted accounting principles.³

Compliance and control systems

- 8. egX must maintain an effective system for compliance with the securities legislation and this recognition order, as well as its own internal policies and procedures.
- 9. egX must maintain controls to manage the risks associated with its business, including an annual review of its contingency and business continuity plans.

Outsourcing

- 10. egX must obtain the Commission's consent before entering into an outsourcing arrangement.

Clearing and settlement

- 11. egX must make appropriate arrangements for clearing and settlement through a recognized clearing agency.

Regulation

- 12. egX must regulate its marketplace effectively.

Regulatory instrument review process

- 13. egX must follow the regulatory instrument review process established by the Commission from time to time.

Accountability

- 14. At least quarterly, egX must report to the Commission all significant issuer non-compliance, with information acceptable to the Commission about the

³ egX must also file annual audited financial statements (section 5.6, NI 21-101).

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issuers and other persons involved, the nature of the deficiencies, and the action taken or planned to deal with the issues.

15. At least quarterly, egX must, directly or through RS, report to the Commission all significant market non-compliance, with information acceptable to the Commission about the participants or other persons involved, the nature of the deficiencies, and the action taken or planned to deal with the issues.
16. At least quarterly, egX must, directly or through RS, report to the Commission all significant exemptions from, or waivers of, its requirements, including information about the issuers or participants involved, the nature of the waivers or exemptions, and the reasons for granting them.
17. At least annually, egX must assess RS's performance and report to egX's board of directors with any recommendations for improvements. egX must provide a copy of the report to the Commission and advise what actions it proposes to take as a result.
18. Annually, egX must provide a self-assessment to the Commission, including reporting against this recognition order and other securities regulation requirements.
19. Annually, egX must provide to the Commission, for its approval, a current list of regulatory services provided by RS and services carried out directly by egX and any proposed amendments to it.
20. Annually, egX must:
 - (a) review and report on each technology system's and each data centre's computer operation's vulnerability to internal and external threats; and
 - (b) report on its review of its contingency and business continuity plans under paragraph 9.
21. egX must promptly report to the Commission any possible significant violations of securities legislation.
22. egX must promptly notify the Commission of any material systems failures and changes.

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23. egX must comply with any additional accountability requirements the Commission sets from time to time.

Information sharing and regulatory cooperation

24. To assist other regulatory authorities in regulatory matters, egX must share information and cooperate with
- (a) the Commission and other Canadian securities regulatory authorities,
 - (b) recognized exchanges,
 - (c) recognized regulation services providers,
 - (d) recognized self-regulatory organizations,
 - (e) recognized clearing agencies, and
 - (f) other regulatory authorities responsible for supervising or regulating securities firms or financial institutions,

subject to privacy or other laws about the collection, use, and disclosure of personal and business information.