

MEMORANDUM OF UNDERSTANDING

B E T W E E N:

Alberta Securities Commission;
Autorité des marchés financiers (Québec);
British Columbia Securities Commission;
Manitoba Securities Commission;
New Brunswick Securities Commission;
Financial Services Regulation Division, Department of Government Services, Consumer &
Commercial Affairs Branch (Newfoundland and Labrador);
Legal Registries Division, Department of Justice (Northwest Territories);
Nova Scotia Securities Commission;
Legal Registries Division, Department of Justice (Nunavut);
Ontario Securities Commission;
Securities Office, Consumer, Corporate and Insurance Services Division, Office of the Attorney
General (Prince Edward Island);
Saskatchewan Financial Services Commission;
Superintendent of Securities, Community Services (Yukon)

(each, a “Regulator”)
(collectively, the “Canadian Securities Administrators”)

– and –

Canadian Investor Protection Fund,
a corporation incorporated under the laws of Canada

The parties agree as follows:

1. Underlying Principles

1.1 Participation in a Compensation or Contingency Fund

The Canadian Securities Administrators (the “CSA”) consist of the authority in each Canadian province and territory that, under statute, regulates the securities industry within its jurisdiction. Each Regulator is responsible for promoting both investor protection and fair and efficient capital markets in its jurisdiction.

Securities laws and regulations in each Canadian province and territory may require registered dealers to participate in a compensation fund or contingency trust fund approved by the Regulator or a contingency fund deemed acceptable by the Regulator (collectively, “compensation or contingency fund”) and established by, among others, a self-regulatory organization (“SRO”).

Certain Regulators have issued Approvals of or a Deemed Acceptable Decision for the Canadian Investor Protection Fund (the “CIPF”) as a compensation or contingency fund.

1.2 The Canadian Investor Protection Fund

The CIPF was established by its sponsoring SROs to protect Customers who have suffered financial loss due to the insolvency of a Member Firm of any one of the sponsoring SROs. As of the effective date of this Memorandum of Understanding (“MOU”), the Investment Dealers Association of Canada (“IDA”), or its successor, is the CIPF’s only sponsoring SRO.

The CIPF will enter into an Industry Agreement with the IDA, or its successor, which contemplates that other SROs may become parties to the agreement.

The CIPF acts, for the purpose of this MOU, as a compensation or contingency fund. It provides protection on a discretionary basis to prescribed limits to eligible Customers of Participating SRO Member Firms suffering losses if Customer property comprising securities, cash and other property held by such Member Firms is unavailable as a result of the insolvency of a Member Firm and, in connection with such coverage, will engage in risk management activities to minimize the likelihood of such losses.

The CIPF is financed by Member Firms through its Participating SROs.

1.3 The Memorandum of Understanding

On July 2, 1991, the CIPF entered into a MOU with the Regulators existing at the time, with the exception of the former Commission des valeurs mobilières du Québec (“CVMQ”), which MOU was subsequently amended. On June 20, 1997, the CIPF entered into a MOU with the CVMQ, which MOU was subsequently amended.

The parties to the 1991 MOU, as amended, wish to amend and restate the MOU to reflect changes in the nature of the CIPF’s role and responsibilities and to enhance the protection of investors and maintain investor confidence in the Canadian capital markets.

The Autorité des marchés financiers (“Autorité”) is rescinding the MOU entered into in 1997, as amended, between the CVMQ and the CIPF, with the unanimous consent of the parties thereto, and is becoming a party to this MOU.

The Approvals or Deemed Acceptable Decision issued by certain Regulators regarding the CIPF are subject to the CIPF complying with this MOU.

2. Definitions

“Applicable Regulator” means each Regulator in the jurisdiction in which a Member Firm is registered.

“Approval” means the approval of the CIPF by a Regulator required pursuant to the securities laws and regulations in a Canadian province or territory which may stipulate that registered dealers must participate in a compensation fund or contingency trust fund approved by the Regulator and established by, among others, an SRO.

“Approving Regulator” means a Regulator that has issued an Approval or a Deemed Acceptable Decision regarding the CIPF.

“By-law Number 1” means the By-law Number 1 of the CIPF.

“Coverage Policies” means policies established from time to time by the CIPF’s Board of Directors pursuant to the section of the Approval and Deemed Acceptable Decision regarding Customer Protection.

“Customer” has the meaning ascribed to that term in the Coverage Policies.

“Deemed Acceptable Decision” means the decision regarding the CIPF by a Regulator pursuant to the securities laws and regulations in a Canadian province or territory which may stipulate that a dealer with an unrestricted practice or a discount broker must participate in a contingency fund deemed acceptable by the Regulator.

“Fund” means the liquid assets of the CIPF available for protection of Customers of Member Firms.

“Industry Agreement” means an agreement, as amended from time to time, between the CIPF and any Participating SRO regarding the basis on which the CIPF provides protection to Customers of Member Firms.

“Member Firm” means a member or participant of any of the Participating SROs that is a registered dealer in Canada.

“Participating Regulator” means a Regulator, other than the Principal Regulator, that is participating in an oversight review of the CIPF.

“Participating SRO” means an SRO that is a party to or that becomes a party to the Industry Agreement.

“Principal Regulator” means the Regulator that is designated as such from time to time by consensus of the Regulators.

“Reportable Condition” means any condition which could give rise to payments being made out of the Fund, including, without limitation, the suspension, expulsion or appointment of a monitor in respect of a Member Firm or similar action by a Participating SRO and any condition which has contributed substantially to or, if appropriate corrective action is not taken, could reasonably be expected to:

- (a) inhibit a Member Firm from promptly completing securities transactions, promptly segregating Customers’ securities as required or promptly discharging its responsibilities to Customers, other Member Firms and other creditors;
- (b) result in material financial loss;
- (c) result in material misstatements of the Member Firm’s financial statements; or
- (d) result in violations of the minimum record requirements of a Participating SRO to an extent that could reasonably be expected to result in the conditions described in parts (a), (b), or (c) above.

3. Approval and Deemed Acceptable Decision

The CIPF will abide by the terms and conditions of any Approval or Deemed Acceptable Decision made by a Regulator.

4. Member Reviews

The CIPF will review, in accordance with the Industry Agreement, the business and operations of any Member Firm, or designated groups of Member Firms, where a situation has occurred that in the opinion of the CIPF constitutes a Reportable Condition.

5. Oversight Program

5.1 Purposes of the Oversight Program

The CSA have developed a program of oversight for the CIPF to ensure that the CIPF is appropriately discharging its responsibilities as a compensation or contingency fund for Customers of Member Firms. The purposes of this oversight program include but are not limited to:

- (i) determining compliance with this MOU and the terms and conditions of any Approvals or Deemed Acceptable Decision made by the Regulators regarding the CIPF;
- (ii) ensuring that the CIPF continues to have the appropriate governance structure to fulfill its obligations;
- (iii) ensuring that the CIPF is appropriately discharging its core functions;

- (iv) ensuring that the CIPF is managing its risks adequately;
- (v) identifying and addressing any deficiencies in the CIPF's functioning as a compensation or contingency fund for Customers of Member Firms and ensuring the effective resolution of these deficiencies; and
- (vi) ensuring that the CIPF has established and maintains transparent, fair and reasonable Coverage Policies.

5.2 Oversight Reviews

As part of this oversight program, the CSA will carry out reviews of the CIPF on a periodic basis.

The Principal Regulator will solicit interest from the other Regulators with respect to participating in the oversight review. The Regulators that choose to participate will be considered to be Participating Regulators for the purpose of the CIPF oversight review.

The Principal Regulator will develop the review program in consultation with the Participating Regulators. The Principal Regulator will be responsible for adequate staffing of the review and co-ordinating the review and resulting report of the Participating Regulators.

At the conclusion of a CIPF review, the Principal Regulator and the Participating Regulators will finalize the review report. In finalizing the review report, the Principal Regulator and the Participating Regulators will use their best efforts to follow the procedures set out in Schedule A to this MOU, or such other procedures as agreed upon by the Principal Regulator and the Participating Regulators, taking into account language translation needs, where applicable.

5.3 Reporting to the CSA

5.3.1 Reporting Obligations

The CIPF will report to each Regulator in accordance with the provisions of Schedule B to this MOU.

Any comments from the Regulators on any report, document or information provided by the CIPF will be sent to the Principal Regulator. The Principal Regulator will request that the CIPF respond to comments raised by the Regulators and will forward any response to the Regulators.

5.3.2 CIPF Actions in Respect of Member Firms

The CIPF will prepare and provide to the Applicable Regulators a report detailing any action taken with respect to a Member Firm. For Member Firm insolvencies, the report will describe the circumstances of the insolvency, including a summary of the actions taken by the Member Firm, the Participating SRO and the CIPF and any committee or person acting on behalf of such parties. These reports will be delivered within 90 days of the action taken by the CIPF or Participating SRO or the liquidation of the Member Firm or at such other time as agreed to between the parties hereto.

5.4 Review and Approval of By-law Number 1

The CIPF will file with the Approving Regulators any proposed changes to the CIPF's By-law Number 1 for prior approval. The Approving Regulators will review and approve any proposed changes to the CIPF's By-law Number 1 according to the process set out in Schedule C to this MOU.

6. Miscellaneous Provisions

6.1 Confidentiality

All notices, reports, documents and any other information provided pursuant to this MOU are being provided for regulatory purposes and will be supplied and maintained in confidence, except as required for regulatory purposes.

6.2 Authority

Nothing in this MOU is intended to limit the powers of any of the Regulators under applicable securities laws to take any measures authorized under such laws.

6.3 Legal Action Against the CIPF

Nothing in this MOU will be interpreted to prevent a Customer from taking legal action against the CIPF in a court of competent jurisdiction in Canada, nor will the CIPF contest the jurisdiction of such a court to consider a claim where the claimant has exhausted the CIPF's internal claim review process.

6.4 Schedules

The Schedules to the MOU are an integral part of this MOU.

6.5 Amendments and withdrawal from the MOU

This MOU may be amended from time to time as mutually agreed upon by the Regulators and the CIPF. Any amendments must be in writing and approved by the duly

authorized representatives of each Regulator in accordance with the applicable legislation of each province or territory.

Each Regulator can, at any time, withdraw from this MOU on at least 90 days written notice to the Regulators and to the CIPF.

6.6 Effective Date

This MOU comes into effect on September 30, 2008.

IN WITNESS WHEREOF the duly authorized signatories of the parties below have signed this MOU as of the Effective Date of the MOU stated above.

CANADIAN INVESTOR PROTECTION FUND

Per: _____

Title: _____

ALBERTA SECURITIES COMMISSION

Per: _____

Title: _____

AUTORITÉ DES MARCHÉS FINANCIERS

Per: _____

Title: _____

BRITISH COLUMBIA SECURITIES COMMISSION

Per: _____

Title: _____

For purposes of An Act respecting the
Ministère du Conseil exécutif (R.S.Q., c. M-30),

Per: _____

Title : **Secrétaire général associé aux affaires intergouvernementales canadiennes**

**MANITOBA SECURITIES
COMMISSION**

Per: _____

Title: _____

**NEW BRUNSWICK SECURITIES
COMMISSION**

Per: _____

Title: _____

**FINANCIAL SERVICES REGULATION
DIVISION, DEPARTMENT OF
GOVERNMENT SERVICES,
CONSUMER & COMMERCIAL
AFFAIRS BRANCH (NEWFOUNDLAND
AND LABRADOR)**

Per: _____

Title: _____

**LEGAL REGISTRIES DIVISION,
DEPARTMENT OF JUSTICE
(NORTHWEST TERRITORIES)**

Per: _____

Title: _____

**NOVA SCOTIA SECURITIES
COMMISSION**

Per: _____

Title: _____

**LEGAL REGISTRIES DIVISION,
DEPARTMENT OF JUSTICE
(NUNAVUT)**

Per: _____

Title: _____

ONTARIO SECURITIES COMMISSION

Per: _____

Title: _____

**SECURITIES OFFICE, CONSUMER,
CORPORATE AND INSURANCE
SERVICES DIVISION, OFFICE OF THE
ATTORNEY GENERAL (PRINCE
EDWARD ISLAND)**

Per: _____

Title: _____

**SASKATCHEWAN FINANCIAL
SERVICES COMMISSION**

Per: _____

Title: _____

**SUPERINTENDENT OF SECURITIES,
COMMUNITY SERVICES (YUKON)**

Per: _____

Title: _____

Schedule A

Oversight Reviews

- 1) Each Participating Regulator will provide to the Principal Regulator their report points on the results of the review;
- 2) Within 20 business days of receipt of all report points, the Principal Regulator will prepare a draft report combining the report points of the Participating Regulators and send it to the Participating Regulators for comment;
- 3) Any Participating Regulator that has comments on the draft report will send its comments to the Principal Regulator within 10 business days of receiving the draft report, with copies to the other Participating Regulators;
- 4) The Principal Regulator will consolidate the comments of the Participating Regulators and revise the draft report, as necessary, within 15 business days of receiving the comments;
- 5) The Principal Regulator will forward a copy of the revised draft report to the Participating Regulators for their approval and the Participating Regulators will provide their approval to the Principal Regulator within 10 business days of receiving the revised draft report;
- 6) The Principal Regulator will forward a copy of the revised draft report to the CIPF for it to confirm the factual accuracy of the draft report;
- 7) The CIPF will review the draft report for factual accuracy and respond with comments within 15 business days of receipt;
- 8) Within 15 business days of receiving the CIPF's comments, the Principal Regulator will take into account the CIPF's comments, revise the draft report, as necessary, and forward a copy of the draft report and the CIPF's comments to the Participating Regulators for comment;
- 9) Within 10 business days of receipt, the Participating Regulators will review the draft report and the CIPF's comments and respond with comments;
- 10) Within 15 business days of receiving the Participating Regulators' comments, the Principal Regulator will consolidate these comments, revise the draft report, as necessary, and forward a copy of the revised draft report to the Participating Regulators for their approval;
- 11) The Participating Regulators will provide their approval to the Principal Regulator within 10 business days of receiving the revised draft report;
- 12) The Principal Regulator will forward a copy of the final report to the CIPF for formal response;

- 13) The CIPF will use its best efforts to respond to the final report to the Principal Regulator within 20 business days of receipt;
- 14) The Principal Regulator will review the CIPF's response, develop a follow-up plan and forward a copy of the follow-up plan and the CIPF's response to the Participating Regulators for comments, within 15 business days of receiving the CIPF's response;
- 15) The Participating Regulators will review the follow-up plan and respond with comments within 10 business days of receipt, with copies to the other Participating Regulators;
- 16) The Principal Regulator will consolidate these comments and revise the follow-up plan, as necessary;
- 17) The Principal Regulator and the Participating Regulators will seek any necessary internal approvals of the follow-up plan; and
- 18) The Principal Regulator will provide the final report, including the CIPF's response and the follow-up plan, to the staff of the Regulators, the CSA Chairs and the CIPF.

Schedule B

Reporting to the CSA

1) Requested Information

- a) A Regulator may, at any time, request any reports, documents, or information from the CIPF and the CIPF will comply with that request for information.

2) Prior Notification

- a) The CIPF will provide to the CSA, at least 60 days prior notice before:
 - i) implementing any changes to its Coverage Policies;
 - ii) implementing any changes to its method of assessing Member Firms;
 - iii) implementing any changes to the Industry Agreement; and
 - iv) adding an SRO as a party to the Industry Agreement.
- b) In emergency situations where, in the opinion of the CIPF, 60 days prior notice is considered unreasonable, the CIPF will inform the CSA with as much advance notice as possible in the circumstances. Such notice will include an explanation of why the 60-day period is considered to be unreasonable.

3) Ad Hoc Reporting

- a) The CIPF will immediately report to the Applicable Regulators any Reportable Conditions with respect to a Member Firm of which the CIPF has been notified.
- b) The CIPF will immediately report to the CSA where a Participating SRO has withdrawn or has been expelled from participation in the CIPF. The CIPF will include in its report the reasons for the SRO's withdrawal or expulsion.
- c) The CIPF will immediately report to the CSA any actual or potential material adverse change in the level of the CIPF assets, together with the CIPF's plan to deal with the situation.
- d) The CIPF will report to the CSA any changes to its investment policies within 30 days of such changes.

4) Annual Reporting

- a) The CIPF will file with the CSA its annual audited financial statements, together with the report of the auditor, within 90 days after the end of each fiscal year.
- b) The CIPF will provide the following information to the CSA, within 90 days after the end of each fiscal year:
 - i) description of any changes in the composition of the CIPF's Board of Directors in the previous fiscal year, including the names and terms of any incoming directors, the names of any outgoing directors, and whether any incoming directors are public directors as defined in the CIPF's By-law Number 1;
 - ii) description of any changes to the CIPF's By-law Number 1;
 - iii) any suggestions that the CIPF has made to any Participating SROs in the previous fiscal year regarding the Participating SROs' making new rules or amending existing rules, and the Participating SROs' response to those suggestions; and
 - iv) where the CIPF has directed a Participating SRO to take certain actions about Member Firms that are in financial difficulty pursuant to the Industry Agreement, details about the CIPF's direction and comment on whether the CIPF is satisfied with the Participating SRO's response.
- c) The CIPF will provide a written report to the CSA staff and meet with the CSA Chairs at least once a year to report on the CIPF's operations and activities, including but not limited to:
 - i) the Board of Directors' annual review of the adequacy of the level of assets in the Fund, assessment amounts, and assessment methodology;
 - ii) the CIPF resources, including whether the CIPF is fully staffed;
 - iii) member Firm insolvencies and any resulting Customer claims;
 - iv) risk management issues, including how the CIPF evaluated risks, what risk management issues were identified and how the CIPF dealt with these issues;
 - v) the Board of Directors' assessment of the need for additional risk management tools; and
 - vi) the extent and results of any Member Firm reviews conducted pursuant to the Industry Agreement.

Schedule C

Review and Approval of By-law Number 1 Amendments

In reviewing and approving changes to the CIPF's By-law Number 1, the Approving Regulators will use their best efforts to adhere to the following process:

- 1) the CIPF will file each proposed change to the CIPF's By-law Number 1 ("Amendment") with each Approving Regulator;
- 2) upon receipt of an Amendment, the Principal Regulator will immediately send confirmation of receipt of the Amendment to the CIPF, with copies to the other Approving Regulators;
- 3) if, in the opinion of the Approving Regulators, the Amendment raises public interest issues or concerns, the Approving Regulators may publish the Amendment for a 30-day comment period;
- 4) within 20 business days of receiving the Amendment, each of the Approving Regulators will provide significant comments to the Principal Regulator in writing, with copies to the other Approving Regulators. If the Principal Regulator does not receive any such comments within the 20-business-day period, the other Approving Regulators will be deemed to not have any comments;
- 5) within 7 business days of the end of the 20-business-day period, the Principal Regulator will consolidate all comments received and send a comment letter to the CIPF. In the event that any comments of the Approving Regulators conflict, the Approving Regulators will try to resolve the conflict before the comment letter is sent to the CIPF;
- 6) within 14 business days of receipt of the comment letter of the Approving Regulators, the CIPF will respond in writing to the Principal Regulator, with a copy to each of the other Approving Regulators;
- 7) each of the other Approving Regulators will provide material comments to the Principal Regulator in writing within 10 business days of the CIPF's response, and the Principal Regulator will provide its comments to the other Approving Regulators within the same period. If the Principal Regulator does not receive any comments within the 10-business-day period, the other Approving Regulators will be deemed to not have any comments;
- 8) if applicable, the CIPF and the Approving Regulators will discuss and attempt to resolve the concerns raised by any of the Approving Regulators within 20 business days of receiving comments from the other Approving Regulators regarding the CIPF's response. If the concerns are not resolved to the satisfaction of all Approving Regulators, review of the Amendment will be escalated to be discussed among the Chairs or other senior executives of the Approving Regulators. If the Chairs or other senior executives of the

Approving Regulators are unable to agree on the appropriate outcome of the Amendment, the CIPF will not be able to adopt the Amendment;

- 9) the Principal Regulator will prepare documentation for approval of the Amendment by the Principal Regulator within 14 business days of resolving comments under paragraph (8);
- 10) after an Amendment is approved by the Principal Regulator, the Principal Regulator will promptly circulate the approval documentation to the other Approving Regulators;
- 11) the other Approving Regulators will seek the necessary approval within 20 business days of receipt of the documentation from the Principal Regulator, or such later time as is mutually agreed by the Approving Regulators;
- 12) each Approving Regulator will inform the Principal Regulator in writing of the decision concerning the Amendment immediately following the decision;
- 13) the Principal Regulator will communicate in writing the approval of an Amendment to the CIPF and to all Regulators promptly upon receipt of notification from all of the other Approving Regulators of their decision.