

2008 BCSECCOM 278

COR #08/146

Variation Order

Investment Dealers Association of Canada

Sections 24 and 171 of the *Securities Act*, RSBC 1996, c. 418

Background

- ¶ 1 The British Columbia Securities Commission (the Commission) recognized the Pacific District of the Investment Dealers Association of Canada (IDA) as a self-regulatory body on February 4, 1987 (Previous Order).
- ¶ 2 Effective June 1, 2008, the IDA will combine its operations (the Combination) with Market Regulation Services Inc. (RS) to become the Investment Industry Regulatory Organization of Canada (IIROC).
- ¶ 3 IIROC will be a self-regulatory body recognized by the British Columbia Securities Commission, the Alberta Securities Commission, the Saskatchewan Financial Services Commission, the Manitoba Securities Commission, the Ontario Securities Commission, the Autorité des marchés financiers, the Financial Services Regulation Division, Department of Government Services, Consumer & Commercial Affairs Branch (Newfoundland and Labrador), Nova Scotia Securities Commission, the New Brunswick Securities Commission, and the Securities Office, Consumer, Corporate and Insurance Services Division, Office of the Attorney General (Prince Edward Island).
- ¶ 4 The IDA has applied to the Commission to vary and restate the Previous Order in order to reflect that, subsequent to the Combination, the IDA will continue to operate as a self-regulatory body for a period of time to perform limited complaint handling, investigation and enforcement functions.

Order

- ¶ 5 The Commission has determined that it is not prejudicial to the public interest to issue an order that varies and restates the Previous Order to reflect the more limited functions of the IDA subsequent to the Combination.
- ¶ 6 It is ordered, pursuant to sections 24 and 171 of the Act, that the Previous Order be varied and restated as follows, without prejudice to the effectiveness of any lawful exercise of authority under the Previous Order prior to the date of this variation and restatement:

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Recognition Order

Investment Dealers Association of Canada

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

- ¶ 1 On February 4, 1987, the Commission recognized the Pacific District of the Investment Dealers Association of Canada (IDA) as a self-regulatory-body.
- ¶ 2 The IDA and Market Regulation Services Inc. (RS) have combined (the Combination) their operations into the Investment Industry Regulatory Organization of Canada (IIROC), to be effective on June 1, 2008 (the Effective Date).
- ¶ 3 Subsequent to the Combination, for complaint handling, investigations and disciplinary actions, the IDA will continue to regulate and maintain its authority over persons subject to its authority prior to the Effective Date (collectively, Persons) for conduct occurring prior to the Effective Date, for up to five years following the Effective Date.
- ¶ 4 The IDA and IIROC have entered into an agreement (the Agreement) where the IDA has retained IIROC as its agent to perform complaint handling, investigation and enforcement functions on behalf of the IDA for the conduct of Persons occurring prior to the Effective Date, and to provide all administrative services in connection with these functions and the continuance of the IDA.
- ¶ 5 On April 23, 2008, the board of directors of the IDA adopted amendments to its by-law to be effective immediately prior to the Effective Date (IDA By-law Amendments) to reflect the fact that the governance and administration of the IDA in its continued form will be by a board of directors that will be the same as the board of directors of IIROC and to make other consequential amendments following from the creation of IIROC.
- ¶ 6 The IDA has made the following representations:
1. The IDA will, among other things:
 - (i) maintain its existence and recognition as necessary to ensure its continuing authority over Persons and their conduct occurring prior to the Effective Date;

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- (ii) provide confirmation and further assurances to third parties, including tribunals and appeal bodies, of its continuing authority over Persons and their conduct occurring prior to the Effective Date;
 - (iii) subject to applicable law, provide to IIROC all relevant information in its possession that it receives from third parties in connection with the conduct of Persons occurring prior to the Effective Date;
 - (iv) to the extent required for the handling of complaints regarding or the investigation of the conduct of Persons occurring prior to the Effective Date, request information from third parties under information-sharing arrangements to which the IDA is a party; and
 - (v) perform all further acts and provide all further assurances necessary to maintain and confirm its continuing authority over Persons and their conduct occurring prior to the Effective Date.
2. under the Agreement, IIROC will, among other things:
- (i) carry out on the IDA's behalf all complaint handling, investigative and enforcement activities relating to the conduct of Persons occurring prior to the Effective Date;
 - (ii) maintain sufficient personnel, technological and other resources to perform IIROC's obligations under the Agreement in a timely and diligent manner;
 - (iii) comply with, or facilitate the IDA's compliance with, the terms of any information-sharing agreements where the IDA receives information relating to the conduct of Persons occurring prior to the Effective Date; and
 - (iv) provide all funding required for the performance of activities of the IDA relating to the conduct of Persons occurring prior to the Effective Date;
3. all hearing committees and hearing panels for the purposes of any proceedings by the IDA will be constituted in accordance with IIROC Transition Rule No. 1 and Schedule C-1 *Hearing Committees and Hearing Panels Rule*.

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Order

- ¶ 7 Based on the representations and application, including the IDA By-law Amendments, made by the IDA to the Commission, the Commission is satisfied that continuing to recognize the IDA would not be prejudicial to the public interest.
- ¶ 8 The Commission hereby amends the IDA's recognition as a self-regulatory body so that the recognition pursuant to section 24 continues with respect to the IDA, subject to the terms and conditions set out in Schedule A.
- ¶ 9 May 20, 2008, effective June 1, 2008.

Brent W. Aitken
Vice Chair

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Schedule A Terms and Conditions

1. Corporate Governance

The IDA must have the same board of directors as IIROC.

2. Capacity to Perform Regulatory Functions

- (a) The IDA must enter into the Agreement with IIROC under which IIROC must act as the IDA's agent to perform regulation services, including complaint handling, investigation and enforcement related to the conduct of persons subject to its authority occurring prior to the Effective Date and all administrative services in connection therewith and the continuance of the IDA;
- (b) Prior Commission approval is required for any changes to the Agreement.

3. Information Sharing

The IDA or its agents must share information and must otherwise co-operate with the Commission and its staff, other Canadian securities regulatory authorities, exchanges, other regulation services providers, other recognized self-regulatory organizations, clearing agencies, and investor protection or compensation funds.

4. Additional Information & Compliance with Oversight

The IDA or its agents must provide the Commission any additional information the Commission may require from time to time.

5. Use of Fines and Settlements

All fines collected by the IDA, or by IIROC on behalf of the IDA, and all payments made under settlement agreements entered into with the IDA, or with IIROC on behalf of the IDA, must be used in accordance with the terms and conditions set out in the IIROC recognition order effective June 1, 2008, as amended from time to time.