

Conditions of Registration

Investment Dealers with a BC Office that Trade in the U.S. Over-the-Counter Markets

The following conditions apply to each registered investment dealer with an office in British Columbia that has not filed an undertaking in Form A.

Interpretation

1. For the purposes of these conditions

“specified OTC issuer” means an issuer that has

- (a) a class of OTC-quoted securities, other than American Depositary Receipts; and
- (b) no class of securities listed or quoted on any of:
 - (i) TSX Venture Exchange Inc.;
 - (ii) TSX Inc.;
 - (iii) Canadian National Stock Exchange;
 - (iv) Alpha Exchange Inc.;
 - (v) New York Stock Exchange LLC;
 - (vi) NYSE Amex LLC;
 - (vii) The NASDAQ Stock Market LLC.

2. A term used in these conditions has the same meaning as in the *Securities Act*, National Instrument 14-101 *Definitions*, National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, National Instrument 45-106 *Prospectus and Registration Exemptions*, Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-the-Counter Markets*, or British Columbia Instrument 13-5** *Electronic Delivery of Reports Under Conditions of Registration – Investment Dealers with a BC Office that Trade in the U.S. Over-the-Counter Markets* if it is defined or interpreted in that instrument.

Risk management

3. You must effectively manage the risks of trading securities of specified OTC issuers through a British Columbia office through your supervision and compliance systems.

Monitoring and recordkeeping

4. You must do all of the following:

- (a) record the total agency commissions earned by you, and each of your dealing representatives, through your offices in British Columbia, from trading securities of specified OTC issuers;

- (b) calculate and record, for you and each of your dealing representatives in British Columbia, the commissions recorded under condition 4(a) as a percentage of total agency commissions earned trading all equity securities through your offices in British Columbia;
- (c) record every deposit of securities of a specified OTC issuer made through a British Columbia office into an account for which an insider, control person, or founder of the specified OTC issuer, or a person who conducts or causes to be conducted investor relations activities relating to the specified OTC issuer is one of the following:
 - (i) the beneficial owner, or an individual who controls or directs, directly or indirectly, the beneficial owner;
 - (ii) a person who gives trading instructions;
- (d) for each deposit of securities of a specified OTC issuer that you refuse under condition 11, record all jurisdictions identified under condition 7(c) or (d);
- (e) for a deposit of securities of a specified OTC issuer made through a British Columbia office, record all jurisdictions identified under condition 7(c) or (d);
- (f) record the total number of deposits of securities of specified OTC issuers that you refused under condition 11;
- (g) for an individual identified under condition 6(a) or (b) as a beneficial owner or as controlling or directing, directly or indirectly, a beneficial owner that is not an individual calculate and record all of the following:
 - (i) the total number of securities of a specified OTC issuer held with your firm through a British Columbia office;
 - (ii) the percentage of the outstanding securities of the specified OTC issuer held with your firm through a British Columbia office that the number determined under condition 4(g)(i) is;
- (h) for trading your firm facilitated in securities of a specified OTC issuer through a British Columbia office, calculate and record all of the following:
 - (i) for each calendar week, the number of units traded expressed as a percentage of securities of a specified OTC issuer traded, by volume, on all markets;
 - (ii) for each calendar quarter, the number of units traded, if that number is equal to or greater than 100,000.

Reporting

5. Within 30 days of the end of each calendar quarter, you must deliver a report in Form B to the British Columbia Securities Commission containing the information obtained under conditions 4(a), (b), (d), (f), (g), and (h).

Establishing beneficial ownership

6. You must not accept an order to sell securities of a specified OTC issuer through a British Columbia office until you have done all of the following:
 - (a) make the inquiries necessary for you to form a reasonable belief that you know the identity of the beneficial owner of those securities;
 - (b) if the person you believe to be the beneficial owner of the securities is not an individual, you make the inquiries necessary for you to form a reasonable belief that you know the identity of every individual who controls or directs, directly or indirectly, the beneficial owner.
7. You must take reasonable steps to determine, for every person you identify under condition 6 all of the following:
 - (a) whether the person is an insider, control person, or founder of the specified OTC issuer, or a person who conducts or causes to be conducted investor relations activities relating to the specified OTC issuer;
 - (b) if the person falls within condition 7(a), how the person acquired the securities;
 - (c) if the person is an individual, all jurisdictions of which the person is a citizen or resident;
 - (d) if the person is not an individual, all jurisdictions in which the person identified under condition 6(b) is organized, controlled, directed, or managed.

Responsibility of designated individual

8. If you trade securities of a specified OTC issuer through a British Columbia office, you must designate an individual to manage and enforce these conditions.
9. An individual designated under condition 8 must be one of the following:
 - (a) the president, chief executive officer, chief operating officer, or chief financial officer of your firm, or an individual from your firm who performs the functional equivalent to any of those positions;
 - (b) a registered chief compliance officer of your firm;
 - (c) a registered ultimate designated person of your firm.

10. The individual designated under condition 8 must, in writing, approve the policies and procedures you adopt to comply with these conditions, and confirm that those policies and procedures will ensure compliance with these conditions.
11. You must not accept a deposit of securities of a specified OTC issuer through the physical deposit of share certificates through a British Columbia office until the individual designated under condition 8 approves the deposit.

Expiry

12. These conditions expire on (* three years from date they come into effect).