

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,

“account activity” includes, but is not limited to, any of the following:

- (a) a deposit,
- (b) a transfer, or
- (c) a trade;

“financial institution” includes, but is not limited to, any of the following:

- (a) a bank,
- (b) a trust or loan company,
- (c) a credit union,
- (d) an insurer,
- (e) an investment fund,
- (f) an investment fund manager,
- (g) a pension fund,
- (h) a dealer,
- (i) an adviser,
- (j) an entity similar to any of (a) to (i), or
- (k) an affiliate of (a) to (j);

“IOSCO MMOU” means the International Organization of Securities Commissions’ Multilateral Memorandum of Understanding;

“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

- (i) the TSX Venture Exchange,
- (ii) The Toronto Stock Exchange,
- (iii) the CNSX Markets Inc.,
- (iv) the New York Stock Exchange,
- (v) the American Stock Exchange, or
- (vi) the NASDAQ Stock Market,

and

“OTC-quoted securities” means a class of securities that has been assigned a ticker symbol on the OTC Bulletin Board or the Pink Sheets.

1.1 For the purposes of these conditions, an issuer is affiliated with another issuer if

- (a) one of them is the subsidiary of the other, or
- (b) each of them is controlled by the same person.

Risk management

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

Prohibition on financial institution activity

2.1 You may not engage in account activity involving a security of an OTC issuer through a British Columbia office with any financial institution’s office in a jurisdiction, outside Canada or the United States, where the securities regulatory authority in that jurisdiction is not a signatory to the IOSCO MMOU.

2.2 Despite condition 2.1, until [insert date 90 days after this amendment is imposed], you may engage in account activity for a liquidating sale of a security of an OTC issuer through a British Columbia office for a financial institution referred to in condition 2.1.

Monitoring, recordkeeping and reporting

3. You must

- (a) record quarterly the total agency commissions earned by you, and each of your dealing representatives, through your offices in British Columbia, from trading securities of OTC issuers;
- (b) calculate and record quarterly, for you and each of your dealing representatives in British Columbia, the proportion of commissions recorded under condition 3(a) to total agency commissions earned trading all equity securities through your offices in British Columbia;
- (c) record quarterly every deposit of securities of an OTC issuer made through a British Columbia office into an account for which
 - (i) the beneficial owner, or an individual who controls the beneficial owner, or
 - (ii) a person who gives trading instructions,

- is an insider, control person, or founder of the OTC issuer, or a person who conducts or causes to be conducted investor relations activities relating to the OTC issuer;
- (d) record quarterly the total number of deposits of securities of OTC issuers you refuse under condition 9; and
 - (e) within 30 days of the end of each calendar quarter, report in Form B to the British Columbia Securities Commission the information recorded under conditions 3(a), (b), and (d).

Establishing beneficial ownership

- 4. You must not accept an order to sell securities of an OTC issuer through a British Columbia office until you make the inquiries necessary for you to form a reasonable belief that you know the identity of the beneficial owner of those securities. If the person you believe to be the beneficial owner of the securities is not an individual, you must 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.
- 5. You must take reasonable steps to determine, for every person you identify under condition 4,
 - (a) whether the person is an insider, control person, or founder of the OTC issuer, or a person who conducts or causes to be conducted investor relations activities relating to the OTC issuer; and
 - (b) if so, how the person acquired the securities.

Responsibility of designated individual

- 6. If you trade securities of an OTC issuer through a British Columbia office, you must designate an individual to manage and enforce these conditions.
- 7. An individual designated under condition 6 must be:
 - (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, or
 - (c) a registered ultimate designated person of your firm.
- 8. The individual designated under condition 6 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.

9. You must not accept a deposit of securities of an OTC issuer through the physical deposit of share certificates through a British Columbia office until the individual designated under condition 6 approves the deposit.

Expiry

10. These conditions expire on December 31, 2014.