

Canadian Investment Regulatory Organization

Housekeeping amendments to the Mutual Fund Dealer Form 1, Audit Reports and Part II Report on compliance for insurance and segregation of cash and securities

Blackline copy of Housekeeping Amendments to the Mutual Fund Dealer Form 1

FORM 1 – CERTIFICATE OF PARTNERS OR DIRECTORS

(Member Name)

I/We have examined the attached statements and schedules and certify that, to the best of my/our knowledge, they present fairly the financial position and capital of the Member at _____ and the results of

(Member
date)

operations for the period then ended, and are in agreement with the books of the Member.

I/We certify that the following information is true and correct to the best of my/our knowledge for the period from the last audit to the date of the attached statements which have been prepared in accordance with the current requirements of the ~~Corporation~~ Canadian Investment Regulatory Organization:

ANSWERS

- | | |
|---|--|
| <ol style="list-style-type: none"> 1. Do the attached statements fully disclose all assets and liabilities including the following: <ol style="list-style-type: none"> (a) All future purchase and sales commitments? _____ (b) Writs issued against the Member or partners or any other litigation pending? _____ (c) Income tax arrears? _____ (d) Other contingent liabilities, guarantees, accommodation, endorsements or commitments affecting the financial position of the Member? _____ 2. Does the Member promptly segregate clients' cash and securities in accordance with the Rules? _____ 3. Does the Member determine on a regular basis its segregation amount and act promptly to segregate assets as appropriate in accordance with the Rules? _____ 4. Does the Member carry insurance of the type and in the amount required by the Rules? _____ 5. Does the Member monitor on a regular basis its adherence to early warning requirements in accordance with the Rules? _____ 6. Does the Member perform regular reconciliations of its trust accounts in accordance with the Rules? _____ 7. Does the Member perform regular reconciliations of its transactions with fund company and other financial institution records in accordance with the Rules? _____ 8. Does the Member have adequate internal controls in accordance with the Rules? _____ 9. Does the Member maintain adequate books and records in accordance with the Rules? _____ | <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> |
|---|--|

[date]

Name and Title - Please print

Signature

conditions that resulted in the material uncertainty]. As stated in Note _____ in the Statements, ^(note) these events and conditions, along with other matters as set forth in Note _____ in the Statements, ^(note) indicate that a material uncertainty exists that may cast significant doubt on the Member's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter - Unaudited Information

We have not audited the information in Schedule 5 of Part II of Form 1 and accordingly, do not express an opinion on the schedule.

Other Matter – Restriction on Use [Optional wording to either be removed or customized by audit firms]

Our report is intended solely for the Member, ~~the Corporation~~ CIRO and the ~~IPF~~ Canadian Investor Protection Fund ("CIPF") and should not be used by parties other than the Member, ~~Corporation~~ CIRO and ~~the IPF~~ CIPF.

Responsibilities of Management and Those Charged with Governance for the Statements

Management is responsible for the preparation and fair presentation of the Statements in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by ~~the Corporation~~ CIRO and for such internal control as management determines is necessary to enable the preparation of Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Statements, management is responsible for assessing the Member's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Member or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Member's financial reporting process.

Auditor's Responsibilities for the Audit of the Statements

Our objectives are to obtain reasonable assurance about whether the Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Member's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Member’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Member to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the Statements, including the disclosures, and whether the Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Audit Firm]

[Signature of the name of the audit firm]

[Auditor address]

[Date]

INDEPENDENT AUDITOR'S REPORT FOR STATEMENTS B, C AND F

To: ~~Corporation and IPF~~ Canadian Investment Regulatory Organization and Canadian Investor Protection Fund

Opinion

We have audited the Statements of Form 1 of _____ (the Member),
which comprise:

Statement B - Statements of risk adjusted capital as at _____ and _____
(date) (date)

Statement C - Statement of early warning excess as at _____
(date)

Statement F – Statement of changes in subordinated loans for the year ended _____
(date)

(collectively referred to as the Statements).

In our opinion, the accompanying Statement B as at _____ and _____,
(date) (date)

Statement C as at _____ and Statement F for the year ended _____ are
(date) (date)

prepared, in all material respects, in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the ~~Corporation~~ Canadian Investment Regulatory Organization (“CIRO”).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Statements* section of our report. We are independent of the Member in accordance with the ethical requirements that are relevant to our audit of the Statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note _____ to the Statements which describes the basis of accounting.
(note)

The Statements are prepared to assist the Member in complying with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by ~~the Corporation~~ CIRO. As a result, the Statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

[Optional wording to either be removed or customized by respective audit firms] Material Uncertainty related to Going Concern

We draw attention to Note _____ in the Statements which indicates that [insert key events and
(note)
conditions that resulted in the material uncertainty]. As stated in Note _____ in the Statements,
(note)
these events and conditions, along with other matters as set forth in Note _____ in the Statements,
(note)
indicate that a material uncertainty exists that may cast significant doubt on the Member's ability to continue as a

going concern. Our opinion is not modified in respect of this matter.

Other Matter - Unaudited Information

We have not audited the information in Schedule 5 of Part II of Form 1 and accordingly, do not express an opinion on the schedule.

Other Matter – Restriction on Use [Optional wording to either be removed or customized by audit firms]

Our report is intended solely for the Member, ~~Corporation~~CIRO and the ~~IPF~~Canadian Investor Protection Fund (“CIPF”) and should not be used by parties other than the Member, ~~the Corporation.~~CIRO and ~~the IPF~~CIPE.

Responsibilities of Management and Those Charged with Governance for the Statements

Management is responsible for the preparation of the Statements in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by ~~the Corporation~~CIRO, and for such internal control as management determines is necessary to enable the preparation of Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Statements, management is responsible for assessing the Member’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Member or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Member’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Statements

Our objectives are to obtain reasonable assurance about whether the Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Member’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and,

based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Member's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Member to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Audit Firm]

[Signature of the name of the audit firm]

[Auditor address]

[Date]

FORM 1, PART II
AGREED-UPON PROCEDURES REPORT ON COMPLIANCE FOR
INSURANCE AND SEGREGATION OF CASH AND SECURITIES

To: ~~the Corporation and the IPF:~~ _____ <Member>

Purpose of this Agreed-upon Procedures Report

~~We have performed the following procedures in connection with the regulatory requirements for~~ _____
~~(Member firm)~~

~~Our report is solely for the purpose of providing _____ <Member> (Member) with information to assist the Canadian Investment Regulatory Organization (CIRO) and the Canadian Investor Protection Fund (CIPF) in their assessment of the Member's compliance with certain requirements regarding maintaining to maintain minimum insurance and segregate segregation of client cash and securities as outlined in the Mutual Fund Dealer Rules (MFD Rules) of the Corporation. Compliance with the Corporation Rules with respect to insurance and the segregation of client cash and securities is the responsibility of the management of the Member firm. Our responsibility is to perform the procedures requested by you~~ listed in the Procedures and Findings section below and may not be suitable for another purpose.

Responsibilities of the engaging party

The Member, CIRO and CIPF have acknowledged that the agreed-upon procedures, as required by CIRO, are appropriate for the purpose of the engagement. The Member is responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioner's responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the Canadian Standard on Related Services (CSRS) 4400, *Agreed-upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Member, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional ethics

[Free form text]

Procedures and findings

We have performed the procedures described below, which were agreed upon with the Member with respect to the Member's compliance with certain requirements regarding maintaining minimum insurance and segregation of client cash

and securities as outlined in MFD Rules listed in the Procedures and Findings section below.

1. ~~We have read the Member firm's written internal control policies and procedures with respect to maintaining insurance coverage and segregation of client cash and securities to determine that such policies and procedures meet the minimum required, as prescribed by the Rules of the Corporation in regards to establishing and maintaining adequate internal controls.~~

2. ~~We obtained representation from appropriate senior management of the Member firm that the Member firm's internal control policies and procedures with respect to insurance and segregation of client cash and securities meet the minimum required, as prescribed by the Rules of the Corporation in regards to establishing and maintaining adequate internal controls and that they have been implemented.~~

3. ~~We read the Financial Institution Bond Form (the "FIB") insurance policy(s) to determine that the FIB policy(s) includes the minimum required clauses and coverage limits as prescribed in the Rules of the Corporation.~~

4. ~~We requested and obtained confirmation from the Member firm's Insurance Broker(s) as at _____
 20 _____
(period end date)~~
~~as to the FIB coverage maintained with the Insurance Underwriter(s) including:~~

(a) clauses _____	(d) name of insurer and insured _____
(b) aggregate and single loss limits _____	(e) claims made on the policy since last audit _____
(c) deductible amounts _____	(f) details of losses/claims outstanding _____

5. ~~We traced the total client cash and securities held by the Member to the Member's books and records as at the audit date to check that the compilation of the total client cash and securities held by the Member is in accordance with the Notes and Instructions to Schedule 4 of Form 1.~~

6. ~~We obtained a listing of all securities segregation locations used by the Member firm and determined that each location met the definition of "Acceptable Securities Locations" as defined in the General Notes and Definitions to Form 1.~~

7. ~~We obtained a listing of all cash segregation locations used by the Member firm and determined that each location met the definition of "Acceptable Institutions" as defined in the General Notes and Definitions of Form 1 and that each account was designated as "in trust" and was interest bearing.~~

	<u>Procedures</u>	<u>Findings</u> <u>[State the results of the procedures performed]</u>
(1)	<p><u>Obtain the written internal control policies and procedures of the Member, from management of the Member, and inspect whether they include internal controls regarding:</u></p> <ul style="list-style-type: none"> <u>(i) maintaining insurance coverage as required in MFD Rule 4 and MFD Rule 400 - Internal Control Rule Statement 3, and</u> <u>(ii) segregation of client cash and securities as required in MFD Rule 3.3.</u> 	
(2)	<p><u>Obtain written representation from management of the Member that “The Member’s internal control policies and procedures regarding insurance and segregation of client cash and securities meet the minimum requirements in MFD Rule 3.3, MFD Rule 4, and MFD Rule 400 - Internal Control Rule Statement 3 as at <period end date> and have been implemented.” The name and title of those of management who provided the written representation are to be reported in the findings.</u></p>	
(3)	<p><u>Obtain the Financial Institution Bond insurance policy(s) (the FIB(s)) as at <period end date>, from management of the Member, and inspect whether the FIB(s):</u></p> <ul style="list-style-type: none"> <u>(i) clauses exist as per MFD Rule 4.1 for:</u> <ul style="list-style-type: none"> <u>(a) Fidelity</u> <u>(b) On premises</u> <u>(c) In transit and mail</u> <u>(d) Forgery or alterations</u> <u>(e) Securities; and</u> <u>(ii) includes the minimum coverage limits as per MFD Rule 4.4.</u> 	
(4)	<p><u>From a listing of all Member insurance brokers as at <period end date>, provided by management of the Member, confirm items (i) to (xi) below for each insurance broker and report differences from the details reported in the FIB(s):</u></p> <ul style="list-style-type: none"> <u>(i) Insurance company name</u> <u>(ii) Name of insured</u> <u>(iii) FIB/registered mail</u> <u>(iv) Expiry date</u> <u>(v) Coverage</u> <u>(vi) Type of aggregate limit</u> <u>(vii) Provision for full reinstatement</u> <u>(viii) Premium</u> <u>(ix) Clauses</u> <u>(x) Deductible</u> <u>(xi) Losses and claims.</u> 	

<p><u>(5)</u></p>	<p><u>From the report of total client cash and securities held as at <period end date>, provided by management of the Member. Agree the total client cash and securities held by the Member as at <period end date> to Schedule 4 of Form 1, Part II.</u></p>	
<p><u>(6)</u></p>	<p><u>From a listing of all securities segregation locations as at <period end date>, provided by management of the Member, inspect that each securities segregation location meets the definition of "acceptable securities locations" as defined in the General Notes and Definitions to Form 1.</u></p>	
<p><u>(7)</u></p>	<p><u>From a listing of all cash segregation locations as at <period end date>, provided by management of the Member:</u></p> <ul style="list-style-type: none"> <u>(i) inspect that each cash segregation location meets the definition of "Acceptable Institutions" as defined in the General Notes and Definitions of Form 1; and</u> <u>(ii) for each account:</u> <ul style="list-style-type: none"> <u>(a) inspect that the account was designated as "in trust"; and</u> <u>(b) inspect that the account was interest bearing.</u> 	

~~These procedures do not constitute an audit and therefore we express no opinion on the adequacy of the Member firm's insurance coverage, segregation of client cash and securities, or its internal control policies and procedures.~~

~~This report is for use solely by the Corporation and the IPF to assist in their assessment of the Member firm's compliance with the requirements regarding maintaining minimum insurance and segregating client cash and securities as outlined in the Rules of the Corporation and not for any other purpose.~~

[Optional: Restriction on Use]

[Free form text]

(auditing firm)

(date)

(signature)

(place of issue)

[Optional: Additional information]