

## MEMBER REGULATION



INVESTMENT  
DEALERS  
ASSOCIATION  
OF CANADA



ASSOCIATION  
CANADIENNE DES  
COURTIERS EN  
VALEURS MOBILIÈRES

# notice

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**MR – 074**

*May 9, 2001*

ATTENTION:  
Ultimate Designated Persons  
Chief Financial Officers  
Panel Auditors

**Distribute internally to:**

- Corporate Finance
- Credit
- Institutional
- Internal Audit
- Legal & Compliance
- Operations
- Registration
- Regulatory Accounting
- Research
- Retail
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### **Changes in Ownership or Share Capital of Member Firms and Holding Companies**

The purpose of this notice is to remind Members of certain rules of the Association as they relate to changes in ownership and the share capital of a Member or a holding company of a Member.

IDA By-laws 5.3. and 5.4 relate to the issue or transfer of any securities of a Member or a holding company (other than publicly distributed securities or ordinary indebtedness). By-law 17.14 relates to, among other things, changes in the capital structure of a Member.

#### **By-laws 5.3 and 5.4**

By-law 5.3 requires Members to give prior written notice to the Association Secretary of the issue or transfer of securities. For the purpose of this By-law the issue or transfer of securities includes any legal or beneficial interest in securities and would, for instance, include the pledge of shares, repurchases and the issue of shares pursuant to option programs.

By-law 5.4 requires the approval of the applicable District Council for any transaction in which an investor acquires ownership of a significant equity interest in a Member. A significant equity interest is defined to include 10% of the voting securities, participating securities or total equity of the Member or holding company. The manner in which an application for approval may be made pursuant to By-law 5 is provided in By-law 5.17 and Members should ensure that adequate notice is given to the Secretary so that the applicable District Council can deal with the matter in a timely manner.

#### **By-law 17.14**

By-law 17.14 relates to certain fundamental changes in a Member such as reorganizations, disposition of assets, changing of names and changes in voting rights. In particular any alteration in the capital structure of a Member such as the allotment, issue, repurchase, redemption or other reorganization of capital is included. In any such case, a Member must provide not less than 20 days prior notice to the Secretary and/or Vice-President, Financial Compliance.

TORONTO Suite 1600, 121 King Street West, Toronto, Ontario M5H 3T9 Telephone: (416) 364-6133 Fax: (416) 364-0753  
CALGARY Suite 2300, 355 Fourth Avenue S.W., Calgary, Alberta T2P 0J1 Telephone: (403) 262-6393 Fax: (403) 265-4603  
HALIFAX Suite 1620, TD Centre, 1791 Barrington Street, Halifax, Nova Scotia B3J 3K9 Telephone: (902) 423-8800 Fax: (902) 423-0629  
MONTRÉAL Suite 2802, 1 Place Ville Marie, Montréal, Québec, H3B 4R4 Téléphone: (514) 878-2854 Télécopieur: (514) 878-3860  
VANCOUVER Suite 1325, P.O. Box 11614, 650 West Georgia Street, Vancouver, B.C. V6B 4N9 Telephone: (604) 683-6222 Fax: (604) 683-3491

No Member shall proceed with any transaction of the kind described including the allotment and issuance of shares unless the prior notice has been given in the manner required, and within that period the Member has not been advised that the matter must be submitted to the applicable District Council for approval. In such circumstances, the District Council may review and approve or disapprove the proposed action if it considers that the action may result in the Member being unable to comply with the rules of the Association.

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Please refer to the specific By-laws referred to above for more information.