Appendix A

BLACKLINE COPY OF THE PROPOSED AMENDMENTS TO DEALER MEMBER RULES

RULE 38

COMPLIANCE AND SUPERVISION

38.3

(a) No person may act and no Dealer Member may permit a person to act as a Supervisor without the approval of the Corporation.

~~(b) Failure to satisfy sub-clause A.1(a)(ii)D of Part I of Rule 2900 will result in the automatic suspension of approval. Approval will be reinstated only at such time as the individual has satisfied the applicable proficiency requirement and notified the Corporation.~~

Appendix A

RULE 1300

SUPERVISION OF ACCOUNTS

1300.1.

Identity and Creditworthiness

(a) Each Dealer Member shall use due diligence to learn and remain informed of the essential facts relative to every customer and to every order or account accepted.

(b) When opening an initial account for a corporation or similar entity, the Dealer Member shall:

(i) ascertain the identity of any individual who is the beneficial owner of, or exercises direct or indirect control or direction over, more than ~~10~~25% of the corporation or similar entity, including the name, address, citizenship, occupation and employer of each such beneficial owner, and whether any such beneficial owner is an insider or controlling shareholder of a publicly traded corporation or similar entity; and

(ii) as soon as is practicable after opening the account, and in any case no later than six months after the opening of the account, verify the identity of each individual identified in (i) using such methods as enable the Dealer Member to form a reasonable belief that it knows the true identity of each individual and that are in compliance with any applicable legislation and regulations of the Government of Canada or any province.

Appendix A

RULE 2900: PROFICIENCY AND EDUCATION:

PART I – PROFICIENCY REQUIREMENTS

INTRODUCTION

This Part I outlines the proficiency requirements for Approved Persons. These proficiency requirements consist of both entrance thresholds and on-going requirements.

DEFINITIONS

For the purpose of this Part I:

"**Recognized Foreign Self-regulatory Organization**" means a foreign self-regulatory organization which offers a reciprocal treatment to Canadian applicants and which has been approved as such by Corporation.

All courses and examinations, unless otherwise specified, are administered by CSI Global Education Inc.

A. Proficiency Requirements for Approved Persons

1. Supervisors

(a) The proficiency requirements for Supervisors of Approved Persons dealing with retail customers are:

(i) Two years of relevant experience working for a Dealer Member or such equivalent experience as may be acceptable to the applicable District Council;

(ii) If supervising Registered Representatives dealing with retail customers, successful completion of

A. The Canadian Securities Course or Level I or any higher level of the CFA Program administered by the CFA Institute,

B. The Conduct and Practices Handbook Course, and

C. The Branch Managers Course. ~~, and~~

~~D. The Effective Management Seminar within 18 months after beginning to supervise Registered Representatives dealing with retail customers.~~

(iii) If supervising Investment Representatives only, successful completion of The Canadian Securities Course or Level I or any higher level of the CFA Program administered by the CFA Institute, The Conduct and Practices Handbook Course, and the Branch Managers Course

(iv) If supervising options trading, successful completion of:

A. 1. The Derivatives Fundamentals Course~~,~~ and ~~T~~the Options Licensing Course, or

2. The Derivatives Fundamentals and Options Licensing Course,

and

B. The Options Supervisor Course.

(v) If supervising futures contract and futures contract options, successful completion of:

A. 1. The Derivatives Fundamentals Course or the Derivatives Fundamentals and Options Licensing Course ~~and the Futures Licensing Course ("FLC")~~, or

2. ~~The FLC and t~~The National Commodity Futures Examination administered by the National Association of Securities Dealers~~;~~,

~~and~~

B. ~~t~~The Canadian Commodity Supervisors Examination,

and

C. The Futures Licensing Course.

(b) The proficiency requirements for Supervisors of Approved Persons dealing with Institutional Customer accounts only are:

(i) If supervising Registered Representatives or Investment Representatives dealing with institutional customers, successful completion of:

A. 1. The Branch Managers Course, or

2. The Partners, Directors and Senior Officers Course;

and

B. The proficiency requirements necessary to conduct or supervise any trading activity carried on by Approved Persons he or she supervises.

(ii) If supervising options trading, successful completion of The Options Supervisor Course.

(iii) If supervising futures contract and futures contract options, successful completion of:

A. 1. The Derivatives Fundamentals Course or the Derivatives Fundamentals and Options Licensing Course ~~and Futures Licensing Course~~, or

2. ~~The Futures Licensing Course and t~~The National Commodity Futures Examination administered by the Financial Industry Regulatory Authority~~;~~,

~~and~~

B. T~~t~~he Canadian Commodity Supervisors Examination,

and

C. The Futures Licensing Course.

(c) A Chief Compliance Officer who is also a Supervisor of a producing Supervisor is exempt from the proficiency requirements in 1(a)(ii) provided he/she complies with the proficiency requirements of Dealer Member Rule 2900 Part I A.2B.

(d) If an individual is approved as a Supervisor as of September 28, 2009, the requirement to complete both t~~T~~he Derivatives Fundamentals Course and ~~T~~the Options Licensing Course, or the Derivatives Fundamentals and Options Licensing Course in subsection 1(a)(iv) does not apply to the individual so long as the individual remains approved in the Supervisor category.

(e) An individual who supervises a Registered Representative under Rule 1300.15(c) must satisfy the applicable proficiency requirements of Rule 2900 Part I A.6 or section 3.11 (Portfolio manager – advising representative) of National Instrument 31-103 *Registration Requirements and Exemptions* and is, for greater certainty, exempt from the requirements in Rule 2900 Part I A.1(a)(i), (ii) and (v).

(f) A partner, Director, or Officer who is a Designated Supervisor under Rule 1300.2 or 1300.4 and who undertook such a supervisory role immediately prior to September 28, 2009 is exempt from the applicable requirements in subsection 1(a)(ii) and (iii) provided:

(i) the individual successfully completed the Partners, Directors and Senior Officers Course;

(ii) the individual seeks approval as a Supervisor within 6 months of September 28, 2009; and

(iii) the individual remains approved in the Supervisor category.

2. Directors and Executives

The proficiency requirements for a Director or Executive of a Dealer Member under Rule 7.3 or 7.4 are:

(a) Successful completion of the Partners, Directors and Senior Officers Course;

(b) If also approved in a trading category, successful completion of the applicable proficiency requirements; and

(c) If supervising the handling of customer accounts, successful completion of the applicable proficiency requirements for a Supervisor.

2A. Chief Financial Officers

1. The proficiency requirements for a chief financial officer pursuant to Rule 38.6 are:

   (a) A financial accounting designation, university degree or diploma, or equivalent work experience; and

   (b) Successful completion of the Partners, Directors and Senior Officers Course, and

   (c) Successful completion of the Chief Financial Officers Qualifying Examination.

2. A person approved as Acting Chief Financial Officer pursuant to Rule 7.5(b) shall have 90 days from the date of termination of the Chief Financial Officer to successfully complete of the Chief Financial Officers Qualifying Examination.

3. Any Dealer Member that fails to provide to the Corporation proof of successful completion of the Chief Financial Officers Qualifying Examination within 10 days of the dates specified for successful completion in section 2 above, or such other dates as the Corporation may specify, shall be liable for and pay to the Corporation such fees as the Board may from time to time prescribe.

2B. Chief Compliance Officers

1. The proficiency requirements for a chief compliance officer pursuant to Rule 38.7 are:

   (a) Successful completion of the Partners, Directors and Senior Officers Qualifying Examination; and

   (b) Successful completion of the Chief Compliance Officers Qualifying Examination.

2. A person approved as acting Chief Compliance Officer pursuant to Rule 38.7 shall have 90 days from the date of termination of the Chief Compliance Officer to successfully complete of the Chief Compliance Officers Qualifying Examination.

3. Any Dealer Member that fails to provide to the Corporation proof of successful completion of the Chief Compliance Officers Qualifying Examination within 10 days of the dates specified for successful completion in section 2 above, or such other dates as the Corporation may specify, shall be liable for and pay to the Corporation such fees as the Board may from time to time prescribe.

3. Registered Representatives and Investment Representatives

The proficiency requirements for a Registered Representative or Investment Representative under Rule 18.3 are:

(a) (i) Successful completion of

   (A) The Canadian Securities Course or Level I or any higher level of the CFA Program administered by the CFA Institute prior to commencing the training programme described in subsection (C),

(B) The Conduct and Practices Handbook Course, and

(C) Either

1. For a Registered Representative dealing with retail customers a 90-day training programme during which time he or she has been employed with a Dealer Member firm on a full-time basis, or

2. For an Investment Representative, a 30-day training programme during which time he or she has been employed with a Dealer Member firm on a full-time basis;

or

(ii) Successful completion of the New Entrants Course, where the person was registered or licensed with a recognized foreign self-regulatory organization within three years prior to application with the Corporation;

and

(b) For a Registered Representative dealing with retail customers other than a Registered Representative dealing in mutual funds only, successful completion of the Wealth Management Essentials course within 30 months after his or her approval as a Registered Representative.

4. Registered Representatives and Investment Representatives Dealing only in Mutual Funds

The proficiency requirement for a Registered Representative or Investment Representative dealing only in mutual funds under Rule 18.7 is successful completion of:

(a) The Canadian Securities Course;

(b) The Canadian Investment Funds Course administered by IFIC,

(c) The Investment Funds in Canada Course administered by CSI Global Education Inc. and previously The Institute of Canadian Bankers, or

(d) The Principles of Mutual Funds Investment Course administered by CSI Global Education Inc. and previously The Institute of Canadian Bankers.

5. Traders

The proficiency requirement for a Trader under Rule 500.2 is:

(a) for a Trader on the Toronto Stock Exchange or TSX Venture Exchange, the Trader Training Course, unless an exemption is granted by either exchange or its market regulation services provider.

(b) for a Trader on the Bourse de Montreal, the proficiency requirements determined to be acceptable by Bourse de Montreal.

6. Portfolio Management

6.1 The proficiency requirements for a Registered Representative providing discretionary portfolio management for managed accounts that do not trade in futures contracts are:

(a) Successful completion of

(i) The Conduct and Practices Handbook Course, and

(ii) either

A. The courses necessary to attain the Canadian Investment Manager Designation, or

B. The three levels of the Chartered Financial Analyst programme administered by the CFA Institute;

and

(b) Experience

(i) Of at least three years as a Registered Representative or a research analyst for a Dealer Member,

(ii) Of at least two years ending not more than three years prior to the date of application as a registered advisor under Canadian securities legislation managing on a discretionary basis at least $5,000,000 in aggregate assets; or

(iii) Of at least five years ending not more than three years prior to the date of application, managing a portfolio of $5,000,000 or more, on a discretionary basis, while employed by a government-regulated institution.

6.2 The proficiency requirements for a Registered Representative exercising discretionary authority over managed accounts trading in futures contracts or futures contracts options are:

(a) Successful completion of

(i) The Canadian Commodity Supervisors Exam, the Futures Licensing Course and the courses necessary to attain the Derivatives Market Specialist Designation; or

(ii) The Chartered Financial Analyst program administered by the CFA Institute; and

(b) Experience ending no earlier than three years prior to the date of commencing to exercise discretionary authority over managed accounts of at least 5 years as an Approved Person actively engaged in advising on and trading in futures contracts or futures contracts options for customer accounts.

7. Commodity Futures Contracts and Options

7.1 The proficiency requirements for a Registered Representative or Investment Representative who deals with customers in futures contracts or futures contract options are successful completion of:

(a) (i) The Derivatives Fundamentals Course or the Derivatives Fundamentals and Options Licensing Course ~~and the Futures Licensing Course~~, or

~~(b)~~ (ii) ~~The Futures Licensing Course and t~~The National Commodity Futures Examination administered by the Financial Industry Regulatory Authority.~~;~~

and

(b) The Futures Licensing Course.

8. Options

The proficiency requirement for a Registered Representative or Investment Representative who deals with customers in options is successful completion of:

(a) The Derivatives Fundamentals Course and the Options Licensing Course, or the Derivatives Fundamentals and Options Licensing Course, or

(b) The Series 7 administered by the Financial Industry Regulatory Authority and the New Entrants Course.

B. General Exemption

1. The applicable District Council may, under Rule 20.24, exempt any person or class of persons from the proficiency requirements on such terms and conditions, if any, as the applicable District Council may see fit.

2. The Board may prescribe a fee to be paid for any exemption application under paragraph 1.

RULE 2900

PROFICIENCY AND EDUCATION:

PART II – EXAMINATION REWRITE REQUIREMENTS AND COURSE AND EXAMINATION EXEMPTIONS

INTRODUCTION

This Part II outlines the exemptions that exist from the Corporation's course and examination requirements for persons seeking to be approved in certain categories of registration. This Part II exempts applicants from the requirement to rewrite courses or examinations that they have successfully completed if they are re-entering the industry, re-registering in a category of registration or seeking initial registration within certain time periods. This Part II also provides exemptions to applicants from the requirements to initially write a course or examination if the applicant satisfies one of the specifically enumerated exemptions based on grandfathering provisions or the successful completion of other courses and examinations. In addition, this Part II sets out the basis upon which the applicable District Council may grant a discretionary exemption.

All courses and examinations, unless otherwise specified, are administered by CSI Global Education Inc.

A. Requirement to Rewrite Courses and Examinations

1. Current and Former Approved Persons

(a) An applicant for approval who was previously approved in a category must complete a proficiency requirement if he or she has not been approved in the category to which the requirement applies within the three years prior to the date of application.

(b) An Applicant or Approved Person who has previously conducted a particular type of business must complete a proficiency required to conduct the type of business if he or she has not conducted the type of business within the past three years.

(c) Sections (a) and (b) do not apply to new or amended course requirements not required when the Approved Person or applicant for approval was initially approved or began to conduct the type of business, provided that the applicant was not under a requirement to complete the course or examination when the applicant's approval lapsed.

2. Approval after Completion of Course

Subject to Rule 2900 Part II A.3(a), an applicant for approval who has never been approved or conducted a type of business must rewrite a required examination or course if it was completed more than ~~two~~ three years before the date of application.