

MANITOBA SECURITIES COMMISSION
MSC RULE 2000-11
(Section 71, *The Commodity Futures Act*)

PART 1 — INTERPRETATION

Definitions

1.1 In this rule,

“**Act**” means *The Commodity Futures Act*;

“**associate futures contracts portfolio manager**” means a partner, officer, director or employee of a futures commission merchant who is registered under this rule as an associate futures contracts portfolio manager;

“**customer**” includes a client;

“**deposit institution**” means

- (a) a bank as defined in the *Bank Act* (Canada),
- (b) a loan corporation or trust corporation registered under Part XVI of *The Corporations Act*,
- (c) a credit union incorporated under *The Credit Unions and Caisses Populaires Act*,
- (d) a commercial bank that is a member of the Federal Reserve System of the United States of America;

“**discretionary account**” means an account of a customer in respect of which a registered futures commission merchant exercises any discretionary authority in trading by or for such account, provided that an account shall not be considered to be a discretionary account for the sole reason that discretion is exercised as to the price at which or time when an order given by the customer for the purchase or sale of a definite amount of a specified contract is executed;

“**floor broker**” means an individual who is registered under the Act as a dealer in the floor broker registration category;

“**futures commission merchant**” means a person or company that is registered under the Act as a dealer in the futures commission merchant registration category;

“**futures contracts portfolio manager**” means a partner, officer, director or employee of a futures commission merchant who is registered under this rule as a futures contracts portfolio manager;

“merchant” means a partnership or company that is registered under the Act as a dealer in the merchant registration category;

“responsible person” means a futures commission merchant, an adviser and every individual who is a partner, director or officer of a futures commission merchant or an adviser, and includes

(a) an associate of a futures commission merchant or adviser, if the associate participates in the formulation of, or has access prior to implementation to, trading decisions made on behalf of, or advice given to, the customer of the futures commission merchant or adviser, and

(b) an individual who is a director, officer or employee of such an associate or who is an employee of the futures commission merchant or adviser, if the individual participates in the formulation of, or has access prior to implementation to, trading decisions made on behalf of, or advice given to, the customer of the futures commission merchant or adviser;

“risk adjusted capital” means risk adjusted capital calculated as set out in Statement B of Part 1 of the Joint Regulatory Financial Questionnaire and Report, Form 1 of the Investment Dealers Association of Canada;

“omnibus account” means an account carried by a futures commission merchant for another futures commission merchant in which the transactions of two or more persons or companies are combined and effected in the name of the second-mentioned futures commission merchant without disclosure of the identity of such persons or companies.

Forms

1.2 The forms referred to in this rule are the forms set out in the Schedule.

Deemed employment

1.3 For the purposes of registration under the Act and this rule, and the execution of certificates and forms under this rule,

(a) a futures commission merchant that is a partnership is deemed to be the employer of every partner of the partnership who is registered, or in respect of whom registration is sought, as a partner, branch manager, futures contracts portfolio manager or associate futures contracts portfolio manager of the futures commission merchant;

(b) a futures commission merchant that is a company is deemed to be the employer of

(i) every officer of the company who is registered, or in respect of whom registration is sought, as an officer, branch manager, futures contracts portfolio manager or associate futures contracts portfolio manager of the futures commission merchant, and

(ii) every director of the company who is registered, or in respect of whom registration is sought, as a salesperson, branch manager, futures contracts portfolio manager or associate futures contracts portfolio manager of the futures commission merchant; and

(c) an adviser that

(i) is a partnership is deemed to be the employer of every partner of the partnership who is registered, or in respect of whom registration is sought, as a partner of the adviser; and

(ii) is a company is deemed to be the employer of every officer of the company who is registered, or in respect of whom registration is sought, as an officer of the adviser.

PART 2 — AUTHORIZED AND PROHIBITED ACTIVITIES

Authorized dealers' activities and prohibited activities by non-dealers

2.1(1) A floor broker

(a) may

(i) in or around a pit, ring, post or other place provided by a commodity futures exchange for the meeting of floor brokers and others similarly engaged, and

(ii) for himself or herself and for other exchange members,

buy and sell contracts on, or subject to the rules of, the exchange; and

(b) may engage in engage in soliciting or accepting orders from exchange members for the purchase or sale of contracts on, or subject to the rules of, a commodity futures exchange.

2.1(2) No individual shall carry on the activities set out in subsection (1), unless the individual is a floor broker or is otherwise authorized to do so by registration under the Act, and no company or other person shall carry on those activities unless the company or other person is authorized to do so by registration under the Act.

2.1(3) A futures commission merchant may

(a) engage in soliciting or accepting orders from both members of a commodity futures exchange and non-members for the purchase or sale of contracts on, or subject to the rules of, the exchange;

(b) in, or in connection with, the solicitation or acceptance of orders, accept money, securities or property, or extend credit, to margin, guarantee or secure any trades or contracts that result or may result from the solicitation or acceptance of the orders;

(c) engage in the activities set out in subsection (1); and

(d) engage in the activities of an adviser.

2.1(4) No person or company shall carry on the activities set out in subsection (3), unless the person or company is a futures commission merchant or is otherwise authorized to do so by registration under the Act.

2.1(5) A local may in or around a pit, ring, post or other place provided by a commodity futures exchange for the meeting of floor brokers and others similarly engaged, for the local's own account, buy or sell contracts, or both.

2.1(6) A merchant may, for the merchant's own account, buy or sell contracts, or both.

Prohibited activities by futures commission merchants

2.2(1) No futures commission merchant shall employ an individual as a branch manager unless the individual is registered as a branch manager.

2.2(2) No futures commission merchant shall employ an individual as a futures contracts portfolio manager unless the individual is registered as a futures contracts portfolio manager.

2.2(3) No futures commission merchant shall employ an individual as an associate futures contracts portfolio manager unless the individual is registered as an associate futures contracts portfolio manager.

Prohibited activities by advisers

2.3(1) No adviser shall solicit, accept or receive from an existing or prospective customer funds, securities or other property in the adviser's name, or to extend credit, to purchase, margin, guarantee or secure a trade for the customer, unless the advisor is also a futures commission merchant.

2.3(2) No adviser shall employ an individual for the purpose of advising the adviser's customers as to trading in contracts unless the individual has successfully completed the courses referred to in subsection 3.14(1).

Prohibited activities by others

2.4(1) No individual shall act as the branch manager of a futures commission merchant unless the individual is registered as a branch manager.

2.4(2) No individual shall effect trades for customers through discretionary accounts unless the individual is registered as a futures contracts portfolio manager or associate futures contracts portfolio manager.

2.4(3) No person who is not an individual and no company shall effect trades for customers through discretionary accounts unless the person or company is a futures commission merchant and the discretion is exercised by a futures contracts portfolio manager or associate futures contracts portfolio manager.

2.4(4) No employee of a registered adviser shall advise the adviser's customers as to trading in contracts unless the employee has successfully completed the courses referred to in subsection 3.14(1) and is authorized by the adviser to provide such advice.

PART 3 — REGISTRATION OF DEALERS, ADVISERS AND OTHERS

Categories of dealers

3.1 The following are the registration categories of dealers:

- (a) floor broker;
- (b) futures commission merchant;
- (c) merchant.

Applications for registration

3.2(1) An applicant for registration as a dealer shall file with the commission a fully completed and executed Form 5 and shall elect to be registered in one of the categories set out in section 3.1.

3.2(2) An applicant for registration as a dealer who wishes to be registered in more than one dealer registration category, or as both a dealer and adviser, shall file a separate application in respect of each registration sought.

3.2(3) A registered dealer who wishes to be registered in a second or subsequent registration category, or as an adviser, shall file a separate application for each registration sought.

3.2(4) Despite subsection (1), a person or company who is duly registered as a broker-dealer or investment dealer under *The Securities Act* (Manitoba) may, in lieu of filing an application in Form 5, file a letter with the director requesting registration as a futures commission merchant.

3.3(1) An applicant for registration as

(a) a salesperson, partner, officer, branch manager, futures contracts portfolio manager or associate futures contracts portfolio manager of a futures commission merchant; or

(b) a floor trader of a merchant;

shall file with the commission a fully completed and executed Form 6, unless the applicant has previously provided the commission with the information required by Form 6 and the information, as provided, is current and correct as of the date of the application.

3.3(2) Despite subsection (1), when an individual is registered under *The Securities Act* (Manitoba) as a salesperson, partner or officer of a futures commission merchant that is registered as a broker-dealer or investment dealer under that Act, the salesperson, partner or officer may, in lieu of completing and executing Form 6, file a letter with the director requesting registration as a salesperson, partner or officer of the futures commission merchant.

3.3(3) No applicant for registration as a salesperson, partner or officer of a futures commission merchant shall be registered as such if the applicant is also registered under *The Securities Act* (Manitoba) as a salesperson, partner or officer of a registrant under that Act other than the futures commission merchant.

3.3(4) Subsections (2), (3) and (5) apply, with necessary modifications, to a branch manager, futures contracts portfolio manager or associate futures contracts portfolio manager of a futures commission merchant.

3.3(5) No individual may be registered as a salesperson, partner or officer of more than one futures commission merchant.

3.3(6) No individual may be registered as a floor trader of more than one merchant.

3.4(1) An applicant for registration as an adviser shall file with the commission a fully completed and executed Form 5 and Form 6.

3.4(2) Despite subsection (1), a person or company who is duly registered as an investment counsel under *The Securities Act* (Manitoba) may, in lieu of filing Form 5 and Form 6, file a letter with the director requesting registration as an adviser.

3.5(1) An applicant for registration as a partner or officer of a registered adviser shall file with the commission a fully completed and executed Form 6, unless the applicant has previously provided the commission with the information required by Form 6 and the information, as provided, is current and correct as of the date of the application.

3.5(2) Despite subsection (1), when an individual is registered under *The Securities Act* (Manitoba) as a partner or officer of a registered adviser that is also registered as an investment counsel under that Act, the partner or officer may, in lieu of completing and executing Form 6, file a letter with the director requesting registration as a partner or officer of the adviser.

3.5(3) No applicant for registration as a partner or officer of a registered adviser shall be registered as such if the applicant is also registered under *The Securities Act* (Manitoba) as a partner or officer of a registrant under that Act other than the adviser.

3.5(4) No individual may be registered as a partner or officer of more than one registered adviser.

3.6 An applicant for registration as a local shall file with the commission a fully completed and executed Form 6.

Length of registration period

3.7(1) Subject to subsections (2) and (6), every dealer, adviser and local registration and every renewal of a registration expires at the end of the day preceding the first anniversary of the granting of the registration or renewal of registration, as the case may be.

3.7(2) For the purpose of subsection (1), if a person or company is registered in more than one dealer registration category or as both a dealer and adviser, or any combination of them, the first anniversary of the granting of the registration shall be the first anniversary of the granting of the earliest of the person or company's registrations, and the same shall apply to a renewal of the person or company's registrations.

3.7(3) The registration or renewal of registration of every salesperson, partner, officer, branch manager, futures contracts portfolio manager and associate futures contracts portfolio manager of a futures commission merchant expires at the same time as the registration or renewal of registration of the futures commission merchant.

3.7(4) The registration or renewal of registration of every floor trader of a merchant expires at the same time as the registration or renewal of registration of the merchant.

3.7(5) The registration or renewal of registration of every partner and officer of a registered adviser expires at the same time as the registration or renewal of registration of the registered adviser.

3.7(6) The suspension or cancellation of the registration of

(a) a futures commission merchant suspends or cancels the registration of each salesperson, partner, officer, branch manager, futures contracts portfolio manager and associate futures contracts portfolio manager of the futures commission merchant;

- (b) a merchant suspends or cancels the registration of each floor trader of the merchant; and
- (c) an adviser suspends the registration of each partner or officer of the adviser.

3.7(7) In the event of an amalgamation or merger

- (a) of two or more registered dealers; or
- (b) of two or more registered advisers;

or any combination of them, the registration or renewal of registration of the successor registrant expires at the end of the day preceding the first anniversary of the latest of the dates on which registration or renewal of registration was granted to each of the predecessor registrants.

Applications for renewal of registration

3.8(1) An applicant for renewal of registration as a dealer, adviser or local shall file with the commission a fully completed and executed Form 8 or, if the applicant is registered under *The Securities Act* (Manitoba), shall file a letter with the director requesting renewal of the registration.

3.8(2) An applicant for renewal of registration

- (a) as a salesperson, partner, officer, branch manager, futures contracts portfolio manager or associate futures contracts portfolio manager of a futures commission merchant;
- (b) as a floor trader of a merchant; or
- (c) as a partner or officer of a registered adviser;

shall file with the commission a fully completed and executed Form 9 or, if the applicant is registered under *The Securities Act* (Manitoba), shall file a letter with the director requesting renewal of the registration.

3.8(3) Every application for renewal of registration shall be filed with the commission no later than thirty days before the expiry date of the registration, renewal of which is being sought. A letter under subsection (1) or (2) from a registrant under *The Securities Act* (Manitoba) is an application for renewal for the purpose of this subsection.

Amendment of registrations, approval of amalgamations etc., notices of change

3.9(1) A registrant who wishes or is required to amend its registration shall file an application to amend the registration with the commission

- (a) in Form 10 when the registrant is a dealer, adviser or local; and

(b) in Form 11 when the registrant is a salesperson, partner, officer, branch manager, futures contracts portfolio manager, associate futures contracts portfolio manager or floor trader.

3.9(2) No registered dealer or adviser shall amalgamate or merge with another person or company without the prior written approval of the director.

3.9(3) A registered dealer or adviser that intends to amalgamate or merge with another person or company shall request the director's approval at least 30 days before the effective date of the proposed amalgamation or merger.

3.9(4) A request under subsection (3) shall be in writing in whatever form the director may require from time to time and shall include or be supplemented by whatever information about the proposed amalgamation or merger that the director requires in order to enable him or her to consider the request in an informed manner.

3.9(5) When the director has received all the information he or she has required, the director shall consider the request without delay and

(a) if the director is satisfied that the proposed amalgamation or merger

(i) does not contravene the Act, this rule, another rule under the Act or a condition of registration, and

(ii) is not prejudicial to the public interest,

may approve the amalgamation or merger, with or without conditions; or

(b) if the director is not so satisfied, may reject the request;

and the director shall without delay inform the dealer or adviser in writing of his or her decision.

3.9(6) Without limiting the generality of clause (5)(a), the director may, as a condition of approval, require an amalgamating or merging dealer or adviser to amend its registration and may require the amalgamated or merged entity to be registered in one or more specific registration categories.

3.9(7) A notice of change required by subsection 32(1) or (2) of the Act shall

(a) if the notice relates to the opening of a branch office, be in Form 15;

(b) if the notice relates to the closing of a branch office, be in Form 16;

(c) if the notice relates to the termination of employment of an employee, be in Form 17; and

(d) in the case of any other change mentioned in either of those subsections, be in Form 10.

3.9(8) A notice of change required by subsection 32(4) or (5) of the Act shall be in Form 11.

3.9(9) When an application for amendment of registration in Form 11 is in connection with the transfer of

(a) a salesperson, partner, officer, branch manager, futures contracts portfolio manager or associate futures contracts portfolio manager from the employ of one futures commission merchant to another; or

(b) a floor trader from the employ of one merchant to another;

the new employer shall complete and execute a certificate in Form 7, and the applicant shall file the certificate with the commission as part of the application for amendment.

Conditions of registration – general

3.10(1) No registration or renewal of registration shall be granted unless the applicant complies with the applicable requirements of this rule at the time of the granting of the registration or renewal of registration.

3.10(2) Only an individuals shall be granted registration

(a) in the floor broker registration category;

(b) as a salesperson, branch manager, futures contracts portfolio manager or associate futures contracts portfolio manager of a futures commission merchant;

(c) as a floor trader of a merchant; or

(d) as a local.

3.10(3) Only a partnership or company shall be granted registration in the merchant category.

3.10(4) No registrant or partner, officer or associate of a registrant shall have a direct or indirect interest in another registrant without the approval of the director.

3.10(5) The commission may in a hearing under section 27 of the Act consider a registrant's failure to comply with an applicable provision of this rule as a ground for taking any action that the commission may take under that section.

Conditions of registration – proficiency requirements

3.11 In sections 3.12 to 3.14,

“Canadian Commodity Supervisors Examination” means an examination that is administered and so designated by the Canadian Securities Institute;

“Options Licensing Course” means a course that is administered and so designated by the Canadian Securities Institute;

“Derivatives Fundamentals Course” means a course that is administered and so designated by the Canadian Securities Institute;

“Futures Licensing Course” means a course that is administered and so designated by the Canadian Securities Institute;

“Options Supervisors Course” means a course that is administered and so designated by the Canadian Securities Institute;

“Partners, Directors and Senior Officers Qualifying Examination” means an examination that is administered and so designated by the Canadian Securities Institute;

“The National Commodity Futures Examination” means a course that is administered and so designated by the National Association of Securities Dealers;

“Floor Brokers Course” means a course that is administered and so designated by the Winnipeg Commodity Exchange.

3.12 No individual shall be granted registration in the floor broker registration category or as a floor trader or local unless he or she has successfully completed the Floor Brokers Course.

3.13(1) No individual shall be granted registration as a salesperson of a futures commission merchant unless he or she has successfully completed

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

(b) The National Commodity Futures Examination and the Futures Licensing Course and Options Licensing Course.

3.13(2) No individual shall be granted registration as a branch manager of a futures commission merchant unless

(a) where the futures commission merchant’s business includes trading in commodity futures contracts, he or she has successfully completed the Canadian Commodity Supervisors Examination; and

(b) where the futures commission merchant's business includes trading in commodity futures options, he or she has successfully completed the Options Supervisors Course.

3.13(3) No person shall be granted registration as a partner or officer of a futures commission merchant unless he or she has successfully completed the Derivatives Fundamentals Course, Futures Licensing Course, Options Licensing Course and the Partners, Directors and Senior Officers Qualifying Examination.

3.13(4) No individual shall be granted registration as an associate futures contracts portfolio manager of a futures commission merchant unless

(a) the individual is registered with the Investment Dealers Association of Canada as an "associate futures contract portfolio manager";

(b) the individual is registered as a salesperson, partner or officer of the futures commission merchant;

(c) the individual has had at least two years experience actively trading in contracts as a registered salesperson, partner or officer of a futures commission merchant;

(d) at least two years of the experience referred to in clause (c) have been continuously served in the 25 months immediately preceding the filing of the application for registration as an associate futures contract portfolio manager; and

(e) the individual provides the commission with a letter of undertaking from the futures commission merchant that the individual will, while exercising discretionary authority as an associate futures contracts portfolio manager with respect to any discretionary account, be under the direct supervision of a futures contracts portfolio manager.

3.13(5) A letter provided to the commission as required by clause (4)(e) shall be signed by each partner or officer of the futures commission merchant who is a member of its portfolio management committee.

3.13(6) No individual shall be granted registration as a futures contracts portfolio manager unless

(a) the individual is registered with the Investment Dealers Association of Canada as a "futures contract portfolio manager";

(b) the individual is registered as a salesperson, partner or officer of the futures commission merchant and has been trading in contracts for at least three years;

(c) the individual has had at least three years experience as an associate futures contracts portfolio manager;

(d) at least three years of the experience referred to in clause (c) have been served in the 37 months immediately preceding the filing of the application for registration as a futures contracts portfolio manager; and

(e) the individual has at the time of application, and has had for a continuous period of at least one year before that time, assets comprised of commodity futures contracts having an aggregate value of not less than \$5,000,000. under his or her direct administration on a discretionary basis; provided that the aggregate value of the assets shall be computed based upon the value of the underlying commodities.

3.13(7) No person or company shall be granted registration as a futures commission merchant unless the person or company satisfies the director that before carrying on business as a future commission merchant it will have the minimum personnel required by subsection 3.16(1).

3.14(1) No individual shall be granted registration as an adviser unless he or she has successfully completed the Derivatives Fundamentals Course, Futures Licensing Course and Options Licensing Course and has worked under the direct supervision

(a) of an individual who is a registered adviser; or

(b) of a registered partner or officer of a registered adviser;

for a period of at least three years.

3.14(2) No individual shall be granted registration as a partner or officer of a registered adviser unless he or she has successfully completed the Derivatives Fundamentals Course, Futures Licensing Course, Options Licensing Course and Partners, Directors and Senior Officers Qualifying Examination and has worked under the direct supervision

(a) of an individual who is a registered adviser; or

(b) of a registered partner or officer of a registered adviser;

for a period of at least three years.

3.14(3) No person that is not an individual and no company shall be granted registration as a adviser unless the person or company satisfies the director that before carrying on business as an adviser it will have the minimum personnel required by subsection 3.16(2).

3.15(1) Subject to such conditions as the director considers appropriate, the director may exempt an individual from a requirement of any of sections 3.12 to 3.14, if, in the director's opinion,

(a) it would not be prejudicial to the public interest to do so; and

(b) the individual has educational qualifications or experience that are equivalent to the requirement of the applicable section.

3.15(2) An individual who wishes to obtain an exemption under subsection (1) shall include a written request for the exemption with his or her application for registration and provide the director with whatever information in support of the request that the director considers necessary to consider the request.

Conditions of registration – minimum personnel requirements

3.16(1) Subject to subsections (2) and (4), every futures commission merchant shall employ no fewer than

(a) two individuals, each of whom is registered as a salesperson, partner or officer of the futures commission merchant and one of whom is designated as branch manager; and

(b) a third individual, who is either

(i) an individual referred to in clause (a), or

(ii) an employee of the futures commission merchant

(A) authorized by an individual referred to in clause (a) to accept customers' unsolicited instructions in his or her absence, and

(B) designated by the director as non-trading under subsection 25(1) of the Act;

and the futures commission merchant dealer shall ensure that no fewer than two of those individuals are present in its place of business to serve customers at all times in normal circumstances and during usual business hours.

3.16(2) If a futures commission merchant has one or more branch offices, the futures commission merchant shall at each branch office meet the minimum personnel requirements set out in subsection (1), as well as at its principal place of business.

3.16(3) Subject to subsection (4), every adviser that is not an individual shall have available to serve customers no fewer than two individuals, each of whom is registered as a partner or officer of the adviser

3.16(4) Subject to such conditions as the director considers appropriate, the director may exempt a futures commission merchant from the requirements of subsection (1) or an adviser from the requirements of subsection (3), if the director is satisfied that fewer personnel can provide adequate service to the customers of the futures commission merchant or adviser.

Conditions of registration – membership with a recognized exchange

3.17 No floor broker, futures commission merchant or merchant, and no registered adviser or local, shall commence carrying on business as such unless he, she or it is a member of a commodity futures exchange registered under the Act in the membership category applicable to his, her or its registration category under the Act or this rule.

Conditions of registration – minimum financial requirements

3.18(1) Every futures commission merchant shall maintain risk adjusted capital greater than zero.

3.18(2) Despite subsection (1), every futures commission merchant who is also a registrant under *The Securities Act* (Manitoba) shall maintain the most stringent standards of capital required of the registrant under the rules and regulations of that Act.

3.19(1) Subject to subsection (3), every merchant shall maintain such minimum financial standards as are required by the registered commodity futures exchange of which the merchant is a member, and, if the merchant is a member of more than one registered commodity futures exchange, the merchant shall maintain the highest minimum financial requirements required by any of those exchanges.

3.19(2) Subject to subsection (3), every merchant shall maintain such minimum financial standards as are required by a recognized clearing house of which the merchant is a member, and, if the merchant is a member of more than one recognized clearing house, the merchant shall maintain the highest minimum financial requirements required by any of those clearing houses.

3.19(3) If a merchant registered in the merchant category is a member of one or more registered commodity futures exchanges and one or more recognized clearing houses, the merchant shall maintain the highest minimum financial requirements required by any of those exchanges and clearing houses.

Conditions of registration – financial reporting requirements

3.20(1) An auditor appointed under subsection 35(1) of the Act shall be approved by the director and

(a) shall be

(i) a member in good standing of The Institute of Chartered Accountants of Manitoba, or

(ii) a member in good standing of The Certified General Accountants Association of Manitoba,

or an accounting partnership, all of the partners of which are such members, or a professional corporation, as defined in *The Chartered Accountants Act* or *The Certified General Accountants Act*; or

(b) shall have any other qualifications or designation that the director considers sufficient to qualify the auditor to carry out an audit in accordance with the purpose and intent of the Act.

3.20(2) For the purpose of section 35 of the Act, a futures commission merchant that is not subject to the audit requirements of section 23 of the Act

(a) in addition to the audited annual financial statements required to be filed with the commission by subsection 35(4), shall file an audited annual Joint Regulatory Financial Questionnaire and Report, Form 1 of the Investment Dealers Association of Canada, with the commission in duplicate; and

(b) shall file the audited annual financial statements and Joint Regulatory Financial Questionnaire and Report within 42 days of the end of the futures commission merchant's fiscal year.

Despite clause (7)(a), the substantive audit procedures relating to the futures commission merchant's financial position shall be carried out as of the audit date and not as of an earlier date, notwithstanding that the audit is otherwise conducted in accordance with generally accepted accounting principles.

3.20(3) A financial statement or regulatory filing that is certified under subsection 35(5) of the Act shall be manually signed by the partner or officer certifying the statement or filing and include below the signature the name of the partner or officer in typewritten or hand-printed form.

3.20(4) No registrant shall withhold, destroy or conceal any information or documents from an auditor or otherwise fail to cooperate with a reasonable request made by an auditor in the course of an audit required by section 35 of the Act or this section.

3.20(5) Notwithstanding sections 23 and 35 of the Act, every futures commission merchant shall file with the commission within 20 business days after the end of each month a financial report for the month consisting of

(a) Statements A, B, C, D and E of Part 1 of the Joint Regulatory Financial Questionnaire and Report; and

(b) Schedule 2 of Part 2 of the Joint Regulatory Financial Questionnaire and Report;

and containing all of the information required by those Statement and that Schedule. The financial report shall be certified in the manner required by subsection 35(5) of the Act and subsection (3) of this section.

3.20(6) Notwithstanding section 23 of the Act, a futures commission merchant that is subject to the audit requirements of that section shall file an audited annual Joint Regulatory Financial Questionnaire and Report, Form 1 of the Investment Dealers Association of Canada, with the commission in duplicate within 35 days of the end of the futures commission merchant's fiscal year.

Despite clause (7)(a), the substantive audit procedures relating to the futures commission merchant's financial position shall be carried out as of the audit date and not as of an earlier date, notwithstanding that the audit is otherwise conducted in accordance with generally accepted accounting principles.

3.20(7) The auditor of a futures commission merchant to which either section 23 or 35 of the Act applies shall

(a) audit the futures commission merchant's annual Joint Regulatory Financial Questionnaire and Report in accordance with generally accepted accounting principles; and

(b) perform all audit procedures and examinations as are necessary to support the opinions that the auditor is required to express in the auditors' reports set out in the Joint Regulatory Financial Questionnaire and Report.

Conditions of registration – insurance requirements

3.21(1) Except where a futures commission merchant has equal insurance coverage pursuant to the requirements of a self-regulatory organization recognized under subsection 14(1) of the Act or the director is satisfied in a particular case that reduced or no coverage would not be prejudicial to the public interest, the futures commission merchant shall effect and keep in force insurance by means of a financial institution bond, including discovery provisions or a discovery rider, covering losses arising as follows:

(a) Fidelity – any loss through any dishonest or fraudulent act of any of its employees committed anywhere, and whether committed alone or in collusion with others, including loss of property;

(b) On Premises – any loss of money, securities or other property through robbery, burglary, theft, hold-up, other fraudulent means, mysterious disappearance, damage or destruction while within any of the insured's offices, the offices of any banking institution or clearing house or within any recognized place of safe-deposit, as more fully defined in the standard form of financial institution bond (referred to as the "standard form" in clauses (c) and (d));

(c) In Transit – any loss of money, securities or other property through robbery, burglary, theft, hold-up, misplacement, mysterious disappearance, damage or destruction while in transit in the custody of an employee or a person acting as agent or messenger, except while in the mail or with a carrier for hire other than an armoured motor vehicle company, as more fully defined in the standard form;

(d) Forgery or Alteration – any loss through forgery or alteration of cheques, drafts, promissory notes or other written orders or directions to pay sums in money, excluding securities, as more fully defined in the standard form.

3.21(2) When so required by the director, a futures commission merchant shall provide the director with evidence satisfactory to the director that the futures commission merchant is in compliance with subsection (1).

3.21(3) Each financial institution bond maintained by a futures commission merchant shall contain a rider containing provisions to the effect that the underwriter shall notify the director at least 30 days prior to the termination or cancellation of the bond, except in the event of termination of the bond due to

(a) the expiration of the bond period stated in the bond;

(b) cancellation of the bond as a result of the receipt of written notice from the futures commission merchant of its desire to cancel the bond;

(c) upon the taking over of the futures commission merchant by a receiver or other liquidator, or by provincial, federal or state officials; or

(d) upon taking over of the futures commission merchant by another institution or entity.

3.21(4) A futures commission merchant and the underwriter of a bond obtained by the futures commission merchant in satisfaction of the requirements of subsection (1), shall each notify the director without delay of any change in the amount or conditions of the bond or of the cancellation or threatened cancellation of the bond.

3.21(5) The registration of a futures commission merchant is automatically suspended if the futures commission merchant does not meet the requirements of this section for any reason.

3.21(6) The minimum amount of insurance coverage to be maintained for each coverage category set out in clauses (1)(a) to (d) shall be the greater of

(a) \$500,000.; and

(b) 1% of the base amount, where base amount is defined as the greater of:

(i) the aggregate of net equity for each customer determined as the total value of cash and securities owed to the customers by the futures commission merchant minus the total value of cash and securities owed by the customers to the futures commission merchant, and

(ii) the aggregate of total liquid assets and total other allowable assets of the futures commission merchant determined in accordance with Statement A of Part 1 of the Joint Regulatory Financial Questionnaire and Report, Form 1 of the Investment Dealers Association of Canada;

provided that the minimum amount for each coverage category need not exceed \$25,000,000.

Conditions of registration – record keeping

3.22(1) Every futures commission merchant shall maintain books and records necessary to properly record its business transactions, and financial records and charts, including, without limitation:

(a) blotters, or other records of original entry, containing an itemized daily record of all purchases and sales of contracts as more particularly required by subsection (2), all receipts and disbursements of cash, and all other debits and credits;

(b) a general ledger, or other records, maintained in detail reflecting all assets and liabilities, and income, expense and capital accounts;

(c) ledger accounts, or other records, itemizing separately

(i) each cash and margin account of every customer,

(ii) each purchase, sale, receipt, delivery and other trade of a contract for such an account, and

(iii) each other debit and credit to such an account,

and setting out the information required by subsection (3);

(d) ledgers, or other records, reflecting the following:

(i) securities in transit;

(ii) money, securities and property received to margin, guarantee or secure the trades or contracts of customers, and

(iii) all funds accruing to customers that must be segregated for the benefit of customers under applicable legislation;

(e) a commodity record or ledger showing separately for each commodity, as of the trade date, all long positions or short positions in commodity futures contracts carried for the future commission merchant's account, or for the accounts of customers, and, in all cases, the name or designation of the account in which each position is carried;

(f) an adequate record of each order, and of any other instruction, given or received for the purchase or sale of a contract, showing

(i) the terms and conditions of the order or instruction and of any modification or cancellation of it,

(ii) the account to which the order or instruction relates,

- (iii) the time of entry of the order or instruction,
 - (iv) where the order is entered pursuant to the exercise of discretionary power by a registrant, a statement to that effect,
 - (v) where the order relates to an omnibus account, the component accounts within the omnibus account on whose behalf the order is to be executed, and the allocation among the component accounts intended on execution,
 - (vi) where the order or instruction is placed by an individual other than the person in whose name the account is operated or an individual duly authorized to place orders or instructions on behalf of a customer that is a company, the name, sales number or designation of the individual placing the order or instruction,
 - (vii) to the extent feasible, the time of execution or cancellation,
 - (viii) the price at which the order or instruction was executed, and
 - (ix) the time of report of execution;
- (g) copies of confirmations of all trades in contracts and notices of all other debits and credits of money, securities, property, proceeds of loans and other items for the account of customers;
- (h) a record of all contracts in which the registrant has any direct or indirect interest or which the registrant has granted or guaranteed, containing at least an identification of the contracts and the number of units involved;
- (i) a record of the proof of money balances of all ledger accounts in the form of trial balances and a record of the computation of risk adjusted capital, each prepared currently at least once a month;
- (j) a record of all margin calls, whether such calls are made in writing, by telephone or by other means of communication;
- (k) a record of the proof of money balances of all ledger accounts in the form of trial balances and a record of a reasonable calculation of minimum risk adjusted capital prepared for each month within a reasonable time after each month end.
- (l) a record in respect of each account of the name and address of the beneficial owner and guarantor, if any, of such account;
- (m) where trading instructions are accepted from a person or company other than the customer, written authorization or ratification from the customer naming the person or company but, in the case of a joint account or an account of a partnership or company, the authorizations and

ratifications are only required from the person or persons authorized to transact business for the account.

3.22(2) Blotters or other records of original entry, kept as required by clause (1)(a), shall show the account for which each transaction was effected, the trade dates, and

(a) in the case of trades in commodity futures contracts,

(i) the commodity and quantity bought or sold,

(ii) the delivery month and year,

(iii) the price at which the contract was entered into,

(iv) the commodity futures exchange, and

(v) the name of the futures commission merchant, if any, used by the futures commission merchant as its agent to effect the trade; and

(b) in the case of trades in commodity futures options,

(i) the type and quantity bought or sold,

(ii) the premium,

(iii) the commodity futures contract that is the subject of the commodity futures contract option,

(iv) the delivery month and year of the commodity futures contract that is the subject of the commodity futures option,

(v) the expiry date,

(vi) the striking price,

(vii) the commodity futures exchange, and

(viii) the name of the futures commission merchant, if any, used by the futures commission merchant as its agent to effect the trade.

3.22(3) Ledger accounts and other records, kept as required by clause (1)(c), shall show

(a) with respect to all securities and property received to margin, guarantee or secure the trades in contracts of customers,

- (i) a description of the securities or property received,
 - (ii) the dates of receipt,
 - (iii) the identity of the deposit institutions, if any, where the securities or property are segregated,
 - (iv) the dates of deposit and withdrawal from such institutions,
 - (v) the dates of return of the securities or property to the customers or of other dispositions of the securities or property, and
 - (vi) if a security or item of property is disposed of other than by return to the customer from whom it was received, the facts and circumstances of the disposition; and
- (b) with respect to investments of money, proceeds or funds segregated for the benefit of the customers,
- (i) the dates on which the investments were purchased or made,
 - (ii) the identity of the person or company through or from whom the investments were purchased or made,
 - (iii) the amounts invested,
 - (iv) a description of the investments,
 - (v) if the investments are not in the physical possession of the futures commission merchant, the identity of the deposit institution or the dealer registered under any applicable securities legislation where the investments are deposited, and
 - (vi) when investments are disposed of
 - (A) the date of liquidation or other disposition and the amount of money received on such disposition, and
 - (B) the identity of the person or company to or through whom the investments were disposed of.

3.22(4) Every registered adviser shall maintain books and records necessary to properly record its business transactions, and financial records, including, without limitation:

- (a) a list of all past and present customers, setting out in respect of each customer

(i) his or her name address and phone number, and

(ii) the date on which or the dates between which the adviser provided advice to the customer as to trading in a contract;

(b) an original copy of each agreement between the adviser and a customer for the provision of the adviser's services, signed by the customer and setting out the amount and basis for calculating the remuneration paid or to be paid by the customer to the adviser;

(c) a copy of all written communications, including faxes and electronic mail, between the customer and adviser, whether or not — when the communication is from the adviser to the customer — the adviser is providing advice in the communication; and

(d) a record of all contracts bought or sold by the adviser or an employee of the adviser, for the adviser or employee's own account, that includes the detail required by subsection 3.22(2).

3.22(5) Unless otherwise required by applicable legislation to be maintained for a longer period of time, all documents and records the Act or this rule requires a registrant to keep shall be kept in Manitoba for a period of seven years from the date of the document or record and shall be readily accessible during the first two years of the seven-year period. A registrant shall, on request, produce any such document or record for inspection by a representative of the commission during the registrant's regular business hours. If an inspection request is made more than two years after the date of a document or record, the registrant shall be allowed a reasonable period to retrieve the document or record from storage, if necessary.

3.22(6) A certified copy of a document or record the Act or this rule requires a registrant to keep shall be provided, on request to a commission representative, at the registrant's expense. Instead of furnishing a certified copy, the registrant may provide the original document or record to the commission representative for reproduction, and the representative may temporarily remove the document or record from the registrant's premises for this purpose. All certified copies or originals shall be provided without delay on request. The commission representative shall, on request, issue a receipt for any copy or original document or record received. On request from the commission representative, the registrant shall, upon the return of a copy or original document or record, issue a receipt for it.

3.22(7) A registrant shall keep in hard copy, original form trading cards, written customer orders and any other documentation required to be signed by customers.

3.22(8) Subject to subsection (7), records may be kept by means of the mechanical, electronic or other devices referred to in subsection (9), where such method of record keeping is not prohibited under any other applicable legislation, and the registrant takes adequate precautions, appropriate to the means or device used, to guard against risk of falsification of the information recorded.

3.22(9) Preservation and reproduction of original documents and keeping, preservation and reproduction of records on microfilm, microfiche, tape cartridge or compact disk is permitted as follows:

(a) Computer, accounting machine or business machine generated records may be immediately produced or reproduced on microfilm or microfiche and kept in that form. Computer generated records may be immediately produced on tape cartridges or compact disks in conformity with the requirements of this section and kept in that form.

(b) A registrant that preserves or reproduces documents or keeps, preserves or reproduces records on microfilm, microfiche, tape cartridge or compact disk shall at all times have on its premises and on request make available to a commission representative facilities for easily readable projection of the microfilm or microfiche or display of information kept or preserved on tape cartridge or compact disk that allow immediate examination of the documents or records.

(c) A registrant that preserves or reproduces original documents or keeps, preserves or reproduces records on tape cartridge or compact disk shall at all times have on its premises facilities for immediately producing complete, accurate and easily readable hard copies of the documents or records. On request from a commission representative, the registrant shall make available to the representative hard copies of the documents or records arranged, indexed and filed in such a manner as to permit the immediate location of any particular document or record.

(d) A registrant that preserves or reproduces original documents or keeps, preserves or reproduces records on tape cartridge or compact disk shall create a directory structure for the computer files containing the documents or records and an index for the tape cartridges or compact disks and shall preserve the directory structure, files and index in such a manner as to permit the immediate location of any particular document or record. A directory structure shall organize and locate computer files, and an index shall distinguish, identify and locate documents or records in the same file. A registrant shall at all times maintain on its premises current, accurate and complete hard copies of such directory structures and indices for examination by a commission representative.

(e) Only commission-required documents and records may be stored on the same tape cartridge or compact disk. A registrant that stores a record that is not required by the commission on the same tape cartridge or compact disk as a commission-required record waives any privilege, claim of confidentiality or other objection to disclosure with respect to the record that is not required by the commission.

Conditions of registration – reporting to customers

3.23(1) A futures commission merchant shall send statements to customers on at least the following basis:

(a) monthly for each customer in whose account there was an entry during the month and a dollar balance, an unexpired and unexercised commodity futures contract option or an open commodity futures contract at the end of the month; and

(b) quarterly for each customer in whose account there was a dollar balance or security position, including securities held in safekeeping, at the end of the quarter.

3.23(2) A monthly statement sent to a customer with an unexpired and unexercised commodity futures contract option or open commodity futures contract shall set out at least the following:

(a) the opening cash balance in the customer's account for the month;

(b) the dates and amounts of all deposits, credits, withdrawals and debits to the account;

(c) the cash balance in the account at the end of the month;

(d) a description of each unexpired and unexercised commodity futures option;

(e) the striking price of each unexpired and unexercised commodity futures option;

(f) a description of each open commodity futures contract;

(g) the price at which each open commodity futures contract was entered into.

3.23(3) A futures commission merchant that has acted as an agent in connection with a liquidating trade in a commodity futures contract shall without delay send to the customer for whom the trade was made a statement of purchase and sale setting out at least

(a) the dates of the initial transaction and liquidating trade;

(b) the commodity and quantity bought and sold;

(c) the commodity futures exchange on which the contracts were traded;

(d) the delivery month and year;

(e) the prices on the initial transaction and the liquidating trade;

(f) the gross profit or loss on the transactions;

(g) the commission charged; and

(h) the net profit or loss on the transactions.

3.23(4) A futures commission merchant that trades for a customer shall without delay send out a written confirmation statement to the customer setting out

- (a) the day on which the trade took place;
- (b) the commodity futures exchange on which the trade was made;
- (c) the commission, if any, charged in respect of the trade;
- (d) the fee or other charges levied by any securities regulatory authority, if any;
- (e) the name of the salesperson, if any, in the transaction;
- (f) in the case of a trade in a commodity futures contract,
 - (i) the commodity and quantity bought or sold,
 - (ii) the price at which the contract was entered into, and
 - (iii) the delivery month and year; and
- (g) in the case of a trade in a commodity futures option
 - (i) the type of commodity futures option and the number if more than one,
 - (ii) the premium,
 - (iii) the delivery month and year of the commodity futures contract that is the subject of the commodity futures option,
 - (iv) the declaration date, and
 - (v) the striking price.

Conditions of registration – new accounts, supervision and procedures

3.24(1) No futures commission merchant or adviser shall be granted registration or renewal of registration unless the futures commission merchant or adviser

- (a) has established a procedure to supervise the conduct of the futures commission merchant's or adviser's business;
- (b) has submitted the procedure to the director in writing; and
- (c) the director has approved the procedure.

3.24(2) The procedure required by subsection (1) for a future commission merchant shall be set out in writing and shall cover, at least, the following:

- (a) the acceptance of new accounts;
- (b) the regular review of correspondence;
- (c) the regular review of each customer's account;
- (d) the investigation of an individual prior to sponsoring an application for registration as a salesperson, partner, officer, branch manager, futures contracts portfolio manager or associate futures contracts portfolio manager of the futures commission merchant;
- (e) the requirements relating to discretionary accounts, if any, including minimum equity levels and prompt approval of each order, and frequent review of the account, by a designated partner or officer;
- (f) the policy followed with respect to allocation of executed orders among component accounts within omnibus accounts;
- (g) the operation and review of firm trading accounts;
- (h) the review of supervisory procedures; and
- (i) in addition in the case of futures commission merchants,
 - (i) the review and endorsement of transactions, and
 - (ii) the receipt and control of customers' money, securities and property, including the authorization, allocation and delivery of customers' securities to deposit institutions as collateral for a loan.

3.24(3) The procedure required by subsection (1) for an adviser shall be set out in writing and shall cover, at least, the following:

- (a) the acceptance of new accounts;
- (b) the regular review of correspondence;
- (c) the regular review of each customer's account;
- (d) the investigation of an individual prior to sponsoring an application for registration as a partner or officer of the adviser;

(e) the review of supervisory procedures.

3.24(4) The names and offices of the individuals responsible for enforcement of the procedure required by subsection (1) shall be filed with the director on submission of the procedure, and in the event there is a change in those individuals, the futures commission merchant or registered adviser shall file a notice of change in letter form setting out the names and offices of their replacements with the director within five business days after the change.

3.24(5) Every futures commission merchant and registered adviser shall, within five business days after the change, notify the director in writing of any material change in the procedure required by subsection (1).

3.24(6) Every futures commission merchant and registered adviser shall comply with the procedure approved by the director under subsection (1).

3.24(7) This section does not apply to registrants who are members of a self-regulatory organization recognized by the commission under section 14 of the Act.

3.25(1) Every futures commission merchant or registered adviser shall, before accepting the account of a new customer,

(a) make enquiries that

(i) will enable the futures commission merchant or registered adviser to establish the identity of the customer and, if appropriate,

(A) the credit worthiness of the customer in accordance with the futures commission merchant or adviser's credit guidelines, and

(B) the reputation of the customer if information known to the futures commission merchant or adviser causes doubt as to whether the customer is of good reputation, and

(ii) will enable the futures commission merchant or registered adviser to assess the suitability of trading by the customer in view of the markets in which the customer intends to trade, the scale of trading the customer intends to undertake and the general financial needs and objectives of the customer; and

(b) provide the customer with disclosure statements that comply with the requirements of Forms 12 and 13 and allow the customer a reasonable opportunity to consider the disclosure statements.

3.25(2) Every futures commission merchant and registered adviser shall, as frequently as is appropriate in view of the particular financial circumstances of the customer, obtain by direct enquiry to the customer or by other means information to enable the futures commission merchant or adviser

to determine whether the assessment under subclause (1)(a)(ii) of the suitability of trading by the customer continues to be accurate.

3.25(3) Subclause (1)(a)(ii), clause (1)(b) and subsection (2) do not apply to a futures commission merchant who effects a trade on the instructions of another futures commission merchant or a deposit institution.

3.26 Every futures commission merchant shall establish and maintain policies directed at ensuring fairness in the allocation of trading opportunities among the futures commission merchant's customers and shall provide a written copy of the policies to each customer and file one with the commission.

3.27(1) Every registered adviser that charges customers shall charge directly for services. Such charges may be based upon the dollar value of the customer's portfolio, but not on the value or volume of the transactions in respect of which the adviser has advised the customer. Except with the prior written agreement of the customer, such charges shall not be contingent upon profits or performance.

3.27(2) Every registered adviser shall obtain an undertaking from every responsible person not to trade for his or her account, or knowingly permit or arrange for an associate to trade, in reliance upon information as to trades made or to be made for the account of a customer of the adviser. The adviser shall establish in writing and maintain procedures to determine when a responsible person or an associate of a responsible person has contravened the undertaking.

3.27(3) A registered adviser shall without delay notify the director in writing about the contravention of an undertaking required by subsection (2).

3.28 When there has been a material change in the ownership or control of a futures commission merchant or when it is proposed that a futures commission merchant sell or assign the account of a customer in whole or in part to another futures commission merchant, the futures commission merchant shall, immediately after the material change or prior to the sale or assignment, as the case may be, give a written explanation to the customer of the change or proposal and inform the customer in writing that the customer has the right to withdraw his or her account from the futures commission merchant.

3.29(1) No futures commission merchant shall effect trades on the futures commission merchant's own behalf or for any partner, officer, director or employee of the futures commission merchant or any associate of such persons through an omnibus account maintained for customers other than such partners, officers, directors, employees or associates.

3.29(2) No futures commission merchant shall effect trades for non-discretionary accounts through an omnibus account maintained for discretionary accounts.

3.29(3) Every futures commission merchant shall require from each of the futures commission merchant's customers for whom trades are effected through an omnibus account not less than that amount of margin that would be required from the customer, if his or her trades were effected through a fully-disclosed account.

3.30(1) Every futures commission merchant that has discretionary accounts shall, with respect to such accounts, form a portfolio management committee to be composed of two or more individuals

(a) all of whom shall be registered salespersons, partners or officers of the futures commission merchant;

(b) at least one of whom shall be a registered partner or officer of the futures commission merchant; and

(c) at least one of whom shall be a futures contracts portfolio manager of the futures commission merchant.

3.30(2) The portfolio management committee shall review, not less frequently than once each quarter of any 12-month period,

(a) the investment policies of the futures commission merchant in respect of its discretionary accounts and record the results of each such review in writing; and

(b) each of the futures commission merchant's discretionary accounts to ensure that the investment objectives of the customer are diligently pursued and that the account is being conducted in accordance with the Act and this rule.

3.31 No futures commission merchant shall effect trades for a customer through a discretionary account unless

(a) the futures commission merchant has obtained from the customer prior written authorization defining the extent of the discretionary authority, which authorization

(i) subject to subclause (ii), shall have a term of not more than 12 months,

(ii) may be renewed in writing for a further term of not more than 12 months,

(iii) may be renewed more than once, and

(iv) shall be terminable on written notice by either party as follows:

(A) notice by a customer to a futures commission merchant or registrant shall be effective on receipt by the futures commission merchant or registrant, except with respect to transactions entered into prior to receipt,

(B) notice by a futures commission merchant or registrant to a customer shall be effective not less than 30 days from the date of mailing the notice to the customer by prepaid ordinary mail at the customer's last address appearing in the records of the futures commission merchant or registrant;

(b) the futures commission merchant provides the customer with a duplicate copy of the authorization;

(c) the customer acknowledges receiving the true copy by signing an acknowledgement form;

(d) the futures commission merchant keeps the signed acknowledgement form; and

(e) the account has been specifically approved and accepted in writing as a discretionary account by the futures commission merchant's portfolio management committee.

3.32 Sections 3.30 and 3.31 do not apply to members of a self-regulatory organization, recognized under section 14 of the Act, in respect of discretionary trades that are permitted by the rules of the self-regulatory organization and carried out in compliance with the rules.

3.33 Unless prior approval in writing is obtained from the director, no futures commission merchant shall accept securities as margin, other than bonds, debentures or other evidences of indebtedness

(a) of or guaranteed by the Government of Canada or any province of Canada, or by the Government of the United States of America or any state of that country;

(b) of or guaranteed by a bank as defined in the *Bank Act* (Canada), a trust corporation or loan corporation registered under Part XVI of *The Corporations Act* or an insurance company licensed under *The Insurance Act*; or

(c) of or guaranteed by a bank that is a member of the Federal Reserve System of the United States of America;

and maturing not more than one year from the date of purchase.

3.34(1) In this section and section 3.35,

“commodity futures account” means a customer account with a futures commission merchant that is not a securities account;

“securities account” means a customer account with a futures commission merchant on which the customer is charged interest when there is a debit balance in the account.

3.34(2) If a customer has a commodity futures account and a securities account with a futures commission merchant and

(a) the commodity futures account contains an amount of money, securities, property, proceeds or funds, or a combination of them, in excess of the amount of margin required to be held in the account by section 43 of the Act; and

(b) the securities account contains a debit balance of \$5,000. or more;

the futures commission merchant shall transfer to the securities account as much of the excess amount in the commodity futures account as is necessary to eliminate the debit balance or, if the excess amount is less than the debit balance amount, to reduce the debit balance to the greatest extent possible.

3.34(3) Subsection (2) does not apply to a futures commission merchant in respect of a customer’s commodity futures and securities accounts where the customer has directed the futures commission merchant in writing, or orally if subsequently confirmed in writing,

(a) to transfer a smaller amount than the excess amount otherwise required to be transferred under that subsection; or

(b) not to transfer any excess amount.

3.35 Except as required by subsection 3.34(1), a futures commission merchant shall not transfer any amount of money, securities, property, proceeds or funds, or a combination of them, from a customer’s commodity futures account to the customer’s securities account unless

(a) the amount is in excess of the amount of margin required to be held in the commodity futures account under section 43 of the Act; and

(b) the transfer is made in accordance with a written agreement between the futures commission merchant and the customer.

Conditions of registration – segregation of clients’ money, securities, property etc.

3.36 For the purposes of clause 46(1)(a) of the Act, a futures commission merchant shall comply with sections 3.38 to 3.50

3.37 In this section and in sections 3.38 to 3.50,

“customer” means a person or company that maintains an account with a futures commission merchant and includes a client who maintains such an account;

“securities held for safekeeping” means securities held by a futures commission merchant for a customer under a written safekeeping agreement.

Requirements for segregating securities

3.38 All

- (a) fully-paid securities; and
- (b) excess margin securities, determined in accordance with sections 3.40 and 3.41;

held by a futures commission merchant for a customer shall be segregated in accordance with sections 3.39 to 3.49 and identified as being held in trust for the customer.

3.39 The securities of all customers of a futures commission merchant held in accordance with section 3.38 may be segregated in bulk for all such customers, other than those customers whose securities are held apart from all other securities pursuant to a written safekeeping agreement.

Bulk segregation calculation

3.40(1) A futures commission merchant that holds securities of customers in bulk segregation under sections 3.38 and 3.39, shall determine, for all accounts of each customer, the following amounts:

- (a) the quantity and value of all securities held for such accounts that are part of a qualifying hedge position;
- (b) the net loan value of all securities held for such accounts, other than securities referred to in clause (a), minus — or plus in the case of a credit — the aggregate debit cash balance in the accounts; and
- (c) the market value of all securities, other than securities referred to in clause (a), not eligible for margin under the provisions of Regulation 100 of the Investment Dealers Association of Canada minus the aggregate amount, if any, by which such accounts are under-margined as calculated in clause (b).

The net loan value of a security determined under clause (b) shall be the loan value of the security for the purposes of clause 3.41(a) or (b), whichever is applicable. The market value of a security determined under clause (c) shall be the market value of the security for the purposes of clause 3.41(a) or (b), whichever is applicable.

3.40(2) In subsection (1),

“net loan value” in relation to a security means, in respect of

- (a) a long position, the market value of the security less any margin required,

(b) a short position, the market value of the security plus any margin required, expressed as a negative number, and

(c) a short security option position, any margin required as a negative number;

“qualifying hedge position” means, for all the accounts of a customer

(a) a long position in a security, and

(b) a short position in a security issued or guaranteed by the same issuer of the security referred to in clause (a),

if the long position is convertible or exchangeable to the securities of the same class and number of the securities held in the short position and the futures commission merchant is using the long position as collateral to cover the short position.

3.41 A futures commission merchant may satisfy its obligations to segregate customer securities under section 3.38 by segregating in bulk for all customers the quantity and value of securities determined as follows:

(a) Equity securities – The aggregate loan value and market value of each class or series of security required to be segregated for each customer as determined under subsection 3.40(1) divided by the loan or market value, as the case may be, of one unit of the security, shall be the number of such securities required to be segregated.

(b) Debt securities – The aggregate loan value and market value of each class or series of security required to be segregated for each customer as determined under subsection 3.40(1) divided by the loan or market value, as the case may be, of each \$100. of principal amount of the security, multiplied by 100 and rounded to the lowest issuable denomination, shall be the principal amount of such securities required to be segregated.

The amount of securities required to be segregated by a futures commission merchant for each customer shall not, in any case, be greater than the aggregate market value of the securities held for the customer.

In determining which securities shall be used to satisfy the segregation requirements in respect of each such customer’s positions, the futures commission merchant may select among all of the securities carried for the customer’s accounts, subject to the restrictions of any applicable securities legislation including, without limitation, a requirement that fully-paid securities in a cash account be segregated before unpaid securities.

Securities that are required to be segregated but which have been sold by the futures commission merchant on behalf of a customer shall remain segregated until one business day prior to settlement or value date. Securities that are required to be segregated for a customer shall not be removed from

segregation as a result of the purchase of any securities by the customer until settlement or value date.

Frequency and review of calculation

3.42 A futures commission merchant shall determine at least twice weekly the securities required to be segregated according to the calculations set out in subsection 3.40(1) and section 3.41.

3.43 A futures commission merchant shall review on a daily basis compliance with its segregation requirements for its customers' securities according to the latest determination of such securities under section 3.42 with a view to identifying any deficiency in securities required to be segregated and correcting any such deficiency.

General restrictions

3.44 In complying with its obligation to segregate customer securities in accordance with section 3.38 a futures commission merchant shall ensure that

- (a) a segregation deficiency is not knowingly created or increased;
- (b) no securities held by the futures commission merchant are delivered against payment for the account of any customer if such securities are required to satisfy the segregation requirements of the futures commission merchant in respect of any customer; and
- (c) all free securities — i.e. fully-paid and unencumbered securities that have not been sold or are not required for margin — received by the futures commission merchant are segregated.

Correction of segregation deficiencies

3.45(1) In the event that a segregation deficiency exists, including, without limitation, deficiencies arising in the circumstances set out in subsection (3), the futures commission merchant shall expeditiously take the most appropriate action required to settle the segregation deficiency.

3.45(2) A futures commission merchant shall maintain a difference or suspense account in which it shall record all securities that have not been received by reason of irreconcilable differences or errors in any accounts.

3.45(3) In the event that the segregation deficiency is in respect of

- (a) a call loan, the futures commission merchant shall take action to recall such securities within the business day following the determination of the deficiency;
- (b) a securities loan, the futures commission merchant shall
 - (i) call for the return of such securities from the borrower within the business day following the determination of the deficiency, or

(ii) borrow securities of the same issue to cover the deficiency and should such securities not have been received by the futures commission merchant within five business days following the determination of the deficiency, the futures commission merchant shall undertake to buy-in the borrower;

(c) an inventory or trading account short position, the futures commission merchant shall

(i) borrow securities of the same issue to cover the deficiency within the business day following the determination of the deficiency, or

(ii) undertake to purchase the securities immediately;

(d) a customer declared short sale, the futures commission merchant shall

(i) borrow securities of the same issue to cover the deficiency within the business day following the determination of the deficiency, or

(ii) undertake to buy-in the securities within five business days;

(e) a failure by a customer, another futures commission merchant, acceptable institution or acceptable counterparty to provide securities when required, the futures commission merchant shall

(i) borrow securities of the same issue to cover the deficiency, or

(ii) undertake to buy-in the securities,

if such securities have not been received by the futures commission merchant within 15 business days after the settlement date;

(f) a stock dividend receivable or stock split,

(i) the futures commission merchant shall obtain a written confirmation of the position receivable if such securities have not been collected within 45 business days after the date receivable, and

(ii) the futures commission merchant must transfer the position to its difference account if the position remains unconfirmed after the 45 days;

(g) a difference account, the futures commission merchant shall

(i) borrow securities of the same class or series to cover the deficiency, or

(ii) undertake to purchase the securities immediately,

if securities recorded in a difference account have not been obtained by the futures commission merchant within 30 business days after the deficiency is recorded.

Securities held for safekeeping

3.46 Securities held for safekeeping must be free from any encumbrance, be kept apart from all other securities and be identified as being held in safekeeping for a customer in a futures commission merchant's security position record, customer ledger and statement of account. Securities so held can only be released pursuant to an instruction from the customer and not solely because the customer has become indebted to the futures commission merchant.

Acceptable external locations

3.47 For the purposes of sections 3.38 and 3.39, securities held beyond the physical possession of the futures commission merchant may be segregated and held in trust for customers of a futures commission merchant, or segregated and held by or for a futures commission merchant, as the case may be, in acceptable securities locations, provided that the written terms upon which such securities are deposited and held beyond the physical possession of the futures commission merchant include provisions to the effect that

- (a) no use or disposition of the securities shall be made without the prior written consent of the futures commission merchant;
- (b) certificates representing the securities can be delivered to the futures commission merchant promptly on demand or, where certificates are not available and the securities are represented by book entry at the location, the securities can be transferred either from the location or to another person at the location promptly on demand; and
- (c) the securities are held in segregation for the futures commission merchant or its customers free and clear of any charge, lien, claim or encumbrance of any kind in favour of the depository or institution holding such securities.

Acceptable internal locations

3.48 For the purposes of sections 3.38 and 3.39, securities held within the physical possession or control of the futures commission merchant may be segregated and held in trust for customers of the futures commission merchant, or segregated and held by or for the futures commission merchant, as the case may be, in the following locations:

- (a) Internal storage – All internal storage locations designated in the futures commission merchant's ledger of accounts for which adequate internal accounting controls and systems for safeguarding of securities held for customers are maintained and which reflect unencumbered security positions in the possession and control of the futures commission merchant. All securities in transit between internal storage locations, for which adequate internal controls are maintained, provided that securities in transit for more than five business days may not be considered as being in the possession and control of a futures commission merchant for purposes of segregation.

(b) Transfer locations – All securities which are in the process of being transferred by a registered or recognized transfer agent. If such securities are with transfer agents in Canada and have not been received within 20 business days of delivery, the futures commission merchant shall obtain a confirmation of the position receivable from the transfer agent. If such position remains unconfirmed after 45 business days of delivery, the futures commission merchant must transfer the position to its difference account. If such securities are with transfer agents in the United States, the futures commission merchant must confirm the receivable after 45 business days of delivery and transfer the position to its difference account after 70 business days of delivery if the position has not been confirmed. If such securities are with transfer agents outside Canada and the United States, the futures commission merchant must confirm the receivable after 70 business days of delivery and transfer the position to its difference account after 100 business days of delivery if the position has not been confirmed. If the positions represented by such securities are required to be transferred to the futures commission merchant's difference account, such securities shall not be considered to be in the possession and control of the futures commission merchant for the purposes of segregation.

Non-negotiable securities

3.49 Securities that

- (a) are restricted;
- (b) are non-negotiable; or
- (c) cannot be made fully negotiable solely by signature or guarantee of the futures commission merchant;

shall be deemed not to be segregated unless the securities are registered in the name of the customer — or the name of a person nominated by the customer — on whose behalf they are being held in an acceptable segregation location.

Requirements for segregating money

3.50 A futures commission merchant shall on a daily basis calculate the amount of money required to be segregated in Statement D of Part 1 of the Joint Regulatory Financial Questionnaire and Report, Form 1 of the Investment Dealers Association of Canada, and segregate that amount. If at any time, a segregation deficiency occurs, the futures commission merchant shall expeditiously take the most appropriate action required to settle the segregation deficiency and shall also file a letter with the commission explaining in detail why the segregation deficiency occurred, how the segregation deficiency was corrected and the date of correction.

Conditions of registration – participation in compensation fund

3.51 At such time as, in the opinion of the commission, there is a sufficient number of registrants who are not members of a registered commodity futures exchange that has a compensation fund, either itself or through its designated clearing house, the commission may

require those registrants to participate in a compensation fund approved by the commission and established by a self-regulatory body recognized by the commission under section 14 of the Act.

PART 4 — REGISTRATION EXEMPTIONS

Application of clause 34(a) of the Act

4.1 Clause 34(a) of the Act applies to a trade in a contract only if

- (a) the trade is made on a commodity futures exchange
 - (i) recognized by the commission under section 36 of the Act, or
 - (ii) exempted from the requirement for recognition under section 36 of the Act;
- (b) the dealer through which the trade is effected has insurance in place with respect to the trade that is in all respects at least equivalent to the insurance required by a futures commission merchant under this rule; and
- (c) the dealer through which the trade is effected files with the commission a fully-completed written report in Form 18 within 10 days of the date of the trade; and
- (d) the dealer and the hedger for whose benefit the trade was effected both sign the Form 18 report and certify the accuracy of its contents.

PART 5 — GENERAL PROVISIONS

General reporting and filing requirements

5.1(1) A report, statement or other material required to be filed with the commission under the Act or the regulations and rules under the Act shall

- (a) be clear and legible;
- (b) have numbered pages; and
- (c) be fastened in a secure manner.

5.1(2) A report, statement or other material required to be filed with the commission under the Act or the regulations and rules under the Act shall be addressed to the attention of the director and filed at 1130-405 Broadway, Winnipeg, Manitoba, R3C 3L6.

5.1(3) A report, statement or other material shall be considered filed when actually received by the commission at the address specified in subsection (2).

5.1(4) Except as otherwise provided in the Act or this rule, every document required or permitted to be filed with the commission that is required to be signed or certified shall be manually signed and shall include below the signature the name of the individual in typewritten or printed form.

Endorsement of warrant for execution in Manitoba

5.2 The endorsement of a warrant by the Court of Queen's Bench provided for in section 61 of the Act shall be in the form set out in Form 14.

Form of summons and affidavit of service

5.3(1) A summons to an individual

(a) to attend at a hearing of the commission shall be in Form 1;

(b) to attend before an expert appointed by the commission under section 5 of the Act or a person appointed by the commission to make an investigation under section 6 of the Act shall be in Form 2; and

(c) to attend and submit to an examination under section 7 of the Act shall be in Form 3.

5.3(2) An affidavit of service of a summons shall be in Form 4.

Commission may order variations

5.4 When the commission is of the opinion that it is not prejudicial to the public interest, the commission may, by order, vary a provision of the regulations or rules under the Act as the provision applies to a person or company, subject to such terms and conditions as the commission may impose.

MSC Rule 2000-1 repealed

5.5 MSC Rule 2000-1 under *The Commodity Futures Act* is repealed.

Effective date

5.6 This rule comes into force effective September 30, 2000.

Dated September 19, 2000.

The Manitoba Securities Commission

SCHEDULE
(Section 1.2)

| | |
|---------|--|
| Form 1 | Summons to Witness – Hearing |
| Form 2 | Summons to Witness – Investigation |
| Form 3 | Summons to Submit to Examination |
| Form 4 | Affidavit of Service |
| Form 5 | Application for Registration as a Dealer (floor broker, futures commission merchant or merchant) |
| Form 6 | Uniform Application for Registration – 1-U-2000 |
| Form 7 | Certificate of Intended Employer |
| Form 8 | Application for Renewal of Registration as a Dealer or Adviser |
| Form 9 | Application for Renewal of Registration as a Local or as a Partner, Officer, Branch Manager, Salesperson, Futures Contracts Portfolio Manager or Associate Futures Contracts Portfolio Manager |
| Form 10 | Application for Amendment of Registration as a Dealer or Adviser |
| Form 11 | Application for Amendment of Registration (Transfer or Change of Status) |
| Form 12 | Disclosure Statement for Recognized Market Options |
| Form 13 | Risk Disclosure Statement for Futures and Options |
| Form 14 | Endorsement of Warrant |
| Form 15 | Notice of Change - Branch Office Opening |
| Form 16 | Notice of Change - Branch Office Closing |
| Form 17 | Notice of Change - Termination Notice |
| Form 18 | Report of a Trade made under clause 34(a) of <i>The Commodity Futures Act</i> |



THE MANITOBA
SECURITIES
COMMISSION

Form 1

THE COMMODITY FUTURES ACT

SUMMONS TO A WITNESS TO ATTEND BEFORE
THE MANITOBA SECURITIES COMMISSION

PROVINCE OF MANITOBA) IN THE MATTER OF *The Commodity Futures Act*,
)
) and
)
) IN THE MATTER OF _____

To _____

TAKE NOTICE that you are required to attend before The Manitoba Securities Commission at a Hearing to be held at _____, Manitoba on _____ day, _____, 20____ at _____ a.m./p.m. and continue to attend until the Hearing is concluded, to give evidence and to bring with you and produce at that time and place all documents, records and things of every description in your possession or control relating to this Hearing and in particular the following: _____

AND TAKE NOTICE that failure or refusal to attend, to answer questions or to produce such documents, records and things makes you liable to punishment by a fine or a term of imprisonment, or both.

DATED _____, 20 _____. _____
(signature of director)



THE MANITOBA
SECURITIES
COMMISSION

Form 2

THE COMMODITY FUTURES ACT

SUMMONS TO A WITNESS TO ATTEND BEFORE A PERSON
APPOINTED TO MAKE AN INVESTIGATION

PROVINCE OF MANITOBA) IN THE MATTER OF *The Commodity Futures Act*,
)
) and
)
) IN THE MATTER OF _____

To _____

TAKE NOTICE that you are required to attend at _____, Manitoba on _____ day, _____, 20 ____ at _____ a.m./p.m. and to continue to attend until the investigation is concluded, to give evidence in connection with an investigation into _____ to be made by an investigator under section 6 of *The Commodity Futures Act*, or by an expert under section 5 of that *Act*, appointed by The Manitoba Securities Commission on _____ day, _____, 20 ____, and also to bring with you and produce at that time and place all documents, records and things of every description in your possession or control relating to this investigation and in particular the following: _____

AND TAKE NOTICE that failure or refusal to attend, to answer questions or to produce such documents, records and things makes you liable to punishment by a fine or a term of imprisonment, or both.

DATED _____, 20 ____ . _____
(signature)



THE MANITOBA
SECURITIES
COMMISSION

Form 3

THE COMMODITY FUTURES ACT

SUMMONS TO SUBMIT TO AN EXAMINATION
UNDER SECTION 7 OF *THE COMMODITY FUTURES ACT*

PROVINCE OF MANITOBA) IN THE MATTER OF *The Commodity Futures Act*,
)
) and
)
) IN THE MATTER OF _____

To _____

TAKE NOTICE THAT you are required to attend at _____, Manitoba, on _____ day,
_____, 20 ____, at _____ a.m./p.m., and to continue to attend until the
examination is concluded, to give further information or material and to submit to examination by a person
appointed by The Manitoba Securities Commission under section 7 of *The Commodity Futures Act* on _____
day, _____, 20 ____.

AND TAKE NOTICE that failure or refusal to attend, to answer questions or to produce such
documents, records and things in your custody or possession makes you liable to punishment by a fine or a
term of imprisonment, or both.

DATED _____, 20 ____.

(signature of director)



THE MANITOBA
SECURITIES
COMMISSION

Form 4

THE COMMODITY FUTURES ACT

AFFIDAVIT OF SERVICE

PROVINCE OF MANITOBA) IN THE MATTER OF *The Commodity Futures Act*,
)
) and
)
) IN THE MATTER OF _____

I, _____, of the _____ of _____, in the
_____ of _____, make oath and say:

1. THAT I did on _____ day, _____, 20 ____ personally serve _____
_____ with a true copy of the attached _____ by delivering
the same to and leaving the same with _____, at the _____
of _____, in the _____ of _____.

2. THAT I did at the same time and place pay to _____ the sum of _____
_____ dollars conduct money.

3. THAT to effect such service I necessarily travelled _____ kilometers.

SWORN before me at the _____ of)
_____ in the _____ of)
_____, _____ 20 ____.

A Commissioner for Oaths or Notary Public

(signature)

THE COMMODITY FUTURES ACT

Application for Registration as a Dealer
(floor broker, futures commission merchant or merchant)



THE MANITOBA
SECURITIES
COMMISSION

Note: Should space for your answers be insufficient, statements may be attached and marked as exhibits cross-referencing each attachment to the item to which it pertains, provided it is initialed by the applicant and the Commissioner for Oaths taking the affidavit of execution.

Application is made for registration under *The Commodity Futures Act* as a _____
(state the registration desired, i.e., floor broker, futures commission merchant or merchant) in the category of _____

The following statements of fact are made in this application:

1. Name of applicant _____
2. Residence address (including postal code) _____
3. Business address (including postal code) _____
and business e-mail address _____
4. Is applicant applying for branch office registration? _____ If yes, branch office
address is (including postal code) _____
and branch e-mail address _____
5. Address for service in Manitoba (including postal code) _____
6. Business telephone number () _____ - _____ fax number () _____ - _____
7. The applicant maintains accounts at the following banks _____
(State the bank and bank branches through which business is transacted)

INSTRUCTIONS

Answer yes or no to all of the following questions. If the answer is yes, give full particulars.

8. Has the applicant
 - (a) been registered in any capacity under *The Commodity Futures Act* ? _____
 - (b) applied for registration in any capacity under *The Commodity Futures Act* ? _____
9. To the best of the applicant's information and belief has any affiliate, partner, officer, director or associate of the applicant
 - (a) been registered in any capacity under *The Commodity Futures Act* ? _____
 - (b) applied for registration in any capacity under *The Commodity Futures Act* ? _____
10. Has the applicant ever been
 - (a) registered or licensed in any capacity in another province, territory, state or country that requires registration or licensing to trade in commodity futures contracts or commodity futures options? _____
 - (b) registered or licensed in any other capacity in Manitoba or another province, territory, state or country under any legislation that requires registration or licensing to deal with the public in any capacity? (i.e., as a securities dealer, insurance agent, real estate agent, used car dealer, mortgage broker, etc.) _____
 - (c) refused registration or a license mentioned in clause 10(a) or (b)? _____

(d) suspended or had registration or licensing cancelled or terminated in any category mentioned in clause 10 (a) or (b)? _____

11. To the best of the applicant's information and belief has any affiliate, partner, officer, director or associate of the applicant ever been

(a) registered or licensed in any capacity in another province, territory, state or country that requires registration or licensing to trade in commodity futures contracts or commodity futures options? _____

(b) registered or licensed in any other capacity in Manitoba or another province, territory, state or country under any legislation that requires registration or licensing to deal with the public in any capacity (i.e., as a securities dealer, insurance agent, real estate agent, used car dealer, mortgage broker, etc.)? _____

(c) refused registration or a license mentioned in clause 11(a) or (b)? _____

(d) suspended or had registration or licensing cancelled or terminated in any category mentioned in clause 11(a) or (b)? _____

12. Has the applicant ever been

(a) a member of a commodity futures exchange, a clearing house of a commodity futures exchange, an association of commodity futures dealers or a similar organization in any other province, territory, state or country? _____

(b) refused membership in a commodity futures exchange, a clearing house of a commodity futures exchange, an association of commodity futures dealers or similar organizations in any other province, territory, state or country? _____

(c) suspended, cancelled or terminated as a member of a commodity futures exchange, a clearing house of a commodity futures exchange, an association of commodity futures dealers or similar organizations in any other province, territory, state or country? _____

13. To the best of the applicant's information and belief has any affiliate, partner, officer, director or associate of the applicant ever been

(a) a member of a commodity futures exchange, a clearing house of a commodity futures exchange, an association of commodity futures dealers or a similar organization in another province, territory, state or country? _____

(b) refused membership in commodity futures exchange, a clearinghouse of a commodity futures exchange, an association of commodity futures dealers or similar organization in another province, territory, state or country? _____

(c) suspended, cancelled or terminated as a member of a commodity futures exchange, a clearing house of a commodity futures exchange, an association of commodity futures dealers or similar organization in another province, territory, state or country? _____

14. Has the applicant operated under or carried on business under any name other than the name shown in this application? _____

15. To the best of the applicant's information and belief has any affiliate, partner, officer, director, or associate of the applicant operated under or carried on business under any name other than the name shown in this application? _____

16. Has the applicant ever been convicted or presently have outstanding a charge or indictment under the laws of any province, territory, state or country, excepting minor traffic violations? _____

17. To the best of the applicant's information and belief has any affiliate, partner, officer, director or associate of the applicant ever been convicted or presently have outstanding a charge or indictment under the laws of any province, territory, state or country, excepting minor traffic violations? _____

18. Has the applicant ever been the defendant or a respondent in any proceedings in any civil court in any jurisdiction in any part of the world where fraud was alleged? _____

19. To the best of the applicant's information and belief has any affiliate, partner, officer, director or associate of the applicant ever been the defendant or a respondent in any proceedings in any civil court in any jurisdiction in any part of the world where fraud was alleged? _____

20. Has the applicant ever been at any time declared bankrupt or made a voluntary assignment in bankruptcy? _____

(attach a certified copy of discharge, if any)

21. To the best of the applicant's information and belief has any affiliate, partner, officer, director or associate of the applicant ever been at any time declared bankrupt or made a voluntary assignment in bankruptcy? _____
(attach a certified copy of discharge, if any)

22. Has the applicant ever been refused a fidelity bond? _____

23. To the best of the applicant's information and belief have any affiliate, partner, officer, director or associate of the applicant ever been refused a fidelity bond? _____

24. Attach a marked exhibit setting out the full name and position held by the applicant and each partner, officer or director of the applicant and attach for each person a completed Form 6, unless such information has previously been filed with the Commission and is accurate as filed. _____

25(1) Capitalization of a Corporation

Complete below or attach an exhibit containing the information required below, to provide information with respect to the financial structure and control of the applicant company.

(a) The authorized and issued capital of the company, stating

| | Preferred Shares (State Number of shares and <u>dollar value</u>) Shares \$ | Common Shares (State Number of shares and <u>dollar value</u>) Shares \$ |
|---|--|---|
| (i) authorized capital _____ | | |
| (ii) issued _____ | | |
| (iii) total dollar value of other securities: | | |
| (A) bonds _____ | | |
| (B) debentures _____ | | |
| (C) notes _____ | | |
| (D) any other loans, state source and maturity dates _____ | | |
| | _____ | _____ |
| | \$ _____ | \$ _____ |
| | TOTAL | \$ _____ |

(b) The names, addresses and usual places of residence of registered, and direct and indirect, beneficial owners of each class of security or obligation issued; if a trust is the beneficial owner, the names, addresses and usual places of residence of each person or company having a beneficial interest in the trust, and the nature and extent of the holdings and percentage of interest attributable to each security holder, lender or beneficiary.

(c) State the name and address of every depository holding any of the assets of the company.

(d) Has any person or company undertaken to act as a guarantor in relation to the financial or other undertakings of applicant? _____

(e) Has a subrogation been executed by the creditor(s) in relation to loans owing by the applicant?

(f) Is there any person or company whose name is not disclosed as required by clause (c)?

25(2) Capitalization of a Partnership or Proprietorship

Attach an exhibit containing the information called for below with respect to the assets of the partnership or proprietorship, and state the degree of control (voting power) of each the participants in the application.

(a) Amount of paid-in capital \$ _____

(b) Description of the assets _____

(c) Name and address of every depository holding any of the assets _____

(d) Source, amount and maturity date of any obligations owing by the partnership _____

(where applicable, give names and address of creditors)

(e) Has any person or company undertaken to act as a guarantor in relation to the financial or other undertakings of applicant? _____

(f) Has a subrogation been executed by the creditor(s) in relation to loans owing by the applicant?

(g) Is there any person or company whose name is not disclosed above whom has any interest in the applicant, either beneficially or otherwise? _____

DATED _____, 20 ____.

(name of applicant)

(signature of applicant, partner or officer)

(capacity)

AFFIDAVIT OF EXECUTION
IN THE MATTER OF *THE COMMODITY FUTURES ACT*

Province of Manitoba

)
)
)
)
)
)

I, _____, of
the _____ of _____,
In the Province of Manitoba,

MAKE OATH AND SAY:

1. I am the applicant (or a partner or officer of the applicant) and I signed the application.
2. The statements of fact made in the application are true.

SWORN before me at the _____ of
_____ in the _____ of
_____, _____ 20 ____.

)
)
)
)
)

A Commissioner for Oaths or Notary Public

(signature of deponent)

Form 6

THE COMMODITY FUTURES ACT

Uniform Application for Registration/Approval

Form 1-U-2000 Canadian Securities and Commodity Futures Legislation



THE MANITOBA
SECURITIES
COMMISSION

See 1-U-2000 (following pages)

THE COMMODITY FUTURES ACT

Certificate of Intended Employer



THE MANITOBA
SECURITIES
COMMISSION

Note: To be completed by the intended employer and submitted separately in support of every application for amendment of registration made in Form 11 on transfer from the employ of one registered dealer to another.

The following statements of fact are made in this application:

1. Name of Intended Employer _____
2. Intended Employer telephone number () _____ - _____ fax number _____ - _____
3. Intended Employer address (including postal code) _____
4. Intended Employer e-mail address _____
5. Name in full of applicant _____
6. Applicant telephone number is () _____ - _____
7. Residence address of applicant (including postal code) _____

8. Code or symbol, if any, to be used to identify the applicant in written confirmations of trade

To the Director:

On the basis of due and diligent inquiry made of the background of the applicant named above and other information available, the undersigned believes this person to be of good character and reputation. The applicant has either successfully completed or has the qualifications to undertake and successfully complete one of the courses of study approved by The Manitoba Securities Commission to which end all reasonable assistance will be provided by us.

And I request that the application be granted.

DATED at _____

(name of intended employer)

_____, 20 ____.

(signature of intended employer, partner or officer)

(capacity)

THE COMMODITY FUTURES ACT

Application for Renewal of Registration as a Dealer or Adviser



THE MANITOBA
SECURITIES
COMMISSION

Note: Should space for your answers be insufficient, statements may be attached and marked as exhibits, cross-referencing each attachment to the item to which it pertains, provided it is initialled by both the applicant and the Commissioner for Oaths taking the affidavit of execution.

Application for renewal of registration under *The Commodity Futures Act* as a _____
in the category of _____

The following statements of fact are made in this application:

1. Name in full of applicant _____
2. Business address (including postal code) _____
3. Business e-mail address _____
4. Business telephone number () _____ - _____ fax number _____ - _____
5. Address for service in Manitoba (including postal code) _____
6. Has there been any material change in the information required by Form 5 or 6 (as applicable) since your last application for registration, amendment or renewal of registration made under *The Commodity Futures Act* and the rules and regulations under that *Act*? Answer yes or no _____
7. If the answer to statement 6 is yes, give full particulars of every change, using the same numbering for each item of change as it appears in the application form in which the information was contained. _____

DATED at _____ (name of applicant)

_____, 20____. (signature of applicant, partner or officer)

(print name of partner or officer) (capacity)

AFFIDAVIT OF EXECUTION

IN THE MATTER OF *THE COMMODITY FUTURES ACT*

Province of Manitoba

)
)
)
)
)
)

I, _____
of the _____ of _____,
in the Province of Manitoba,
MAKE OATH AND SAY:

- 1. I am the applicant (or a partner or officer of the applicant) and I signed the application.
- 2. The statements of fact made in the application are true.

SWORN before me at the _____ of _____,
in the _____ of _____,
_____, _____, 20 ____.

(A Commissioner for Oaths or Notary Public)

(signature of deponent)

Form 9

THE COMMODITY FUTURES ACT



Application for Renewal of Registration as a Local or as a Partner, Officer, Branch Manager, Salesperson, Futures Contracts Portfolio Manager or Associate Futures Contracts Portfolio Manager

THE MANITOBA
SECURITIES
COMMISSION

Note: Should space for your answers be insufficient, statements may be attached and marked as exhibits, cross-referencing each attachment with the item to which it pertains, provided it is initialled by both the applicant and the Commissioner for Oaths taking the affidavit of execution.

Application is made for renewal of registration under *The Commodity Futures Act* as a _____

(state the registration desired, e.g., salesperson)

The following statements of fact are made in this application:

1. Name of applicant _____
2. Residence address (including postal code) _____
3. Residence telephone number () _____ - _____
4. Business address (including postal code) _____
5. Business e-mail address _____
6. Business telephone number () _____ - _____
7. Business fax number () _____ - _____
8. Has there been any material change in the information required under Form 6 since your last application for registration, amendment or renewal of registration made under *The Commodity Futures Act* and the rules and regulations under the *Act*? Answer yes or no _____
9. If the answer to statement 8 is yes, give full particulars of every change, using the same numbering for each item of change as it appears in the application form in which the information was contained.

DATED at _____
_____, 20 ____.

(signature of applicant)

DATED at _____
_____, 20 ____.

(name of employer)

(signature of employer, partner or authorized officer)

(print name of partner or authorized officer)

(capacity)

AFFIDAVIT OF EXECUTION

IN THE MATTER OF *THE COMMODITY FUTURES ACT*

Province of Manitoba

)
)
)
)
)
)

I, _____,
of the _____ of _____,
in the Province of Manitoba,

MAKE OATH AND SAY:

1. I am the applicant (or a partner or officer of the applicant) and I signed the application.
2. The statements of fact made in the application are true.

SWORN before me at the _____ of _____,
in the _____ of _____,
_____, _____, 20 ____.

(A Commissioner for Oaths or Notary Public)

(signature of deponent)

THE COMMODITY FUTURES ACT

Application for Amendment of Registration as a Dealer or Adviser



THE MANITOBA
SECURITIES
COMMISSION

Note: Should space for your answers be insufficient, statements may be attached and marked as exhibits cross-referencing each attachment to the item to which it pertains, provided it is initialled by applicant and the Commissioner for Oaths taking the affidavit of execution.

Application is made for amendment to our existing registration as a _____
under *The Commodity Futures Act*.

The following statements of fact are made in this application:

1. Name _____
2. Business address (including postal code) _____
3. Business e-mail address _____
4. Telephone number () _____ - _____
5. Fax number () _____ - _____
6. Address for service in Manitoba _____
7. Has there been any material change in the information required under Form 5 or 6 (as applicable) since your last application for registration, amendment or renewal of registration made under *The Commodity Futures Act* and the rules and regulations under the *Act*? Answer yes or no _____
8. If the answer to statement 7 is yes, give full particulars of every change, using the same numbering for each item of change as it appears in the application form in which the information was contained.

Dated _____, 20 ____.

(name of applicant)

(print name of partner or authorized officer)

(signature of applicant, partner or authorized officer)

(capacity)

AFFIDAVIT OF EXECUTION

IN THE MATTER OF *THE COMMODITY FUTURES ACT*

Province of Manitoba

)
)
)
)
)
)

I, _____,

of the _____ of _____,

in the Province of Manitoba,

MAKE OATH AND SAY:

1. I am the applicant (or a partner or officer of the applicant) and I signed the application.
2. The statements of fact made in the application are true.

SWORN before me at the _____ of
 _____, in the _____ of
 _____, _____, 20 ____.

)
)
)
)
)

 (A Commissioner for Oaths or Notary Public)

 (signature of deponent)

THE COMMODITY FUTURES ACT

Application for Amendment of Registration as a Local or as a Partner, Officer, Branch Manager, Salesperson, Futures Contracts Portfolio Manager or Associate Futures Contracts Portfolio Manager



THE MANITOBA SECURITIES COMMISSION

Reason for Amendment

TRANSFER

CHANGE OF STATUS

TYPE OF REGISTRATION REQUESTED _____ (state category)

1. Name of applicant _____
2. Social insurance number of applicant _____
3. Applicant's residence address (including postal code) _____
4. Applicant's residence telephone number () _____ - _____
5. Address, e-mail address and telephone number where employee will be working _____

6. Name of applicant's employer _____
7. Employer's address (including postal code) and e-mail address _____

8. Employer's telephone number () _____ - _____
 and the fax number () _____ - _____
9. Has there been any material change in the information required under Form 6 since your last application for registration, amendment or renewal of registration made under *The Commodity Futures Act* and the rules and regulations under the *Act*, particularly with respect to questions 11 through 20? Answer yes or no _____

If your answer is yes, attach full particulars. The following areas are addressed in Form 6 in questions 11 through 20 respectively: change of name; prior registration or licensing; refusal, suspension, cancellation or disciplinary measure; self-regulatory organizations; offences under the law; civil proceedings; bankruptcy; judgment or garnishment; and business activities.

TRANSFER

Name of previous employer _____

Date of termination _____ Date of transfer _____

Anniversary date of registration under *The Commodity Futures Act* _____

Province _____

CHANGE OF STATUS

Present position in the firm _____

Name of examination written and the date you passed the examination _____
(Attach proof of passing grade)

CERTIFICATION

The undersigned applicant certifies that the foregoing statements are true and correct.

Dated _____, 20 _____. _____
(signature of applicant)

The undersigned certifies that the foregoing statements are true and correct to the best of my knowledge, information and belief (after having seen the Uniform Application for Registration (Form 6) and all subsequent Applications for Amendment of Registration previously filed by the applicant).

Dated _____, 20 _____. _____
(signature of partner or authorized officer)

(print name of partner or authorized officer)



THE MANITOBA
SECURITIES
COMMISSION

Form 12

DISCLOSURE STATEMENT FOR RECOGNIZED MARKET OPTIONS

The Commodity Futures Act

No securities commission or similar authority in Canada has in any way passed upon the merits of Options referred to herein and any representation to the contrary is an offence. This document contains condensed information respecting the Options referred to herein. Additional information may be obtained from your broker.

DISCLOSURE STATEMENT FOR RECOGNIZED MARKET OPTIONS

A high degree of risk may be involved in the purchase and sale of Options, depending to a large measure on how and why Options are used. Options may not be suitable for every investor. See “Risks in Options Trading” and “Additional Information”.

INTRODUCTION

This Disclosure Statement provides general information relevant to the purchase and sale of Put and Call Options traded on a recognized market and cleared through a clearing corporation. Information concerning the underlying interests on which Options are traded, the terms and conditions of these Options, the recognized markets on which they trade and the applicable clearing corporations may be obtained from your broker. Information on investment strategies and possible uses of Options may also be obtained from your broker.

This Disclosure Statement refers only to Options and clearing corporations which have been recognized or qualified for purposes of this Disclosure Statement by provincial securities administrators where required. The Options discussed herein trade on markets that, for the purposes of this Disclosure Statement only, are referred to as recognized markets.

THE NATURE OF AN OPTION

An Option is a contract entered into on a recognized market between a seller (a writer) and a purchaser where all the terms and conditions of the contract (the “specifications”), other than the consideration (the “premium”) for the Option, are standardized and predetermined by the recognized market. The premium, paid by the purchaser to the seller, is determined in the market on the basis of supply and demand, reflecting such factors as the duration of the Option, the difference between the exercise price of the Option and the market price of the underlying interest, the price volatility and other characteristics of the underlying interest.

There are two types of Options: Calls and Puts. A Call gives the purchaser a right to buy, and a Put the right to sell, a specific underlying interest at a stated exercise price and within a specified period of time or on a specific date. An Option obligates the seller to honor the right granted to

the purchaser if exercised by the purchaser. Underlying interests can be shares of a specific corporation, bonds, notes, bills, certificates of deposit, commodities, foreign currency, the cash value of an interest in a stock index or any other interest provided for in the specifications.

An Option transaction is entered into on a recognized market by a purchaser and a seller represented by their respective brokers. When the transaction is concluded it is cleared by a clearing corporation affiliated with the recognized market on which the Option is traded. When an Option transaction is cleared by the clearing corporation it is divided into two contracts with the clearing corporation becoming the seller to the purchaser in the transaction and the purchaser to the seller. Thus on every outstanding Option, the purchaser may exercise the Option against the clearing corporation and the seller may be called upon to perform his obligation through exercise of the Option by the clearing corporation.

Options may also be classified according to delivery requirements: actual delivery and cash delivery. An actual delivery Option requires the physical delivery of the underlying interest if the Option is exercised. A cash delivery Option requires a cash payment of the difference between the aggregate exercise price and the value of the underlying interest at a specified time prior or subsequent to the time the Option is exercised.

Options are issued in series designated by an expiration month, an exercise price, an underlying interest and a unit of trading. At the time trading is introduced in Options with a new expiration month, the recognized market on which the Option is traded establishes exercise prices that reflect the current spot prices of the underlying interest. Generally, three series of Options are introduced with exercise prices at, below and above the current spot price. When the spot price of the underlying interest moves, additional Options may be added with different exercise prices. Options having the same underlying interest and expiration month but having different exercise prices may trade at the same time.

SPECIFICATIONS OF OPTIONS

Specifications of Options are fixed by the recognized market on which they are traded. These specifications may include such items as trading units, exercise prices, expiration dates, last day of trading, and the time for determining settlement values.

An Option may be bought or sold only on the recognized market on which the Option is traded. The recognized market and the clearing corporation may each impose restrictions on certain types of transactions and under certain circumstances may modify the specifications of outstanding Options. In addition, a recognized market or a clearing corporation may limit the number of Options that may be held by an investor and may limit the exercise of Options under prescribed circumstances.

EXERCISING OPTIONS

An Option may have either an American style exercise or European style exercise regardless of where the recognized market is located. An American style Option can be exercised by the purchaser at any time before the expiration. To do this, the purchaser notifies the broker through whom the Option was purchased. A purchaser should ascertain in advance from his broker the latest date on which he may give such notice to his broker. A European style Option may only be exercised by the purchaser on a specified date. Upon receiving an exercise notice from the purchaser's broker, the clearing corporation assigns it to a member who may re-assign it to a client on a random or other predetermined selection basis.

Upon assignment, the seller must make delivery of (in the case of a Call) or take delivery of and pay for (in the case of a Put) the underlying interest. In the case of a cash delivery Option, the seller must, in lieu of delivery, pay the positive difference between the aggregate exercise price and the settlement value of the underlying interest (in the cases of both Call and Put).

A purchaser of an Option that expires loses both the premium paid for the Option and transaction costs. The seller of an Option that expires will gain the premium received for the Option less transaction costs.

TRADING OF OPTIONS

Each recognized market permits secondary market trading of its Options. This enables purchasers and sellers of Options to close out their positions by offsetting sales and purchases. By selling an Option with the same terms as the one purchased, or buying an Option with the same terms as the one sold, an investor can liquidate his position (called an “offsetting transaction”). Offsetting transactions must be made prior to expiration of an Option or by a specified date prior to expiration. Offsetting transactions must be effected through the broker through whom the Option was initially Sold or purchased.

Price movements in the underlying interest of an Option will generally be reflected to some extent in the secondary market value of the Option. The purchaser who wishes to realize a profit will have to sell or exercise his Option during the life of the Option or on the specified date for exercise, as the case may be.

COSTS OF OPTIONS TRADING

(1.) Margin Requirements

Prior to trading Options, a seller must deposit with his broker cash or securities as collateral (“margin”) for the obligation to buy (in the case of a Put) or sell (in the case of a Call) the underlying interest if the Option should be exercised. Minimum margin rates are set by the recognized market on which the Option trades. Higher rates of margin may be required by the seller's broker.

Margin requirements of various recognized markets may differ. In addition, they are subject to change at any time and such changes may apply retroactively to Option positions previously established.

(2.) Commission charges

Brokers charge commissions on the purchase or sale of Options as well as on the exercise of Options and the delivery of underlying interests.

RISKS IN OPTIONS TRADING

Options can be employed to serve a number of investment strategies including those concerning investments in or related to underlying interests. **Some strategies for buying and selling options involve greater risk than others.**

The following is a brief summary of some of the risks connected with trading in Options:

(1.) Because an Option has a limited life, the purchaser runs the risk of losing his entire investment in a relatively short period of time. If the price of the underlying interest does not rise above (in the case of a Call) or fall below (in the case of a Put) the exercise price of the Option plus premium and transaction costs during the life of the Option, or by the specified date for exercise, as the case may be, the Option may be of little or no value and if allowed to expire will be worthless.

(2.) The seller of a Call who does not own the underlying interest is subject to a risk of loss should the price of the underlying interest increase. If the Call is exercised and the seller is required to purchase the underlying interest at a market price above the exercise price in order to make delivery, he will suffer a loss.

(3.) The seller of a Put who does not have a corresponding short position (that is, an obligation to deliver what he does not own) in the underlying interest will suffer a loss if the price of the underlying interest decreases below the exercise price, plus transaction costs minus the premium received. Under such circumstances, the seller of the Put will be required to purchase the underlying interest at a price above the market price, with the result that any immediate sale will give rise to a loss.

(4.) The seller of a Call who owns the underlying interest is subject to the full risk of his investment position should the market price of the underlying interest decline during the life of the Call, or by the specified date for exercise, as the case may be, but will not share in any gain above the exercise price.

(5.) The seller of a Put who has a corresponding short position in the underlying interest is subject to the full risk of his investment position should the market price of the underlying interest rise during the life of the Put, or by the specified date for exercise, as the case may be, but will not share in any gain resulting from a decrease in price below the exercise price.

(6.) Transactions for certain Options may be carried out in a foreign currency. Accordingly, purchasers and sellers of these Options using Canadian dollars will be exposed to risks from fluctuations in the foreign exchange market as well as to risks from fluctuations in the price of the underlying interest.

(7.) There can be no assurance that a liquid market will exist for a particular Option to permit an offsetting transaction. For example, there may be insufficient trading interest in the particular Option; or trading halts, suspensions or other restrictions may be imposed on the Option or the underlying interest; or some event may interrupt normal market operations; or a recognized market could for regulatory or other reasons decide or be compelled to discontinue or restrict trading in the Option. In such circumstances the purchaser of the Option would only have the alternative of exercising his Option in order to realize any profit, and the seller would be unable to terminate his obligation until the Option expired or until he performed his obligation upon being assigned an exercise notice.

(8.) The seller of an American style Option has no control over when he might be assigned an exercise notice. He should assume that an exercise notice will be assigned to him in circumstances where the seller may incur a loss.

(9.) In unforeseen circumstances there may be a shortage of underlying interests available for delivery upon exercise of actual delivery Options, which could increase the cost of or make impossible the acquisition of the underlying interests and cause the clearing corporation to impose special exercise settlement procedures.

(10.) In addition to the risks described above which apply generally to the buying and selling of Options, there are timing risks unique to Options that are settled by the payment of cash.

The exercise of Options settled in cash results in a cash payment from the seller to the purchaser based on the difference between the exercise price of the Option and the settlement value. The settlement value is based on the value of the underlying interest at a specified time determined by the rules of the recognized market. This specified time could vary with the Option. For example, the specified time could be the time for establishing the closing value of the underlying interest on the day of exercise or in the case of some Options based on a stock index the time for establishing the value of the underlying interest that is based on the opening prices of constituent stocks on the day following the last day of trading. Options for which the settlement value is based on opening prices may not, unless the applicable recognized market announces a rule change to the contrary, trade on that day.

The settlement value for Options, futures contracts and futures options may not be calculated in the same manner even though each may be based on the same underlying interest.

Where the settlement value of a cash delivery Option is determined after the exercise period, the purchaser who exercises such Option will suffer from any unfavourable change in the value of the underlying interest from the time of his decision to exercise to the time settlement value is determined. With actual delivery Options, this risk can be covered by a complementary transaction in the actual market for the underlying interest.

The seller of a cash delivery Option is not informed that he has been assigned an exercise notice until the business day following exercise, at the earliest, and the seller will suffer from any unfavourable change in the value of the underlying interest from the time of determination of the settlement value to the time he learns that he has been assigned. Unlike the seller of an actual delivery Option, the seller of a cash delivery Option cannot satisfy his assignment obligations by delivery of the lower valued underlying interest, but must pay cash in an amount determined by the settlement value.

The type of risk discussed above makes spreads and other complex option strategies involving cash delivery Options substantially more risky than similar strategies involving actual delivery Options.

TAX CONSEQUENCES

The income tax consequences of trading in Options are dependent upon the nature of the business activities of the investor and the transaction in question. Investors are urged to consult their own professional advisers to determine the consequences applicable to their particular circumstances.

ADDITIONAL INFORMATION

Before buying or selling an Option an investor should discuss with his broker:

- Specific investment needs and objectives
- The risks the investor is prepared to take
- The specifications of Options the investor may wish to trade
- Commission rates
- Margin requirements
- Any other concerns

Specifications for each Option are available on request from your broker and from the recognized market on which the Option is traded. Should there be a difference in interpretation between this document and the specifications for a given Option, the specifications prevail.



THE MANITOBA
SECURITIES
COMMISSION

Form 13

Risk Disclosure Statement for Futures and Options

The Commodity Futures Act

RISK DISCLOSURE STATEMENT FOR FUTURES AND OPTIONS

This brief statement does not disclose all of the risks and other significant aspects of trading in futures and options. In light of the risks, you should undertake such transactions only if you understand the nature of the contracts (and contractual relationships) into which you are entering and the extent of your exposure to risk. Trading in futures and options is not suitable for many members of the public. You should carefully consider whether trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

FUTURES

(1.) Effect of Leverage or Gearing

Transactions in futures carry a high degree of risk. The amount of initial margin is small relative to the value of the futures contract so that transactions are leveraged or geared. A relatively small market movement will have a proportionately larger impact on the funds you have deposited or will have to deposit: this may work against you as well as for you. You may sustain a total loss of initial margin funds and any additional funds deposited with the firm to maintain your position. If the market moves against your position or margin levels are increased you may be called upon to pay substantial additional funds on short notice to maintain your position. If you fail to comply with a request for additional funds within the time prescribed your position may be liquidated at a loss and you will be liable for any resulting deficit.

(2.) Risk-reducing Orders or Strategies

The placing of certain orders (i.e., stop-loss order, where permitted under local law, or stop-limit orders) which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. Strategies using combinations of positions, such as spread and straddle positions may be as risky as taking simple long or short positions.

Options

(3.) Variable Degree of Risk

Transactions in options carry a high degree of risk. Purchasers and sellers of options should familiarize themselves with the type of option (i.e., put or call) which they contemplate trading and the associated risks. You should calculate the extent to which the value of the options must

increase for your position to become profitable, taking into account the premium and all transaction costs.

The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a future, the purchaser will acquire a futures position with associated liabilities for margin (see section on Futures above). If the purchased options expire worthless, you will suffer a total loss of your investment which will consist of the option premium plus transaction costs. If you are contemplating purchasing deep-out-of-the-money options, you should be aware that the chance of such options becoming profitable ordinarily is remote.

Selling (writing or granting) an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavourably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is on a future, the seller will acquire a position in a future with associated liabilities for margin (see the section on Futures above). If the option is “covered” by the seller holding a corresponding position in the underlying interest or a future or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited.

Certain exchanges in some jurisdictions permit deferred payment of the option premium, exposing the purchaser to liability for margin payments not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at that time.

ADDITIONAL RISKS COMMON TO FUTURES AND OPTIONS

(4.) Terms and Conditions of Contracts

You should ask the firm with which you deal about the terms and conditions of the specific futures or options which you are trading and associated obligations (i.e., the circumstances under which you may become obligated to make or take delivery of the underlying interest of a futures contract and, in respect of options, expiration dates and restrictions on the time for exercise). Under certain circumstances the specifications of outstanding contracts (including the exercise price of an option) may be modified by the exchange or clearing house to reflect changes in the underlying interest.

(5.) Suspension or Restriction of Trading and Pricing Relationships

Market conditions (i.e., illiquidity) and/or the operation of the rules of certain markets (i.e., the suspension of trading in any contract or contract month because of price limits or circuit breakers) may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions. If you have sold options, this may increase the risk of loss.

Further, normal pricing relationships between the underlying interest and the future, and the underlying interest and the option may not exist. This can occur when, for example, the futures

contract underlying the option is subject to price limits while the option is not. The absence of an underlying reference price may make it difficult to judge fair value.

(6.) Deposited Cash and Property

You should familiarize yourself with the protections accorded money or other property you deposit for domestic and foreign transactions, particularly in the event of a firm insolvency or bankruptcy. The extent to which you may recover your money or property may be governed by specific legislation or local rules. In some jurisdictions, property which had been specifically identifiable as your own will be prorated in the same manner as cash for purposes of distribution in the event of a shortfall.

(7.) Commission and Other Charges

Before you begin to trade, you should obtain a clear explanation of all commission, fees and other charges for which you will be liable. These charges will affect your net profit, if any, or increase your loss.

(8.) Transactions in Other Jurisdictions

Transactions on markets in other jurisdictions, including markets formally linked to a domestic market, may expose you to additional risk. Such markets may be subject to regulation that may offer different or diminished investor protection. Before you trade you should inquire about any rules relevant to your particular transactions. Your local regulatory authority will be unable to compel the enforcement of the rules of regulatory authorities or markets in other jurisdictions where your transactions have been effected. You should ask the firm with which you deal for details about the types of redress available in both your home jurisdiction and other relevant jurisdictions before you start to trade.

(9.) Currency Risks

The profit or loss in transactions in foreign currency-denominated contracts (whether they are traded in your own or another jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

(10.) Trading Facilities

Most open-outcry and electronic trading facilities are supported by computer-based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Your ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearinghouse and/or member firms. Such limits may vary; you should ask the firm with which you deal for details in this respect.

(11.) Electronic Trading

Trading on an electronic trading system may differ not only from trading in an open-outcry market but also from trading on other electronic trading systems. If you undertake transactions on an electronic trading system, you will be exposed to risks associated with the system including the failure of hardware and software. The result of any system failure may be that your

order is either not executed according to your instructions or is not executed at all. Your ability to recover certain losses which are particularly attributable to trading on a market using an electronic trading system may be limited to less than the amount of your total loss.

(12.) — Off-exchange Transactions

In some jurisdictions, and only then in restricted circumstances, firms are permitted to effect off-exchange transactions. The firm with which you deal may be acting as your counter-party to the transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a fair price or to assess the exposure to risk. For these reasons, these transactions may involve increased risks.

Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before you undertake such transactions, you should familiarize yourself with applicable rules.



THE MANITOBA
SECURITIES
COMMISSION

Form 14

ENDORSEMENT

Court of Queen's Bench
_____ Centre

Canada, Province of Manitoba)
M Justice_____)
)

Pursuant to subsection 61(1) of *The Commodity Futures Act* and the application made to me this day, I hereby authorize the execution of this Warrant within Manitoba.

Dated _____, 20____, at _____, in Manitoba.

Justice of the Court of Queen's Bench

THE COMMODITY FUTURES ACT

Notice Of Change - Branch Office Opening
(Subsection 32(1))



THE MANITOBA
SECURITIES
COMMISSION

-
1. Branch name _____
Address (including postal code) _____
Telephone number () _____ - _____ fax number () _____ - _____
E-mail address _____

 2. Effective date of opening _____

 3. Name of branch manager _____

 4. Indicate the days of the week and hours the branch will be open _____

 5. On a separate attachment, list all registered personnel who will be working at this location along with their categories of registration.

DATED _____, 20 _____. _____
(name of futures commission merchant)

(print name of partner or officer)

(signature of futures commission merchant, partner or officer)

(capacity)

THE COMMODITY FUTURES ACT

Notice Of Change - Branch Office Closing
(Subsection 32(1))



THE MANITOBA
SECURITIES
COMMISSION

-
1. Branch name _____
Address (including postal code) _____
Telephone number () _____ - _____ fax number _____ - _____
E-mail address _____
 2. Effective date of closing _____
 3. Name of former branch manager _____
 4. Indicate on a separate attachment what will happen to all registered personnel.

DATED _____, 20 ____.

_____ (name of futures commission merchant)

_____ (print name of partner or officer)

_____ (signature of futures commission merchant, partner or officer)

_____ (capacity)

THE COMMODITY FUTURES ACT

Notice of Change - Termination Notice
(Subsection 32(1))



THE MANITOBA
SECURITIES
COMMISSION

Date of employee's termination of employment _____

Name of employee _____

Name of employer _____

Address where employee worked (if a branch, state the branch address) _____

Employee's residence address _____

Employee's residence telephone number () _____ - _____

Particulars of Termination

- | | | | | |
|---------------|-----------------------------|--------------------------|-------------------------|--------------------------|
| (1) Voluntary | (a) Unsolicited by employer | <input type="checkbox"/> | (2) Dismissed for Cause | <input type="checkbox"/> |
| | (b) Solicited by employer | <input type="checkbox"/> | (3) Other | <input type="checkbox"/> |

1. Reason(s) for termination:

2. To the best of the employer's knowledge have there been any material changes to the Uniform Application for Registration (Form 6) since it was last filed, particularly with respect to questions 15 through 18? The following areas are addressed in the Uniform Application for Registration (Form 6) and constitute questions 15 through 18 respectively: offences under the law; civil proceedings; bankruptcy; and judgment and garnishment. Read questions 15 through 18 of the Application and answer whether there are any:

(a) civil proceedings? _____

(b) actions in bankruptcy or insolvency? _____

(c) judgments, garnishments or out-of-court settlements with clients? _____

(d) investigations, disciplinary actions or proceedings? _____

If the answer to any of 2(a) through (d) is yes, attach full particulars.

3. Is the employee now, or during your employ, ever been the subject of:

(a) unresolved client complaints? _____

(b) internal discipline or restrictions for violation of regulatory requirements? _____

If the answer to 3(a) or (b) is yes, attach full particulars.

4. Is the firm in possession of any information that would suggest that the employee has engaged in conduct that contravenes regulatory requirements or is inconsistent with just and equitable principles of trade? _____
If the answer is yes, attach full particulars.

5. Are the employee's accounts, or those controlled by the employee, fully secured, margined or paid?

6. If the answer to question 5 is no, state the number of under-margined or bad debt accounts in excess of \$5,000: _____ Provide the dollar amounts (including those written off or charged to the employee in past 12 months) for each under-margined or bad debt account in excess of \$5,000: _____

7. Are clients' accounts fully margined, secured or paid? _____

8. If the answer to question 7 is no, in the opinion of the employer, were under-margined or unsecured client accounts the result of bad business or credit practices on the part of the employee? _____

9. Has the employee been provided with this termination notice? _____

10. If employee's signature is not on this termination notice, give reasons: _____

I am satisfied that the information contained in this termination notice reflects the knowledge of the employee's supervisors.

DATED _____, 20 _____. _____
(name of futures commission merchant)

(signature of futures commission merchant,
partner or officer)

(print name of partner or officer)

(capacity)

EMPLOYEE ACKNOWLEDGMENT OF REVIEW OF FORM 18 TERMINATION NOTICE:

I have reviewed this termination notice and do/do not agree with the information contained in it. (If I do not agree I will provide full particulars.)

DATED _____, 20 _____. _____
(signature of employee)

THE COMMODITY FUTURES ACT

Report of a Trade made under
 clause 34(a) of *The Commodity Futures Act*



THE MANITOBA
 SECURITIES
 COMMISSION

1. Full name, address (including postal code) and telephone number of the dealer and any individual acting on behalf of the dealer that entered into the contract on the instructions of the hedger _____

2. Details of insurance coverage of dealer applicable to the trade. Include description of type of insurance, name and address of insurer and amount of coverage _____

3. Full name and address (including postal code) of hedger _____

4. Name and address (including postal code) of extra-provincial exchange upon which the trade took place _____

5. Details of the trade

| Date | Contract | Quantity | Price |
|------|----------|----------|-------|
| | | | |

Certificate of Hedger

I, _____, certify that I am a hedger as defined under *The Commodity Futures Act* and that I have not entered into the contracts disclosed on this form, or any other contracts, except for the purpose of hedging.

Date _____, 20 _____. _____
 (signature)

Certificate of Dealer

I, _____, certify that I have made all necessary inquiries to determine whether the hedger qualifies as a hedger as defined in *The Commodity Futures Act*. I certify that I am entitled to rely on the registration exemption contained in clause 34(a) of the *Act* and I have complied with all of the requirements of the *Act* and the rules with respect to the trade described in this form.

Date _____, 20 _____. _____
 (signature)