

**Draft: February 17, 2005**

## **EXHIBIT B**

### **MFDA Investor Protection Corporation / Corporation de protection des investisseurs de l'ACFM**

#### **BY-LAW NUMBER 1**

**BE IT ENACTED** as a by-law of **MFDA Investor Protection Corporation / Corporation de protection des investisseurs de l'ACFM** (the "Corporation"), which was incorporated under the *Canada Corporations Act* (the "Act"), as follows:

#### **PART 1 - CONDITIONS OF MEMBERSHIP**

1.1 **Membership.** Membership in the Corporation shall consist only of members of the board of directors of the Corporation (the "Board"). Each member of the Corporation shall have equal voting rights.

1.2 **Termination of Membership.** The membership of a member shall terminate upon his or her resignation or removal from office as a director of the Corporation.

#### **PART 2 - FEES AND ASSESSMENTS**

2.1 **Imposition of Fees and Assessments.** Subject to Section 2.2, the Corporation may from time to time impose or prescribe such fees, levies, assessments or other charges on or in respect of persons who are members of the Mutual Fund Dealers Association of Canada ("MFDA"). The Corporation may make such arrangements for the notification to, and collection from, such persons of any such fees, levies or assessments imposed either directly or indirectly through the MFDA. The amount, nature and basis of any such fees, levies and assessments may be determined by the Board in its sole discretion in a manner and an amount sufficient to further the objects of the Corporation and maintain its operations.

2.2 ~~**MFDA Consent.** The Corporation may only impose or prescribe fees, levies, assessments or other charges on or in respect of members of the MFDA as referred to in Section 2.1 if the MFDA has consented in writing to such fees, levies or assessments, such consent to be evidenced by a resolution of the board of the MFDA or a committee thereof.~~ **Consultation with MFDA. As of the commencement of its protection of customers of insolvent members of MFDA, the Corporation and MFDA shall have agreed as to the desirable size of the fund to be maintained, the methodology for assessments and assessment amounts. Any change to such agreement (and changes thereafter) as proposed by the Corporation shall be made in consultation with MFDA and if agreement with MFDA as to proposed changes has not been reached, the matter will be immediately reported to the relevant member(s) of the Canadian Securities Administrators (or any successor thereof). Nothing in this Section 2.2 shall prevent the Corporation exercising its authority under Section 2.1 in order to permit**

**the Corporation to meet its obligations to its lenders or to satisfy claims incurred from eligible customers of MFDA members that exceed the assets available to the Corporation.**

### **PART 3 - HEAD OFFICE**

3.1 **Head Office.** Until changed in accordance with the Act, the head office of the Corporation shall be in the City of Toronto, in the Province of Ontario.

### **PART 4 - BOARD OF DIRECTORS**

4.1 **Composition of Board.** The property and business of the Corporation shall be managed by a board consisting of an odd number of directors of not less than 3 and not more than 11 directors. The Board shall be composed of individuals who are either: (i) directors, officers or employees of the MFDA or of members of the MFDA ("Industry Directors"); or (ii) ~~public directors,~~ **Public Directors** (who shall be individuals who are not disqualified by the criteria set out below ~~("Public Directors")~~); such that the number of Industry Directors shall be equal to the number of Public Directors, less one. ~~A person shall not be eligible for appointment or continuation as a Public Director if he or she is (a) an employee, officer, director or associate of a Member of the MFDA or of any affiliated or associated company of such Member, (b) an employee, officer, director or associate of the MFDA, (c) an employee or appointee of any government or agency thereof, (d) a consultant to, or has an ongoing business relationship with, the MFDA or a Member of the MFDA, or (e) an employee, officer or associate of the Corporation.~~ The Chair shall be eligible as a Public Director as long as he or she (i) holds no other office with the Corporation, (ii) is not an employee of the Corporation, or (iii) performs no management or executive functions on behalf of the Corporation in respect of its operations after the earlier of (A) the third anniversary of the date of approval or recognition of the Corporation as a customer protection plan and (B) the date the Corporation first hires its own executive officers or management employees. The appointment of Industry Directors and nomination of Public Directors shall be made bearing in mind appropriate and timely regional representation and, in the case of Industry Directors, experience with various aspects of the nature of the business carried on by Members of the MFDA. The number of directors shall be determined from time to time by a resolution passed at a meeting of the members of the Corporation. Directors must be individuals who are at least 18 years of age with power under law to contract. A majority of the number of directors in office at any time, provided that there is at least one Industry Director present and one Public Director present, shall constitute a quorum. **For the purposes of the By-law "Public Director" means a director:**

- (a) who is not a current director (other than a Public Director), officer or employee of, or of an associate or affiliate of:**
  - (i) the Corporation;**
  - (ii) the MFDA; or**
  - (iii) the Investment Funds Institute of Canada or the Investment Dealers Association of Canada;**

- (b) who is not a current director, partner, significant shareholder, officer, employee or agent of a member, or of an associate or affiliate of a member, of:
- (i) the MFDA;
- (ii) the Investment Funds Institute of Canada or the Investment Dealers Association of Canada;
- (c) who is not a current employee of a federal, provincial or territorial government or a current employee of an agency of the Crown in respect of such government;
- (d) who is not a current member of the federal House of Commons or member of a provincial or territorial legislative assembly;
- (e) who has not, in the two years prior to election as a Public Director, held a position described in (a)-(d) above;
- (f) who is not:
- (i) an individual who provides goods or services to and receives direct significant compensation from, or
- (ii) an individual who is a director, partner, significant shareholder, officer or employee of an entity that receives significant revenue from services the entity provides to, if such individual's compensation from that entity is significantly affected by the services such individual provides to,
- the Corporation, the MFDA or a member of the MFDA; and
- (g) who is not a member of the immediate family of the persons listed in (a)-(f) above.

For the purposes of this definition:

- (i) "significant compensation" and "significant revenue" means compensation or revenue the loss of which would have, or appear to have, a material impact on the individual or entity;
- (ii) "significant shareholder" means an individual who has an ownership interest in the voting securities of an entity, or who is a director, partner, officer, employee or agent of an entity that has an ownership interest in the voting securities of another entity, which voting securities in either case carry more than 10% of the voting rights attached to all voting securities for the time being outstanding.

4.2 **First Directors.** The applicants for incorporation shall become the first directors of the Corporation whose term as members of the Board shall continue until such time as the MFDA shall designate or appoint the initial Industry Directors and initial Public Directors who may be all or any of such applicants or any other person qualified in accordance with Section 4.1 and who shall then become the only directors of the Corporation until their successors are elected or appointed.

4.3 **Term.** The directors shall serve for a term of three years and, subject to the provisions of this Section 4.3, the terms of each of the Industry Directors and Public Directors shall be staggered. The terms of the initial Industry Director(s) and Public Directors designated or appointed in accordance with Section 4.2, or any other directors elected or appointed or an increase in the number of directors, shall be determined by the ~~MFDA~~Corporation to ensure staggered terms of one, two or three years, as the case may be, of members of the ~~board~~Board of ~~directors~~Directors composed in accordance with Section 4.1. The directors may be re-elected or re-appointed for ~~an~~one additional three-year term following the initial term.

4.4 **Election of Public Directors.** Subject to Section 4.2, Public Directors shall be elected by the Board at any time the office of a Public Director is vacated. At such time as a Public Director's office is vacated, the Board's nominating committee shall, as soon as is reasonably practicable, nominate an individual who satisfies the criteria set out in Section 4.1 for election as a Public Director. The Board shall, at the meeting following the receipt of a nomination for Public Director, vote on the election of such nominee.

4.5 **Appointment of Industry Directors.** At such time as an Industry Director's office is vacated, the MFDA shall ~~appoint~~be entitled to nominate an Industry Director to fill such vacancy. Upon the MFDA advising the directors of the Corporation of the ~~selection of an individual~~nomination of one or more individuals as ~~an~~an Industry Director, such ~~individual~~individuals shall become a director of the Corporation effective on the date designated by the MFDA~~be considered by the Board of the Corporation and either accepted or rejected as a director of the Corporation. In the event that any person nominated by the MFDA is not appointed by the Board as a director, the MFDA shall be entitled to nominate further individuals until an appointment is made. If after a reasonable time from the occurrence of a vacancy MFDA has not nominated a person as an Industry Director to fill such vacancy, the Board of directors may appoint a person to fill the vacancy.~~

4.6 **Chair.** The directors shall elect from among themselves a Chair who may be either a Public Director or Industry Director, provided that the first Chair shall be appointed by the MFDA from among the first directors. The Chair will serve until his or her office is vacated in accordance with Section 4.7.

4.7 **Vacancies.** The office of director shall be automatically vacated:

- (a) if a director shall resign such office by delivering a written resignation to the secretary of the Corporation;
- (b) if the director is found by a court to be of unsound mind;
- (c) if the director becomes bankrupt;

- (d) if at a special general meeting of members a resolution is passed by 2/3 of the votes cast by the members present at the meeting that the director be removed from office, ~~provided that an Industry Director may only be removed from office with the written consent of the MFDA;~~
- (e) if the term of a director expires in accordance with Section 4.3;
- (f) on death; and
- (g) the director does not satisfy the applicable qualifications in paragraph 4.1.

4.8 **Retiring Director.** Unless the office of a director has been automatically vacated pursuant to Section 4.7, a director shall remain in office until the dissolution or adjournment of the meeting at which a successor is elected or appointed.

4.9 **Place of Meeting and Notice.** Meetings of the Board may be held at any time and place to be determined by the directors provided that 48 hours written notice of such meeting shall be given, other than by mail, to each director. Notice by mail shall be sent at least 14 days prior to the meeting. There shall be at least four meetings per year of the Board. No error or omission in giving notice of any meeting of the Board or any adjourned meeting of the Board shall invalidate such meeting or make void any proceedings taken thereat and any director may at any time waive notice of any such meeting and may ratify, approve and confirm any or all proceedings taken or had thereat. Each director is authorized to exercise 1 vote. Notwithstanding the foregoing or anything contained herein, any director may, if in the opinion of the Chair or the President of the Corporation the financial condition of a member of the MFDA is such that immediate action by the directors may be required, call for a meeting of directors to consider the action to be taken. Three hours' prior notice of such meeting by telephone or other electronic communication to each director shall be required to be given, but no notice shall be required where all of the directors are in attendance personally or by telephone or other electronic communication in the manner referred to in this Section 4.9.

4.10 **Meetings by Teleconference.** Directors may hold meetings by teleconference or by other electronic means that permit all persons participating in the meeting to hear each other.

4.10.1 If all or not less than 2/3 of the directors of the Corporation consent thereto generally or in respect of a particular meeting, a director may participate in a meeting of the Board or of a committee of the Board by means of such conference telephone or other electronic communications facilities to which all directors have equal access and as permit all persons participating in the meeting to hear and communicate with each other, and a director participating in such a meeting by such means is deemed to be present at the meeting.

4.10.2 At the commencement of each such meeting the secretary of the meeting will record the names of those persons in attendance in person or by electronic communications facilities and the chair will determine whether quorum is present. The chair of each such meeting shall determine the method of recording votes thereat, provided that any director present may require all persons present to declare their votes individually. The directors shall take such reasonable

precautions as may be necessary to ensure that such communications facilities are secure from unauthorized interception or monitoring.

4.11 **Resolutions.** Resolutions will be passed by a majority of the participating directors by a verbal vote recorded by the secretary, unless the Act or these by-laws otherwise provide. **If permitted by law, a resolution consented to in writing by all of the directors or a committee of directors shall be effective as if passed at a meeting of directors or of the committee.**

4.12 **Remuneration of Directors.** Directors may receive remuneration at a level as may be determined by the Board.

4.13 **Agents and Employees.** The Board may appoint such agents and engage such employees as it shall deem necessary from time to time and such persons shall have such authority and shall perform such duties as may be prescribed by the Board at the time of such appointment.

4.14 **Remuneration of Officers, Agents, Employees and Committee Members.** A reasonable remuneration of all officers, agents and employees and non-industry committee members shall be fixed by the Board by resolution.

4.15 **Mail Ballots.** Where attendance by a director at a meeting of the Board, whether in person or by teleconference or other electronic means, is not possible, a director may vote at such a meeting by way of mail ballot. Any votes received by mail ballot after the time of the meeting shall not be counted for the purposes of the meeting. The mail ballot shall only be counted provided that the motion on the floor at the meeting is identical to that contained in the mail ballot and all background material available to directors at the meeting has been made available in advance to directors exercising their vote by mail ballot. A mail ballot cannot replace a director for the purposes of establishing quorum. Any director voting by mail ballot must comply with Part 5 of the By-law prior to the meeting at which the mail ballot will be counted if such director has not already done so at an earlier meeting of the Board.

## **PART 5 - INTEREST OF DIRECTORS IN CONTRACTS**

5.1 (a) **Conflict of Interest.** Any director of the Corporation who:

- (i) is a party to a material contract or proposed material contract with the Corporation, or
- (ii) is a director or officer of or has a material interest in any body corporate or business firm, whether direct or indirect, that is a party to a material contract or proposed material contract with the Corporation,

shall disclose in writing or have entered in the minutes, the nature and extent of such director's interest in such material contract or proposed material contract with the Corporation.

(b) The disclosure required by (a) above, shall be made:

- (i) at the meeting at which a proposed contract is first considered;
  - (ii) if the director was not then interested in a proposed contract, at the first meeting after such director becomes so interested; or
  - (iii) if the director becomes interested after a contract is made, at the first meeting held after the director becomes so interested.
- (c) If a contract or a proposed contract is one that, in the ordinary course of carrying on the Corporation's non-pecuniary purpose or purposes, would not require approval by the directors or members, a director shall disclose in writing the nature and extent of the director's interest at the first meeting held after the director becomes aware of the contract or proposed contract.
- (d) A director referred to in sub-paragraph (a) above is liable to account for any profit made on the contract by the director or by a corporate entity or business firm in which the director has a material interest, unless
- (i) the director disclosed the director's interest in accordance with sub-paragraphs (b) or (c) above or (f) below;
  - (ii) after such disclosure the contract was approved by the directors or members; and
  - (iii) the contract was reasonable and fair to the Corporation at the time it was approved.

Notwithstanding the foregoing, director who (1) has made a declaration of the director's interest in a contract or a proposed contract and (2) has not voted in respect of such contract contrary to the prohibition contained in sub-paragraph (e) below, (if such prohibition applies), is not accountable for any profit realized by such contract to the Corporation or any of its members or creditors by reason only of such director holding that office or of the fiduciary relationship thereby established.

- (e) A director referred to in sub-paragraph (a) above shall not vote on any resolution to approve the contract, unless the contract is an arrangement by way of security for money lent to or obligations undertaken by the director for the benefit of the Corporation.
- (f) For the purposes of this paragraph 5.1, a general notice to the directors by a director declaring that the person is a director or officer of or has a material interest in a body corporate or business firm and is to be regarded as interested in any contract made therewith, is a sufficient declaration of interest in relation to any contract so made.
- (g) A contract is not void by reason only of the failure of a director to comply with the provisions of this paragraph 5.1 but the court may upon the application of the

Corporation or a member, set aside a contract in respect of which a director has failed to comply with the provisions of this paragraph 5.1, and the court may make any further order it thinks fit.

## **PART 6 - PROTECTION OF OFFICERS AND DIRECTORS**

6.1 ~~For the Protection of Directors and Officers.~~ Limitation of Liability. No past or present member of the Board of Directors or any committee or sub-committee thereof or of the Corporation, officer, employee or agent shall ~~not~~ be liable for any act, receipt, neglect or default of any the acts, receipts, neglects or defaults of any other of such persons, or for joining in any receipt or other director, officer or employee act for conformity, or for any loss, damage or expense happening to the Corporation through any the insufficiency or deficiency of title to any property acquired by for or on behalf of the Corporation, or for any the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person including any person with whom any of the moneys, securities or effects of the Corporation shall be deposited or for any loss, conversion, or misappropriation of or any damage resulting from any dealings with any moneys, securities or other assets belonging to the Corporation, or for any loss occasioned by any error of judgment or oversight on his or her part, or for any other loss, damage or misfortune whatever which ~~may~~ shall happen in the execution of the duties of such director's or officer's respective office unless such occurrence is as a result of such director's or officer's own wilful neglect or default. his or her office or in relation thereto; provided that nothing herein shall relieve any such person from the duty to act in accordance with the Act and the regulations thereunder or from liability for any breach thereof.

6.2 ~~Insurance.~~ If the Board, in its discretion so determines, the Corporation may purchase and maintain insurance for a director or officer of the Corporation against any liability incurred by the director or officer, in the capacity as a director or officer of the Corporation.

## **PART 7 — INDEMNITIES TO DIRECTORS AND OTHERS**

~~6.2 7.1 Indemnities to~~ Indemnity. Each past and present member of the Board of Directors and others. Every director or officer of the Corporation ~~or~~ or any committee or sub-committee thereof or of the Corporation, officer, employee or agent of the Corporation, and any other person who has undertaken or is about to undertake any liability on behalf of the Corporation or any company controlled by it, and their heirs, executors and administrators, and estate and effects, respectively, shall from time to time and at all times, be indemnified and saved harmless out of the funds of the Corporation, from and against:

- (a) all costs, charges, finances and penalties and expenses which such director ~~Board,~~ committee or sub-committee member, officer, employee, agent or other person sustains or incurs in or about or to settle any action, suit or ~~proceedings~~ proceeding which is threatened, brought, commenced or prosecuted against him or her, or in respect of any act, deed, matter or thing whatsoever, made, done or permitted by him or her, in or about the execution of the duties of his or her office or in respect of any such liability; and



- (b) all other costs, charges and expenses which he or she sustains or incurs in or about or in relation to the affairs thereof, including an amount representing the value of time any such Board, committee or sub-committee member, officer employee, agent or other person spent in relation thereto and any income or other taxes or assessments incurred in respect of the indemnification provided for in this By-law, except such costs, charges or expenses as are occasioned by his or her own wilful neglect or default.

The Corporation shall also indemnify such persons in such other circumstances as the Act permits or requires. Nothing in this By-law shall limit the right of any person entitled to indemnity apart from the provisions of this By-law.

6.3 Action, Suit or Proceeding Threatened, Brought, etc. by the Corporation. Where the action, suit or proceeding referred to in Section 6.2.1 above is threatened, brought, commenced or prosecuted by the Corporation against a Board, Council, Panel committee or sub-committee member, officer, employee, agent or other person who has undertaken or is about to undertake any liability on behalf of the Corporation or any company controlled by it, the Corporation shall make application at its expense for approval of the court to indemnify such persons, and their heirs, executors and administrators, and estates and effects respectively, on the same terms as outlined in Section 6.2.

#### PART 7 - INSURANCE

7.1 Insurance. The Corporation may purchase and maintain insurance for the benefit of any person referred to in Section 6.2 against such liabilities and in such amounts as the Board may from time to time determine and are permitted by the Act.

#### **PART 8 - POWERS OF DIRECTORS**

8.1 **Powers.** The directors of the Corporation may administer the affairs of the Corporation in all things and make or cause to be made for the Corporation, in its name, any kind of contract which the Corporation may lawfully enter into and, save as hereinafter provided, generally, may exercise all such other powers and do all such other acts and things as the Corporation is by its charter or otherwise authorized to exercise and do. Without limiting the generality of the foregoing, the Board may authorize the Corporation to contract with any person, corporation, trust or partnership to manage any or all of the affairs of the Corporation, on such terms as the Board may consider appropriate.

8.2 **Executive Committee.** The Board may appoint an executive committee composed of such even number of directors as the Board may determine, provided that the executive committee shall be composed of an equal number of Industry Directors and Public Directors. The executive committee shall exercise such powers as are authorized by the Board. Any executive committee member may be removed by a majority vote of the Board. Meetings of the executive committee shall be held at any time and place to be determined by the members of such committee provided that 48 hours written notice of such meeting shall be given, other than by mail, to each member of such committee. Notice by mail shall be sent at least 14 days prior

to the meeting. A majority of the members of such committee, provided that there is at least one Industry Director present and one Public Director present, shall constitute a quorum. No error or omission in giving notice of any meeting of the executive committee or any adjourned meeting of the executive committee of the Corporation shall invalidate such meeting or make void any proceedings taken thereat and any member of such committee may at any time waive notice of any such meeting and may ratify, approve and confirm any or all proceedings taken or had thereat.

8.3 **Audit Committee.** The Board shall appoint an audit committee composed of three or more directors of which the majority shall be public directors. The audit committee shall be responsible for the review and approval of the Corporation's annual financial statements and such other functions as the Board shall determine by resolution.

8.4 **Nominating Committee.** The Board shall appoint a nominating committee which shall be composed of ~~two~~an equal number of Public Directors and ~~two~~ Industry Directors. The Nominating Committee shall be responsible for the nomination of candidates for election as Public Directors and such other functions as the Board shall determine by resolution.

8.5 **Committees.** The Board may appoint other committees whose members will hold their offices at the will of the Board. The members of any other such committee need not be directors of the Corporation. The Board shall determine the duties of such committees.

8.6 **Expenditures.** The directors shall have power to authorize expenditures on behalf of the Corporation from time to time and may delegate by resolution to an officer or officers of the Corporation the right to employ and pay salaries to employees on behalf of the Corporation.

8.7 **Funding.** The Board shall take such steps as it deems requisite to enable the Corporation to acquire, accept, solicit, collect or receive fees, legacies, gifts, grants, settlements, bequests, endowments and donations of any kind whatsoever for the purpose of furthering the objects of the Corporation.

## **PART 9 – BORROWING**

9.1 **Borrowing Powers.** The Board may, subject to the provisions of the Letters Patent of the Corporation, from time to time:

- (a) borrow money upon the credit of the Corporation;
- (b) limit or increase the amount to be borrowed;
- (c) issue debentures or other securities of the Corporation;
- (d) pledge or sell such debentures or other securities for such sums and at such prices as may be deemed expedient;
- (e) secure any such debentures, or other securities, or any other present or future borrowing or liability of the Corporation, by mortgage, hypothec, charge or pledge of all or any currently owned or subsequently acquired real and personal,

movable and immovable, property of the Corporation, and the undertaking and rights of the Corporation; and

- (f) delegate to such one or more of the officers and directors of the Corporation as may be designated by the directors all or any of the powers conferred by the foregoing sub-clauses (a), (b), (c), (d) and (e) of this section of this By-law to such extent and in such manner as the Board shall determine at the time of each delegation.

9.2 **Arrangements for Borrowing.** From time to time the Board may authorize any director, officer or employee of the Corporation or any other person to make arrangements with reference to the monies borrowed or to be borrowed as aforesaid and as to the terms and conditions of the loan thereof, and as to the securities to be given therefor, with power to vary or modify such arrangements, terms and conditions and to give such additional securities for any monies borrowed or remaining due by the Corporation as the Board may authorize, and generally to manage, transact and settle the borrowing of money by the Corporation.

## **PART 10 - OFFICERS**

10.1 **Appointment.** The officers of the Corporation, which may include the offices of chair, president, vice-president, secretary and treasurer and any such other officers as the Board may by by-law determine, shall be appointed by resolution of the Board at the first meeting of the Board following the annual meeting of members in which the directors are elected or in any other manner as the Board may determine. A person may hold more than one office.

10.2 **Term and Removal of Officers.** The officers of the Corporation shall hold office for such terms as the Board may determine or until their successors are elected or appointed in their stead. Officers shall be subject to removal by resolution of the Board at any time.

## **PART 11 - DUTIES OF OFFICERS**

11.1 **Chair.** The Chair shall be appointed pursuant to paragraph 4.6, shall preside at all meetings of the Corporation and of the Board, shall oversee the general management of the affairs of the Corporation.

11.2 **President.** The president may be the chief executive officer or chief operating officer of the Corporation, and shall, in the absence of the Chair, preside at all meetings of the Corporation and of the Board, shall have the general and active management of the affairs of the Corporation and shall see that all orders and resolutions of the Board are carried into effect, and shall perform such other duties as may be prescribed from time to time by the Board.

11.3 **Vice-President.** The vice-president shall, in the absence or disability of the president, perform the duties and exercise the powers of the president and shall perform such other duties as shall from time to time be imposed upon the vice-president by the Board.

11.4 **Treasurer.** The treasurer shall keep full and accurate accounts of all assets, liabilities, receipts and disbursements of the Corporation in the books belonging to the Corporation and shall deposit all monies, securities and other valuable effects in the name and to the credit of the

Corporation in such chartered bank or trust company, or, in the case of securities, in such registered dealer in securities as may be designated by the Board from time to time. The treasurer shall also perform such other duties as may from time to time be directed by the Board.

**11.5 Secretary.** The secretary may be empowered by the Board, upon resolution of the Board, to carry on the affairs of the Corporation generally under the supervision of the officers thereof and shall attend all meetings and act as clerk thereof and record all votes and minutes of all proceedings in the books to be kept for that purpose. The secretary shall give or cause to be given notice of all meetings of the members and of the Board and shall perform such other duties as may be prescribed by the Board or by the president, under whose supervision the secretary shall be. The secretary shall be custodian of the seal of the Corporation, which the secretary shall deliver only when authorized by a resolution of the Board to do so and to such person or persons as may be named in the resolution.

**11.6 Duties of Officers.** The duties of all other officers of the Corporation shall be such as the terms of their engagement call for or the Board requires of them. Any officer of the Corporation may delegate their duties to one or more individuals.

## **PART 12 - EXECUTION OF DOCUMENTS**

**12.1 Execution of Documents.** Contracts, documents or any instruments in writing requiring the signature of the Corporation, shall be signed by any two officers or directors or a combination thereof and all contracts, documents and instruments in writing so signed shall be binding upon the Corporation without any further authorization or formality. The directors shall have power from time to time by resolution to appoint persons on behalf of the Corporation to sign specific contracts, documents and instruments in writing. The directors may give the Corporation's power of attorney to any registered dealer in securities for the purposes of the transferring of and dealing with any stocks, bonds, and other securities of the Corporation. The seal of the Corporation when required may be affixed to contracts, documents and instruments in writing signed as aforesaid or by persons appointed by resolution of the Board.

## **PART 13 - MEMBERS' MEETINGS**

**13.1 Time and Place of Meetings.** Meetings of the members shall be held at least once a year or more often if necessary at the head office of the Corporation or at any place in Canada as the Board may determine and on such day as the said directors shall appoint.

**13.2 Annual Meetings.** At every annual meeting, in addition to any other business that may be transacted, the report of the directors, the financial statement and the report of the auditors shall be presented and auditors appointed for the ensuing year. The members may consider and transact any business either special or general at any meeting of the members. The Board or the president shall have power to call, at any time, a general or special meeting of the members of the Corporation. The Board shall call a special general meeting of members on written requisition of members carrying not less than 20% of the voting rights. A majority of the members entitled to vote will constitute a quorum at any meeting of members. Such majority shall be either present in person or represented by proxy at such meeting.

**13.3 Means of Meetings.** Members may hold meetings by teleconference or by other electronic means that permit all persons participating in the meeting to hear each other and communicate adequately. If all the members of the Corporation consent thereto generally or in respect of a particular meeting, a member may participate in a meeting of the members by means of such conference telephone or other electronic communications to which all members have equal access and as permit all persons participating in the meeting to hear and communicate with each other, and a member participating in such a meeting by such means is deemed to be present at the meeting. At the commencement of each such meeting the secretary of the meeting will record the names of those persons in attendance in person or by electronic communications facilities and the chair will determine whether quorum is present. The chair of each such meeting shall determine the method of recording votes thereat, provided that any member present may require all persons present to declare their votes individually. The chair of such meetings shall be satisfied that members have taken such reasonable precautions as may be necessary to ensure that such communications facilities are secure from unauthorized interception or monitoring.

**13.4 Resolutions.** Resolutions will be passed by a majority of the members entitled to vote by a verbal vote recorded by the secretary, unless the Act or these by-laws otherwise provide. **If permitted by law, a resolution consented to in writing by all of the members shall be effective as if passed at a meeting of members.**

**13.5 Notice.** 14 days' written notice shall be given to each voting member of any meeting of members. Notice of any meeting where special business will be transacted should contain sufficient information to permit the member to form a reasoned judgment on the decision to be taken. Notice of each meeting of members must state that the member has the right to vote by proxy.

**13.6 Voting of Members and Proxies.** Each member entitled to vote and who is present at a meeting shall have the right to exercise one vote. A member may, by means of a written proxy, appoint a proxyholder to attend and act at a specific meeting of members, in the manner and to the extent authorized by the proxy. A proxyholder need not be a member of the Corporation.

**13.7 Errors or Omissions in Giving Notice.** No error or omission in giving notice of any meeting or any adjourned meeting, whether annual or general, of the members of the Corporation shall invalidate such meeting or make void any proceedings taken thereat and any member may at any time waive notice of any such meeting and may ratify, approve and confirm any or all proceedings taken or had thereat. For purpose of sending notice to any member, director or officer for any meeting or otherwise, the address of the member, director or officer shall be that person's last address recorded on the books of the Corporation.

## **PART 14 - MINUTES OF BOARD OF DIRECTORS MEETINGS**

**14.1 Minutes of Board of Directors Meetings.** The minutes of the meetings of the Board and the minutes of the executive committee shall not be available to the general membership of the Corporation but shall be available to the Board, each of whom shall receive a copy of such minutes.

## **PART 15 - FINANCIAL YEAR**

15.1 **Financial Year.** The fiscal year-end of the Corporation shall be, in each fiscal year, the same day as the fiscal year-end of the MFDA.

## **PART 16 - AMENDMENT OF BY-LAWS**

16.1 **Amendment of By-laws.** The provisions of the by-laws of the Corporation not embodied in the letters patent may be repealed or amended by by-law enacted by a majority of the directors at a meeting of the Board and sanctioned by at least 2/3 of the members entitled to vote and participating at a meeting duly called for the purpose of considering the said by-law, provided that (i) ~~Part 2~~Section 2.2 of this By-law Number 1 may only be amended with the prior written consent of the MFDA, and (ii) the repeal or amendment of such by-laws shall not be enforced or acted upon until ~~the~~any required approval of the Minister of Industry Canada has been obtained.

## **PART 17 - AUDITOR**

17.1 **Auditor.** The members shall at each annual meeting appoint an auditor to audit the accounts of the Corporation for report to the members at the next annual meeting. The auditor shall hold office until the next annual meeting, provided that the directors may fill any casual vacancy in the office of auditor. The remuneration of the auditor shall be fixed by the Board.

## **PART 18 - BOOKS AND RECORDS**

18.1 **Books and Records.** The directors shall ensure that all necessary books and records of the Corporation required by the by-laws of the Corporation or by any applicable statute or law are regularly and properly kept.

## **PART 19 – RULES, REGULATIONS, POLICIES AND AGREEMENTS**

19.1 **Rules, Regulations and Policies.** The Board may prescribe such rules, regulations and policies relating to client protection and determination of eligible claims and prudential regulation not inconsistent with these by-laws relating to the management and operation of the Corporation, as they deem expedient, including, without limiting to the generality of the foregoing, in respect of the:

- (a) terms of coverage (“Coverage”) in respect of claims (“Claims”) by clients of members of the MFDA;
- (b) method and details of assessment of members of the MFDA contemplated by Section 2.1;
- (c) investment of the Corporation’s funds, including the funds required for the Corporation’s operations or funds accumulated for the purposes of providing Coverage;
- (d) procedure for making Claims and for the payment of Claims; and

- (e) any other matter which the Board determines is advisable for the administration of its operations and in furtherance of its objects.

19.2 **Agreements.** The Corporation may enter into in its own name agreements or arrangements with any securities commission or regulatory authority, law enforcement agency, self-regulatory organization (including the MFDA), stock exchange, customer protection fund or other trading market or other organization regulating or providing services in connection with mutual funds, securities trading or other financial services located in Canada or any other country for the exchange of any information (including information obtained by the Corporation pursuant to its authority or otherwise in its possession) and for other forms of mutual assistance for market surveillance, investigation, enforcement and other regulatory purposes relating to trading in securities or mutual funds, or the provision of financial services in Canada or elsewhere

## **PART 20 - INTERPRETATION**

20.1 **Interpretation.** In these by-laws and in all other by-laws of the Corporation hereafter passed, unless the context otherwise requires, words importing the singular number shall include the plural number and vice versa, and references to persons shall include firms and corporations.

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