

IPC INVESTMENT CORPORATION

National Policies & Procedures Manual

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INTRODUCTION

It is the goal of Investment Planning Counsel (“IPC”) and IPC Investment Corporation (“IPCIC”) to build Canada’s best financial planning company. We want dedicated Advisors who put the interests of their clients above all else and who provide excellence in financial service and advice to assist their clients in achieving their financial goals.

The IPCIC concept is one of partnership with the Advisors who choose to associate with us. Our goals and objectives in creating this National Policies and Procedures Manual (the “Manual”) are as follows:

- protect the best interests of our clients
- provide fair and equitable treatment to everyone in the organization
- promote reasonable and prudent business practices ensure that every Advisor and their staff follow proper compliance standards as prescribed by the various regulatory bodies

To keep pace with the changing regulatory environment, please remember to regularly check the IPC Hub for updates to this manual and always review Compliance Bulletins and IPC Weekly Updates that are sent either directly to you and/or that are posted on the IPC Hub. On an annual basis, IPCIC will institute a sign-off of its policies and procedures by the Chief Compliance Officer. Any questions about the contents of the Manual should be directed to the individual’s Branch Manager or to the Compliance Department.

A - BUSINESS CONDUCT

A1 – Code of Ethics

IPC Advisors will conduct themselves with the utmost integrity and in accordance with the standards of ethical and just business practices described in the following Code of Ethics:

INTEGRITY

We act with the highest level of integrity and in the best interests of our clients, placing their interests above our own.

We disclose to our clients all sources of compensation and any potential conflicts of interest, should they arise, for recommendations made and services rendered.

We make every effort to provide objective, impartial, and complete information to our clients regarding their financial needs and realistic advice about their various options, describing the negative as well as the positive aspects of any recommendation.

We continually seek to maintain and improve our knowledge, skills and competence, providing advice to our clients only on matters within our areas of expertise.

We are free to make unbiased recommendations to our clients and we are under no obligation to sell proprietary products.

PEOPLE AND RELATIONSHIPS

We work through our Advisors to bring value to our clients and our shareholders.

We know our clients and develop innovative products and services to respond to their evolving needs and desires.

We challenge and develop our Advisors and employees to achieve their individual and our corporate potential by creating a dynamic workplace.

We treat all individuals with fairness, dignity, and respect.

SUCCESS

We develop strategic alliances with like-minded companies to enhance our core competencies and to serve our clients more effectively, thereby building our business.

We are performance based, measuring and monitoring our achievements and adjusting where necessary.

We use advanced technology to innovate, improve effectiveness and deliver value to our Advisors, our clients, and our shareholders.

A2 – Code of Business Conduct

1. Advisor Purpose and Scope

This Code of Conduct (the “Code”) for all registrants of IPC Investment Corporation (IPCI) sets out certain policies and expectations of IPCI and IPCS (collectively, IPC) regarding business conduct.

As a leading financial services firm in Canada, it is essential that we carry on business with the highest ethical standards and in a manner worthy of the public trust. This Code addresses a number of items which range from individual rights to the need for client confidentiality to the appropriateness of investment products recommended by Advisors.

Advisors hold a position of trust and responsibility when engaging in the distribution, sale, servicing of our products and when providing advice. This Code contains the general principles and standards that govern the conduct of Advisors in their business relationships with clients, other Advisors, the general public, regulators and IPC.

Corporate policies, procedures, guidelines, practices, standards, handbooks, manuals and job aids that apply to Advisors in relation to the business of IPC, and supplemental to this Code, are referred to in this Code as “Business Practices and Procedures.”

Obligations of an Advisor

The obligations of an Advisor are defined by their Agreement(s) with IPC. This Code forms part of the Agreement(s). Compliance with the Agreement(s) and this Code requires Advisors to know, understand and meet the requirements of:

- their Agreement(s) with IPC;
- this Code;
- applicable legislation, regulations and rules;
- applicable rules and guidelines of self-regulatory organizations, such as the the Mutual Fund Dealers Association of Canada;
- industry codes or guidelines that apply to Advisors;
- industry codes or guidelines which apply to Advisors holding designations such as Certified Financial Planner (CFP), Financial Planner (PL Fin), Fellow of CSI (FCSI), Chartered Life Underwriter (CLU) etc.; and
- any rules, policies or directives established by IPC.

Consequences of Breach

IPC has legal and regulatory obligations to take appropriate action against any Advisor who has been found to have violated this Code, which may include regulatory filings, sanction or other forms of action as identified within the Principal/Agent Agreement.

Guidance and Further Information

Should Advisors encounter a situation for which this Code does not provide specific guidance, the following questions may help them make the right decision:

- Is it fair and ethical?
- Is it legal?
- How would this situation be perceived by a co-worker, a client, a shareholder or a regulator?
- How would this situation be perceived if it were made public?
- Are my actions consistent with the overall values described in this Code?

If Advisors are unsure of the legal, ethical or reputational implications of a particular situation, or would like further guidance related to a matter referenced in this Code, they should contact their Branch Manager.

If there is an inconsistency between this Code and the Agreement(s) or the applicable IPCI National Policies & Procedures manual, the higher standard will prevail.

Obligation to Report Code Breaches

Any breach must be promptly reported for any known or suspected breaches of this Code, any applicable law, regulation, external code of conduct, standard or guideline. This applies whether the breach or suspected breach involves the Advisor or another person subject to this Code. In addition, Advisors have

an obligation to report any instance where they become aware of or suspect illegal or unethical conduct by any of IPC's clients or others with whom we do business that may affect our business relationship with them or IPC's reputation.

If Advisors have concerns about a breach or potential breach of this Code, they can report their concerns to their Branch Manager or the Chief Compliance Officer. IPC takes all breaches seriously, and therefore requires that they be investigated and responded to on a timely basis. Advisors are required to co-operate fully with all investigations.

IPC will respect the confidentiality of those who raise a concern, subject to its obligation to investigate the concern and any obligation to notify others, including regulators and other authorities and third parties. Advisors may choose to report a concern anonymously; however, IPC's ability to fully investigate an anonymous report may be limited if it is unable to obtain additional information.

Advisors should not attempt to conduct an investigation or verify their suspicions themselves. Advisors need not be certain that an action or inaction breaches this Code, before raising a concern. Genuine concerns, raised in good faith, will be investigated fully and appropriate action will be taken. IPC will not permit any reprisal, retaliation or disciplinary action to be taken against anyone for raising a concern in good faith. It is a breach of this Code to intentionally make a mischievous or malicious report.

2. Relationships with Clients, Regulators and the Public

Advisors shall deal honestly, fairly and professionally with all clients. An Advisor must:

- **Proficiency** - meet and maintain standards of proficiency mandated by regulators, self-regulatory organizations and IPC
- **Conflicts of Interest** - ensure that all conflicts of interest or potential conflicts of interest are addressed as provided for in the applicable IPCI or IPCS sales compliance manual
- **Outside Business Activities** – disclose all outside activities promptly and review the Outside Business Activity section of the applicable IPCI National Policies & Procedures manual to understand requirements
- **Personal Financial Dealings** - be aware that they are prohibited from personal financial dealings with clients including acting as a Power of Attorney, executor or trustee on a client account outside of certain limited exception involving immediate family
- **Fair Competition** – not engage in tied selling or exclusive dealing practices and always base recommendations that are most suitable considering the client's needs, objectives, financial situation, and experience
- **Licensing** - not make a recommendation or transact business of any kind unless they have the appropriate registration or licensing to do so

- ***Client Understanding*** - make a reasonable and diligent effort to ensure that the client understands the nature and purpose of the recommended transaction, including the associated benefits, risks, costs, charges and restrictions. Where the Advisor has reason to believe the client may lack legal capacity, steps must be taken to confirm capacity before taking such client's instructions or signature
- ***Misrepresentations*** - not make any misrepresentation or false or misleading statements
- ***Client Disclosure*** - ensure fair and adequate disclosure of all facts reasonably available to enable clients to make an informed purchase or decision, including:
 - disclosure of when the Advisor is or is not acting on behalf of IPC (such as outside business activities);
 - when engaging in approved client referral arrangements; and
 - disclosure of information required by IPC or by law.
- ***Disclosure Documents*** - ensure that the client receives all required point of sale documents or other information, including the Fund Facts or Simplified Prospectus and client copies of application forms or other materials
- ***Discretionary Authority*** - not exercise discretionary authority over a client account, nor solicit or accept any document, instruction, or direction in which the client gives the Advisor such authority
- ***Documentation*** - maintain sufficient information in client files to demonstrate the suitability of any sale or advice given and retain all material information, including evidence of client instructions
- ***Laws and Regulations*** - understand and comply with all applicable laws, rules, guidelines and regulations of any government, government agency, regulatory organization, or industry or professional association governing their activities and not knowingly condone, participate in, or assist any violation of any laws, rules, guidelines, regulations or IPC policies
- ***Dishonest Conduct*** - not engage in any conduct involving dishonesty, fraud, deceit, misrepresentation, unfair or deceptive acts or practices, or commit any act prohibited by law, regulation, or IPC
- ***Cooperation with Regulators*** - cooperate fully with regulators in any investigations or disciplinary hearings

3. Relationship with IPC

IPC Advisors should be mindful of rules and regulations regarding business conduct and professional standards. Having stated, an Advisor will be expected to conduct themselves in accordance with these principles and specifically with respect to the following:

- **Good Faith** - act with utmost good faith in all dealings with IPC
- **Notification** - immediately notify IPC in writing:
 - of any contact with regulators unless they are legally prohibited to do so;
 - where the Advisor becomes aware of any new information or circumstance which may clarify, correct or update information contained in an application or other document that has been submitted to IPC;
 - of any material changes in their circumstances that may impact their ability to act as an Advisor (e.g. criminal charges or convictions, bankruptcies, license lapsing, etc.); and
 - of any actual or threatened client complaints, claims, or other enforcement action or legal proceedings.
- **Cooperation** - cooperate with, and respond in a timely manner to requests from IPC, including reviews of their business records or investigations relating to their business practices or conduct, client complaints or regulatory queries
- **Practice Management** - make adequate arrangements to ensure that the Advisor's staff are suitable, adequately trained and supervised, and that well-defined compliance procedures are in place
- **Authenticity of Documents and Instructions** - not sign, or knowingly permit someone else to sign for, represent, or authorize any transaction in the name of any other person, even with the consent of that other person, except where such authorizations are exercised using a valid Power of Attorney or otherwise permitted
- **Client Authorization** - an Advisor cannot:
 - sign as a witness, or knowingly permit another person to sign as witness, unless the Advisor or that other person is physically present when the document is signed and has confirmed the identity of the person signing;
 - ask a client to sign blank or incomplete forms;
 - alter a document in any way after it has been signed; and
 - not record false or misleading information on any form or application or allow a form to be submitted that the Advisor knows or ought to know contains false or misleading information.

4. Advisor Behavior in the Workplace

IPC is committed to maintaining a professional and inclusive workplace where all individuals who do business with or for us are treated with dignity and respect, and individual qualities, characteristics and

differences are valued. Every individual has a right to work in an environment that is free from discrimination or harassment as described below.

This applies to Advisors interactions with other IPC Advisors, employees, clients, service providers and anyone else they encounter in their work. It applies to conduct in the workplace or in work-related activities, including any office, client premises or location in which IPC business is conducted, where IPC-related business or social activities take place, or where conduct could potentially have an impact on the workplace or workplace relations.

Discrimination

Advisors are reminded that Canadian laws require for us to not unlawfully discriminate on the basis of, among other things, age, sex, sexual orientation, race, national origin, religion or disability, or any other grounds outlined in the applicable human rights legislation (“Prohibited Grounds of Discrimination”).

Harassment

IPC does not tolerate sexual harassment or any other form of workplace harassment. Harassment is behavior that creates an intimidating, threatening, hostile or offensive work environment, or unreasonably interferes with another person’s performance, employment or contractual opportunities.

The following are some examples of behavior that may be considered harassment or discrimination:

- comments or conduct that disparage or ridicule a person’s age, sex, sexual orientation, race, national origin, religion or disability;
- mimicking a person’s accent, speech or mannerisms based on their age, sex, sexual orientation, race, national origin, religion or disability;
- sexual remarks, jokes, innuendoes or gestures;
- spreading malicious rumours;
- aggressive or threatening gestures or comments;
- shouting or slamming items on a desk;
- refusing to work with people because of their age, sex, sexual orientation, race, national origin, religion or disability;
- unwelcome advances, invitations, propositions or demands of a sexual nature;
- unnecessary and unwanted physical contact; and
- display or circulation of racist, derogatory, offensive or sexually explicit materials.

Performance management, which deals with performance counseling, discipline or other management actions to address job performance issues or other legitimate employment issues, does not in and of itself constitute harassment.

Other Contentious Behavior

Advisors must treat everyone they deal with in their engagement with IPC with dignity and respect. IPC will not tolerate threats, violence or other inappropriate behavior.

Any form of drug or alcohol impairment on the job will be treated as a serious matter, as inebriation could impede the quality of advice or otherwise bring the industry into disrepute.

The use or possession of illegal drugs at registered IPC business locations is prohibited at all times. In addition, alcohol and marijuana use is prohibited at IPC registered business locations, except under special circumstances specifically authorized by IPC.

Reporting Procedures and Discipline

IPC will promptly and thoroughly investigate all reports of unlawful discrimination, harassment or other unacceptable behavior in as confidential a manner as possible.

Where IPC determines that unlawful discrimination, harassment or other prohibited behavior has occurred, as with any breach of the Code, it will take appropriate disciplinary action against those responsible, which may include dismissal. IPC will not tolerate retaliation or retribution against anyone for reporting unlawful discrimination, harassment or other prohibited behavior in good faith.

If an Advisor believes they are being subjected to such behavior, or if they observe or receive a complaint regarding such behavior, they should report this to the Human Resources Department at IPC Head Office by emailing hr@ipcc.ca.

5. Privacy

IPC respects the personal information received from clients, employees, Advisors and other individuals. Personal information may include an individual's home address and phone number, family and employment status, health information, and financial information. Care should be taken by Advisors not to disclose personal information or confidential client information to anyone except in the necessary course of business and as permitted by the consent given by the client.

Client information should not be disclosed to an outside party except with the express consent of the client or in accordance with a legal requirement. This means that information must not be divulged to a client's spouse or other family members, lawyers, doctors or anyone else unless the client has specifically authorized this.

For further information regarding IPC's policy regarding privacy and confidentiality, please contact IPC's Privacy Officer at privacy@ipcc.ca.

6. Intellectual Property

IPC's intellectual property is among its most valuable assets and we are committed to protecting it. Intellectual property includes:

- brands, logos, slogans, domain names, business names and other identifying features used to identify IPC and its products or services;
- software, scripts, interfaces, documentation, advertising and marketing materials, content (such as website content) and databases;
- trade secrets, ideas, inventions, systems and business processes; and
- confidential information.

Intellectual property created while carrying out business on behalf of IPC, is owned by the IPC Advisor.

An Advisor may only use IPC's intellectual property as required in the course of their duties with IPC. Some examples of inappropriate use or infringement of intellectual property may include:

- using its logos on a personal website;
- duplicating copyrighted material without permission;
- altering a logo to serve a purpose for which it was not intended; and
- distributing IPC software to third parties.

Intellectual Property of Others

IPC may use the intellectual property of others that it has licensed, acquired or obtained permission to use. For example, IPC uses computer software under license from other companies, newspapers, books, magazines, articles, audio and video recordings, or other copyrighted material.

IPC respects the intellectual property rights of others. In the course of an Advisors relationship with IPC, Advisors must not use any intellectual property that belongs to others unless permitted by the terms of the applicable license agreement or otherwise permitted by applicable law.

Unauthorized or unlawful use of the intellectual property of others may include:

- using another company's logos in IPC marketing materials without permission;
- duplicating copyrighted material without permission;
- plagiarizing documents, in whole or in part; and
- using intellectual property an Advisor obtained in the course of their employment with another company, in the course of their duties.

Reporting

If Advisors become aware of or suspect any inappropriate use or infringement of the IPC's trademarks, copyrights, patents or other intellectual property rights, or the intellectual property rights of others, they should report it to the Chief Compliance Officer.

7. Payments, Gifts and Entertainment

Advisors must not engage in bribery, extortion or attempts to otherwise inappropriately influence public officials or others in order to obtain business advantage or access. These practices will not be tolerated by IPC.

Offering gifts and entertainment to others may be appropriate in certain situations. However, the timing and nature of the gift or entertainment, as well as the circumstances under which it is offered, are important.

In particular, any gift or entertainment must be:

- within limits defined in the applicable IPCI or IPCS sales compliance manual or regulatory requirements;
- reasonable and modest;
- considered an accepted business practice; and
- legal.

In general, gifts and entertainment should also be unsolicited.

8. Securities Trading by Advisors (*Personal Trading*)

The best interests of our clients must take precedence over all else, including personal benefit. Accordingly, Advisors who have access to non-public information about publicly traded securities or information on a future purchase or sale of securities by our clients (“frontrunning”) must not utilize this information to engage in trades of those securities nor relay this information to others. These actions are violations of securities laws.

A3 – Conflicts of Interest and Personal Financial Dealings with Clients

Conflicts of Interest

IPCIC, its employees and its Advisors are required to deal fairly, honestly, and in good faith with clients and to observe the IPC Code of Ethics in the transaction of business.

It is IPCIC policy that no agent or employee shall permit private interests to conflict with the proper discharge of official duties, or use the position held or the knowledge gained therein in such manner as to give the appearance of such conflict. All business conducted with the investing public is to be made solely on the basis of a desire to promote the best interest of the public.

Any agent or employee of IPCIC shall immediately disclose to IPCIC full and complete details if they are in, or they could reasonably be perceived to be in a conflict of interest position. After a review, IPCIC’s compliance department will assist the Advisor in determining what disclosure (if any) is required to be made to the clients and the regulators. Any disclosure to clients of a conflict or potential conflict must be

made in writing prior to proceeding with a proposed transaction giving rise to the conflict or proposed conflict.

No agent or employee of IPCIC shall profit or gain, or shall be perceived to profit or gain, other than through business processed through IPC, or through business specifically disclosed to clients and IPCIC in writing as not through IPC. Any business activities outside of IPCIC and the related written disclosures must be approved by IPCIC prior to conducting such activity. Referral arrangements for securities related business can only be through the dealer, as described in the section on referrals.

Conflicts of interest may also be considered to exist in circumstances where the actions or activities of an individual on behalf of IPCIC may result in, or give the appearance of (a) an undisclosed personal gain or advantage to the individual, (b) improper gain or advantage to a third party, (c) an ability to exert undue influence over others or (d) an unnecessarily adverse effect upon IPCIC's interests.

It is not feasible to present a list of all situations to which the established rule applies. The purpose of this statement is to identify certain situations in which the rule has particular application in order that potential conflicts of interest may be avoided. The following will highlight the situations so embraced; for more information on conflicts of interest, refer to CB18-12: Conflicts of Interest.

Business Interests

Agents, employees and members of their immediate families should not have an interest in any organization which conducts business with IPCIC within the scope of their official duties. Stockholdings in large publicly held corporations do not normally have an effect of improperly influencing the discharge of official duty.

Activities outside of IPC

As registrants under the Securities Act, it is often difficult to separate one's "registrant" self from the "lay-person" self. As such it is imperative that all agents and employees conduct themselves as if all activities, they conduct were subject to regulation. A "lay-person" is not held to the same standards of care that a "registrant" person is held to. Even in situations "outside of the office" where registrants may not consider themselves to be "working", they always must adhere to the same higher standards as if they were in a client meeting.

Securities Registration for Employees

There are many reasons why IPCIC employees must have a securities registration in the conduct of their duties. Production of business pursuant to such a license or registration is generally prohibited and must receive prior approval of the Compliance Department. Such production must not be so extensive or time consuming as to interfere with the conduct of their duties.

Gratuities

No gratuities, whether in the form of gifts or services, should be accepted unless nominal in amount and offered as part of a normal business courtesy. More stringent rules may be adopted for certain departments due to perceived potential conflicts of interest.

Business Affiliations

Employees and agents should consult with the Compliance Department prior to acceptance of a position as director, partner, officer, consultant or Advisor of any outside business organization.

Industry and Civic Activities

IPCIC encourages participation in activities of the industry and in those civic activities which are for the public good. It is important, however, that the amount of time devoted thereto must not impair an individual's ability to fulfill the duties required by IPC.

Named Beneficiary

Advisors cannot knowingly be the named beneficiary on any non-family member client account at IPCIC or IPC Estate Services.

Note: The foregoing list of conflicts of interest is not an exhaustive list of situations. A rule of reason must be applied to particular circumstances. In the event clarification or guidance is necessary in a particular instance, the Compliance Department should be consulted. All uncertainty must be resolved in favor of such consultation.

Personal Financial Dealings with Clients

In addition to the general conflict of interest requirements described above, the following provides further clarification regarding specific situations involving personal financial dealings with IPCIC clients.

Borrowing from Clients

IPCIC does not permit Advisors to borrow from clients nor have clients provide a loan guarantee on their behalf as this activity would create a significant and direct conflict that it is virtually impossible to resolve in an acceptable manner.

Lending to Clients

MFDA Rule 3.2.1 specifically prohibits Advisors from lending or extending credit to clients. This includes the provision of a loan guarantee on behalf of a client. In addition, IPCIC is permitted to advance mutual fund redemption proceeds to clients if the conditions of MFDA Rule 3.2.3 are satisfied.

Private Investment Schemes

The involvement of Advisors with clients in private investment schemes results in significant and direct conflicts of interest regarding the Advisor's ability to exercise responsible business judgment. Prohibited activities include:

- investment clubs where the Advisor and clients invest together, and the Advisor makes investment decisions on behalf of the investment club; or
- arrangements where the client's funds are put into investments that are directly or indirectly managed by the Advisor; or
- co-investment by the Advisor with clients in pyramid-like schemes or other questionable investments.

Joint Business Activities with Clients

Business arrangements as a partner, shareholder, director or officer of a business owned, co-owned, or controlled by a client are generally prohibited but may be permissible in certain limited circumstances subject to IPCIC Head Office Compliance review and provided that IPCIC policies regarding outside business activities are fully satisfied.

Monetary or Non-Monetary Benefits to/from Clients

All monetary benefits provided directly or indirectly to or from clients must flow through IPCIC and all non-monetary benefits with a value of \$150 or more must be approved by IPCIC. Advisors must notify IPCIC Head Office Compliance of any such arrangement, including any form of "client appreciation" that they are proposing in order that IPCIC can determine the significance of the benefit and be able to monitor the activity.

Non-monetary Benefits - Advisors are not required to notify IPCIC of non-monetary benefits provided they are of nominal value. IPCIC considers benefits valued at less than \$150 to be of nominal value provided they are not provided so frequently as to cause a reasonable person to question their continued nominal valuation. For example, once per quarter is reasonable. Benefits which would not be considered nominal in value must be disclosed to the Compliance Department. Disclosure should be provided by completing the Online Gifting Form which is available on The Hub/Compliance/Helpful Resources/Advisors.

Monetary Benefits - All monetary benefits must flow through IPCIC. An IPC Advisor Cheque Requisition form must be completed by the Advisor and submitted to Head Office where Compliance will review the request and once approved, a cheque will be issued. Advisors are not permitted to issue payment directly from their affiliated corporation.

A4 – Referral Arrangements

A list of all current and approved IPCIC referral arrangements is available on the IPC Hub by going to Compliance/Referral Arrangements. Per MFDA rule 2.4.2, a 'referral arrangement' means any arrangement in which a Member or Approved Person agrees to pay or receive a referral fee.

A "referral fee" means any form of compensation, direct or indirect, paid for the referral of a client to or from a Member or Approved Person. There is a potential conflict of interest in any paid referral arrangement because the individual or firm that makes the referral has a financial interest in introducing

the client to the other service provider. In accordance with National Instrument 31-103, clients must be given sufficient information to appreciate the extent of the conflict before the referral takes place.

Requirements & Restrictions

Under MFDA Rule 2.4.2 (b) Advisors may only participate, directly or indirectly in referral arrangements that have been reviewed and approved by IPCIC and that flow through IPCIC. An IPCIC Advisor is not permitted to have any other direct or indirect referral arrangements with any other parties.

The prohibition regarding existing referral arrangements includes arrangements entered into by both the Advisor and any corporation or other entity in which the Advisor is a director or significant shareholder or otherwise owns or actively participates in.

For example, an IPCIC Advisor cannot receive compensation for any referral arrangement through the insurance channel and this includes any compensation received directly or indirectly through a corporation in which the Advisor is a director or significant shareholder.

An Advisor may continue to participate in any form of client introduction arrangement, formal or informal, that *IS NOT* captured by the definition of a referral arrangement. Generally, this would include arrangements where no referral fee (as defined above) is paid for the referral of a client.

In accordance with MFDA rules governing referral arrangements, IPCIC and Advisors may only enter into referral arrangements on the following basis:

- i. must receive prior review and approval by Head Office Compliance;
- ii. there is a written agreement governing the referral arrangement prior to implementation between IPCIC and the other party;
- iii. the fees or compensation must flow through IPCIC, and be recorded on the books and records of IPCIC;
- iv. written disclosure of the referral arrangements in place must be made to clients prior to any transaction taking place by the firm receiving the referral; and
- v. the disclosure document must include:
 - o the name of the parties receiving and paying the fee;
 - o the purpose and material terms of the referral arrangement including the nature of services to be provided by each party;
 - o any conflicts of interest arising from the relationship between the parties to the agreement and from any other element of the referral arrangement;
 - o the category of registration of each registrant that is a party to the arrangement with a description of the activities that the registrant is authorized to engage in under that category, and giving consideration to the nature of the arrangement, any activates that the

registrant is not permitted to engage in;

- an explanation or an example of how the referral fee is calculated (any and all relevant fees including initial fees, trailing fees, syndication fees must be addressed);
- a statement that all activity requiring registration resulting from the referral arrangement will be provided by the registrant receiving the referral; and
- any other information that a reasonable client would consider important in evaluating the arrangement.

General Notes:

- the referral arrangement does not apply to a security that IPCIC is appropriately registered or licensed to sell directly; and
- the referral agreement must be monitored and controlled by IPCIC in accordance with MFDA requirements.

Client Disclosure Requirements for Referral Arrangements

IPCIC Advisors making a referral under an approved referral arrangement must undertake to obtain a copy of the disclosure signed by the client and to keep a copy of this disclosure in the client file.

Prior to making the referral, it should be made clear which party is providing the client disclosure as outlined on the respective Referral Agreement.

In instances where our referral partner distributes the disclosure, IPCIC Advisors should make arrangements with them to be provided with a copy of the signed client disclosure once one is completed. Again, this disclosure should be stored in your client files.

Approval Process for New IPCIC Referral Arrangements

The IPCIC Product Approval Committee is responsible for reviewing and approving proposed referral arrangements. To request for a new referral arrangement to be added to IPCs shelf, log a request by going to the IPC Hub and choosing Compliance/Product Approval Request.

The due diligence review process involves:

- a review of the products and or services offered in the arrangement. IPCIC will not enter into referral arrangements with entities who offer a single security-related product as it is too difficult to ensure that the actions of our Advisors do not exceed the limits of their registration;
- consideration of MFDA Rules and other regulations that may apply to the referral arrangement as well as any restrictions that may also apply;
- consideration of the proposed fee structure to assess whether it may create an unmanageable conflict of interest;

- consideration of any measures that may be required in addition to client disclosures in order to properly address identified conflict issues that arise;
- consideration as to whether the referred services will only be appropriate for certain types of clients and, if that is the case, how this is to be communicated and monitored;
- consideration with respect to the role of IPCIC Advisors in the referral process to ensure that their proposed activities do not exceed the limits of their registration; and
- consideration as to whether cooperative marketing practices or third-party sponsorship of marketing, promotional, or educational expenses incurred by IPCIC or its Advisors will be permitted, considering any potential regulatory restrictions and conflict of interests.

Acceptable Securities Related Referral Activities

With respect to securities related referral arrangements, IPCIC is responsible for putting in place controls to prevent situations where licensed and/or unlicensed individuals may potentially be acting in furtherance of trades or may be providing advice beyond the limits of their registration contrary to securities legislation.

For clients referred to another registrant pursuant to a referral agreement in place between IPCIC and the other registrant, it is acceptable to provide demographic information to the other party at the request of the client. However, Advisor's must take care not to act beyond the limits of their license. With the client's permission, Advisors can:

- provide the demographic information (such as name, address, age, net worth, and income) to the other firm;
- be present when the account opening documents are completed;
- attend meetings that the firm that receives the referral has with the client (but may not give advice to the client where it could be perceived you are acting in a capacity beyond the scope of your registration);
- receive copies of the client's statements if the client expressly gives permission to do so; and
- forward completed documents to the other firm on the client's behalf (it should be noted that you now become responsible for their timely and successful delivery).

Unacceptable Securities Related Referral Activities

For clients referred to another registrant pursuant to a referral agreement in place between IPCIC and the other registrant, it is unacceptable to act beyond the limits of your registration.

In order to ensure that you do not act beyond the scope of your licensing, IPCIC Advisors cannot do any of the following in connection with referral arrangements:

- assist the client in the completion of the other registrant firm's account opening documents;

- assist the client in the completion of the other registrant firm's trade tickets;
- obtain or update Know-Your-Client (KYC) information, such as investment objective(s), risk tolerance and time horizon on behalf of the other registrant firm;
- actively participate in discussions where investment advice is given to the referred client by the other registrant firm; and/or
- provide advice, recommendations or opinions on the investments held through the other registrant.

Detection of Undisclosed Referral Activities

IPCIC Compliance is responsible for establishing and implementing controls to detect undisclosed referral arrangements and situations where unlicensed individuals provide advice or otherwise act beyond the limits of their registration with respect to referral arrangements. The controls in place are as follows:

- new Advisor registration and recruitment packages requiring the disclosure of any existing referral arrangements in place;
- quarterly reporting by Branch Managers requiring disclosure of any new referral activities conducted by Advisors that the Branch Manager has become aware of;
- periodic communications issued to all Advisors and Branch Managers reminding them of existing referral arrangement policies;
- periodic website reviews by Compliance looking for potential undisclosed referral activities; and
- branch reviews conducted by IPCIC Compliance include questioning, file and website reviews and reviews of documents and other materials on-site, looking for undisclosed referral activity.

Books and Records

IPCIC maintains the following books and records for approved referral arrangements:

- a copy of the written referral agreement and the approved client disclosure document;
- Product Approval Committee due diligence materials and approvals;
- details of fees or other compensation paid with respect to the arrangement; and
- a current listing of all approved referral arrangements is posted on IPC HUB under Compliance/Referral Arrangements.

Books and records relating to referral arrangements will be retained for no less than seven years.

A5 – Approved Product List

A list of all approved fund companies and products is available on the IPC Hub by going to Compliance/Approved Funds. If a fund company or fund cannot be found on IPCs approved shelf, new

purchases and switches into the fund will not be permitted however a transfer in from another institution to IPC would not be impacted.

Approval Process for New Fund Companies, Funds and Products

The IPCIC Product Approval Committee is responsible for reviewing and approving new fund companies, funds and products. To request for a new fund company or fund to be added to IPCs shelf, log a request by going to the IPC Hub and choosing Compliance/Product Approval Request.

When considering whether or not to add a new fund company or fund to IPCs shelf, consideration will be given to the uniqueness of the product, identifying characteristics, fee structure, and potential for any conflicts of interest.

A6 – Life Insurance

As part of IPC's objective to become Canada's largest supplier of financial products to Canadians, we recommend that all Advisors be dually licensed to sell insurance. We also strongly encourage Advisors to sign a standard agreement with IPC Estate Services Inc. ("IPCES") and PPI Solutions Inc. ("PPI") for all insurance related business. This provides Advisors ease of administration and allows you to take full advantage of available compensation grids and provide consistent delivery of service to your clients.

IPCES/PPI has MGA contracts with most of the major insurance carriers who provide the most competitive products and premium rates as well as Advisor compensation in the industry.

Please contact our IPCESI/PPI team for further information. Note that insurance business processed through IPCESI/PPI is considered an Outside Business Activity and must be reported as such.

A7 – Outside (Business) Activities

As defined in MFDA Rule 1.3.1, an outside activity or outside business activity (collectively "OBA") is any activity or business carried on by an Advisor outside of IPCIC:

- a) for which direct or indirect payment, compensation, consideration or other benefit is received or expected;
- b) involving any officer or director position and any other equivalent positions; or
- c) involving any position of influence.

OBAs may involve activities that are securities related or non-securities related, such as:

- Volunteer Activities
- Part time employment
- Accounting/Bookkeeping services
- Fee for service financial planning

- Income Tax preparation
- Life Insurance Sales, Segregated Funds and other insurance products
- GIC Sales outside of the dealer
- Acting as a Mortgage Agent (only if done through Invis or Mortgage Intelligence)
- Sale of Private Health Savings Plans
- Acting as an officer or director of personal holding company
- Any position of influence as defined by regulators

Such activity or business is distinct from the Advisor's business with IPCIC and is entered into by the Advisor in their personal capacity and outside the scope of their registration with IPCIC. Apart from the specific exceptions in Rule 1.1.1, Advisors are prohibited from selling or advising on any investments that would be considered securities under applicable legislation through any entity other than the Member (often referred to as "selling away" or "off book trading").

That said, MFDA Rule 1.3.2 does allow for an Advisor to be gainfully employed in activities outside of the Member provided that:

1. the activity is not prohibited by IPCIC or the securities commission in the jurisdiction in which the Advisor carries on, or proposes to carry on, the outside activity;
2. the Member is aware of and has approved the outside activity;
3. the Member has appropriate procedures to ensure continuous service to clients and to address potential conflicts of interest;
4. the activity does not bring the MFDA, its Members, IPCIC, or the mutual fund industry into disrepute; and
5. clear disclosure is provided to clients that any activities related to such other gainful occupation are not business of the Member and are not the responsibility of the Member (this includes when insurance products are sold through IPC Estate Services or another outside MGA).

Where an Advisor or employee receives permission to engage in an approved OBA including the sale of insurance products, under no circumstances may an Advisor suggest or infer that IPCIC is associated with the approved OBA. If others are operating under this assumption, the Advisor shall immediately inform them to the contrary.

Under no circumstances may an Advisor or employee use IPCIC letterhead or business cards in connection with any OBA, including insurance, even if it is an approved OBA. Advisors should direct any questions regarding OBAs to IPC Compliance or their Branch Manager.

Fee for Service Financial Planning

Advisors who have been granted approval for fee for service planning (“FFSFP”) may charge clients for the preparation of financial plans and other non-securities related financial planning services, provided that these activities are done as an extension of your life insurance offering.

Advisors offering FFSFP must obtain and hold one of the following approved financial planning designations: Certified Financial Planner (CFP), Chartered Life Underwriter (CLU), Certified Health Insurance Specialist (CHS), Chartered Financial Consultant (CH.F.C.), Canadian Investment Management (CIM), Fellow of the Canadian Securities Institute (FCSI) or Registered Financial Planner (RFP). **For Quebec Advisors only** – Financial Planning is regulated in Quebec and for individuals to hold out as Financial Planners, they must have been designated as one by the Institut Québécois de Planification Financière (“IQPF”) and licensed by the Autorité des marchés financiers (“AMF”). Advisors who engage in FFSFP will also be requested to provide a sample plan, engagement letter, fee schedule and proof of E&O coverage for the activity prior to receiving Compliance Approval.

Approved Advisors must use approved financial planning software in preparing financial plans. Currently, Advisors may use one of the following approved software packages: Naviplan, Equisoft, FP Solutions, In Sync, InfoMac, RazorPlan, PlanPlus, Snap Projections and VisionWorks. Information contained within the plan, including assumptions regarding risk tolerance, must be consistent with the KYC information contained on the New Account Application Form (NAAF).

Approval Process for OBA’s

As noted in the overview, IPCIC must be made aware of and approve of any Advisor engaging in any OBA, including community service prior to the Advisor doing so. IPCIC’s Principal/Agent Agreement requires an Advisor to disclose in writing all business activities outside of IPCIC (whether for gain or not) at the time of registration with IPCIC. In addition, if an Advisor’s OBA circumstances change thereafter, IPCIC must be immediately made aware of any such material change(s), including when an Advisor no longer engages in a previously approved OBA.

For any new activity, the Advisor must complete an “Outside Activity Questionnaire Outside IPC” for review and approval by IPCIC Head Office Compliance. The Questionnaire is fully electronic and is accessible through the Registrations Update application on the IPC Hub via the Registrations Update link.

For any changes to an approved activity, Advisors must provide notice to IPCIC Head Office Registrations Department by editing their electronic OBA submission found in Registration Updates on the IPC HUB.

IPCIC will consider the following issues prior to approving any OBA:

- Potential conflicts of interest, client disclosure requirements, and client servicing issues;
- Standards of conduct;
- Nature of the activity and associated risk management issues;

- Ability of IPCIC to monitor the activity in relation to compliance with MFDA Rules and securities legislation; and
- Ability of IPCIC to follow up on client complaints that relate to the activity.

IPCIC will notify the appropriate regulators of any OBA(s) approved by IPCIC.

Other Products and Services Disclosure (OBA Client Disclosure Letters)

If IPCIC determines that an Advisor's OBA may be potentially viewed by the public as business of IPCIC, a customized client disclosure form will be provided by IPCIC Compliance for the Advisor to use and provide clear disclosure that the OBA is neither the business of IPCIC nor the responsibility of IPCIC.

This disclosure must be presented to each new client of IPCIC at account opening and to every existing client who has not previously received such disclosure at your next client meeting. If a new activity is added to the disclosure, this needs to be provided to all clients at your next client meeting.

The required IPCIC client disclosure documents for OBAs are available from the Registrations Department when the OBA is disclosed and approved. On an ongoing basis, this disclosure letter can also be found on the IPC Hub by going to Registration Updates and choosing Client Disclosure Letter. The original signed client disclosures are to be maintained in the client files held at the branch. Clients must also be given a copy of this disclosure for their records. IPC's branch review team will check for client signed disclosures during their review of client files. If a signed disclosure is missing from a client's file, an Advisor can temporarily satisfy the disclosure requirement by delivering the disclosure to the client (i.e., mail, e-mail) and evidencing delivery within the file until the client signs and returns or signs at the next client meeting.

IPCIC Head Office Compliance also requires Advisors with approved OBAs to acknowledge annually in writing that they are:

- providing any applicable prescribed disclosure to clients
- maintaining separate books and records
- upholding their confidentiality obligations

Advisors engaging in approved OBAs may not utilize the information they have collected from clients for IPCIC purposes for the operation of their OBA without obtaining expressed written consent from the client to do so.

Any material used for business activities outside of IPCIC, such as letterhead, business cards, invoices, must not include IPC Investment Corporation's or the Investment Planning Counsel insignia, logo, address, or letterhead.

Ongoing IPCIC Monitoring

IPCIC will monitor approved OBA on an ongoing basis for compliance with MFDA Rules and securities legislation. IPCIC will follow up on client complaints that relate to the activity in order to determine that the issues have been properly addressed.

IPCIC will also take reasonable measures to look for evidence of undisclosed OBAs by Advisors. If any undisclosed business activity is identified, IPCIC will take steps to resolve any issues and discipline the Advisor if deemed appropriate.

A8 – Discretionary Trading

Discretionary Trading Prohibition

Securities regulations do not permit IPCIC Advisors to trade on a discretionary basis on behalf of clients; that is, MFDA Advisors do not have the authority to execute trades without specific instruction from the client or a third party holding a Power of Attorney (POA) for the client. Please refer to Section D-2 for detailed information on obtaining client authorization for trades and a description of “specific instruction”.

MFDA Rules and IPCIC Policy both prohibit discretionary trading by Advisors. As a result of their potential usage on a discretionary trading basis, IPCIC does not permit Advisors or anyone else associated with IPCIC to have any pre-signed blank or partially completed trade forms for clients or potential clients. Advisors also cannot alter any documents to create photocopied forms that give the appearance that these are new documents signed by clients. As a reminder, all amendments made on any document must be initialed by the client. IPCIC’s branch review program includes processes designed to detect evidence of pre-signed forms and the consequences of such evidence being uncovered will be very serious for an Advisor as this may result in penalties or even termination.

A9 – Power of Attorney (POA), Executor of Estate or Trustee

In the circumstance where a client has granted POA to another person (“the Attorney”), the POA documents must be given to the Advisor prior to accepting any trade instructions from the Attorney. Advisors should be careful to ensure that the POA is in effect and under what circumstances the POA is able to be utilized. In addition, Advisors should be aware that a POA expires on the death of the grantor. Advisors may forward a copy of the POA document to their Branch Manager or Head Office Compliance Department for guidance if needed. A notarized copy of the POA document is not required. *Note:* The same requirements apply to another person being appointed as Executor of Estate or Trustee for an IPCIC client.

The Advisor must provide a copy of the POA to their Branch Manager when the first trade is made as a result of instructions from the Attorney. The office will also need to send a copy of the POA to the applicable fund company for their records as well.

Advisors should be reminded that the KYC information should reflect the client's knowledge, financial circumstances, experience and investment profile and not that of the POA. Per CB18-06, Advisors must complete Identity Verification of the POA, and capture the contact information (address, phone) and investment knowledge in the related party section of the NAAF and then enter the POA as a related party in Univeris.

Additional restrictions apply for Continuing POA's where the client has failed the mental capacity test. A POA under these circumstances may not change the registration of a plan to themselves either individually or jointly with the plan owner, nor can they request any change of beneficiary on an account. A POA also cannot re-register an account from individually held to joint with the POA or redeem funds from a client's IPC account and electronically transfer the proceeds directly to the POA's bank account or into a joint bank account in the name of the POA and client. This requirement is in place to limit the potential misappropriation of funds by the POA, as well as to limit the legal liability of both the Advisor and IPC with respect to the redemption of client funds.

Note also that gift giving opportunities through a POA is limited. The gift needs to either be previously committed by the grantor or in keeping with past gifts that the grantor has made. Notwithstanding and in all cases, a POA cannot use their authority to gift to themselves.

Adding POA's to an already existing account is a material change. A NAAF/KYC should be updated, the POA has to be identified and updated in the related party section on Univeris. You may not accept trade instructions from a POA who has not been identified.

Advisors as POA, Executor of Estate or Trustee

IPCIC Advisors are prohibited from accepting appointment as a POA, Executor of Estate or Trustee that permits them to trade on behalf of an IPC client or any other form of authority which grants an Advisor control over their financial affairs. Despite this general prohibition, in January 2017, MFDA Rule 2.3.1 was amended to clarify that an Advisor may have full or partial control or authority over the financial affairs of a client provided that:

- i) the client is a Related Person, as defined by the Income Tax Act (Canada), of the Advisor;
- ii) the Advisor notifies IPCIC of the appointment; and
- iii) the Advisor obtains written approval prior to accepting or acting upon the control or authority.

Additionally, in the event that an Advisor has been appointed as POA, Executor or Trustee for an IPCIC client *who* meets the definition of Related Person, he/she may remain as the Advisor on the account. However, this authority must first be approved by IPCIC Compliance. Approval can be obtained by logging into the IPC HUB, then choosing the Registration Updates option, and completing the form entitled IPCI Executor, POA and Trustee Appointments.

Once approved, the client account must be then identified in Univeris as having a POA and the Advisor must also be entered as a related party to the account.

In the event that an Advisor has been appointed as POA, Executor or Trustee for an IPCIC client who *does not* meet the definition of Related Person, moving the client to another IPCIC or IPCES servicing Advisor does not change this prohibition. The client must remove the appointed IPC advisor at their earliest convenience or transfer their account to another dealer and advisor if the appointed IPC advisor is to remain in the appointed position.

A10 – Telemarketing, Do Not Call Lists, & Solicitation of IPC Clients

Telemarketing Overview

Any telephone calls or faxes, other than at the specific request of a consumer, made to consumers to solicit products or services or to set up a meeting to solicit products and services are considered to be telemarketing.

Unsolicited Telemarketing Rules

Among other things, the Rules require all telemarketers to:

- identify who they are and, upon request, provide consumers with a fax or telephone number where they can speak to someone about the telemarketing call;
- display the telephone number that they are calling from or that the consumer can call to reach them;
- only make calls and send faxes between 9:00 a.m. and 9:30 p.m. on weekdays and between 10:00 a.m. and 6:00 p.m. on weekends;
- maintain their own do not call lists; and
- register with the National Do Not Call List.

Use of Third-Party Telemarketers

If you hire a third-party agency to make calls or faxes on your behalf, both you and the agency must follow the Unsolicited Telemarketing Rules.

It is also important to understand that these unregistered individuals cannot be engaged in any activities that require registration or can be construed as acting in furtherance of a trade. The payment of a flat fee per name called should satisfy limitations described above. In certain provinces such as New Brunswick, telemarketers may be paid an hourly wage, or a set fee to call a certain number of people. Remuneration cannot be based on any measurable activity which could be perceived as acting in furtherance of a trade.

Prohibition Re: Automated Dialing and Announcing Devices

Automatic Dialing and Announcing Devices are devices that dial telephone numbers automatically and deliver a pre-recorded message:

- These devices cannot be used to sell or promote a product or service unless a consumer has consented to be called by them;
- They can be used for public service reasons by police & fire departments, schools & hospitals; and
- They can also be used for appointment reminders and thank you calls.

National Do Not Call List

The NDNCL is designed to reduce the number of unwanted telemarketing calls and faxes Canadian consumers receive. The NDNCL allows all Canadian consumers to add the following types of phone numbers to a national list maintained by the CRTC:

- Land Lines
- VoIP
- Cellular/mobile
- Satellite
- Fax

The NDNCL is a key part of the CRTC's Unsolicited Telecommunications Rules (the "Rules"). The IPC group of companies ("IPC") and its employees, advisors/agents, and employees of advisors/agents must be compliant with these CRTC Rules.

National Do Not Call List Registration & Subscription

All telemarketers must register for the National Do Not Call List (NDNCL).

You do not need to register as a telemarketer with respect to solicitations made on behalf of IPC Investment Corporation. IPC Investment Corporation is registered as a telemarketer and you are acting as our representative under a principal/agent relationship when solicitations are made with respect to products and services offered.

You will need to register as a telemarketer with respect to any other solicitations made by you for products and services not offered through IPC Investment Corporation.

For example, if you are insurance licensed, you will need to register as a telemarketer in order to solicit non-exempt phone numbers because insurance companies and MGA's consider you to be independent agents. Furthermore, you are not to represent yourself as calling on behalf of the insurer or MGA.

Please note that:

- You can register online at www.LNTE-DNCL.gc.ca. There is no charge for registration;
- You must purchase a subscription for the area codes you intend to call. Fees will be based on the subscription model you choose;
- You must determine if a telephone number, other than a number exempt from the NDNCL, is on NDNCL prior to making a telemarketing call to it. If the number is on the NDNCL, you cannot call it

without express consent from the consumer and you will need to delete it from your calling lists. The version of the NDNCL that you use must not be older than 31 days; and

- If you are only making telemarketing calls or sending faxes that are exempt from the National DNCL, you do not have to purchase a subscription to the National DNCL.

National Do Not Call List Exempt Telephone Numbers

The following is a list of exceptions to the National DNCL Rules which allow you to call or fax without having to first check the number:

- An existing individual client
- An individual who was a client in the last 18 months
- A business
- An individual who has given you express consent to call a specific phone number

IPC Corporate Do Not Call List

In addition to their ability to place themselves on the National DNCL, consumers can also place themselves on individual Corporate Do Not Call Lists.

Even if you are making exempt calls based on business relationships, a consumer can ask not to be contacted. If they do so, you must add their phone number to IPC's own do not call list, the IPC Corporate Do Not Call List (the "IPC DNCL").

Whoever (IPC advisor, IPC employee, or IPC advisor Employee) receives the request must act to add it to the IPC DNCL. They cannot direct the individual to another person or site in order to have their request honored.

IPC "Do Not Call List" Procedures

IPC has instituted a process for our Advisors to check phone numbers against IPC's DNCL through the IPC HUB and then link over to the CRTC's website to check the number against the National list.

The DNCL page on the HUB will allow IPC employees, advisors, and advisors' staff to:

- Search IPC's Corporate DNCL
- Add a consumer's number to the Corporate DNCL
- Run various reports from the IPC Corporate DNCL
- Visit the CRTC's National DNCL site for National DNCL searches

A detailed User's Guide is included on the website for your convenience and ongoing reference.

Checking Numbers against the IPC DNCL & the National DNCL

The process for checking a telephone number against the IPC DNCL and the National DNCL is as follows:

Log into the HUB and click on the 'Do Not Call List' icon from the home page.

- Search the IPC Corporate DNCL against the telephone number you wish to call or fax.
- Click on the link to visit the CRTC's National DNCL website and log in.
- You will need a credit card number as there is a 50-cent charge for each telephone number searched.
- Check the phone number against the national list.

In order to document your search results, take a screen print of the on-screen results and paste it into a word document. Save the document on your computer where it can be easily accessed or print copies and maintain them in a DNCL folder. This will provide evidence of your search in the event that any consumer complaints are made against you.

[Adding a Number to the IPC DNCL](#)

The process for adding a telephone number to the IPC DNCL is as follows:

- Log into the HUB and click on the 'Do Not Call List' icon from the home page.
- From the DNCL Home Page, click on either the 'Add a Number' tab, or the 'Add a Number' hyperlink to access the 'Add a Number' page.
- Enter a 10-digit number in the Phone Number field without brackets () or dashes (-) and click on the 'Save' Button.

[Generating Reports from the IPC DNCL](#)

There are 2 possible reports you can generate:

- Active DNCL Number list – produces a list of all phone numbers currently on the IPC Corporate DNCL list as of the dates entered in the search criteria.
- Search History – based on the criteria entered, this report allows the user to create a report showing which numbers were searched against the Corporate DNCL list. Advisors can only create a report for their user id. Branch Managers can create reports for all advisors attached to them.

In order to generate these reports:

- Log into the HUB and click on the 'Do Not Call List' icon from the home page.
- From the DNCL Home Page, click on either the 'Report' tab, or the 'Run a Report' hyperlink to access the Reports page.
- Select the hyperlink of the report you wish to run.
- Enter the criteria necessary for your report and select the 'Generate' button to create the report.
- A new pop-up window will open prompting you to either open the report (As a PDF or Excel file) or save the report to your computer.

A11 – Anti-Spam Legislation

Canada's Anti-Spam Legislation (CASL) came into effect on July 1, 2014. The legislation targets businesses that send out "commercial electronic messages (CEMs)". A CEM is any form of message sent or accessed by a computer or smartphone located in Canada.

CASL prohibits the sending of CEMs to any electronic address unless:

1. The person to whom the message is sent is an existing client or if not, has consented to receiving it; and
2. The message complies with the prescribed content requirements.

The Bill is enforced by the CRTC, the Competition Bureau and the Office of the Privacy Commissioner. The fines for non-compliance are up to \$1 million for individuals and \$10 million for organizations per violation.

Impact to Your Business

There are certain guidelines that Advisors need to follow in order to minimize the impact of CASL:

- When you receive a prospects email address, you are now required to record that you received consent to send them electronic communications. For example, if you meet a prospect at a golf tournament, and you obtain their email address, you will now have to record when and where you gathered the information and that they gave you consent to communicate with them electronically.
- You will need to closely monitor your email distribution list and provide your clients and prospects the option to unsubscribe from receiving further marketing communications.

Exemptions

- Pre-existing business relationships are recognized as having implied consent. As such, there is no need to re-obtain consent in order to communicate electronically with your existing clients as long as the client has been receiving monthly or quarterly statements.
- Other exemptions are extended for those who have personal or family relationships where there is a voluntary two way communication channel.

A12 – Soliciting Clients from another IPCIC Advisor

IPCIC has a strict policy against deliberately and openly targeting another IPCIC Advisor's clients, but the client is ultimately allowed to do business with whichever Advisor they choose. We operate in a free-enterprise environment and know that Advisors will occasionally run across prospects that are already IPCIC clients. We expect ALL Advisors to conduct themselves in a professional manner and respect each other's businesses. As everyone is aware, reputation in the financial industry is paramount - your livelihoods depend on it. A few new clients are hardly worth the risk of a bad reputation.

Except where telemarketing is prohibited by the Act, IPCIC Head Office permits Advisors to conduct telemarketing campaigns in a town where there is more than one IPCIC office servicing the area. One of the qualifying questions in the telemarketing approach should be “Are you currently dealing with an IPCIC Advisor”? If you happen to contact a client of another IPCIC Advisor, you should immediately inform the client that IPCIC has a non-compete policy between IPCIC Advisors and you are required to terminate your solicitation of their business.

In the event that an existing client indicates to you that they are not happy with their current IPCIC Advisor, you should suggest that they discuss this with the other Advisor or IPCIC Head Office. If they are insistent on becoming your client, you must contact the other Advisor to let him/her know that the client is unhappy and wants to move. In most cases an unhappy client is simply a case of a personality/style conflict and the relinquishing Advisor will be happy to see them go. This also gives the relinquishing Advisor the ability to learn why they lost the client – and maybe correct a client servicing deficiency. You should not under any circumstances try to create or foster dissatisfaction in an IPCIC client by comparing your services to those of the other Advisor.

Situations have arisen where two formerly competing offices are now both representing IPCIC in the same town. IPCIC is not asking for these offices to stop competing for clients in the area, but we would expect that you would be focused on competing against other companies, not against other IPCIC Advisors. We ask that in circumstances such as these, that you respect each other’s businesses.

In the event that a pattern of targeting another Advisor’s clients is brought to our attention, IPCIC Head Office will take appropriate measures to ensure that it stops, which may include a referral to the Accountability Review Committee and a fine of up to three times trailers.

A13 – Legally Binding the Company & Misleading Business Names

Legally Binding the Company

As stated in the Principal/Agent Agreement, Advisors do not have the authority to bind or attempt to bind IPCIC or any other firm in the IPC group of companies in any manner or form whatsoever, nor incur any obligation or responsibility, express or implied, for or on behalf of or in the name of IPCIC or any other firm in the IPC group of companies, except as may be specifically required by applicable securities regulation.

This prohibition includes (but is not limited to) opening bank accounts, signing leases, holding property, opening accounts with suppliers, hiring salaried staff, or signing in respect of any other legal obligation (except as specifically required by the Provincial Securities Acts) in the name of any of the following:

• IPC Investment Corporation	
• Investment Planning Counsel Inc.	

• Investment Planning Counsel	This list of companies is NOT all encompassing.
• IPC Securities Corporation	
• IPC Estate Services Inc.	
• Counsel Portfolio Services Inc.	

Misleading Business Names

MFDA Rules prohibit IPCIC and its Advisors from using any business or trade names (also see Section C--11 - Use of Trade Names) that are deceptive, misleading, or likely to deceive or mislead the public.

As a result of the above, IPCIC does not permit any Advisors to register a business name or conduct business outside of IPCIC and the IPC group of companies in any name that suggests it is associated or related to IPCIC or the IPC group of companies. Prohibited names include, but are not limited to, any name that includes any of the following words or phrases or variation thereof:

- Investment Planning Counsel
- IPC
- Counsel Group of Funds

A14 – Business Practices & Conduct Accountability

IPCIC requires its Advisors, Branch Managers and corporate employees to observe high standards of personal ethics and conduct in the transaction of business in order to protect our clients, our business, and your business. Each individual is personally accountable for ensuring that their business practices and conduct meet both the letter and spirit of IPCIC's Code of Ethics, IPCIC's policies and procedures, MFDA rules and regulations, and the laws, rules, regulations, and standards of any other governing regulatory bodies.

IPCIC is expected to, and will act firmly, fairly, and transparently when monitoring and supervising business practices and conduct for the purpose of detecting and deterring unethical and illegal behavior. Our policies and procedures in this regard are as follows.

Accountability Reviews

Head Office Compliance will carry out a business practices and conduct accountability review whenever it becomes aware of a potential breach of IPCIC's Code of Ethics, IPCIC's policies & procedures, contractual agreements with IPCIC, MFDA rules and regulations, and the laws, rules, regulations, and standards of any other governing regulatory bodies. IPCIC's awareness of the potential breach may result from a variety of sources including, but not limited to, client complaints, communication from regulatory bodies, branch and sub-branch reviews, branch manager visits, third parties, and the individual(s) in question.

Accountability Review Process

The process for conducting a business practices and conduct accountability review is as follows:

- A file is opened and logged.
- A preliminary assessment is made by Head Office Compliance as to the seriousness of the matter.
- The Compliance Officer will promptly inform the Chief Compliance Officer of new files opened where there are grounds to believe that there has been a substantial breach of IPCIC and/or regulatory requirements, or where the matter is sufficiently complex to require a more extensive review.
- The Compliance Officer assigned to the matter will determine if there is evidence of a contravention of the rules or regulations.
- If there is evidence of a violation for which a warning letter is suitable, the Compliance Officer will confirm the facts with the individual(s), issue a standard form of warning letter in consultation with the Chief Compliance Officer, and close the file.
- If there is evidence of a serious violation which is likely to result in a more stringent disciplinary action than a warning letter, the Compliance Officer will confirm the facts with the individual(s). The Accountability Review Committee will meet to discuss the case and review the facts and circumstances surrounding the alleged breach. If it is deemed necessary and with the approval of the Accountability Committee, the individual(s) under review may be suspended for a period pending completion of the investigation. In certain extraordinary circumstances, immediate termination of an individual(s) may be necessary.
- An analysis and recommendation report is then prepared containing the following:
 1. summary of facts
 2. description of the alleged breaches
 3. review of the individual(s) comments
 4. assessment of potential exposure to IPCIC
 5. recommendations
- The investigation report will be forwarded with a recommendation to the Accountability Review Committee for their decision. If the Compliance Department does not concur with the Accountability Review Committee's decision, the matter may be escalated to the IPCIC Board of Directors.
- Disciplinary actions (if any) are assessed based on the nature of the violation, any aggravating factors, and any mitigating factors.
- A letter of notification is prepared (if disciplinary action is required) setting out any fines, suspensions, or other disciplinary measures to be imposed. This is recorded in Head Office Compliance files and a hard copy will be included in the individual's registration file.

- A letter of notification is sent to the individual(s) and copied to their Branch Manager, the Chief Compliance Officer, and regulatory bodies if required. The Accountability Review Committee will decide if it wants any matter reported to a regulatory body over and above any mandatory reporting requirements.
- The file is then closed when the individual(s) provide the Compliance Department with an appropriate response and have complied with any disciplinary action.

General & Specific Disciplinary Measures

Disciplinary measures resulting from business practices and conduct accountability reviews will be based on a fair and objective review of all relevant facts available. Any mitigating and aggravating factors relating to the breach and the individual believed responsible for this breach will be considered. When appropriate, IPCIC will look for precedents both inside and outside the company to guide us in coming to a decision. Regulatory bodies can also impose their own disciplinary measures in addition to those taken by IPCIC.

General Disciplinary Measures

IPCIC may employ any of the following disciplinary measures, separately or in combination in addition to any action taken to remedy a breach:

- a warning letter of reprimand to the individual(s)
- a requirement for the individual(s) to issue a letter of apology
- a requirement for the individual(s) to complete an industry course
- a requirement for the individual(s) to provide compensation to clients
- a requirement for the individual(s) to repay commissions
- payment of a fine by the individual(s)
- payment of IPCIC investigation costs by the individual(s)
- terms and conditions on the Advisor as may be considered appropriate including extra supervision and a reduction in commission payout for the extra supervision
- suspension of the rights and privileges of an Advisor
- termination of an Advisor's Principal /Agent Agreement with consideration given to the existence and application of any shareholder agreement or any other binding contracts with the firm
- any other action deemed necessary by IPC Management permitted within the boundaries of the Advisor's Principal/Agent Agreement

Aggravating Factors Impacting Disciplinary Measures

IPCIC will consider the following aggravating factors when determining disciplinary measures:

- concealment or belated disclosure of deficiency or wrongdoing
- failure to co-operate in IPCIC's internal investigation
- seriousness and extent of the breach including time over which the breach occurred
- deliberate and intentional disregard for requirements
- previous disciplinary record (internal and/or regulatory)
- misconduct occurred in connection with other wrongdoing
- high number of transactions or client accounts involved
- extent and nature of client losses and lack of knowledge of the client
- amount of any profits, commissions, accrued gains, or other benefits
- extent of any harm to any other market participants, clients, IPCIC, and IPCIC Advisors, agents and associates
- a general pattern of conduct that demonstrates a lack of attention to compliance or IPCIC Code of Ethics requirements

Mitigating Factors Impacting Disciplinary Measures

IPCIC will consider the following mitigating factors when determining disciplinary measures:

- timely disclosure of deficiency or wrongdoing
- full co-operation in IPCIC's internal investigation
- absence of any previous disciplinary record (internal and/or regulatory)
- demonstration that corrective measures have been implemented
- overall good faith and conduct
- prompt, voluntary offer to IPCIC to provide compensation to clients
- a general pattern of conduct that demonstrates appropriate attention to compliance and code of conduct requirements

A15 – Approved Person Transfers

Further to MSN-0079, New Advisors joining IPCIC from another dealer are reminded that you are prohibited from soliciting clients to join IPCIC while you are still under contract with the other dealer or from processing business on behalf of IPCIC prior to your registration with IPCIC. This includes:

- Distributing blank or pre-populated IPCIC New Account Application Forms ("NAAF") or Know-Your-Client ("KYC") forms to clients for signature before the transfer takes place;

- Providing client lists and other client information to IPCIC without client authorization; and
- Completing Order Entry Forms, PAC/SWPs or other IPCIC dealer applications and forms.

In addition to client confidentiality concerns, MFDA rule 1.1.1 places restrictions on conducting securities related business on behalf of a dealer where you are not currently registered.

A16 – Email Address and Email Signature

An Advisor or employee may not use personal email addresses to conduct his/her securities related business. IPC is required by MFDA Rule 5 and NI 31-103 to retain and store all books, records, documents and correspondence with clients as this pertains to the business activities of IPC, including email. There are also privacy and security considerations that underpin these requirements.

To ensure compliance with this rule, Advisors are required to use an IPC assigned email address (ipcc.org) or to use an email that resides on an IPC hosted server.

Email signatures should state your name and approved title, as well as the name of IPC Investment Corporation. You may also include the name of your registered trade name in equal prominence to IPC. If you choose to use your approved trade name, this must accompany, but cannot replace, the full name of the registered dealer (IPC Investment Corporation).

For more information, please refer to CB19-11: IPC Email Addresses for IPC Business.

A17 – Cybersecurity

As we increasingly rely on electronic devices to add value to our business, vulnerabilities to cybercrimes also increase. Sophisticated cyber criminals are constantly searching for new and creative ways to fraudulently obtain information and money from our clients and often times it is due to our own endpoint device security which allowed for the fraudster to gain access to our client information.

Cybersecurity is a very real concern to you and your business and no matter what infrastructure measures are in place, the reality is that motivated attackers will search until they find a vulnerability. To protect you and your clients from cybersecurity incidents:

- Call your clients each time that you receive a redemption request via email or through other non-face-to-face means prior to initiating any transactions on their behalf (CB17-11).
- Confirm your client's identity through a series of security questions.
- Question situations that are out of the norm; i.e. if your client typically wishes to see you in person to initiate transactions, and then attempts to contact you via email with a request.
- Do not assume that when replying to a thread over email that the person you are communicating with is your client.

- Do not transmit sensitive client information over email unless appropriate encryption is in place.
- Be wary about opening suspicious emails or clicking on suspicious links or attachments, regardless of the source.

Refer to BP18-01: Cybersecurity Protocols with Clients for more information.

Further Recommendations for Keeping Client Data Safe

System Security:

1. Use full disk encryption on your device (e.g. BitLocker on desktops and laptops).
2. Ensure your workstations, smart phones, and other devices (such as iPads) are running the latest version of the operating systems.
3. Make sure you have antivirus protection on your device and keep it up to date. Updates to AV signatures should be daily. Schedule a full scan once a week as a minimum.
4. Configure your antivirus software to automatically scan removable drives when they are plugged in.
5. Ensure the account you use to login to your device does not have administrator privileges. Use a separate account for administrator actions. Enable User Account Control (UAC) on your Windows computers and laptops.
6. Disable modems, Bluetooth and infrared to prevent any unauthorized communications.

Application Security:

1. Ensure all applications (including Browsers) are patched and up to date.
2. Look for the “Lock” symbol on your browser to ensure that you are accessing client data over a secure connection. Never agree to proceed if asked to continue as an unsecured session.
3. We strongly recommend you take advantage of the hosted email offering as incoming and outgoing messages will be scanned for malicious content.
4. Ensure your passwords are strong (not a word in the dictionary) and use a personal password storage tool such as LastPass to help you manage passwords across several sites/applications.
5. Never write down or share your password with others.

Data Security:

1. Do not save or share client data via personal cloud services (e.g. DropBox, iCloud). IPC’s corporate cloud services (Office 365’s OneDrive and SharePoint) are approved for this use.
2. Do not open attachments or links contained within emails where the sender cannot be verified, or the content or timing of the message is suspicious.

3. Encrypt client files if storing the files on local device.
4. Always use encrypted USB drives for client data.
5. Backup your data at least weekly to an offline encrypted storage device such as a portable hard drive that is configured to encrypt the data.

For more detailed information, review “IPC Technology Guidelines – Protecting Your Business” by going to the IPC HUB>Compliance>Helpful Resources>MFDA.

B - BUSINESS PRACTICES AND SUPERVISION

B1 – Overall Branch Strategy

IPCIC is committed to operating through a national network of branches servicing local communities. Branch Standards.

The following are the branch standard guidelines for all IPCIC branches:

- **Premises** – a Branch in the IPCIC distribution system must be a viable distinct commercial location with an area to meet and greet clients and conduct all branch administration functions. All Branches must have IPCIC approved interior signage. All “store front” branches must have IPCIC approved exterior signage and all branches located within office buildings must have IPCIC approved signage on the exterior of their suite as well as a listing on the office directory. All branches must operate within normal business hours. There must be a distinct phone number for the branch that is answered in the name of the dealer – IPC Investment Corporation. Any exception requires written approval from IPCIC Head Office. The signage requirements for branches are also applicable to sub-branches. Additionally, Advisors who intend to share an office space with an affiliate of IPCIC or other third party must disclose this intention to IPC Compliance in writing. Further, the sharing of office space with unrelated securities registrant, such as another mutual fund, securities or exempt market dealer is strictly prohibited.
- **Order Entry** – a branch must perform all “order entry” processing and management for Advisors attached to the branch and maintains all client files within their location. Scanning technology is acceptable provided that all original records are maintained in date order, are easily accessible and a back-up copy of all imaged records is maintained offsite.
- **Branch Managers** –The Branch Manager is responsible for all supervision and compliance functions as outlined in this Manual and the Tier 1 and 2 Supervision Procedures SOP.
- **Compensation** – The Following commission grid has been established to promote the operation of effective and efficient branch structures, to recognize branches that produce significant Gross Mutual Fund/Seg Fund Dealer Commissions and to prevent Advisors from opening Branches that do not have sufficient financial resources to adhere to the above guidelines:

Annual Branch Mutual/Seg. Fund Gross Dealer Commission	Payout Rate*
Less than \$100,000	75.00%
\$100,001 to \$250,000	80.00%
\$250,000 +	85.00%

*Note: 1. PGP members' Payout Rates will be adjusted accordingly.

2. Advisor Production Requirements and the IPCIC Small Book Advisor Payout Grid are described in Section B

Branches will be automatically adjusted effective January 1st each year based on their previous year's Branch Gross Mutual/Seg. Fund Gross Dealer Commission. Although this tier is effective January 1st each year, any changes downward will not be made to the grid until the third commission run of the year. This will permit the clearing of any trailer fees received during the first two commission cycles. Any trailers received after the change is made will be paid at the adjusted rate.

This grid will be based on total annual branch GDC from January 1st to December 31st, paid back to dollar one – once a grid level is achieved, the branch automatically receives the additional compensation at the new level. Each branch's payout will be reassessed annually. Please note that if any individual Advisor within a branch falls under \$100,000 in gross revenue then the individual may be subject to Small Book Advisor Payout Grid policy defined within section B2 of this manual. Negative Commission Balances for Advisors – if an Advisor has a negative commission balance (as a result of charge backs, LOIs, etc.) for greater than 60 days, the negative balance will be addressed by the Commissions and/or Finance team.

The following are the guidelines established by the MFDA and IPCIC for the set-up of both Branch and Sub-Branch Offices.

- All new Branches, Sub-branches and all office moves, must be approved by the Registrations and Compliance Departments, via the "New Location Request/Address Change Form - IPCI" which can be accessed by logging onto the IPC Hub and accessing the Registrations Updates icon.
- Any commercial location occupied by an Advisor must be registered as a branch or sub-branch.
- The signage, privacy, filing, security, phone and fax requirements for branches are also applicable to sub-branches.
- The business of the sub-branch Office will be supervised by the assigned Branch Manager.
- The branch and sub-branch locations will be open to clients during normal business hours.
- In the event that there are any non-IPCIC related activities occurring within an IPCIC branch or sub-branch location, any and all IPCIC information, including books and records, must be kept separate, secure and confidential at all times and not accessible to any parties conducting non-IPCIC related activities.

In the event that a new branch or sub-branch is planned for a location in the same building as an existing branch or sub-branch, the existing branch or sub-branch will have the right to veto the establishment of the new office. This prevents the inevitable confusion from two offices being in the same building.

Branch Manager's Duties & Responsibilities

This section should be read in conjunction with the Tier 1 and 2 – Supervision Procedures SOP – as all Branch Managers are expected to abide by the contents of this manual.

The role of the Corporate Branch Manager is one that encompasses all aspects of supervision. This includes training new Advisors, supervising Advisors' IPCIC business activities, and assessing the suitability of their trades.

Please understand that the primary directive of all Securities Acts and Regulations is to protect the investing public. Branch Managers are charged with this mandate, as is IPCIC. The MFDA requires individuals who are Branch Managers to fully carry out all aspects of the duties and responsibilities listed above in a diligent and conscientious manner. All Branch Managers must consider the following:

Supervision and Reporting

The Branch Manager is required to complete all requirements outlined within MFDA Policy 2 and the IPCIC Tier 1 and 2 – Supervision Procedures SOP; including but not limited to:

- Review and approve all New Account Application Forms and KYC updates for Advisors attached to the Branch within one day of the initial trade for the client.
- Supervise the trading activities of all Advisors associated with the Branch including suitability reviews and a review of trading related paperwork for compliance and completion.
- Monitor on an ongoing basis the activities of all Advisors in the Branch and any attached Sub-branches as well as the overall operation of the attached Sub-branches.
- Advise Head Office of any irregularities or contravention of the “Act” by any Advisor.
- Fulfill filing and record keeping requirements as set out in Section B-4 of this manual.
- Review all Advisor advertising and sales communications prior to usage to ensure that they comply with the applicable Securities Legislation and the guidelines issued by Head Office Compliance.
- Perform an on-site review of all branches and sub-branches under their supervision as described in Section B-7 Branch & Sub-Branch Review Program.
- Generally, ensure that all Advisors comply with securities regulation and IPCIC policies and procedures and escalate all known violations or potential violations to their Director and/or CCO.

Account Supervision by the Branch Manager

Each Branch Manager must undertake certain activities for the purposes of assessing compliance with IPCIC's policies and procedures and regulatory requirements. These activities are designed to identify failures in Advisors adhering to required policies and procedures and to provide a means of revealing and addressing undesirable account activity. Refer to IPC's Tier 1 and 2 SOP for more detailed information.

Daily Activity

- All New Account Application Forms must be reviewed and approved no later than one business

day after the initial trade.

- The Branch Manager must review the previous day's trading as described in the Trade Review section of this manual.
- The Branch Manager is responsible for following up any unsuitable, suspicious, or unusual trades identified during their and Head Office Tier-2's daily trade review activities.
- In addition to daily transactional activity, Branch Managers must also keep themselves informed and involved with respect to other client-related compliance matters such as complaint handling and the monitoring of OBAs.

Alternate Branch Managers

A Branch Manager may temporarily delegate manager-related functions and duties to another qualified individual, like an Associate Branch Manager (ABM) or fellow Corporate BM under certain circumstances due to vacation time, sick leave or during onsite visits. Examples of these duties and responsibilities include supervision of Advisors, monitoring of their business activities, approval of their account openings, and daily assessment of their trading activity.

Advisor Training

On an ongoing basis it is the Branch Manager's responsibility to:

- Review training and presentation materials with Advisors. [i.e. Advisor Development Programs, Compliance Communications, National Policies & Procedures Manual, etc.]
- Ensure Advisors are made aware of all necessary information required in order to make compliant sales presentations and for submitting trades properly.
- Advise all Advisors of Branch meetings and ongoing training seminars and encourage attendance.
- Conduct IPCIC's 90-day new registrant training and supervision program as set out below, when applicable.

90-day Training Program for new Advisors and Licensed Assistants

All IPCIC Advisors and Licensed Assistants who become MFDA registered for the first time must complete IPCIC's 90-day training program.

The 90-day training program requires the completion of various training activities within 90 days of registration as an Advisor or Licensed Assistant through IPCIC under the guidance and assistance of their Branch Manager. The program consists of training in the following areas:

- General Knowledge
- Product Knowledge

- Advising the Client
- Administration
- The Sales Process
- Ethics & Standards of Conduct
- Advisor Services and Compliance Support
- Training Support

The Branch Manager must track the completion of these activities on a “Checklist for 90-Day Training Program” form. The Registrations Department will provide this form to the Branch Manager for completion.

Once the program has been completed, the Branch Manager will send the completed checklist to the Registrations team. Registrations will then provide the new Advisor/Licensed Assistant with the 90- Day Training Exam to complete and return within 2 business days. A minimum mark of 85% is required to successfully pass. Following completion, the applicants 90-day training will begin.

Six-Month Concurrent Supervision

The new registrant’s Branch Manager is responsible for the following additional supervision during the new registrant’s first six months of registration through IPCIC:

For the first 90-day period:

- a) all new accounts (plans) must be pre-approved by the Branch Manager prior to any trade being placed in the account/plan;
- b) all trading activity must be reviewed and signed off by the Branch Manager no later than one business day following the trade date; and
- c) all leveraged trades (where leveraging was recommended by the Advisor) must be reviewed by the Branch Manager prior to trade execution.

For the subsequent 90-day period:

- a) all new accounts/plans must be pre-approved by the Branch Manager prior to or within 1 business day of any trade being placed in the account/plan;
- b) each month, the Branch Manager must review the greater of:
 - 5 of the client files that were handled by the Advisor in the preceding one-month period; or
 - 10% of all such client files
- c) provided that if the number of such client files is less than 5, then the Branch Manager must review

the actual number of such client files;

- d) on a daily basis, the Branch Manager must review the greater of:
 - 5 of the trades conducted by the Advisor; or
 - 10% of all such trades
- e) provided that if the number of such trades is less than 5, then the Branch Manager must review the actual number of such trades, (high-risk trades are to be given particular attention); and
- f) all leveraged trades (where leveraging was recommended by the Advisor) must be reviewed by the Branch Manager prior to trade execution.

In reviewing client files, the Branch Manager should ensure that proper documentation is contained in the files, including a fully completed NAAF/KYC. Branch Managers should also always be on the alert for any unusual information such as pre-signed blank forms or information not pertaining to IPCIC business.

All supervisory activities with regard to newly registered Advisors must be documented and kept on file by the Branch Manager. At the end of the training and supervision period, a “Confirmation of Completion of New Registrant Training and Supervision Certificate” will be completed by the Branch Manager. The original is to be sent to the registrations team. Any compliance issues that required action on the part of the Branch Manager or other compliance staff must also be documented and kept on file.

It is expected that when a New Registrant is unsuccessful in meeting IPCIC’s expectations, the supervision and training period will be extended accordingly until such time as the Branch Manager and Head Office Compliance staff are satisfied. Any extensions should be documented accordingly.

In summary, the chart below compares the specific requirements for the New Registrant’s supervision and training period with our standard supervision procedures for experienced Advisors.

First 90 days	Standard Policy and Procedures
Pre-approve all NAAFs	Approve all NAAFs by next business day
Review and sign all trades within one business day	Daily Compliance review of trades on next business day
Review of all leveraged trades prior to trade execution	Daily Compliance review of leverage trades on next business day
Next 90 days	Standard Policy and Procedures
Approval of all NAAFs by next business day	Approve all NAAFs by next business day
Monthly review of the greater of 5 or 10% of client files handled by registrant.	No specific requirement
Daily review of the greater of 5 or 10% of the client trades by registrant	Daily Compliance trade review sample
Review of all leveraged trades prior to trade execution	Daily Compliance review of leveraged trades by next business day

Registration

The Branch Manager is responsible for assisting a prospective Advisor with:

- Registration in the *CANADIAN INVESTMENT FUNDS COURSE* or the *CANADIAN SECURITIES COURSE* and the booking of the prospective Advisor's exam.
- The proper and accurate completion of the "NRD Form 33-109F4 Registration Information for an Individual" for registration as a dealing Advisor as set out by the applicable provincial Securities Commissions.

Reporting of Material Changes to Registration

All material changes noted in [Section C](#) must be immediately reported to IPCIC Head Office Registration, to avoid late filing fees by the regulators, which may be charged back to the Advisor.

Failure by an Advisor or Branch Manager to provide prompt notice regarding changes to their information on file could result in the suspension of their registration, and action against the Branch Manager and IPCIC by the MFDA and/or a Securities Commission. Please refer to section C4 for the timelines and reporting procedures.

Other Responsibilities

All indebtedness to IPCIC from any Advisor that remains unpaid for longer than 90 days will be addressed by the Commissions and/or Finance team.

B2 – Production and Payout Grid

IPCIC wants to work with dedicated financial planning professionals who are committed to growing and developing their business in partnership with IPCIC. As a result, IPCIC has established minimum production levels and business standards to ensure that our Advisors are equally committed to making our partnership a success.

IPCIC expects an Advisor's minimum annual gross dealer commission (GDC) to initially exceed \$50,000 from all dealer sources and to subsequently exceed \$100,000 within 2 years of joining IPCIC. Any Advisor who does not meet these minimum production requirements will be classified as a Small Book Advisor, notwithstanding whether they are part of a larger branch, and their commission payout will be adjusted in accordance with the following IPCIC Small Book Advisor Payout Grid:

IPCIC Small Book Advisor Payout Grid	
Gross Dealer Commission	Grid Reduction Amounts*
\$50,000 to \$99,999	5.00%
\$0 to \$49,999	10.00%

* Notes

1. The Advisor Payout Rates described above do not include any adjustments for Branch Manager Override and Partners Growth Program membership

2. *The Grid Reduction Amount is payable to IPCIC and will not impact any Branch Manager override already in effect*
3. *The Advisor Payout Rates assume that the Advisor performs all trade processing*

In addition, with the help of our Branch Managers and Advisory Council, we have established the following Advisor standards:

- Every Advisor should make financial planning their full-time profession
- Every Advisor should have both their mutual fund license and their insurance license
- All Advisors should be working to complete their CFP, or equivalent, within 5 years of joining IPC
- All Advisors must work out of/through a designated branch or sub-branch office of IPCIC
- All Advisors must place all securities related business through IPCIC and are strongly encouraged to place their segregated fund business through IPC Estate Services Inc. and insurance business with PPI Solutions Inc.

Large Producer Compensation Grid Structure – Individual Advisors only

Individual Advisors who produce more than \$500,000 in annual GDC are further rewarded for their partnership based on our Large Advisor Grid schedule.

GDC Threshold (Individual Advisor – MFDA & IIROC)	Stepped Gross Grid Rate
Up to \$500,000	85%
\$500,001 - \$750,000 (next \$250,000)	90%
\$750,001 - \$1,000,000 (next \$250,000)	95%
Greater than \$1,000,000	100%

Please note that this stepped gross grid rate is before any deductions for IPC Advisor Programs (e.g. Partner Growth Program), commission grid differences (IIROC Advisors only), or any charges for branch management compliance provided by IPC Head Office or another IPC branch office, and other charges made against your current GDC. In order to qualify for this stepped grid structure, Advisors must meet the minimum GDC threshold at their respective individual level. This structure does not apply to Advisors who split codes. The blended payout rate is calculated annually, and grid payments are fixed for the full calendar year.

B3 – Home Offices

We encourage all IPCIC Advisors to work from a professional office; therefore, in keeping with this philosophy, IPC will no longer be approving any new home office locations.

B4 – Books & Records

IPCIC is required to keep such books, records and other documents as are necessary for the proper recording of its business transactions and financial affairs as well as transactions that IPCIC executes on behalf of others. Such books and records include:

- an itemized daily record of all purchases and sales of securities, receipts and deliveries of securities, receipts and disbursements of cash and other debits and credits in sufficient detail as required by MFDA Rule 5.1;
- an adequate record of each order, and of any other instruction, given or received for the purchase or sale of securities, whether executed or unexecuted;
- 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 client that is a company, the name, sales number or designation of the individual placing the order or instruction shall be recorded;
- copies of confirmations of all purchases and sales of securities and copies of all other debits and credits for securities, cash and other items for the account of clients;
- a record of the proof of cash balances of all ledger accounts in the form of trial balances and a record of calculation of minimum capital, adjusted liabilities and risk adjusted capital required;
- all cheque books, bank statements, cancelled cheques and cash reconciliations;
- all bills receivable or payable (or copies thereof), paid or unpaid, relating to the business of IPCIC;
- all Limited Authorization Forms in respect of any client account/plan;
- all written agreements (or copies thereof) entered into by IPCIC relating to its business including leveraging documentation, disclosure materials and agreements relating to any account/plan;
- all documentation relating to an advance of funds or extension of credit to or on behalf of a client, directly or indirectly, in connection with the receipt of funds on the redemption of mutual fund securities;
- records of compliance and supervisory activities performed by Compliance Officers and Branch Managers;
- notes from discussions with clients of IPCIC regarding investments held at IPCIC – Notes should include: date of contact, method of contact (phone or in person), name of the individual who made the contact, why the call was made/reason for meeting, discussions of fees, if there was a change to KYC, why the change occurred and explanations for the recommendations provided; and
- a complaints register/log and files for each complaint.

Service Arrangements and Introducing/Carrying Arrangements

In the event that IPCIC enters into any service arrangements whereby another person or entity is engaged to provide administrative services to IPCIC, the written agreement between IPCIC and the service provider will include a provision that the MFDA may, upon request, obtain prompt access to any books and records pertaining to the business of IPCIC in the possession of the service provider.

In the event that IPCIC enters into any introducing/carrying dealer arrangement, pursuant to which IPCIC accounts are carried by another dealer, the written agreement between IPCIC and the carrying dealer will include a provision that the MFDA may, upon request, obtain prompt access to any books and records pertaining to the business of IPCIC in the possession of the carrying dealer.

Branch Requirements

Branch Offices are required to maintain individual client files, which are the property of IPCIC Head Office, in a secure and confidential manner. Filing cabinets containing the individual client files are to be locked at night and the branch must have adequate internal controls which ensure that access to these files is restricted to authorized personnel only.

All records may be kept by means of mechanical, electronic or other devices where such method of record keeping is not prohibited under applicable securities legislation. Every effort must be made to guard against the risk of falsification of information contained in the records and the information must be available in an intelligible and accurate form within a reasonable period of time.

Good records are not only crucial for the development and maintenance of any successful business, they also allow you to provide your clients with quality service and they assure compliance on your part with existing securities legislation.

In accordance with securities regulation, unexecuted orders and instructions and confirmations given or received for the purchase, sale, receipt or delivery of a security must be kept for at least 2 years. Executed orders and instructions of any purchase, sale, receipt or delivery of a security and official dealer statements for each client must be kept for at least 7 years after the account(s) are closed. Since IPCIC can produce an account summary at any time, the periodic statements the fund companies produce do not need to be retained in the branch or head office files.

Branch Offices that elect to utilize electronic filing systems are still required to keep the “hard copy” documents that are scanned in the system. It is recommended that hard copies be held in chronological order and electronic files be kept in client order. Scanned documents must be backed up regularly and the backup files must be kept offsite in a secure and confidential manner.

All IPCIC offices designated as Branch Offices must maintain the following:

- Individual client files for all clients. These files must contain:
 - The New Account Application Form(s) for the client

- KYC Updates
 - Trade documents related to investments held through IPCIC, including order entry forms, fund company applications, etc.
 - Evidence of Client Information Booklet Delivery
 - Leverage Documents (Disclosure, worksheets and loan application)
 - Meeting Notes
 - Signed disclosures regarding approved outside business activities (if applicable)
 - All other documentation that is signed or initialed by the client
- Joint registration accounts should have their own file and should not be co-mingled with individual client files of any of the parties to the joint registration.
 - Other records maintained at the branch location must include:
 - Evidence of trade reviews in the form of inquiries made and responses given – as these relate to the process of conducting reviews of trades, NAAF's and other supervision duties.
 - A complaints register/log and files for any complaints.
 - All Letters of Indemnity submitted to Head Office must be filed in an LOI file with appropriate backup, in addition to keeping copies in the relevant client file.

Advisor Requirements

In addition to any Head Office and Branch requirements, IPCIC Advisors are required to maintain accurate and complete books and records that fully record their IPCIC business and, if applicable, any other business activities. Documents pertaining to outside business activities including any insurance activities (IPC Estate Services or otherwise) must be maintained in separate and distinct files from those for IPCIC business. Advisors are required to scan all documents which pertain to a client's IPC account into Synergize. This includes all meeting notes, trade paperwork, NAAFs and KYCs.

Record Retention

IPCIC, Branches, and Advisors must retain original copies of the records and documentation referred to in this section for the duration of the client relationship and for at least 7 years after the account(s) is closed. The records for the most recent two-year period must be readily accessible. When records are to be disposed of, they must be destroyed of in such a manner as to ensure continued client confidentiality.

Client Statements

IPCIC Client Statements are produced in accordance with MFDA Rule 5.3.2, where each account statement must contain the following information:

(a) General Information.

- (i) the type of account;
- (ii) the account number;
- (iii) the period covered by the statement;
- (iv) the name of the Approved Person (s) servicing the account, if applicable;
- (v) the name, address and telephone number of the Member; and
- (vi) as applicable, the definition of “book cost” or original cost”, as set out under Rules 5.3(1)(a) and (h).

(b) Account Activity.

for each transaction made for or in respect of the client, in an account at the Member, during the period covered by the statement:

- (i) the date of the transaction;
- (ii) the type of transaction;
- (iii) the total value of the transaction;
 - for each transaction that is a purchase, sale or transfer made for the client, in an account at the Member, during the period covered by the statement:
- (iv) the name of the investments;
- (v) the number of investments; and
- (vi) the price per investment.

(c) Market Value and Cost of Reporting.

for all investments in an account at the Member:

- (i) as at the beginning for which the statement is made:
 - (A) the total market value of all cash and investments in the account; and
- (ii) as at the end of the period for which the statement is made:
 - (A) the name and quantity of each investment in the account;
 - (B) the market value of each investment in the account, and if applicable, a notification to the client that there is no active market for the investment and that its value has been estimated. Where a value cannot be reliably determined, the Member must include the following notification or a notification that is substantially similar: “Market value not determinable”;

- (C) the cost of each investment position presented on an average cost per unit or share basis or on an aggregate basis and determined as at the end of the applicable period. Where market value is used to determine the cost of an investment position, disclosure of that fact must be provided in the account statement;
- (D) the total cost of all investment positions;
- (E) the total market value of each investment position in the account;
- (F) any cash balance in the account;
- (G) the total market value of all cash and investments in the account; and
- (H) disclosure in respect of the party that holds or controls each investment and a description of the way it is held.

In addition to the above, each account statement must disclose which securities may be subject to deferred sales charges if they are sold, as well as to include disclosure respecting MFDA IPC coverage, as established by the MFDA IPC.

Other Client Reporting

For each 12-month period, clients must receive a Report on Charges and Other Compensation and a Performance Report that is either combined with, or accompanied by, the dealer account statement, or that is sent within 10 days after the delivery of the IPCIC dealer client accounts statement.

Report on Charges and Other Compensation

Per MFDA Rule 5.3.3:

- (1) **Content of Report and Other Compensation.** For each 12-month period, a Member must deliver to a client a report on charges and other compensation containing the following information, except that the first report delivered after a client has opened an account may cover a period of less than 12 months:
 - (a) The Member's current operating charges which might be applicable to the client's account;
 - (b) the total amount of each type of operating charge related to the client's account paid by the client during the period covered by the report, and the total amount of those charges;
 - (c) the total amount of each type of transaction charge related to the purchase or sale of securities paid by the client during the period covered by the report, and the total amount of those charges;
 - (d) the total amount of the operating charges reported under subsection (b) and the transaction charges reported under subsection (c);
 - (e) if the Member purchased or sold debt securities for the client during the period covered by the report, either of the following:

- (i) the total amount of any mark-ups, mark-downs, commissions or other service charges the Member applied on the purchases or sales of debt securities;
- (ii) the total amount of any commissions charged to the client by the Member on the purchases or sales of debt securities and, if the Member applied mark-ups, mark-downs or any service charges other than commissions on the purchases or sales of debt securities, the following notification or a notification that is substantially similar:

“For debt securities purchased or sold for you during the period covered by this report, dealer firm remuneration was added to the price you paid (in the case of a purchase) or deducted from the price you received (in the case of a sale). This amount was in addition to any commission you were charged.”;

- (f) the total amount of each type of payment, other than a trailing commission, that is made to the Member or any of its Approved Persons by a securities issuer or another registrant in relation to registerable services to the client during the period covered by the report, accompanied by an explanation of each type of payment;
- (g) if the Member received trailing commissions related to securities owned by the client during the period covered by the report, the following notification or a notification that is substantially similar:

“We received \$(amount) in trailing commissions in respect of securities you owned during the 12-month period covered by this report.

Investment funds pay investment fund managers a fee for managing their funds. The managers pay us ongoing trailing commissions for the service and advice we provide you. The amount of the trailing commission depends on the sales charge option you chose when you purchased the fund. You are not directly charged the trailing commission or the management fee. But these fees affect you because they reduce the amount of the funds’ return to you. Information about management fees and other charges to your investment funds is included in the prospectus or fund facts document for each fund.”

- (2) The information required to be reported under subsection 5.3.3.(1) must be delivered in a separate report on charges and other compensation for each account of the client;
- (3) A Member may provide a report on charges and other compensation that consolidates into a single report the required information for more than one of the client’s account if the following apply:
 - a) the client has consented in writing; and
 - b) the consolidated report specifies which accounts it consolidates.

- (4) **Consolidated Reporting for Same Accounts.** Where a consolidated report on charges and other compensation is sent to the client pursuant to Rule 5.3.3(3) and a consolidated performance reports is sent to the client pursuant to Policy No. 7 (Performance Reporting), General Requirements, subsection (2), both consolidated reports must consolidate information for the same accounts.
- (5) **Disclosure of Compensation Not Reported.** Where a Member receives compensation or other payments in respect of an investment that is not a security, during the period covered by the report, the Member must either:
- a) disclose the information required under Rule 5.3.3(1) in respect of the investment; or
 - b) indicate that compensation or payments received related to the investment have not been included in the report on charges and compensation being provided to the client.

Performance Reporting

Per MFDA Rule 5.3.4:

A Member must deliver a performance report, in respect of all investments required to be reported under Rule 5.3.2, to a client every 12 months, except that the first report delivered after a Member first makes a trade or transfer for a client may be sent within 24 months after that trade or transfer. The performance report must include:

- (i) the annual change in the market value of the client's account for the 12-month period covered by the report;
- (ii) the cumulative change in the market value of the account, since the account was opened;
- (iii) the amount of the annualized total percentage return for the client's account calculated net of charges, using a money-weighted rate of return calculation method generally accepted in the securities industry, provided for 1, 3, 5 and 10-year periods and since account inception; and
- (iv) must otherwise meet the requirements set out under Policy 7 (Performance Reporting).

Trade Confirmations

IPCIC relies on the fund manufacturers to produce trade confirmations for client name accounts.

IPCIC issues its own trade confirmation for IPC nominee business. IPCIC will act in accordance with MFDA rule 5.4 and with guidance provided in N1 31-103 – section 14.12 – Content and Delivery of Trade Confirmations, specifically by ensuring that Trade Confirmations are promptly issued to clients in the case of redemptions* which conforms to the following:

- (a) the quantity and description of the security purchased or sold;
- (b) the price per security paid or received by the client;

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- (c) in the case of a purchase of a debt security, the security's annual yield;
 - (d) in the case of a purchase or sale of a debt security, either of the following:
 - (i) the total amount of any mark-up or mark-down, commission or other service charges the Member applied to the transaction;
 - (ii) the total amount of any commission charged to the client by the Member and, if the Member applied a mark-up or mark-down or any service charge other than a commission, the following notification or a notification that is substantially similar:

"Dealer firm remuneration has been added to the price of this security (in the case of a purchase) or deducted from the price of this security (in the case of a sale). This amount was in addition to any commission this trade confirmation shows was charged to you."
 - (e) the amount of each transaction charge, deferred sales charge or other charge in respect of the transaction and the total amount of all charges in respect of the transaction;
 - (f) the name of the Member;
 - (g) whether or not the Member is acting as principal or agent;
 - (h) if acting as agent, the name of the person or company from or to or through whom the security was bought or sold;
 - (i) the date and name of the marketplace, if any, on which the transaction took place, or if applicable, a statement that the transaction took place on more than one marketplace or over more than one day;
 - (j) the type of the account through which the trade was affected;
 - (k) the name of the Approved Person, if any, involved in the transaction;
 - (l) the date of the trade;
 - (m) the settlement date of the transaction; and
 - (n) if applicable, that the security was issued by a related or connected issuer of the Member. This information is not required to be provided where the names of the Member and the mutual fund are sufficiently similar, to indicate that they are affiliated or related.

*Note: IPCIC is not registered as an Exempt Market Dealer and therefore does not permit new purchases of Exempt Market Products nor does it accept the transfer-in of additional Exempt Products on our books. Such products are considered unapproved. Accordingly, no trade confirmations will be issued as there will be no new purchases permitted into these products.

B5 – Other Fees

Other fees that the Advisor will be responsible for include:

- MFDA Annual Fees
- MFDA Investor Protection Fund
- National Registration Database (“NRD”) Fees
- Quarterly Statements
- Financial Institution Bond Fee
- E&O Coverage
- Corporate Branch Management Fees

The above list is not exhaustive and may change from time to time.

B6 – Trade Review

MFDA Policy No. 2 and MSN-0069 establishes minimum industry standards for account supervision and FINTRAC’s requirement for ongoing monitoring for the purpose of detecting suspicious transactions, which are necessary standards to ensure that IPCIC has policies and procedures in place to properly supervise account activity at the Branch level (Tier 1) and at the Head Office level (Tier 2). Please read this section in conjunction with IPCIC’s Head Office Compliance - Tier 1 & 2 Supervision Procedures Standard Operating Procedures Manual for more detailed information.

Branch Manager Trade Review

Branch Managers must review daily all trades within their Dashboard on Supervision Insights in Univeris. These trades are reflective of the previous day’s trading activity. If a Branch Manager (or Alternate) cannot complete their Tier 1 Daily Review Procedures in a timely manner, they must immediately report this to the Director, Compliance and to IPCIC Head Office by emailing mfdacompliance@ipcc.ca. In addition, Branch Managers must retain evidence of all trade inquiries issued and responses received, creating a full and complete audit trail, showing the ultimate resolution of each inquiry. This evidence must be maintained on Univeris, and by using the IPC Branch Manager Tier 1 Log or other suitable tracking log approved by IPC compliance.

Daily Trade Review Procedures

As specified in MFDA Policy 2, (Tier 1 level), IPCIC Branch Managers must complete the following Daily Trade Review Procedures;

- All new account applications and updates to client information must be reviewed and approved in accordance with MFDA Policy No 2 through the KYC update and New Plans Reports in Univeris.

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- The Branch Manager (or Alternate) must review the previous day's trading for unsuitable trades and any other unusual trading activity. At a minimum, this review must include all;
 - initial trades;
 - trades in exempt securities (excluding guaranteed investment certificates);
 - leveraged trades/leverage recommendations for accounts other than registered retirement savings plans or registered education savings plans;
 - trades in accounts of Related Persons of Advisors operating under a POA in favor of the Advisor;
 - redemptions over \$10,000;
 - trades over \$2,500 in moderate-high or high-risk investments;
 - trades over \$5,000 in moderate or medium risk investments; and
 - trades over \$10,000 in all other investments.

When reviewing redemptions, Branch Managers (or Alternates) should assess:

- the suitability of the redemption with regard to the funds remaining in the portfolio;
- the impact and appropriateness of any redemption charges;
- possible outside business activity where money may be leaving IPCIC for reinvestment into other potentially inappropriate or unauthorized investments; and
- potential churning, including situations where redemption proceeds are being held on a temporary basis pending reinvestment.

When reviewing transactions for clients identified as high risk, Branch Managers (or Alternates) should assess:

- the source of funds for purchases; and
- the purpose of redemptions.

The Branch Manager (or Alternate) is further responsible for following up on unusual trades identified by Head Office Compliance.

The Branch Manager (or Alternate) must assess the suitability of investments in each client account when they become aware of a material change in the client's KYC information. A material change in 'client information' means any information that results in changes to the stated risk tolerance, time horizon or investment objectives of the client or would have a significant impact on the net worth or income of the client.

The Branch Manager (or Alternate) must also assess the suitability of the client's use of leverage, if any,

when they become aware of a material change in the client's KYC information that results in a significant decrease in the client's risk tolerance, time horizon, income or net worth or more conservative investment objectives.

Supervision of Trading Activity – General Considerations

The intent of this daily trade review process activity is to identify failures to adhere to MFDA and IPCIC's standards and provide a means of revealing and addressing undesirable account activity. These trade reviews must be conducted within one business day of the trade date unless precluded by unusual circumstances.

The Supervision Insights Module in Univeris provides Branch Managers with complete details of the client's holdings and KYC information. In general terms, all identified transactions must be reviewed for suitability in accordance with MFDA Policy 2. This review involves assessing the investment risks and investment objectives of the mutual fund traded in against the investment risks and investment objectives the client has specified on their most recently completed New Account Application Form (NAAF/KYC) and/or Client Profiler. During these trade and suitability reviews, consideration should be given to the following:

- Lack of suitability
- Excessive trading activity
- Undue concentration in sector funds or exempt products - clients are over-concentrated if they have sector concentrations which exceed 10% of their net financial assets at IPC *and* if this concentration represents 25% of their account market value at IPC. Note that where an account or portfolio holds more than one sector fund or exempt product, the aggregate should be used in the calculation concentration
- Trading in restricted investments
- Inappropriate high-risk trading strategies
- Trades that improperly bypass the Branch (fund company direct orders, intermediary trades etc.)
- Trades that are not submitted to the Branch and/or input in a timely manner (to be identified by comparing the trade blotter date with the date on the order forms signed by the clients)
- Advisors having clients outside their primary province of registration without being registered in the province/territory where the client resides or having a mobility exemption
- Advisors trading in products without the required proficiency Advisors possible outside business activity where money may be leaving IPCIC for reinvestment into other potentially inappropriate or unauthorized investments – to accomplish this review, the Branch Manager will inquire with the Advisor regarding the reason for all redemptions over \$50,000

Further, the Branch Manager should use their experience and knowledge of industry standards when reviewing trades that might require further investigation. Items to consider are the following:

- Size of the trade
- If the client is marked as having a LAF
- Trades in volatile or speculative funds
- Frequent trading activity in the same client's account
- Identical trading for multiple clients
- Trades from high risk clients that are inconsistent with the client KYC profile

Reviewing Fund Company Questionnaires and IPC Individual Client Profiler

While IPCIC does allow for the use of third-party fund questionnaires and the IPC Individual Client Profiler, please note that the use of these tools are strictly complementary guides to determining a client's potential ideal asset mix and does not serve to satisfy an Advisor's KYC obligations. At a minimum, Advisors are to collect, understand, and consider all factors identified on a client's NAAF/KYC and as outlined in MFDA Policy 2. Where an Advisor uses such a questionnaire the Branch Manager will be expected to review the document for potential inconsistencies against the NAAF/KYC and evidence their review by initially the form.

Transactions Warranting Further Investigation

Transactions that produce inconsistencies between Product Risk and Client Risk must be investigated further. Branch Managers may allow a variance of no more than 10 percentage points, both overall and within each investment risk category, without having to send out a trade inquiry to the Advisor. The Branch Manager may also apply a higher standard to this general rule. Trades that produce a variance of over 10 percentage points should result in a trade inquiry being issued to the Advisor. The exception to this general rule is in respect of initial trades (the first trade to a new account) where no variance between Product Risk and Client Risk is allowed. Please note that this variance also does not extend to the circumstance where a client has expressed that they have no desire to be exposed to higher risk investments than their KYC. More specifically, if a client indicates their risk tolerance for moderate or high-risk investments is 0% then the plan should contain none of these investments.

Review Notes

As the Branch Manager conducts their review, they should make electronic notes on the trades in Univeris for any extraordinary items and the results of their investigation. Additional notes and any applicable responses from the Advisor in question should be attached as required.

Reporting Concerns to Head Office

Any trades for which a reasonable explanation cannot be given by the Advisor and supported by additional documents must be immediately reported to Head Office Compliance. An Advisor who consistently has trades which “push the envelope” of suitability must also be reported to Head Office Compliance where their trades will be subject to a second-tier review.

Branch Managers are also required to advise Head Office Compliance of any Advisors who consistently fail to have orders processed in a timely fashion. Head Office will notify the Advisor that any further failure to complete processed trades in a timely fashion may result in penalties.

Tier 2 - Head Office Supervision

Head Office will also conduct daily second tier review of all trades in accordance with the MFDA Policy # 2, Minimum Standards for Account Supervision and FINTRAC’s ongoing monitoring requirements. A two-tier structure is required to adequately supervise client account activity. Tier 2 Reviewers must retain evidence of all trade inquiries issued and responses received, creating a full and complete audit trail, showing the ultimate resolution of each inquiry. This evidence must be maintained either on Univeris, the IPC Tier 2 Inquiry Log, or other suitable tracking log approved by IPC compliance.

IPCIC Head Office’s second tier review is designed to detect unusual trading activity and/or trends that may not be apparent in the branch review process.

This review is undertaken to detect the following:

- Lack of suitability or possible issues of churning (for example, redemptions made within 3 months of a purchase or accounts where there are more than 5 trades per month)
- Trading in restricted investments
- Inappropriate high-risk trading strategies. Focus should be on accounts that hold higher risk investments, exempt securities or accounts that are operated under a power of attorney in favor of an Advisor, and accounts employing a leverage strategy
- Excessive Trading
- Undue concentration in sector funds or exempt product - clients are over-concentrated if they have sector concentrations which exceed 10% of their net financial assets at IPC *and* if this concentration represents 25% of their account market value at IPC. Note that where an account or portfolio holds more than one sector fund or exempt product, the aggregate should be used in the calculation concentration
- Off-book trading
- Trades from high risk clients that are inconsistent with the client KYC profile

- Advisors having clients outside their primary province of registration without being registered in the province/territory where the client resides or having a mobility exemption
- Advisors trading in products without the required proficiency
- Advisors possible outside business activity where money may be leaving IPCIC for reinvestment into other potentially inappropriate or unauthorized investments – to accomplish this review, Tier 2 will inquire with the Branch Manager regarding the reason for all redemptions over \$50,000

Please note that this Second Tier Review by Head Office does not relieve the Branch Manager from his/her responsibility to perform a Daily Trade Review for Advisors attached to his/her Branch.

- In order to comply with the rules specified in MFDA Policy 2 (Tier 2 level) and FINTRAC's ongoing monitoring, IPCIC Compliance Officers must use the Orders and Daily Open Plans Reports in Univeris to complete the following Daily Trade Review Procedures Review the previous day's trading for unsuitable trades and any other unusual trading activity. This review must include the following;
- redemptions over \$50,000;
- trades over \$5,000 in exempt securities (excluding guaranteed investment certificates), moderate-high or high-risk investments, or leveraged trades/recommendations for accounts other than registered retirement savings plans or registered education savings plans;
- trades over \$10,000 in moderate or medium risk mutual funds; and
- trades over \$50,000 in all other investments (excluding money market funds).

For the purposes of this section, "trades" does not include redemptions except where specifically referenced

When reviewing transactions for clients identified as high risk, IPCIC Compliance Officers should assess:

- the source of funds used for purchases; and
- the purpose of redemptions.

Additional internal monitoring or closer supervision of trading activities of Advisors who have a history of questionable conduct will be implemented. Questionable conduct may include trading activity that frequently raises questions in account reviews, frequent or serious complaints, regulatory investigations or failure to take remedial action on account problems identified.

Compliance Officers must review all the previous day's trading activity in accordance with MFDA Policy 2 thresholds for Tier 2 supervision, unless precluded by unusual circumstances. Head Office staff is required to immediately report to the Chief Compliance Officer any instances where there is a failure to complete Tier 2 Daily Review Procedures on a timely basis.

Tier 2 Monthly and Quarterly Trade Reviews

As part of the Tier 2 Trade Review Process, IPCIC must conduct a monthly or quarterly review to identify trends or patterns including:

- excessive trading or switching between funds indicating possible unauthorized trading, lack of suitability or possible issues of churning (for example, redemptions made within 3 months of a purchase or accounts where there are more than 5 trades per month);
- excessive switches between deferred sales charge funds and front load funds;
- excessive switches where a switch fee is charged;
- a review of all plans generating commissions greater than \$1,500 within the month;
- monthly review procedures must be completed within 30 days of the following month unless precluded by unusual circumstances;
- quarterly review of reports on assets under administration (“AUA”) comparing current AUA to AUA at the same time the prior year;
- quarterly review of commission reports for the previous 12-month period comparing commissions received in the current year to commissions received for the same period in the prior year;
- On a quarterly basis, for the purpose of identifying excessive leveraging and/or Advisors requiring additional leveraged trade reviews, a review of a system wide report identifying the number of leveraged accounts by Advisor; and
- On quarterly basis, for the purpose of monitoring trading of individuals identified as high risk, a review of the transaction history for each client (i.e. PEP, HIO).

Please also refer to *IPCIC Standards for Account Supervision - Quarterly and Monthly Trend Review* for more information.

Record Keeping Requirements

Demonstrating and evidencing work done by Tier 1 and Tier 2 is absolutely critical. During a regulatory audit, a review of supervision requirements will be conducted. Therefore, it is crucial that the evidence of the reviews conducted (inquiries made and details of resolution) is well documented. All inquiries sent, replies and backup received, and action taken must be monitored and tracked by each of the Tier 1 and Tier 2 Supervision levels.

For Head Office, an online log accessible to all Compliance staff is maintained that details items that are unresolved as well as completed inquiries. Evidence of any supporting documentation obtained such as a KYC Update Form will also be maintained.

Evidence of the inquiry made, replies received, date of completion etc. must be maintained on-site for 2 years and for 7 years after the account(s) are closed.

Issuing and Resolving Trade Inquiries

In general terms, all identified transactions are reviewed for suitability, which involves assessing the investment risks and investment objectives of the investment traded in (Product Risk) against the investment risks and investment objectives the client has specified on the New Account Application Form/KYC (Client Risk) and/or Client Profiler. Transactions that produce inconsistencies between Product Risk and Client Risk must be investigated further.

Upon identifying a particular transaction which warrants further review, the Branch Manager or Tier 2 Reviewer will send an email inquiry to the Advisor (Tier 1) or Branch Manager (Tier 2) requesting their action to be taken in one of two ways to resolve the Inquiry:

- have the client update the KYC information by submitting a revised and approved New Account Application Form (NAAF) or KYC update to their Branch Manager, bringing the applicable Client Risk information (investment objectives, time horizon, etc.) in line with the nature of the transaction; or
- have the client update the account holdings by initiating and completing one or more transactions to the account, bringing the holdings in line with the stated Client Risk information.

The email inquiry will include the following timelines for responding to and resolving the issue:

- two business days to respond to the Trade Inquiry, indicating intended plan to resolve; and
- 25 business days to satisfactorily resolve the Trade Inquiry, by completing one of the two actions specified.

To demonstrate the Trade Inquiry has been satisfactorily resolved, the Branch Manager (and/or Advisor) receiving the Trade Inquiry must provide within 25 business days:

- an updated NAAF or KYC update, showing Client Risk and Investment Objective information aligned with the account holdings, completed and approved in accordance with firm policy; or
- evidence that the account holdings have been updated in alignment with the stated Client Risk information.

In updating the holdings, this activity will be considered 'complete' if there are completed or valid pending transactions in the account at the end of the 25th business day that will bring the holdings in line with the Client Risk Information.

Failure to Respond to Inquiries

If the individual issuing the Trade Inquiry (Tier 1 or Tier 2, Daily or Monthly Trade Inquiry) does not receive a response to the inquiry within two business days, IPCIC Compliance may take proactive steps to address the failure to respond. These steps may include:

- restricting the subject account from any further trades (other than sales/redemptions to liquidate the account holdings, to be lifted once a response is received);
- depending on the materiality of the transaction, contacting the client directly to review the suitability of the trade; or
- if the subject account is restricted, continuing to follow up with the Advisor, requesting a response to the original Inquiry.

Failure to Satisfactorily Resolve Inquiries

Any trade inquiry not satisfactorily resolved within 25 business days will result in the client account being immediately restricted (placed on Trade Watch) from any further trades (other than sales/redemptions to liquidate the account holdings), to be lifted once a response is received. Depending on the nature of the inquiry and time to resolve, the Compliance Department may contact the client directly to notify them of the restriction and the reasons why within a reasonable timeframe.

All parties involved in a trade inquiry that has gone unresolved after 25 business days must continue to work diligently to resolve the Inquiry as quickly as possible. The account restriction may be lifted after the Inquiry is satisfactorily resolved.

Certain unresolved matters may also be escalated to the Accountability Review Committee (ARC) for disciplinary action and potentially a financial penalty.

B7 – Branch & Sub-Branch Review Program

Total C.L.E.A.R. Experience Overview

1. What is the objective of the Total C.L.E.A.R. Experience (T.C.E.)?
 - To establish a working partnership between our Corporate Branch Managers (“CBMs”), Advisors and the Branch Review Team
 - To clarify deliverables and benchmarks from all parties on a go forward basis to meet agreed upon goals and objectives

2. What is C.L.E.A.R.?

Collaboration: Pursue a relationship that cultivates a partnership towards a common goal

Learning: Promote compliance as a resource

Evaluate: Present results in an objective manner through an interactive process

Adoption: Understand and implement the recommendations

Reporting: Finalize review

3. What is the purpose of C.L.E.A.R.?

- To test compliance with regulatory requirements (and IPCIC internal standards)
 - To provide an objective and independent branch review program
 - To resolve observations that are critical
 - Critical observations must be immediately reported to the CCO or Manager, Branch Review, to determine if this should be escalated to the UDP
 - To resolve observations that are process driven
 - To resolve observations to improve efficiencies
4. Who is affected by the Total C.L.E.A.R. Experience?
- CBM, Advisors and their support staff
 - IPCIC and its related parties
5. Who is responsible for the Total C.L.E.A.R. Experience?
- Advisors
 - CBMs
 - Compliance Staff

Total C.L.E.A.R. Experience Procedures

1. Scheduling

IPC will use a risk-based methodology to determine appropriate scheduling of Branch and Sub-Branch locations. Locations across Canada will be ranked using the following criteria:

- Complaint History
- Size of the Branch/Sub-Branch
- Previous examination findings
- Supervision issues
- Dual occupations or outside business activities
- Volume of leveraging and/or high-risk securities
- Date of last review

All registered locations, including sub-branches will be reviewed, at a minimum, once every 36 months. More frequent reviews will be completed where warranted based on risk.

2. Pre-Review Preparation & Planning

Compliance Officers will obtain information with respect to the location. The information will include, but is not limited to:

- Trade activity and inquiries
- Commission and AUA reports
- Amount of Leverage
- Referrals
- Complaints (includes a review of the branch complaint log against HO records)
- Trades Names and OBA's
- Findings of the previous review and / or C.L.E.A.R Consultation

- Web searches to detect potential undisclosed marketing or client communications
- Marketing and Websites

3. Documentation Standards

Compliance Officers will provide details to evidence the work performed and document conclusions to confirm what was reviewed or tests performed. All templates will be fully completed, and no questions will be left unanswered or answered with inadequate/incomplete information with no evidence of follow-up.

4. Test Procedures (Interviews, Client Files & Trading)

Compliance staff will be trained on T.C.E. that includes:

- How to perform the tests
- What to look for and be aware of
- Documentation standards
- Reporting
- Follow up
- Benchmarks

The testing performed by Compliance staff will cover different areas that include:

Interviews with Advisors

These are very important to the success of the T.C.E. By asking open ended questions Compliance staff should be able to understand the CBM and Advisors' business to test what they are saying and minimize the amount of "ticking the box". By starting with interviews, Compliance staff will be able to assess compliance and confirm awareness of procedures and responsibilities and detect previously undisclosed information. By developing a relationship, Compliance staff should be able to pay more attention to hints of misunderstanding or, in a worst-case scenario, of wrongdoing.

At a minimum, 1 Advisor per branch location will be interviewed and may be increased under the following circumstances:

- 4 or more Advisors at the location (2 interviews minimum)
- 10 or more Advisors at the location (3 interviews minimum)
- Significant previous findings
- Multiple Advisors with complaints, high percentage of client assets leveraged or in exempt securities
- Multiple Advisors on close or strict supervision
- Several new Advisors (including transfers)

Trade and Client File Testing

Compliance staff will conduct Trade and Client File testing that includes:

-
- | | |
|--|----------------------|
| • Suitability (ex. Concentration) | • Leveraging |
| • KYC Information | • OBA's |
| • Evidence of Client Instructions (includes testing for signature falsification) | • Fee-for-Service |
| • Timely Processing of Trades | • Financial Planning |
| • New Accounts/Corporations | • Meeting Notes |
| • KYC Updates / Changes | • KYC Uniformity |
| • Leveraging | |

These items will be tested to determine the accuracy of the feedback received from the interview that should allow Compliance staff to determine potential training opportunities and / or patterns of unusual activity.

The sample size for each test will be risk-based and consist of, at minimum, 10 files that may be expanded based on risk. Compliance staff will consider the following:

- Size of location / AUA
- Number of Advisors
- Significant previous findings
- Multiple Advisors with complaints, OBA, high percentage of client assets leveraged
- Advisors under close or strict supervision
- Trade queries / suitability concerns identified or outstanding

The sources for selecting the trade sample may consist of:

- | | |
|------------------------------|---|
| • Trade blotter | • List of accounts with updated KYC information |
| • Trade query log | • Client files in the filing cabinet |
| • Complaint log | • Client files that have been scanned |
| • List of leveraged accounts | |
| • List of new accounts | |

In addition to the testing, the files will be reviewed for “red flags” that may include:

- | | |
|---|--|
| • Discretionary trading | • Undisclosed referrals |
| • Personal financial dealings | • Undisclosed complaints |
| • Off-book trades | • Alterations or irregularities in client signatures |
| • Securities related activities outside of the Member | |

Note: Identified red flags must be immediately reported to the Manager, Branch Review and/ or Chief Compliance Officer

Review of Client Files

a) New Accounts, KYC Updates & Stale-Date KYC

Compliance staff will confirm that account opening procedures have been properly followed where these are the responsibility of branch staff/sub-branch/Advisor staff and appropriately safeguarded. KYC information will be reviewed to ensure that the current KYC form on file is not older than 2 years, to test for KYC uniformity, to assess completeness, confirm that back-up for any changes have been maintained on file and confirm that KYC information has been recorded correctly on Univeris. With respect to KYC uniformity specifically, a uniformity test will be applied to ensure that KYC information (risk tolerance, investment objectives and time horizon) is not substantially similar within the client files selected for review. Advisors with identified KYC uniformity issues will be asked to demonstrate their KYC collection process, and absent a reasonable explanation, this may be referred to the CBM or a Compliance Officer to conduct a more in-depth review of the Advisor's entire client base. Note that the sample selection will also include seniors testing (clients 65+), to help identify potential seniors' issues, including but not limited to, the use of DSC is seniors' accounts and high-risk objectives. Findings will be recorded in the New Accounts & KYC Updates Selection of the Excel document used for testing.

b) Client File and Trading Sections

Compliance staff will review client files (electronic and / or paper) to verify that there is proper evidence of client instructions (including no evidence of signature falsification) and any relevant trading authorizations have been maintained on file. The reviews will assess the adequacy of notes regarding advice or recommendations provided to the client, as well as notes regarding discussions relating to fees and services. For example, Compliance staff should verify the appropriate disclosures are on file to verify instructions received by signature, verbal methods, fax or email.

Trade orders will be reviewed to assess suitability, detect unlicensed / out of province trading, proper identification of leveraged trades and timeliness of trade processing.

The suitability of individual trades will be assessed to determine if the trade supervision is consistent with IPCIC's standards and regulatory expectations.

Regarding sample selection, staff will ordinarily select obligatory trades to satisfy the 10 file minimum. However, in the case where 10 obligatory trades cannot be identified within the last 2 years then staff will select a mix of obligatory and non-obligatory trades selecting the available amount of obligatory trades. Where sample sizes are increased the basis for the rationale will be noted within the worksheet. However, the basis for the rationale is as follows:

	Multiplier	NAAF/KYC	Client Trade	Leverage	# of Files
2 Advisors	10 x 1.2	12	12	12	36 to 40
3 Advisors	10 x 1.3	13	13	13	39 to 42
4 Advisors	10x 1.4	14	14	14	42 to 45
5+ Advisors	10 x 1.5	15	15	15	46 to 65

c) Leveraging Selection

The leverage selection sample may be increased should there be an issue with leverage concentration; complaints regarding leverage suitability and any advertisements, seminars or marketing that promote leveraging. The audit templates include a section to identify leverage accounts.

Additional testing performed by Compliance staff to understand how an Advisor run his/her business will include a review of:

- Trade names of Advisors that have not been approved
- Undisclosed Outside Business Activities or personal financial dealings
- Securities related business conducted outside IPCIC
- Undisclosed referral arrangements
- Marketing Materials

This will include a sample selection that consists of sales communications, advertising, websites and stationery that will involve discussions and testing to detect:

- Unapproved material
- Misleading communications

Trade and Client File testing will also include:

- Complaints

- Complaint log and Client files
- Referral Arrangements
- Statements/ Portfolio Summaries

All Branches and Sub-Branches are required to maintain a central complaints log. Complaints will be considered an important part of the testing process to verify that Advisors are aware of his / her obligations.

Portfolio summaries will be reviewed for content, disclaimers (MSN-0024) and approval (if prepared from non-IPC systems). It should be noted that Advisor created portfolios are prohibited. The review will also sample any accounts designated as Hold Mail and confirm authorizations are in place. Should client addresses be redirected to the Branch, Sub-Branch or Advisor, Compliance staff will inquire further.

d) Random Sampling

The review of each Branch and Sub-Branch Business Locations will consist of a random client file sampling of no less than 10 files, which will be evaluated solely to identify the presence of any significant reportable events such as: theft, fraud, misappropriation, forgery, money laundering, market manipulation, insider trading, misrepresentation, or unauthorized trading; (ii) a breach of client confidentiality; (iii) engaging in securities related business outside of the Member; December 3, 2010 Page 4 of 7 (iv) engaging in an undeclared occupation outside the Member; or (v) personal financial dealings with a client.

The identification of any of the above should be immediately reported to Compliance Management, where there is no evidence of any of these serious regulatory infractions no further action will be required, and it will not be necessary to comment on the absence of these findings within the final report.

5. Reporting and Resolution Process

IPC will continue to review and monitor our current processes to be able to adapt as efficiently and effectively as possible in an ever-evolving regulatory landscape. Branch Review staff will generally seek to issue these reports within 3-4 weeks of completing the on-site review to ensure that the guidance provided to the field remains current. During the drafting of the report IPC Compliance staff will provide the opportunity to its Advisors and CBMs to remove findings of lesser consequence from the final draft. The findings which are removed from the final report will be noted within the file. Advisors are given 2 weeks to respond to the report, with the common goal that all reports will be closed within 8 to 10 weeks from the date of the review to the closing of the report.

6. Assess Results

Compliance staff will use the following categories of risk to assess the overall risk of a Branch or Sub-Branch after the initial response from the Corporate Branch Manager or Advisor:

Low Risk

This assessment suggests that there is a high level of assurance that Branch/Sub-Branch, Dealer, and regulatory policies and procedures are being followed. Observations made during the T.C.E. identified there are adequate systems and controls in place which should prevent violations of a critical nature from occurring.

The next review would be within approximately 36 months after the T.C.E. has concluded.

Moderate Risk

This assessment suggests there is a reasonable level of assurance that Branch/Sub-Branch, Dealer, and regulatory policies and procedures are being followed. Observations made during the T.C.E. identified that improvements are required to processes to mitigate violations of a serious nature in order to receive a low risk rating for subsequent T.C.E.s. Locations that have been assessed as 'moderate' risk are required to implement an action plan to address the observations made by Compliance staff.

Compliance staff will provide guidance by suggesting a course(s) for action to address the findings. The next review would be within 24 months.

High Risk

This assessment suggests there is a low level of assurance that Branch/Sub-Branch, Dealer, and regulatory policies and procedures are being followed. Observations made during the T.C.E. identified that improvements are required to correct violations of a critical nature in order to decrease the high-risk rating for subsequent T.C.E.s. Examples of a critical nature would include, but not limited to: blank signed forms, personal financial dealings and excessive leveraging. Locations that have been assessed as 'high' risk are required to implement an action plan to address the observations made and Compliance staff will provide guidance by suggesting a course(s) for action to address the findings. Follow-up testing will be completed by Compliance staff to ensure that the observations have been addressed. Depending on the level achieved in the annual risk-based branch measurement, certain components of the review could be optional. Business locations assigned a high-risk rating may be further subject to disciplinary action. The next review would be within 6-12 months.

Risk Ratings are determined by the use of the *IPCIC Risk Rating Matrix*. The risk ratings may also increase or decrease based on Management discretion. The rationale for deviating from the recommended risk score will be documented within the file, if applicable.

The Branch Review Report may be immediately be referred to the Accountability Review Committee (ARC). At the conclusion of the ARC committee review, additional stipulations may be applied to the CBM or the Branch/Sub-Branch as a whole. For further information on ARC, please see section A11 Business Practices & Conduct Accountability of the National Policies and Procedures Manual.

Compliance staff will review the results of the T.C.E. to identify weaknesses and areas for improvement and training. It is our goal to continually learn so that the process works efficiently and effectively as possible so that program can be enhanced. Amendments and revisions may be warranted based on the results and experiences of previous T.C.E.s, new products and services offered, compliance examinations from external parties and new regulatory requirements and guidance.

New Advisors

When a new Advisor joins IPCIC, their initial onsite compliance visit will be conducted by their CBM, in accordance with the *Supervisory Visit Reference Guide*. This visit will take place within 6-12 months of registration. The initial Branch Review will take place within 24 months of registration, preferably after the CBM visit. At the conclusion of the initial branch review, the Advisor will be assigned a risk rating.

New Advisors are defined as being one of the following:

- IPCIC Advisors joining from another dealer
- IPCIC Licensed Assistant upgrading to Advisor
- New IPCIC Advisor

7. Follow up

The reports will be issued within approximately three to four weeks after completion of the on-site review. There may occasionally be extenuating circumstances (i.e., staff changes), resulting in a delay in the issuance of the report. In such cases, the reason for the delay will be documented in the file, and any significant items, requiring immediate action will be communicated to the Advisor in a timely manner outside of the report. All reports are to be reviewed by Compliance Management prior to distribution to the Advisor and CBM. When a report is issued to the Advisor and CBM, it will include information that details the findings by Advisor, to facilitate ease of review and assignment of items for resolution. Additional information will be included where required (i.e. Outside Business Activities Disclosures, Unsolicited Trade Request, etc.).

The CBM or Advisor is allocated time to prepare a response (Implementation) to the observations identified within the report. Generally, the response time for Branch Managers and Advisors would be approximately two weeks after the date the report is issued. However, there may be circumstances where it is appropriate to extend the time frame given. Granting extensions should be done on a case-by-case basis and would only be appropriate if the nature of the observations not critical. Any extensions will be authorized by Compliance Management.

Once each finding has been adequately addressed, the Compliance Officer will submit the response and the risk matrix to Compliance Management. Upon approval, a risk rating is assigned and issued to the Advisor and/or CBM, and the branch is review is closed.

A guide has been developed to assist Compliance Staff in assessing the adequacy of resolutions provided by Advisors - *Branch Review Guide – Adequate vs. Inadequate Resolutions (March 2020)*.

At the time of closing, there may be pending items, where the Advisor has contacted the client, but the client is not immediately available to resolve (i.e., suitability issue). In these cases, the Advisor must detail how and when the issue will be addressed. Rather than hold the branch review open until these items are resolved, compliance staff can accept the commitment date provided (if reasonable, timely) and assign the pending issue to the CBM for follow-up.

In these cases, prior to closing the review, the Compliance Officer will:

- Place all accounts that are pending resolution on Trade Watch, to restrict further trading,
- Send an e-mail to the CBM, informing them of all pending items for follow-up.
- Save a copy of this e-mail to the audit file.

The CBM will add these pending items to their already existing NAAF/Trade Inquiry tracking sheets - as they will now be responsible and accountable for following up on these outstanding audit items, to ensure an adequate resolution is reached in a reasonable amount of time.

Scope of Review

IPC's branch reviews are generally conducted by registered location, with one report and risk rating issued per location. There are instances, however, where Advisors may prefer to receive separate reports and risk ratings if for example, they share office space only, but their dealer business is conducted separately from one another. By request, we will accommodate and issue separate reports and ratings if the Advisors businesses are in fact conducted "separately". We define "separate dealer business" as:

- No shared rep codes
- Not sharing a registered trade name for dealer business.

Corporate Branch Manager ("CBM") Reviews

CBMs receive their own regularly scheduled branch reviews. These reviews are carried out in accordance with *MFDA Policy 5 – Branch Review Requirements* to ensure that the CBM's supervisory responsibilities are being completed effectively as per *MFDA Policy 2 Minimum Standards for Account Supervision and IPCIC's internal supervisory procedures*. The focus of these reviews is on the CBM's supervision and will attempt to avoid the types of testing that are already completed on each IPCIC advisor.

Scheduling

The cycle to review CBMs will be based on the risk rating from the previous review and will mirror the risk rating/cycle for advisors:

- Low Risk: Every 36 months
- Moderate Risk: Within 24 months

- High Risk: Within 6 to 12 months

Test Procedures

Evidence of the following Tier 1 supervisory review procedures performed by the Corporate Branch Manager to be reviewed by the Compliance Officer, Branch Review:

- *Review of New Plans/Accounts and KYC Updates*: MFDA Worksheet, Sample size 25
- *Trade Reviews*: MFDA Worksheet, Sample size 25
- *Leverage Reviews*: MFDA Worksheet, Sample size 10 (review all if < 10)
- *Monthly Reviews*: Close and Strict Supervision Reports: Sample size: Review at a minimum, three randomly selected monthly reports (review all if < 3) for advisors who were or on or continue to be on close or strict supervision within the past calendar year
- *Issuing and Evidencing Trade Inquiries*: Review one month's worth of trade inquiries within the review period (minimum 10, maximum 25, if month selected has >25)
- *Random Review of Trade Paperwork*: Review evidence of the Branch Manager's monthly random review of trade paperwork. Request one month's worth of trades where the trade paperwork was reviewed. From this list, review paperwork and evidence of supervisory review for 5 trades from sample
- *Completion of Onsite Supervisory Visits*: Request list of advisors reviewed within the year and document advisor names and dates; review 3 reports in detail, document findings identified and if findings have been addressed
- *New Registrant Training*: Review evidence of completion of new registrant training (90-Day, 6-month concurrent) within the review period

Compliance Officers will use a risk-based approach when selecting files to be reviewed. The sample of trades/accounts selected may contain the following:

- Accounts of Clients who are Seniors (age 65 and over)
- Trades in High Risk or Aggressive Growth funds
- Trades in Leveraged Accounts
- Non-Wired Trades
- Fund purchases in FE(>0%)/LL/DSC
- Activity of advisors with moderate or high-risk ratings
- Activity of advisors under close and strict supervision

- Concentration *as defined in IPCIC's Policies and Procedures Manual*

Compliance Officers will provide details to evidence the work performed and document conclusions to confirm what was reviewed or tests performed.

Trade Blotters, NAAFs KYC Updates and Leverage documentation, will be reviewed to assess evidence of supervision, timeliness of review, suitability, and notes. Query logs will be reviewed to test the supervisory notes and for the:

- Types of issues being raised
- Reasonableness of advisor responses
- Timing of queries
- Outstanding queries
- Timing of resolution

A Branch Manager interview will form part of the review process (generally to be completed at the beginning of the review). The following will not form part of the scope of the Corporate Branch Manager reviews to avoid duplication (these areas are within the scope of advisor/sub-branch reviews).

- *Review of Marketing/Advertising/Social Media*: Evidence of compliance approval is tested during the advisor's branch review. These reviews are the responsibility of tier 2 compliance (BM does not review)
- *Complaints received*
- *Number of Approved Persons* at the branch
- *Trade Volume/Commissions*: Average Commission/AUA is factored into the risk scoring on the risk matrix for advisor branch reviews
- *Leverage*: A leverage sample will be reviewed as part of the CBM review, to test supervision, but the amount of leverage relative to overall branch assets will not factor into the risk scoring on the risk matrix as this is done on the advisor branch reviews
- *The nature of OBAs carried out at the branch*: These are reviewed during the advisor audits and are factored into the risk scoring on the advisor risk matrix. The OBAs for the CBM will be reviewed

Assess Results

See section 6 for Audit Cycles and risk ratings. A separate risk matrix *CBM IPCIC Risk Rating matrix* is used to assess CBM reviews.

Follow-up

When a report is sent to the CBM; it will include information on what was reviewed and, on each finding, cited in the report. Additional information will be included where required.

The CBM is allocated time to prepare a response (Implementation) to the observations identified within

the report. Generally, the response time for CBMs and Advisors would be approximately two weeks after the date the report is issued. However, there may be circumstances where it is appropriate to extend the time frame given. These would be done as an exception and reviewed on a case-by-case basis.

Branch Manager Oversight Visits

In addition to the Head Office audit program, MFDA Policy 2 requires that Branch Managers make periodic visits to the locations they supervise. IPCIC applies the following schedule when determining which locations to visit:

- Low Risk Advisors – subject to a CBM visit once in every 3 year cycle (within 18 months of the last Policy 5 review)
- Medium Risk Advisors – subject to a CBM visit twice in every 3 year cycle
- High Risk Advisors – subject to a CBM visit every year (three times in every 3 year cycle)

The duration of these visits is approximately 2-3 hours. CBMs will interview the Advisors and complete the **Branch Manager Visit Examination Checklist**. For more information, refer to the Branch Visit Reference Guide.

A file flip should also be completed to ensure that there are no blank signed forms or altered documents without client initial. The file review should also ensure relevant disclosure has been provided in the case of OBAs and referrals. All results and actionable items will be recorded on the Checklist and saved to the Compliance shared drive. The results will be shared with respective Director, Advisor Services Compliance as well as the business location subject to review.

The CCO and Compliance Directors should be immediately notified, if during the course of the review, any of the following serious compliance infractions are identified:

- a) theft, fraud, misappropriation, forgery, money laundering, market;
- b) manipulation, insider trading, misrepresentation, or unauthorized trading; a breach of client confidentiality;
- c) engaging in securities related business outside of the Member;
- d) engaging in an undeclared occupation outside the Member; or
- e) personal financial dealings with a client.

The Branch Manager Visit Examination Checklist specifically seeks to understand the Advisors business by inquiring on items related to the following: New Accounts and Trading, Registration, Holding Out, Office Procedures, Business Practices, Client Files, Admin Support and Privacy Controls.

Process Steps:

1. CBM to obtain listing of business locations subject to branch review during calendar year;
2. CBM to discuss with Director which locations are being recommended for review;

3. Director to confirm budget/cost details with CCO and obtain approval;
4. Director to communicate approval to CBM to proceed with booking;
5. CBM to contact agreed upon branches;
6. CBM to arrive at branch and complete the Branch Manager Visit Examination Checklist for each Advisor at business location;
7. CBM to proceed with file flip through checking for relevant client disclosure, proper segregation of client files, OBAs, Referrals, and Financial Plans;
8. CBM to return to Head Office and communicate results to Director; Director will escalate to CCO if warranted;
9. Within two weeks, CBM to complete any follow-up items identified during the supervisory visit;
10. CBM to complete the closing report with findings and suggestions. CBM will issue the report within three weeks of the date the branch was visited;
11. Advisors will have two weeks from the date of receiving the report to respond to the with a detailed course of action for each identified item; and
12. CBM will file all supporting documentation in the Compliance Shared Drive.

B8 – Commission Payments

MFDA Rule 2.4.1 (a) requires IPCIC to pay commissions and any other remuneration in respect of IPCIC business conducted by an IPCIC Advisor directly to and in the name of the IPCIC Advisor.

MFDA Rule 2.4.1 (b) permits IPCIC to pay commissions and any other remuneration in respect of IPCIC business conducted by an IPCIC Advisor to an unregistered corporation provided that certain requirements are satisfied. An unregistered corporation is understood to be a corporation that is not registered itself under securities legislation.

IPCIC requires that the unregistered corporation be majority owned or controlled by an IPC Advisor or their spouse/common law partner. This ability to make payments to unregistered corporations does not apply to Advisors residing in select jurisdictions that do not recognize the MFDA, specifically: Prince Edward Island, Nunavut, Northwest Territories, and the Yukon. Additionally, this ability does not extend to commissions derived from a client living in Alberta.

Please note that this process is without prejudice or precedence and is not based on any legal, regulatory, or tax opinions. Also note that permission/non-objection from Securities Regulators to pay commissions to unregistered corporations does not imply that Federal and Provincial Tax Regulators will acknowledge that the income is that of the unregistered corporation rather than that of the individual. If this process is deemed unacceptable by the Canada Revenue Agency, IPCIC will immediately terminate this program.

Payments to Unregistered Corporations

IPCIC will agree to pay commissions and any other remuneration in respect of IPCIC business conducted by an IPCIC Advisor to an unregistered corporation provided that:

- Such arrangements are not prohibited or otherwise limited by the relevant securities legislation or securities regulatory authorities;
- The corporation is incorporated under the laws of Canada or a province or territory of Canada;
- The Advisor obtains independent tax advice that this arrangement is appropriate to their individual business structure;
- The Advisor indemnifies IPCIC by completing a Letter of Direction and provides a “void cheque” of the corporation’s bank account along with a copy of the corporation’s Articles of Incorporation; and
- The Advisor and the corporation complete the prescribed MFDA Agreement “Schedule A: Payment of Commissions to Unregistered Corporation”, allowing the MFDA and other securities regulatory authorities access to the corporation’s books and records.

Please contact the IPCIC Registration department for copies of the appropriate forms. As noted above, payments to unregistered corporations further to remuneration derived from clients in Alberta are not permitted.

Upon satisfying the above and upon receipt and approval of the above-mentioned forms, IPCIC will direct 100% of an Advisor’s fund commissions to the unregistered corporation’s bank account and will provide a T4A in the name of the unregistered corporation for the income paid to it.

B9 – Dealer Trust Accounts and Safeguarding of Cash & Securities

All client monies held by IPCIC will be held in accounts separate and apart from those of IPCIC. These accounts shall be a designated interest-bearing trust account with a financial institution. The account is established for the purpose of holding client funds in trust, and the money may not be used to cover shortfalls in any other accounts of IPCIC or finance dealer operations. IPCIC may not co-mingle money for mutual fund transactions with money held in trust for the purchase or sale of other financial products such as deposit instruments or segregated funds. Trust Accounts earn interest at the market rate of the financial institution. It is IPCIC’s policy to retain interest earned on client cash held in trust in accordance with MFDA rules, and Securities Regulation. Any service charges levied by the financial institution with respect to the operation of the trust account are charged to the general accounts of IPCIC.

Trust Account Operation & Reconciliation

Whenever IPCIC opens a new trust account, it will advise the financial institution in writing that:

- The account is being opened in order to hold client funds in trust and the account needs to be designated as a trust account;

- Money may not be drawn from the account, including by way of electronic transfer, by any person other than authorized employees of the Member; and
- The money held in trust may not be used to cover shortfalls in any other accounts of IPCIC.

All client cheques are recorded upon receipt by IPCIC and deposited to the trust account on the day of receipt. If a cheque is received after normal business hours, the cheque is deposited the following business day.

Deposits to the trust account are balanced daily against deposit records, receivable records, and mutual fund settlement records by IPCIC's Settlements Department.

Trust accounts are reconciled, in writing, at least monthly with identification and dating of all reconciling items. Journal entries to clear reconciling items are made on a timely basis and approved by management.

Trust accounts reconciliations are prepared by the Dealer Services Department. A senior official in Dealer Services and the Accounting Manager or designate are responsible for reviewing and approving all trust account bank reconciliations and evidence of this review is documented on the reconciliations which also identify the preparer.

In the event of any deficiency in the amount of cash required to be held in trust for a client, IPCIC will provide an amount from its own funds to correct the deficiency. Refer to NSF procedures that follow for more information regarding policies and procedures in effect.

NSF Deposits (and other balances) in Trust Accounts

IPCIC's Trust Accounts are established solely for the purpose of processing client purchases or redemptions and are not to be used for giving credit to clients or holding cash.

The occurrence of an NSF cheque, deposited in a Trust Account, creates:

- A credit risk – in that it is possible for the company to be exposed to a client's trading losses, or unable to recover anything, in the event of a client bankruptcy.
- An immediate reduction in IPCIC's operating cash balances and regulatory working capital.

The reporting of an NSF cheque by the bank to IPCIC is often five days or more after the deposit date, which means that the company has already been exposed for three days or more before remedial action can begin. Therefore, immediate response is absolutely essential.

Policy Statement

The IPCIC Client Information Booklet contains language in the Account Agreement section that permits IPCIC to redeem client investments in the event that the client's payment is not properly made and holds IPCIC harmless from any trade loss that ensues.

On a daily basis, the Dealer Services Department reviews trust bank statements and will immediately advise the Advisor Services Department of NSF bank debits, at which time Advisor Services obtains replacement funds, redeems enough of the client's investments to recover the payment deficit or cancels the trade.

Trades are cancelled if the Advisor or client does not provide proof of deposit within 72 hours, after being advised by the Advisor Services Department.

In the event that a rejected PAC in the nominee environment creates negative balances, the missing money must be replaced within 48 hours. If this fails, the investments will be redeemed. Two NSF PAC's will result in the cancellation of the PAC.

In the event that client positive balances exist, and the Advisor does not provide instruction within 5 days the funds will be returned directly to the client.

For every returned/NSF cheque or rejected PAC, a \$45.00 fee will be applied. In accordance with the indemnity clauses in the IPCIC Principal/Agent Agreement, IPCIC reserves the right to debit the Advisor's commissions to recover losses incurred by a client's returned/NSF cheque.

Processing Procedures – NSF Funds

When NSF bank debits are identified, the Advisor services Department immediately advises the Advisor of the incident, the timeline for replacement of funds, and the potential for redemption of the client's investments or cancellation of trade.

In the event that the Advisor Services Department cannot make immediate direct contact with the Advisor, they make immediate direct contact with the Branch Manager and, failing that, they reverse the trade.

On a daily basis, the Dealer Services Department examines the trust bank statements to determine the total amount of the NSF cheques and makes cheque requests to the Accounting Department to cover NSF cheques from the general bank account. When replacement cheques are received, Dealer Services makes a payment out of the trust account to the IPCIC general account.

In the event that the NSF cheques are not recovered within policy deadlines, the Advisor Services Department processes the required redemptions or cancellation, without further notice. No exception to this policy is allowed without the approval of Operations Management.

The Dealer Services Department reviews the report, at least weekly, to assure negative balances are being properly managed.

Processing Procedures – PAC Rejects

The processing of rejected PAC's is done in a manner similar to the handling of NSF cheques, except that the Advisor is advised when the reject occurs, in order to allow the opportunity for the Negative Client

Balance to be corrected by a deposit. If a replacement cheque is not deposited, the investment is redeemed. If a Pac is rejected twice, the PAC is cancelled.

Processing Procedures – Positive Client Balances

The Advisor Services Department notifies the Advisors of all Positive Client Balances that are more than 1 day outstanding. If an Advisor is unable to provide investment instructions within two (2) days, the Branch Manager is notified. If the Branch Manager is unable to provide instructions within another two (2) days, the Advisor Services Department makes payment of the balance directly to the client. Under no circumstances are payments to be forwarded to the Branch Office or made payable to any payee other than the client.

Safeguarding of Cash & Securities

IPCIC will establish and maintain adequate internal controls that safeguard both the firm and client's securities and cash in order to protect these securities and cash against material loss and to detect and report for regulatory and insurance purposes any potential losses on a timely basis.

Trading-General

A report containing evidence of settlement activity is produced and reconciled daily. All discrepancies between the trading blotters and confirmation records must be investigated and resolved immediately.

IPCIC Nominee Accounts

IPCIC must have a proper written agreement with each acceptable securities location used to hold securities in accordance with MFDA Rule 3.3.3 and MFDA listings of acceptable securities locations as issued from time to time.

Each month, information from fund companies and GIC providers with respect to securities owned by clients but registered in the name of or held by IPCIC that requires segregation is reconciled to a system report of client positions in order to identify deficiencies. Where a deficiency exists, the member of IPCIC's senior management designated with the task of monitoring the capital position of the firm must be advised of the deficiency in order to determine if it impacts IPCIC's capital position.

There are procedures in place to ensure the completeness and accuracy of the report of client holdings produced. Any journal entries made to the IPCIC and clients' securities holdings are properly reviewed and approved before processing. Non-resident tax is withheld where applicable by law and there is a system in place to ensure appropriate reporting of client income for tax purposes, as required by law.

- IPCIC has a proper written agreement with each acceptable securities location used to hold securities.
- A proper written agreement exists with each securities location used to hold securities.
- Agreement with TD Canada Trust to perform Trustee Services.

At least monthly, the information system produces a report (e.g. client positions) of securities owned by clients but registered in the name of or held by IPCIC that require segregation and a reconciliation with third party information (e.g. monthly statements from the fund company) is performed to identify deficiencies.

- Month end reconciliation is performed by the Back Office Processing team with the fund company month end files. The securities owned by clients are reconciled with the fund companies in order to identify discrepancies.

Where a deficiency exists, the member of senior management designated the task of monitoring the capital position of the firm should be advised of the deficiency in order to determine if it impacts the Member's capital position.

- Discrepancies are brought to the attention of Operations Management, who will contact the CFO to determine if the deficiency impacts the capital position.

There is supervisory reviews or other procedures in place to ensure the completeness and accuracy of the report of client holdings produced by IPCIC's information system.

- The Operations Management will supervise the procedures to ensure the completeness and accuracy of the report of client holdings within the information system.

Journal entries made to IPCIC's or clients' securities holdings are properly reviewed and approved before processing.

- Journal Entries are made by Advisor Services who ensure they are reviewed and approved prior to processing.

IPCIC has a system in place to record and allocate the total amounts of dividends and interest payable and receivable at the due date.

- All dividends and Interest are received via FundServ and recorded daily and reconciled monthly by the Back Office Processing team.

Non-resident tax is withheld where applicable by law.

- Non-Resident tax is withheld where applicable by law. The Dealer Services Department will withhold tax and submit all tax withholdings to Finance. Taxes are paid to CRA and Quebec (if required) on a monthly basis as required.

A system is in place to ensure appropriate reporting of client income for tax purposes, as required by law.

- Appropriate reporting of client income for tax purposes, as required by law. The Dealer Services Department prints all T4RSP's and submits to TD Canada Trust, the trustee, for review and approval.

Segregation of Clients' Securities

CONTROL OBJECTIVE

To provide safekeeping services to clients so that:

- The firm is in compliance with regulatory and legal requirements for segregation; and
- Securities are not improperly used.

MINIMUM REQUIRED FIRM POLICIES AND PROCEDURES

1. Securities requiring segregation are placed in “acceptable securities locations”, as defined by MFDA Rules, on a timely basis.
 - Securities are segregated and held in Nominee registered accounts and are reconciled to the “acceptable securities location” monthly by Operations Management.
2. There are procedures in place to ensure that safekeeping securities are kept apart from all other securities.
 - Securities held in Nominee name are segregated from other holdings such as client name through registration of account in the back-office system. This is ensured by Operations Management.
3. Written custodial agreements with applicable regulatory provisions exist for securities held at acceptable securities locations.
 - Written custodial agreements are in place for all acceptable securities locations where securities are held.
4. Securities are moved into or out of segregation only by authorized personnel.
 - Securities will be moved by authorized administrative personnel only and reviewed by the Nominee Administrator or Operations Management.
5. A client is identified for each transaction.
 - Each transaction and plan account is designated to the client and client account.
6. At least monthly, the information system produces a report (e.g. client positions) of securities owned by clients but registered in the name of or held by the Member that require segregation and a reconciliation with third party information (e.g. monthly statements from the fund company) is performed to identify deficiencies.
 - Month end reconciliation is performed by the Back-Office Processing team with the fund company month end files. The securities owned by clients are reconciled with the fund companies in order to identify discrepancies.
7. Where a deficiency exists, the member of senior management assigned the task of monitoring the capital position of the firm should be advised of the deficiency in order to determine if it impacts the firm's capital position.

- Discrepancies are brought the attention of Operations Management, who will contact the CFO to determine if the deficiency impacts the capital position.
8. There is a monthly supervisory review of compliance with segregation requirements for clients' securities.

Cash and Cheques- General Controls for Bank Accounts

Cheques for IPCIC bank accounts are pre-numbered and their numerical continuity is accounted for. Blank cheques are properly safeguarded.

Approval levels required to requisition a cheque are established by senior management and cheques must be signed by two authorized individuals. Cheques are only signed when the appropriate supporting documentation is provided, and the supporting documentation is cancelled after the cheque is signed. Where facsimile signature is used for cheque signing, access to the machine is limited and supervised. Only a limited number of authorized personnel are permitted to withdraw monies from bank accounts, including by way of electronic transfer.

Bank Account Reconciliation- General Controls

Bank accounts are reconciled, in writing, at least monthly with identification and dating of all reconciling items. All major trust accounts are reconciled daily.

The reconciliation of bank accounts, where practical, is not performed by someone with incompatible functions, including access to funds (both receipts and disbursements), access to record keeping responsibilities, including the authority to write or approve journal entries. The individual responsible for the reconciliation must be independent from the individual having access to funds.

Journal entries to clear reconciling items are made on a timely basis and approved by management and a senior official is responsible for reviewing and approving all bank reconciliations.

Client Payee Service

The Client Payee Service is a feature within Univeris that allows your clients to settle their mutual fund and segregated fund purchases via Electronic Funds Transfer ("EFT") rather than writing a cheque to IPC's trust account. Once the client has completed and signed the Pre-Authorized Deposit (PAD) Form you can begin to use the service. Clients may only provide their own Individual or Joint bank account information on this form and this must be accompanied by a void cheque or a bank deposit form. The PAD form can be found in Univeris through AccountXPRESS or OrderXPRESS, as well as through the Generate Forms functionality.

For more detailed information, refer to the Payee Services Quick Reference Guide available in the Learning Centre.

B10 – Letters of Indemnity

A Letter of Indemnity (“LOI”) is correspondence forwarded to a Mutual Fund Company or Trustee if an error has occurred in the setup or trading of a client’s investments. An LOI will instruct the appropriate party to reverse the trade and process it correctly if information was incorrectly submitted and/or not submitted in a timely manner. It is illegal to use LOIs for the purposes of facilitating late trading. Late trading occurs when purchase or redemption orders are received by the fund company after the close of business but are filled at that day’s prices rather than the next day’s prices. Late trading is a violation of National Instrument 81-102.

LOI Preparation

Each branch is responsible for its own LOIs in the event that a mistake or delay occurs in order entry or the processing of orders. If the error is made at the rep/branch level, the rep must take full responsibility and must write the LOI and sent it to Head Office. ATTN: Dealer Support (e-mail: Dealer.support@ipcc.ca or by fax: 1-866-359-3335) where it will be signed and forwarded to the Fund Company or Trustee. Any LOI submitted for transaction corrections must be accompanied by documentation that clearly demonstrates client authorization for the proposed correcting instructions. In most cases, this will be an Order Entry form signed by the client. The processing of any LOI submitted without supporting documentation will be delayed until it is received. If Head Office makes the error, the responsibility for creating the LOI and sending it to the Fund Company or Intermediary will fall on Head Office. Only an authorized officer at Head Office may sign Letters of Indemnity. Under no circumstances can an Advisor or branch submit an LOI directly to the Fund Company or Intermediary. In the case of a compensation issue, Head Office will deduct any outstanding amount from the individual reps.

NOTE: all compensation must be settled by Head Office; an Advisor, or branch can never compensate a client directly.

LOI Processing

All LOIs must be sent directly from Head Office to the appropriate party, upon receipt of clear instructions. It is important to understand the cost implications an LOI can cause if the incorrect transaction is processed due to Advisor error. This should be investigated before forwarding instructions to Head Office. When consulting with the Fund Companies about how best to fix an error, be aware that their default position is frequently, “We require an LOI”; even in situations where the error is the fault of the Fund Company. Be aware that submitting an LOI to the Fund Company makes IPCIC and the Advisor responsible. If you believe that the error is clearly on the part of the Fund Company, discuss this with them before you submit an LOI for consideration.

The following are some of the most common and costly errors that occur resulting in the issuance of a Letter of Indemnity:

- Incorrect fund codes used
- Purchasing the wrong fund
- Selling the wrong fund
- Discrepancy between the fund name and fund code
- Incorrect transfer instructions on T2033 (“In Cash” or “In Kind”)
- Failure to process a trade in a timely manner

Copies of all LOIs should be placed in the client’s file as well as the LOI file in a convenient area in the Advisor’s office. The original goes to Head Office to be reviewed and signed by authorized signing officers for LOI. It is a good idea for Advisors to keep a binder and the associated backup for all LOIs in chronological order in case of a processing mistake or a compensation issue.

A sample LOI can be found on the IPC HUB by going to Forms and Applications>MFDA-IPCIC>Most Frequently Used Forms. Forms”.

B11 – Signature Guarantee

IPCIC may provide IPCIC Advisors and/or their assistants with a stamp to enable the Advisor or their assistant to guarantee signatures of clients with respect to authorized securities transactions. The Advisor and assistant agree that this stamp shall be and shall remain the property of IPCIC, that IPCIC may require the return of the stamp at any time, and that the stamp will be returned when so requested. The Advisor and assistant agree to use this stamp honestly and for the intended purpose, and further the Advisor or assistant specifically agree that all relevant forms will be completed in full before the client’s signature is guaranteed, that a copy of such forms will be given to the clients, and that a copy of such forms will be given to IPCIC and its Head Office in Mississauga or other location as specified from time to time.

In cases where the person signing the signature guarantee has not witnessed the client physically signing the document, it is a prudent business practice to double check the signature against a known specimen in the file.

With the use of the DocuSign eSignature solution, the requirement for documents to be signature guaranteed is no longer required in most cases. However, fund companies may still request this in certain cases.

B12 – Handling of Redemption Proceeds

It is our policy that redemption cheques from the mutual fund companies must be made payable to the client directly – we do not permit the proceeds of any redemption to be redirected to a third party. The four available methods of getting the money to the client are listed below, in order of preference:

- Have the Fund Company electronically deposit the money to the client's own personal bank account.
- Have the Fund Company send a cheque to the client, made payable to the client directly, to the client's home address through the mail.
- Have the client pick-up the cheque, made payable to the client directly, at the Fund Company.
- In limited cases, it may be appropriate and acceptable to request that the Fund Company make the cheque payable to IPC Investment Corporation "in trust for" the client and have this sent to the Advisors office to carry out further agreed upon trade instructions within a client's account. Advisors are not permitted to request that the redemption proceeds of a client be payable to themselves nor may they request for the cheque to be issued c/o themselves or their operating entity.

B13 – Date Stamping and Other “Prudent Business Practices”

One of the mandates of the Securities Commissions is to ensure that all Advisors conduct their business in a professional manner. This concept is commonly referred to as “prudent business practices.” We expect staff at Head Office, in the Branches and Sub-branches, and Advisors to conduct themselves in a professional manner that is in keeping with IPCIC's corporate culture and industry standards. Listed below are some prudent business practices which are in place at Head Office, and where appropriate, are also required in the branches and sub-branches:

- i) *Date Stamping*: The designated person who opens the mail and courier bags must date stamp everything as “received on [date].” This should be done for all documents. This is particularly important when processing paperwork that is received by mail and especially so during RRSP season. If trade documents are in good order and the trade will be processed the same day as you met with the client, there's little apparent reason to date stamp the trade document. However, if there is a possibility that processing could be delayed (conversions, T2033's, transfers, new account openings, EAP withdrawals, weekend or evening meetings with clients, etc.), then the docs should be date stamped and notes added explaining the delay. For example, if you meet with a client on Friday night (after processing cut-off time) and the trade can't be processed until Monday, a note could explain the 3 day trade delay to any third party who may question the reason for the delay. Despite the fact that in some cases date stamping a document seems unnecessary, building a consistent systematized process that applies to all paperwork, regardless of how it is received (mail, courier, client meeting or personal drop-off) will reduce the possibility for mistakes when it really counts.

The branch (or wherever the orders are entered into the system) should also have a process to date stamp all documents received, in order to demonstrate that documents were

processed in a timely fashion. Reasons for discrepancies between the date the paperwork was signed by the client, and the processing date in the branch should be documented.

- ii) *Client Dating Documents:* Wherever practical, clients should date their own documents when they sign them to reduce the possibility of an issue with a discrepancy in the trade processing date. If the date by the client's signature is completed by the advisor, then it could later be alleged by the client that there was a delay in processing the trade that was covered up by the advisor.
- iii) *Mail:* No "hold mail" is permitted unless authorized by the client in writing and the held mail must be controlled, reviewed on a regular basis, and maintained by a designated individual. Hold mail should never be permitted to accumulate over a prolonged period of time (i.e. in excess of 6 months). Returned mail is to be promptly investigated and controlled. All hold mail requests must also be approved by the Branch Manager.
- iv) *Accounting:* The books of Head Office are maintained daily in accordance with GAAP. The books of a branch are open to Head Office for inspection and should also be kept in accordance with GAAP.
- v) *Faxes:* All outgoing faxes must be stamped with the date they were sent or, alternately, the fax confirmation slip attached copies, including any important documents forming part of fax transmission, should be kept on file. We strongly encourage all offices to use plain paper fax machines due to the image degradation of thermal fax paper.
- vi) *Marketing Materials:* It is expected that branches, sub-branches, and Advisors will have on hand, an adequate supply of the current Fund Facts, annual and/or quarterly reports, and other marketing materials. No marketing materials related to dealer business that have not been approved by Head Office may be displayed.
- vii) *Phone Messages:* It is expected that messages, particularly from clients, will be dealt with in a timely fashion. While it is perfectly acceptable to have voice mail, it is important as a measure of client value to reply to messages promptly to ensure that clients are adequately serviced in a timely manner.
- viii) *Absences:* If Advisors will be away from the office for an extended period of time, such as for a vacation, it is necessary that alternate arrangements with another Advisor are made. This will ensure that there is no service disruption to your clients. Unfortunately, your Branch Manager cannot provide this coverage for you. This would be a conflict as they are also responsible for your supervision and reviewing all account activity.

B14 – Trusted Contact Person (TCP)

To ensure that our senior and vulnerable clients always remained protected, it is highly recommended that our Advisors collect TCP information for all clients.

A trusted contact person (TCP) is:

- a person whom the client has decided can be contacted in the event that IPC or our Advisors have concerns that the client is being financially exploited or is suffering from diminished mental capacity; financial information about any account(s) held at IPC, the client's personal information or health status may also be discussed with the named TCP;
- is a complement to, and not a substitute for a power of attorney (POA); and
- A TCP cannot be the advisor nor should it be the POA. The POA can be the TCP, but we encourage discussing this scenario first with your Branch Manager prior to acceptance.

TCP information can be collected using IPCs stand-alone Trusted Contact Authorization Form or by using the NAAF or KYC form.

For more information about the TCP, please refer to CB20-01 – Trusted Contact Person (TCP) available on the IPC Hub.

B15 – Temporary Holds and Safe Harbour

The notions of safe harbor and placing a temporary hold on clients' accounts must be considered where there is a reasonable concern that financial exploitation of a senior or vulnerable client is taking place, or will take place, or when there is a reasonable concern regarding the mental capacity of the client as this relates to financial decision making. MFDA rule 2.1.1 (Standard of Conduct) applies when placing temporary holds, and specifically our obligations to deal fairly, honesty and in good faith with clients.

If concerns are identified, Advisors should speak with their Branch Manager who will escalate accordingly. Any temporary hold on a client account will be made by a qualified supervisory staff at which point the client will be notified, and where appropriate, contact with the TCP and any other parties involved (POA) will be made as quickly as possible. Documentation must be maintained to evidence: (1) the reasonable concerns that prompted the temporary hold; (2) the review conducted; (3) the decision made.

C – REGISTRATION AND INSURANCE

C1 – Compliance Structure

IPCIC is governed by the securities rules and regulations of each province in which it is registered as well as those of the Mutual Fund Dealers Association of Canada (“MFDA”). The role of IPCIC’s Head Office Compliance Department is to establish and implement policies and procedures to ensure that IPCIC conducts its business in accordance with these rules and regulations.

Ultimate Designated Person

IPCIC is required to appoint an Ultimate Designated Person (“UDP”) who is responsible for promoting a culture of compliance within IPCIC and overseeing the effectiveness of IPCIC’s compliance system. Specifically, the UDP:

- Supervises the activities of IPCIC that are directed towards ensuring compliance with securities legislation by both IPCIC and individuals acting on IPCIC’s behalf.
- Promotes compliance by IPCIC and individuals acting on behalf of IPCIC with securities legislation.

The designated UDP is generally the Chief Executive Officer or an officer in charge of a division of the registered firm (rule 2.5.2). The Ultimate Designated Person’s role is to supervise the activities of the firm that are directed toward ensuring compliance with securities legislation and promote compliance within the firm (NI 31-103).

The CCO, if different from the UDP, must report to the UDP as soon as possible if the CCO becomes aware of any circumstances indicating that the Member or any of IPCIC’s Advisors may be in non-compliance with the By-laws, Rules & policies and with applicable securities legislation and if any of the following apply:

- a) the non-compliance reasonably creates a risk of harm to a client
- b) the non-compliance reasonably creates a risk of harm to the capital markets
- c) the non-compliance is part of a pattern of non-compliance

The UDP must submit a report to the Board of Directors at least once a year. Compliance reporting to the Board of Directors made monthly by the UDP includes: significant and recurring issues arising from branch reviews; regulatory changes; status of any regulatory examination or enforcement cases; approved persons terminated or disciplined; client complaints and lawsuits; or any information necessary for the board to assess compliance by the member and its Approved Persons with the By-Laws, Rules & Policies, and with the applicable securities legislation.

IPCIC’s board must permit its UDP and CCO to directly access the Board of Directors at such times as the UDP or CCO may consider necessary or advisable in view of his or her responsibilities.

Chief Compliance Officer

IPCIC is required to appoint a Chief Compliance Officer (“CCO”) to establish and maintain policies and procedures for assessing compliance by IPCIC and individuals acting on behalf of IPCIC with securities legislation. The CCO is also responsible for monitoring adherence by IPCIC and its employees, Branch Managers and Advisors to securities legislation including the rules and policies of the MFDA.

The CCO is a member of IPCIC’s senior leadership group, reporting to IPCIC’s UDP. The CCO and the UDP are required to report on the status of compliance at IPCIC to its Board of Directors as necessary and at least annually for the purpose of assessing compliance by IPCIC. The report will include any significant and recurring issues arising from branch reviews, regulatory changes, status of any regulatory examination or enforcement case, Advisors disciplined or terminated for cause, client complaints and lawsuits, and the adequacy of regulatory capital and insurance coverage. The Board of Directors is required to act on the annual report and to rectify any compliance deficiencies contained therein.

The CCO will report to the UDP, as soon as possible after becoming aware of the circumstances, any circumstance that IPCIC or individuals acting on IPCIC’s behalf, that may be in non-compliance with securities legislation including the following:

- A non-compliance creating a risk of harm to a client in the opinion of a reasonable person
- A non-compliance creating a risk of harm to the capital markets in the opinion of a reasonable person
- A non-compliance that is part of a pattern of non-compliance

In the event that the CCO is absent or unable to perform his or her responsibilities, the most senior member of IPCIC’s Head Office Compliance team shall carry out the responsibilities of the CCO.

Head Office Compliance Department

IPCIC’s Compliance Department is responsible for monitoring and evaluating compliance practices, educating all employees, Branch Managers and Advisors regarding existing and changing rules and regulations, as well as monitoring compliance legislation on an ongoing basis, handling client complaints, and performing internal investigations. Specific responsibilities with respect to the monitoring and evaluation of compliance practices include the following:

- Daily trade reviews for all Advisors and second tier trade reviews for all Advisors
- Periodic on-site reviews of branches
- Suitability review of registration submissions
- Suitability review of new products and referral agreements
- Review of all advertising and sales communications
- Review of all co-op marketing submissions

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- Issuance of compliance notices from time to time and revision of the Manual where necessary to ensure that written policies and procedures are adequate
 - Immediately notifying securities commissions and the MFDA of IPCIC being declared bankrupt, insolvent, or being subject to or instituting any proceedings, arrangement or compromise with creditors or having a receiver and/or manager appointed to hold its assets
 - Reporting general events outlined in MFDA Policy 6 to the MFDA through the Member Events Tracking System (“METS”) within 5 or 20 business days as is appropriate
 - Reporting the resolution of previously reported general events outlined in MFDA Policy 6 to the MFDA through the METS within 5 business days
 - Reporting other events not reported through METS to the MFDA as outlined in MFDA Policy 6 within 5 business days

Communication of Compliance Related Information

IPCIC’s Compliance Department is responsible for communicating compliance related regulatory information in a timely fashion to its Advisors and relevant employees in accordance with MFDA Policy 2 and MSN-0053. The method and timing of distribution are as follows:

- The CCO or Compliance Directors and Managers reporting to the CCO are responsible for reviewing regulatory communications and determining to whom they should be distributed and the method of distribution
- Distribution will normally be made by way of notice in the semi-monthly IPC Updates or by compliance bulletin sent by email if urgent delivery is deemed necessary
- Compliance notices and bulletins will also be posted to a compliance bulletin folder on IPC HUB advisor website
- Further communication will be issued in a timely fashion documenting any required changes to policies and procedures if it is not possible or practical to do so simultaneously with the distribution of the compliance bulletin
- The current Manual reflecting any required changes will also be posted to the IPC HUB advisor website

Records will be maintained as evidence of compliance with these procedures. Typically, these records will be the compliance bulletin folders on the website and/or email folders maintained by the issuer.

Enforcement

As a result of any internal investigations into the activities of Advisors, IPCIC Head Office Compliance, subject to the approval of senior management and in accordance with IPCIC’s Business Practices and

Conduct Accountability Policy (See Section A-11), shall have the power to impose upon an Advisor any one or more of the following penalties:

- A reprimand
- A fine
- Suspension of the rights and privileges of the Advisor
- Termination of the Advisor's Principal /Agent Agreement
- Terms and conditions on the Advisor as may be considered
- Appropriate including extra supervision and a reduction in commission payout for the extra supervision if, in the opinion of IPCIC Head Office Compliance, the Advisor:
 - has failed to carry out any agreement with IPCIC;
 - has failed to meet any liabilities to another Advisor or to the public;
 - has engaged in any business conduct or practice unbecoming to an Advisor or not in the public interest;
 - has ceased to be qualified as an Advisor by reason of the integrity, solvency, training or experience of the Advisor;
 - has failed to comply with or carry out the provisions of any of the By-laws, Rules or Policies of IPCIC or the MFDA; or
 - has failed to comply with or carry out the provisions of any applicable federal or provincial statute relating to the Advisor's business or of any regulation or policy made pursuant thereto.

Registration

The Registration Department is responsible for the registration of new Advisor and Licensed Assistants as dealing representatives of IPCIC as well as the registration of branches, sub-branches, Branch Managers, Officers and Directors, and the termination, transfer, amendment and renewal of all registrations.

The Registration Department is responsible for reviewing applications for registration and:

- Determining that applicable proficiency requirements set by regulators in National Instrument 31-103 and MFDA rules 1.2.1(b) and 2.5.5 are met
- Determining that Branch Manager applicants meet the MFDA's experience requirement that applicants must have a minimum of two years registration as a salesperson or trading partner officer, director, or compliance officer

- Determining that applicable IPCIC standards and requirements are met
- Reporting any problems with respect to a registration to Compliance Management
- Notifying the Securities Commissions and IPC's affiliates of changes to form 33-109F6 within 10 days including changes to IPCIC's legal name or trade names, civil actions against IPCIC or its affiliates, charges or indictments against IPCIC pursuant to criminal law or securities legislation, address for service, main telephone number, main fax number, registrations with securities commissions, investment products sold, other business activities of the firm, and changes in external auditor
- Notifying the Autorité des marchés financiers ("AMF") of any changes for IPCIC's principal place of business in Quebec with respect to the officer in charge, the person designated to act as correspondent with the AMF, and, if applicable, any persons designated to assist the person designated to act as correspondent with the AMF

C2 – Registration of New Advisors and Licensed Assistants

In order to sell mutual funds, you must have passed the Canadian Investment Funds Exam, the Canadian Securities Course Exam or the Investment Funds in Canada Course Exam in the past 3 years.

As an Advisor with IPCIC, you are not eligible to sell exempt market products, securities (such as stocks, options (calls and puts)), margin accounts, strip bonds, small business shares, limited partnerships, flow through shares, or corporate bonds.

The process for Individuals seeking Registration through IPCIC is as follows:

1. Completion of a Profile/Due Diligence form. To obtain this form:
 - Advisor Applicants – contact the Recruiting Department (Recruiting.Transitions@ipcc.ca)
 - Licensed Assistants Applicants – contact the Registration Department (registrations@ipcc.ca)

The completed form will be reviewed by the Registration and Compliance Department, at which time a credit check will be conducted. The Registration department may also request additional documents as part of this due diligence which can include any of the following (as applicable):

- Copy of Notice of Termination from previous dealer; and
 - MFDA Enforcement background check (if previously registered with the MFDA through another dealer) - IPC will request this directly from the MFDA upon receipt of the MFDA Consent form which forms part of the application process.
2. Upon approval of the Profile/Due Diligence form, a Registration Kit with applicable forms, will be sent to the applicant to be completed and returned to the Registration Department.

Additional Requirements for new IPCIC Advisors and Licensed Assistants

- New registrants are not permitted to act in furtherance of trades until they have been approved by the applicable regulators with IPCIC, at which time new Advisors will be assigned a representative code and charged all tech and other Advisor fees.
- First time registrants in the industry are required to complete a 90-Day Training Program. The applicant will work with their Branch Manager to complete this training.
- Transitioning Advisors to IPCIC may not continue to service their clients until they become fully registered. Specifically, Advisors may not:
 - Distribute New Account Application Forms (“NAAF”) or Know-Your-Client (“KYC”) forms, either blank or pre-populated, to clients for signature before the transfer takes place; and
 - Provide client lists and other client information to IPCIC without client authorization.

C3 – Opening a new Branch /Sub-Branch or changing a location address

Requests to open a new branch/sub-branch or to change a location address must be submitted to and approved by the Registration Department. To request this approval, please log into the IPC HUB, go to Registration Updates and choose “New Location Request/Address Change Form – IPCI.”

C4 – Changes in an Advisor or Licensed Assistant’s information

Changes to any of the following must be reported to your Registrations Officer through the Registrations Update application on the IPC HUB within 5 days in order to ensure IPCIC is able to complete the regulatory filing update to the regulators within the prescribed 5-day period. Regulators may charge a late filing fee which can be billed back to the branch.

Type of Change:	What to Provide:	Form to Complete via Registrations Updates:
1. Home address change	<ul style="list-style-type: none"> • Date of move • New Address • New Phone number 	Residential Address Change
2. Branch/Sub-branch address change	<ul style="list-style-type: none"> • Details about the new location 	New Location Request/Address Change Form - IPCI
3. Change of Name	<ul style="list-style-type: none"> • Provide a piece of government issued identification displaying the new name (i.e. driver's license) 	N/A – email your Registrations Officer directly
4. New Outside business activity, volunteer activity, membership on a	<ul style="list-style-type: none"> • Details about the outside activity 	Outside Activity Questionnaire – Outside IPC

Board, or ceasing to be involved in such activity.		
5. Criminal charges or conviction, including Driving under the Influence.	<ul style="list-style-type: none"> • The type of charge, • The date of the charge, • Any trial or appeal dates, and • The court location. 	Report New Legal Disclosure
6. Lawsuit in which Advisor or LA is the Defendant	<ul style="list-style-type: none"> • Copy of Statement of Claim 	Report New Legal Disclosure
7. Bankruptcy	<ul style="list-style-type: none"> • Date of bankruptcy • Reason for bankruptcy • Copy of Statement of Affairs 	Report New Financial Disclosure
8. Overdue debt of \$5,000 or more (do not include credit card bills, unless minimum payment is over \$5K)	<ul style="list-style-type: none"> • Reason for Debt • Creditor 	Report New Financial Disclosure
9. Garnishment or CRA Direction to pay	<ul style="list-style-type: none"> • Copy of documents 	Report New Financial Disclosure

C5 – Unlicensed Assistants

Advisors must ensure that their unlicensed assistant's duties do not engage in activities that could be construed as acting in furtherance of a trade. Clear written guidelines for unlicensed staff should be in place for every employee.

Only Licensed Advisors are allowed to sign as the representative on investment applications, NAAF/KYC forms, trade documents, or any other client documents. Any investment-related paperwork received for processing that is signed by an unlicensed person will be rejected.

It is a breach of this policy for any unlicensed assistants or other unlicensed office staff to sign client documents on behalf of their licensed Advisors. It is also a breach of securities legislation which prohibits a person or company from trading unless the person or company "...is registered as a salesperson or as a partner or an officer of a registered dealer and is acting on behalf of the dealer." Advisors who employ any unlicensed staff must have written guidelines as part of the job descriptions that clearly describe what the unlicensed staff can and cannot do. In addition, any staff who work in the office and could have access to confidential client information must have signed IPC's Confidentiality Agreement.

To help you develop these guidelines IPC has developed a "Licensed and Unlicensed Assistants, Quick Reference Guide" which can be found by going to the Learning Centre via the IPC HUB. Hub through the Learning Centre.

In the event that another Advisor of IPCIC is signing a trade document on behalf of a client's Advisor of record, the alternate Advisor is bound by the same suitability obligations as the Advisor of record for the

account. The signing of a trade ticket for a client of another Advisor bestows on you the exact same obligations and liability as if it was your own client.

We strongly encourage all assistants and other office staff to take the IFIC Investment Funds course and become registered with the applicable Securities Commission(s).

C6 – Orphaned Accounts

As set out in MSN-0068, when an Advisor leaves IPCIC (either leaves the industry or transfers to another dealer), the accounts with the dealer will be reassigned to another Approved Person. Head Office will work with the departing Advisor and/or the Branch Manager to determine who will become the servicing Advisor on the accounts. In most cases the National Accounts Desk will become the servicing Advisor however, in some cases another Advisor may become the servicing Advisor.

Affected clients will be sent a written notice explaining the Advisor's departure, and the contact information of the new servicing Advisor on their account will be provided.

In cases where an Advisor is transferring to another dealer, the new servicing Advisor on the accounts will not actively solicit the client for 90 days.

C7 – Unclaimed Property

IPC has established an unclaimed property policy to help us meet our legal and regulatory obligations with respect to the reporting and/or transfer of unclaimed property (as applicable) to the respective provincial, territorial or federal authority.

The process involves making reasonable efforts to locate the owner of the property, to properly collect and record these efforts, and to report and remit to the applicable regulatory authorities in accordance with the requirements established in governing legislation. More details about this process can be found in the Unclaimed Property Policy Guide.

C8 – Indebtedness to the Company

The Principal/Agent Agreement signed by every Advisor gives IPCIC the right to deduct any indebtedness owed by the Advisor to IPCIC from the Advisor's commission account as the indebtedness becomes due. These debts can include but are not limited to software charges, mutual fund, insurance or other commission chargebacks, supplies, licensing, bonding, SRO and insurance fees, LOIs of clients' accounts, or any other form of indebtedness owing to IPC.

In the event that an Advisor's commission account has a negative balance for a period of 60 days, the matter will be addressed by the Commissions and/or Finance team.

C9 – Assistant Titles

A Licensed Assistant is an individual licensed to service clients in the absence of the Advisor. Each of the following titles requires registration as an Approved Person by the MFDA, in the role of a licensed assistant to an Advisor:

- Mutual Fund Sales Associate
- Mutual Fund Sales Assistant
- Licensed Assistant

Licensed Assistants may also use titles appropriate for unlicensed assistants.

Titles for unlicensed assistants should be appropriate to the skills, experience and duties performed by the individual, and cannot include any reference to sales. Titles for unlicensed assistants may include:

- Administrative Assistant
- Executive Assistant
- Marketing Assistant
- Office Manager
- Client Services Manager
- Client Care Manager

Titles such as “Director of Client Services”, “Director of Marketing” or “V.P. of Operations” are not permitted in association with dealer business as these may mislead clients as to the Assistant’s role within the IPCIC organization. However, these titles may be used in connection with the sponsoring advisor’s approved outside business activity.

C10 – Advisor Titles

IPCIC has approved the following titles for use:

If You Have the Following:	You May Call Yourself
Basic IFIC Mutual Funds Course & are Licensed	<ul style="list-style-type: none"> • Representative / Sales Representative • Associate • Financial Consultant • Financial Advisor • Financial Representative • Mutual Fund Salesperson
CFP®, CLU, CHS, RFP, or CH.F.C.	<ul style="list-style-type: none"> • Financial Planner

Unacceptable Titles

- Investment Advisor / Investment Adviser
- Investment Broker
- Investment Counselor
- Investment Dealer
- Portfolio Manager
- Securities Advisor / Securities Adviser

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- Securities Broker
 - Securities Dealer
 - Securities Counselor
 - Licensed Representative

Executive and Corporate Officer titles, as outlined in the examples below, many not be used in association with dealer business as these may mislead clients as to the Advisors role within the IPCIC organization:

- "Director of.."
- "Chief of..."
- President
- Managing Partner
- Vice President

Additional titles may be approved from time to time as the situation warrants, but no other title shall be used prior to approval from IPCIC Compliance staff.

For Approved Persons holding professional designations (either securities related or other designations), the letters of the designations may be displayed (P.Eng, B Ed, MBA, CA etc.), but the designation itself may not be spelled out in full and used as a title. As an example, you are permitted to promote the fact that you have an Elder Planning Counsellor (EPC) designation and to describe what it means to your clients that you have that qualification, but you can't claim to carry out Elder Planning Counselling activities on behalf of IPCIC.

C11 – Use of Trade Names

All business activities carried on by IPCIC or any person on its behalf must be in the legal name of the registered mutual fund dealer, IPC Investment Corporation or IPC's approved corporate trade name, Investment Planning Counsel. IPCIC must notify the MFDA prior to the use of any other business or trade name.

Advisors should refrain from using any name other than IPC Investment Corporation for IPCIC business until they have obtained both IPCIC and regulatory approval to use an alternate trade name. Trade names will not be approved if they are potentially misleading to the public, contain the words "Limited", "Ltd.", "Incorporated" or "Inc.", are promoting of activities not done through IPCIC (i.e. insurance), or are already in use by another MFDA Approved Person or Dealer.

Requests for trade name approvals are to be submitted to the registrations team by going to the IPC HUB, choosing the Registrations Update Icon and completing the "Trade Name Application Form." The Articles of Incorporation should be included with all requests, if applicable. After approval, Advisors will have to arrange to register the trade name with the provincial corporate registry office in their resident jurisdiction under the Business Names Act. Upon receipt of evidence of the provincial trade name registration, Registrations will proceed to send notification to the MFDA and the applicable provincial regulatory bodies. It is important to note that a trade name must be registered in each province where

it will be used – that is to say if an Advisor will be using their co-branded trade name in 4 provinces, that trade name must be registered under the Business Corporations Act, and with the securities regulator in each province. Upon receipt of a non-objection letter from the MFDA, the Registration team will notify you that you may now use the trade name in accordance with MFDA Rule 1.1.7 and you can then proceed to order stationery and marketing materials co-branded with your trade name and IPCIC's. Note that the MFDA rule requires that the entire trade name as it has been registered must be used. All Advisors are required to have a minimum amount of dealer signage at their place of business and are required to use IPCIC business cards and stationery for their mutual fund business.

IPCIC's legal name is IPC Investment Corporation and this must appear on all contracts, account statements or confirmations in at least equal prominence to any approved trade name being used. This requirement also applies to any other situation where the approved trade name is to be used in conjunction with dealer business, including signage, stationery, fax cover sheets, e-mail signatures etc.

Advisors who desire to use a trade name in connection with IPCIC business may only use that trade name for business processed through IPC Investment Corporation.

C12 – Insurance and Bonding Requirements

The rules and regulations of both the MFDA and provincial securities commission require IPCIC and its Advisors to meet certain insurance and bonding requirements. In addition, Advisors, dually licensed to sell insurance, must meet the requirements of provincial insurance regulators. The following explains the requirements for IPCIC and its Advisors.

Financial Institution Bond ("FIB")

IPCIC must maintain a FIB in accordance with provincial securities rules and MFDA Rule 4 requirements for a Level 4 dealer. Specifically, the FIB provides coverage for the dealer and its Advisors for losses other than errors and omissions such as fidelity (dishonest or fraudulent acts by Advisors or employees), on premises losses (robbery, burglary, false pretenses, etc.), loss of property while in transit, forgery or alteration, and loss due to the acceptance of stolen or forged securities, counterfeit currency.

The annual premium for this coverage is deducted from the representative's commission account early in the calendar year.). In the event that the Advisor does not receive commissions (i.e. a licensed assistant without their own book of business), the premium cost will be deducted from the commission account of the Advisor who employs them.

FIB Procedures

As IPCIC is a Level 4 dealer, it is required to have FIB insurance coverage that is the greater of \$500,000 and 1% of a base amount where the base amount means the greater of the net value of cash and securities held by IPCIC on behalf of clients and the total allowable assets of IPCIC determined in

accordance with Statement A (Statement of Assets) and Schedule 4 (Insurance) of the MFDA Financial Questionnaire and Report (“FQR”).

On an annual basis, well in advance of the current policy’s expiration at calendar year-end, the Board of Directors must approve a resolution stating that full consideration has been given to the amount of bonding or insurance necessary to cover insurable risks.

IPCIC’s CCO is responsible for:

- Reviewing the terms of the insurance policy on a regular basis and the CCO ensures that IPCIC’s operating procedures comply with the terms and conditions of the policy
- Monitoring business operations to ensure that insured losses are identified, notifying senior management and the MFDA regarding claims, and submitting claims to the FIB insurer for insurable losses. Notification to the MFDA is provided on Schedule 4 of the FQR

IPCIC’s CFO and CCO are responsible for:

- Monitoring business changes on an ongoing basis to evaluate any need for changes in coverage or operating procedures
- Determining IPCIC’s requirements for the Board’s consideration and ensuring that renewal applications are submitted in a timely manner
- Taking prompt action to avert or remedy any projected or actual insurance deficiencies and report any deficiencies to the appropriate regulators when required

Professional Liability Insurance – Errors and Omissions (Advisors)

IPCIC requires all Advisors to have professional liability insurance for their mutual fund activities.

The liability of a professional is based on a high standard of care, which the professional owes to a client and to anyone else who may be affected by a specific transaction. Those who are engaged in a transaction and who hold themselves out as having a professional skill are expected by law to demonstrate an appropriate level of competence associated with carrying out the duties of that profession. Professional liability insurance is designed to protect against claims that may arise from rendering or from failing to render service to third parties within the context of that profession. In most provinces, E&O insurance is a mandatory requirement for life-licensed individuals.

When obtaining insurance through the IPC Group Policy as is required, IPC Investment Corporation must be added to the policy as a “Named Insured” and a copy of the Certificate of Insurance must be sent to IPCIC’s Registration Department. It is important to note that if IPCIC is not a Named Insured, IPCIC is not provided with vicarious liability coverage if it is also named as a defendant in a claim against a representative.

IPCIC is required to have professional liability insurance coverage for the firm's activities in Quebec as prescribed in Quebec Regulation 9. IPCIC's CCO is responsible for ensuring that IPCIC maintains adequate coverage.

Professional Liability Insurance – Errors and Omissions (Licensed Assistants)

Within the context of IPC's Group E&O policy, a licensed assistant is required to be named on a shared E&O certificate with the Advisor to ensure that coverage is in place for the licensed assistant while performing administrative duties for that Advisor. The assistant coverage is a shared limit included within the indicated advisor limits (not in addition to).

For the purposes of above, a licensed assistant is a salaried employee of the Advisor, who neither engages in sales, nor receives commission income and who is mutual funds and/or securities registered. If a licensed assistant will engage in any type of registerable activity, he/she should consider obtaining their own individual E&O policy. An LA performing registerable activities under an Advisor's policy is not covered for these purposes. In the event of a claim against the LA, there will be no coverage provided.

Some provinces, such as QC, require for licensed assistants to maintain their own E&O policy, even if they will only be performing administrative duties for their Advisor.

E & O Claims

Advisors are required to advise IPCIC Head Office Compliance of any client complaints or potential lawsuits. Head Office Compliance will assist the Advisor in determining whether it is appropriate to notify the insurer of a potential claim and coordinate the filing of the notice and any subsequent claim correspondence and administration.

In the event that a claim is not a straightforward processing error or omission, IPCIC may charge the Advisor an administration fee not to exceed \$1500 in the event that IPCIC is required to devote considerable time and resources to documenting, reviewing and analyzing the claim. Typically, more complicated claims are ones involving suitability of trades, leveraging, and investment strategies.

In addition to paying the policy deductible and the IPCIC administration fee described above, the Advisor may also be required to pay back to IPCIC any commissions earned on trades that should not have taken place as may be determined by IPCIC in the course of administering the claim.

General Liability Insurance

General liability insurance policies provide coverage for both bodily injury and property damage to third parties arising from the insured's premises, property or operations, but do not provide coverage for professional liability exposures.

C13 – Procedures for Terminating Advisors and Licensed Assistants

When an Advisor or Licensed Assistant leaves IPCIC, there are certain procedures that need to be followed to ensure a smooth transition.

Any notice of termination of registration must be provided to the Registration Department in writing immediately, to ensure the required Notice of Termination (and branch or sub-branch closing notice if applicable) is filed with the applicable securities commissions within 10 days. A late filing fee of \$100/day may be charged for notices received more than 10 days after the Advisors resignation/termination date). A resignation letter, signed by the registered party, is required to accompany all requests for resignation/termination of registration.

Advisors and Licensed Assistants – Things to Know:

- An Advisor or Licensed Assistant may terminate their Principal/Agent agreement with IPCIC by providing IPCIC with written notice of their resignation per the terms of their signed agreement.
- Any materials, including but not limited to the Policy and Procedures Manual, sales & marketing materials, other documentation, computer software, or programs and equipment, that the Advisor or Licensed Assistant has received from the dealer company must be returned to IPCIC.
- Any IPCIC Signature Guarantee Stamp must be returned.
- On the termination date, the Advisor or Licensed Assistant must immediately cease to use the name, trademark, and logos of IPCIC and also remove such name and logos from all signs, slogans, symbols, letterhead, stationery, business cards, documents, and forms used by the Advisor or Licensed Assistant.
- As of the termination date, the Advisor will not solicit any client of IPCIC or its other Advisor or Licensed Assistants other than clients associated with the Advisor at their time of termination, nor attempt or assist in enticing away any IPCIC Advisor or Licensed Assistants, nor disclose any confidential IPCIC information after termination.
- Privacy rules mandate that copies of client files may only be retained given written permission from each individual client. All files must be returned to the dealer.

IPCIC Head Office Procedures

- Upon receipt of the Advisor or Licensed Assistant's letter of resignation, IPCIC's Registration Department is required to file the Notice of Termination (33-109F1) to the applicable Securities Commission(s) via NRD, within 10 days.
- If the termination is "for cause" IPCIC's Compliance Department will notify the MFDA within 5 business days of the effective date of the termination of an Advisor or Licensed Assistant, as required under MFDA Policy 6.

- The terminating Advisor or Licensed Assistant's access to IPCIC systems including Univeris and the Advisor IPCIC website will be suspended on the resignation date.
- In order to ensure that client accounts of a terminating Advisor are properly serviced on an ongoing basis, the clients will be assigned to the National Accounts Desk (or another Advisor if previously arranged) and a letter will be issued shortly thereafter to all impacted clients advising them of the change.
- MFDA rules do not permit IPCIC to affect any transfer of the Advisor's clients to another firm without written client authorization. In other words, bulk transfers are not permitted. However, for Advisor in Quebec subject to the jurisdiction of the AMF, a blanket transfer of clients will be made to another firm if a written request with full details regarding their new dealer and Advisor code is provided to IPC and the Advisor can demonstrate that a letter was sent to each client at least 10 days prior to the transfer date in a format prescribed by AMF regulations. This letter must advise the Advisor's clients of the change in employment and give clients the option of refusing the proposed transfer.
- If the Advisor or Licensed Assistant has obtained Errors & Omissions insurance coverage through the IPCIC Master Policy, this will be terminated by IPCIC's Finance Department.
- IPCIC will place a hold on the Advisor's commission account for 90 days to ensure all indebtedness to IPCIC or the fund companies is paid in full. After 90 days, there shall be an accounting between IPCIC and the Advisor with respect to the commissions and trailers owing to the Advisor up to the date of termination less any amounts owing to IPCIC or the fund companies.
- Except as noted above, following the termination date, after the termination date any further commissions received by IPCIC will become the property of IPCIC.

C14 – Capital & Financial Reporting Requirements

The Finance Department of IPCIC will ensure that IPCIC maintains capital in accordance with the minimum established requirements for a level 4 carrying dealer as set out in MFDA Rule 3 and provincial securities legislation. The minimum allowable working capital to be maintained at all times by a level 4 MFDA dealer is \$200,000 and the Risk Adjusted Capital (RAC) must be an amount greater than \$0.00 at all times. The allowable working capital and RAC are calculated in accordance with Statement B (Statement of Risk Adjusted Capital) of the MFDA Financial Questionnaire and Report ("FQR"). In the event that the RAC is ever less than \$0.00, IPCIC must notify the MFDA immediately. In addition, net free working capital in excess of \$0.00 must be maintained in accordance with applicable provincial requirements for calculating net free working capital.

Monitoring Capital Requirements

IPCIC's Chief Financial Officer is responsible for the continuous monitoring of IPCIC's capital position and information produced by the management reporting system to ensure that at all times RAC is maintained as prescribed by MFDA Rules and net free working capital is maintained as may be prescribed by provincial securities legislation. This continuous monitoring will include the following:

Ensuring that IPCIC's planning process recognizes the projected capital requirements resulting from current and planned business activities.

At least monthly, or more frequently if required (e.g. if IPCIC is operating close to early warning levels), documenting that he/she has:

- Received management reports produced by the accounting system showing information relevant to the calculated capital position;
- Obtained other information concerning items that, while they may not yet be recorded in the accounting system, are likely to significantly affect the capital position (e.g. bad and doubtful debts, unreconciled positions);
- Calculated the capital position, compared it to planned capital limits and the prior period and reported adverse trends or variances to senior management;
- Ensured that IPCIC's senior management takes prompt action to avert or remedy any projected or actual capital deficiency and reports any deficiencies, when required, immediately to the appropriate regulators. MFDA deficiency reporting requirements are described below in Early Warning Levels;
- Ensured that the month-end estimate of required risk adjusted capital is reconciled to the Monthly Financial Report submitted for regulatory filing and that material discrepancies are investigated and steps are taken to preclude re-occurrence; and
- At least annually, documenting a supervisory review of the Member's management reporting system related to capital that was conducted in order to identify and implement any changes required to reflect developments in the business or in the regulatory requirements.

Early Warning Levels

The MFDA's Early Warning System is designed to provide advance warning of a Member firm encountering financial difficulties. IPCIC's Chief Financial Officer is responsible for determining whether IPCIC is in early warning and for reporting any early warning for IPCIC to the MFDA. Early warning status is determined by completing Statement C (Statement of Early Warning Excess) of the FQR. IPCIC will be designated as being in early warning if at any time:

- **Capital:** Its risk adjusted capital is less than zero; or
- **Liquidity:** Its early warning excess is less than zero; or
- **Profitability:** Its risk-adjusted capital at the time of calculation is less than the net loss (before bonuses, income taxes and extraordinary items) for the most recent quarter; or
- **Frequency:** It has been designated in early warning more than two times in the preceding twelve months; or
- **Discretionary:** The condition of IPCIC, in the sole discretion of the MFDA, is not satisfactory pursuant to MFDA By-laws and Rules.

Early Warning Filing

If IPCIC is designated in early warning, then IPCIC's Chief Financial Officer and Chief Executive Officer will immediately deliver to the MFDA a letter containing the following:

1. Advice of the fact that any of the circumstances in MFDA Rule 3.4.2 are applicable;
2. An outline of the problems associated with the circumstances referred to in (a);
3. An outline of the proposal of the Member to rectify the problems identified; and
4. An acknowledgement that the Member is in early warning category and that the restrictions contained in MFDA Rule 3.4.2(b)(iv) apply, a copy of which letter shall be provided to IPCIC's auditor.

Monthly and Annual Filing Requirements

IPCIC is required to make the following filings regarding its capital requirements as a member of the MFDA:

1. On a monthly basis, within 20 business days of the month's end, file with the MFDA, a copy of the MFDA FQR for IPCIC as at the end of each fiscal month. The FQRs shall contain or be accompanied by such information as may be prescribed by the MFDA from time to time.
2. File annually with the MFDA two copies of IPCIC's audited financial statements as at the end of IPCIC's fiscal year or as at such other fixed date as may be agreed with the MFDA. Such statements shall be in such form, shall contain such information and shall be supplemented by such additional schedules as the MFDA may from time to time prescribe, and shall be filed through IPCIC's auditor within 90 days of the date as of which such statements are required to be prepared.

IPCIC is required to make the following filings regarding its capital requirements to provincial securities commissions:

1. Each month, file with the Alberta Securities Commission the prescribed net free working capital

calculation, unaudited statement of operations & retained earnings, and unaudited statement of financial position;

2. Every second month (March, May, July, September, and November) file with the Autorité des marchés financiers the prescribed net free working capital calculation, unaudited statement of operations & retained earnings, and unaudited statement of financial position; and
3. File annually with the provincial and territorial securities commissions a copy of IPCIC's audited financial statements as at the end of IPCIC's fiscal year. The audited financial statement must be filed within 90 days of IPCIC's fiscal year end.

Client Lending and Margin

IPCIC and IPCIC Advisors shall not lend or extend credit to a client or permit the purchase of securities by a client on margin.

Advancing Mutual Fund Redemption Proceeds

Notwithstanding our policy to not lend or extend credit to clients, there may be occasions where IPCIC, due to extraordinary circumstances, approves the advance of funds or extend credit to or on behalf of a client, directly or indirectly, in connection with the receipt of funds on the redemption of mutual fund securities.

In the event that IPCIC Head Office approves an advance, the advance may only proceed if:

- IPCIC has received prior confirmation of the redemption order from the issuer of the securities;
- The redemption proceeds to be received (excluding any fees or commissions) are equal to or greater than the amount of funds or credit to be provided;
- The client has authorized payment to and retention by IPCIC of redemption proceeds; and
- IPCIC maintains a copy of the confirmation of the redemption order and the client's authorization.

D – NEW ACCOUNTS, KYC AND ORDER PROCESSING

D1 – New Account Applications & KYC Information

To comply with the “Know-Your-Client” (KYC) and Client Account requirements set out in Section 2 of the MFDA Rules, IPCIC is required to establish procedures to maintain accurate and complete information about each client. The first step towards compliance with this rule is completing proper documentation when opening each new account of a client. Advisors are responsible for the suitability of each recommendation made for an account of a client and must assess the suitability of the investments in each client’s account according to MFDA Rule 2.2.1. “Know Your Client”.

As per MSN-0045, where IPCIC identifies a concern with respect to a client account under a joint code, and it is not clear who the servicing Advisor is all Advisors under the joint code may be held accountable. Where an Advisor on a joint account has not been involved in the collection of KYC information, the Advisor should confirm the accuracy of the information on file with the client before making any recommendations.

Full and accurate completion of the documentation when opening a new account allows both the Advisors and supervisory staff to conduct the necessary reviews to ensure that recommendations made for any account are appropriate for the client and in keeping with their investment goals and objectives. Maintaining accurate and current documentation will allow Advisors and supervisory staff to ensure that all recommendations made for any account are and continue to be appropriate for a client’s investment goals and objectives.

Account Transfers

Written authorization must be obtained from a client prior to the transfer of their account to IPCIC. Whenever a client has authorized a transfer of their account into or out of IPCIC, IPCIC and its Advisors will act diligently and promptly with respect to matters under our control in order to facilitate the transfer in an orderly and timely manner.

Account Opening Procedures

- A New Account Application Form (“NAAF”) must be completed for each new account of a client including:
 - Accounts of new IPCIC clients
 - New accounts of existing IPCIC clients
 - Clients of an Advisor transferring to IPCIC from another dealer
 - “GIC only” clients if the client has purchased the GICs through IPCIC or IPCIC is the agent of record with the financial institution holding the GICs

All sections must be fully completed including know-your-client (“KYC”) information. If a client is unwilling to provide any of this information, you cannot proceed with opening the account until all required information is obtained.

The client(s) and the Advisor must sign and date the NAAF. By signing and dating the form, the Advisor verifies that, to the best of his/her knowledge, the information is accurate and complete, and confirms they are familiar with the information.

MFDA Suitability Guidelines (MSN-0069) state that the following suitability analysis must be reviewed prior to approval:

Suitability: The clients stated risk tolerance, time horizon and investment objective(s) must be consistent with the investments purchased in the plan. For example, recommendations in volatile funds and riskier investments should be closely reviewed, as clients will need to be invested for a long period of time to have enough time to recover from potential downside deviation.

Completeness: All areas of the NAAF/KYC must be fully completed.

Reasonableness: An objective review of the KYC must be performed. Red flags must be noted, and inquiries made and documented. Examples of potential red flag issues include: any allocation to a high-risk tolerance or an all equity portfolio applied to seniors aged 65 or older in any plan, or when a time horizon of 10 or more years is applied to a client aged 75 years or older. More information about KYC reasonability can be found in CB 17-14 KYC Reasonability.

Consistency: All information collected must be consistent throughout the NAAF. For example, a client with a speculative investment objective should not also have a ‘low’ risk tolerance.

Timeliness: All client NAAF/KYC forms must be reviewed and approved in a timely manner, which in most cases would be next business day. The Branch Manager may approve new or changes to NAAF/KYC information electronically through Supervision Insights, via Synergize, or on the physical document by signing on the Branch Manager approver line.

The fully completed and signed NAAF is to be distributed as follows:

- “CLIENT COPY” – to be given to the client at the time of signing – under no circumstances should the Advisor retain the Client Copy in the branch or Advisor files.
- “ADVISOR COPY” – original client signed form is to be retained and filed by the Advisor in their client files.
- “HEAD OFFICE COPY”/ “BRANCH MANAGER COPY” (can be one and the same) is the copy sent to Head Office and/or the Branch Manager no later than the next business day after the client has signed the document.

The “HEAD OFFICE COPY” of the NAAF must be approved in writing (or electronically if using Synergize) by the Branch Manager. The approved copies of all NAAFs will be stored in an electronic format accessible through Univeris.

For the Branch Manager to approve the NAAF, it must be fully completed, and the KYC information must be reasonable and consistent with any other supporting documents containing similar information. *Note: NAAFs for all clients of any newly registered IPCIC salespersons required to complete IPCIC’s 90-day training must be approved prior to the client’s initial trade without exception.* If the NAAF has not been adequately completed, the Branch Manager must not approve and sign the NAAF until the deficiencies have been rectified and only then may the initial trade be processed. A pending file must be utilized to monitor and control outstanding deficient NAAFs in order to ensure that the deficiencies are remedied promptly. Branch Managers must clearly document their attempts to rectify any deficiencies noted.

Prior to inputting the initial trade, the information on the NAAF must be accurately and completely entered into Univeris. The Branch Manager should compare the paper copy of the NAAF to the client’s data in Univeris to ensure it matches.

If there is a change in client accounts from one IPC Advisor to another IPC Advisor, there is an obligation for the new Advisor to review suitability of the client account. This can be accomplished by either completing a KYC update form with the client, or, if the existing NAAF or KYC on file is less than 2 years old, then the existing NAAF/KYC may be used for verification of existing KYC information with the client. If the existing NAAF/KYC is used, the new Advisor must initial or sign the NAAF and record the verification date. The suitability verification needs to be completed before the first trade or within a reasonable time. “Reasonable time” will depend on circumstances surrounding the event and the volume of accounts to be reviewed. Generally, IPCIC expects completion within 6 months, and before the first trade. In all cases, any material changes to client KYC information require a client date and signature. This same process should be followed if client accounts are being moved from an individual Advisor code to a joint Advisor code within IPC. In this scenario, both Advisors must take the time to make themselves fully aware of the client KYC details, however only one Advisor would be required to document this review on the KYC or NAAF.

If the plan was opened before a NAAF/KYC was completed, a note explaining why it was not obtained must be entered into Univeris. The account must be restricted from all further trading (except for redemptions) until such time that the NAAF/KYC is received in good order.

Completing the NAAF

All fields and questions on the NAAF must be fully completed. Incomplete NAAFs will result in the client’s account not being opened or any trades being executed until the missing information has been obtained. Any/all changes made to the NAAF will require a client initial.

The guidelines for completing the NAAF are as follows:

Client Name

Accounts should always be opened in the correct legal name of the client rather than abbreviated form. For example, “James Tiberius Kirk” should not be abbreviated to “Jim Kirk”. In the case of a joint account, both parties are considered the “client” and a standalone NAAF is required for these joint accounts. Joint account registrations cannot be commingled with individual accounts on one NAAF.

Any subsequent changes in name can only be made if there is supporting documentation on file that sufficiently authenticates the change (e.g. marriage certificate or any other legal document to reflect the name change)

Corporations

Under the federal *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA), you must confirm the existence of the corporation and obtain information about the corporation and the directors, signing officers, and any beneficial shareholders of the corporation. If you are unable to confirm the beneficial ownership, you must obtain the name of the most senior managing officer of the corporation. If information cannot be obtained, the client should be flagged as high risk.

This is done by completing the Corporation Information Statement:

- Collects required information about the corporation
- Describes the documents that must be obtained in order to confirm the existence of the corporation and the status of the officers and directors – articles of incorporation, certificate of status or notice of assessment, current annual return confirming names and addresses of directors
- Identifies individuals that are beneficial shareholders

Trusts & Other Entities

Under the federal *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA), you must confirm the existence of a trust or other entities that are not corporations and obtain information about the signing officers, settlers of a trust and any beneficial shareholders of the trust or other entity. This is done by completing the Trust/Other Entity Information Statement. If you are unable to confirm the beneficial ownership, you must obtain the name of the most senior managing officer of the corporation, trust or other entity. If information cannot be obtained, the client should be flagged as high risk.

This is done by completing the Trust/Other Entity Information Statement:

- Collects required information about the trust or other entity
- Describes the documents that must be obtained in order to confirm the existence of the trust or other entity – trust deed, will for estate purposes, partnership agreement, articles of association

- Identifies individuals that are beneficial shareholders

The partners or officers that receive authorization to trade on behalf of the partnership/association must complete and sign the KYC Form. The “Corporation” box under Registration/Ownership” would be marked for these accounts even though not legally incorporated.

Social Insurance Number

Social insurance numbers are required in order to comply with Canadian Customs and Revenue Agency and other regulatory requirements relating to income tax and client identification.

Date of Birth

Date of birth is required by both securities and AML-ATF regulations. It also identifies minor children. Accounts should not be opened in the name of minor children as they may repudiate contracts entered into as minors. Ages at which a person can enter into a legal binding contract are as follows:

- 18 in AB, MB, ON, PE, QC, and SK
- 19 in BC, NB, NF, NS, and the Territories

Client Address

The client’s address must be a permanent residence for an individual or a business address, for a corporation per MFDA Policy 2. It cannot be a post office box other than in rural areas where this is the only option, or a temporary address such as a hotel. If a P.O. Box address is used, then the file must also contain the proper legal address (Lot 7, Block 14, for example) or 911 address. The driver’s license typically has this physical address. Under no circumstance can an Advisor’s address be used as the client’s address.

Any subsequent changes in address can only be made if there is supporting evidence on file that sufficiently authenticates the change. All address changes must be requested in writing and authorized by the client via client signature.

Email Address

The email address must belong to the client. Any subsequent changes in email address can only be made if there is supporting evidence on file that sufficiently authenticates the change. All requests to change an email address that are not received in person, such as those received in writing via email or letter, are required to be verified by the Advisor. In these cases, Advisors will need to call the client to verify the change, and to then document this conversation in the client file.

Advisors who intend to utilize the DocuSign eSignature platform with their clients, must obtain a valid email address in order to execute documents via eSignature process. For joint accounts, the current process requires each account holder to have their own unique email address.

Client Occupation and Employer

This information is required as it forms part of the KYC information that the Advisor needs to collect. The employer's address and telephone number are only a regulatory requirement for Quebec clients, but we recommend that you obtain this information for all clients as it enhances your client KYC and may be helpful in contacting the client. For individuals who are retired, it is necessary to identify their occupation and employer prior to retirement. Failing to capture a client's pre-retirement occupation and employer poses an AML risk to IPCIC, as clients could claim that they are retired simply to conceal their true source of wealth.

Identification

Client identification must be obtained in the following situations:

- At the time a new account is first opened;
- For individuals authorized to give instructions on an account;
- When an existing client opens a new account and whose identification is not already on file;
- When an existing client opens a new account, whose identification is on file, but where identification collected raises concerns about previous identification;
- When someone makes, or attempts to make a suspicious transaction (if you haven't identified them already, you need to identify the client unless doing so would tip them off that the transaction is being reported to FINTRAC);
- When information the client gives you is different from their previous identification; in this case you would have to re-identify the client; and
- When a large cash transaction record is required (as it is our policy to not accept cash this would only occur in contravention of the policy).

Who Must be Identified?

Identification must be obtained on all individuals *who are authorized to give instructions on an account* held by IPCIC and would include:

- The client and any joint applicant
 - If establishing a new account on the instructions of a power of attorney, the identity of the client must also be verified on the client application.
- Individuals who are authorized to give instructions on an account such as:
 - Individuals who have a Power of Attorney on an account
 - Individuals who have been granted Trading Authority on an account
 - Executors

- Parents on a minor's account (in some circumstances)
- Corporations
 - Identification for up to three individuals authorized to give instructions on an account
- Entities other than individuals or corporations (including non-profit organizations)
 - Identification for all persons authorized to give instructions on an account
- Beneficial owners – corporate or other entity accounts
 - Identification of beneficial owners who own or control, directly or indirectly, more than 25% of the shares of a corporation or other entity
- Trusts
 - Identification of all trustees authorized to give instructions on an account
 - Identification of the settlor and beneficiaries for an inter vivos trust
- When individuals who have already been identified but are now opening a new account in another capacity (such as an authorized individual on a corporate account or power of attorney), they need to have their identification collected again.

How to Verify a Client's Identity?

IPC has methods you can use to verify the identity of an individual:

- Government-issued photo identification where the document must be authentic, valid and current; or
- Dual-process method where the information must be valid & current and from different sources.

Effective June 22, 2019, FINTRAC removed the prohibition of viewing photo identification online. However, FINTRAC stipulates that it is not permissible to simply view a client's identification online. You must also use software or technology that would be able to authenticate the government-issued photo identification document. Investment Planning Counsel is currently investigating options that are available to meet the requirement to allow Advisors to use this option. You will want to continue to view government issued photo identification in the presence of the client. Investment Planning Counsel's preferred method to identify clients is to obtain and verify government issued (federal, provincial or territorial) photo identification document.

If a government issued photo identification document or card is not available, the two-factor identification method, may be used by referring to information from two reliable sources. While the legislation allows for this method to be conducted in a non-face-to-face manner, it is Investment Planning Counsel's policy that a review of the original documents is completed with the client present (i.e. in-person) for new clients including individuals authorized to transact on an account. In certain

situations, it may not be possible to view these documents with the individual present (e.g. elderly client resides in a home). In situations where normal account opening procedures cannot be followed, it is permissible to receive and verify the information where the individual is not physically present.

Single Process Method – Photo Identification

Current photo identification used to identify clients is the preferred method of IPC. For the document or card to be acceptable it must:

- Be issued by a federal, provincial (not including municipal) or territorial government;
 - Valid foreign identification, if equivalent to an acceptable Canadian document, would also be acceptable (e.g. a valid foreign passport).
- Indicate the client's name;
 - The name on the client application or supplemental form must be the same as the card or document used to verify the identity. There can be no variation in the name. If there is, you cannot use the document or card for identification purposes.
- Have a photograph of the client;
- Have a unique reference or identifier number;
- Match the name and appearance of the individual being identified;
- Be valid, current and non-expired.

Examples of acceptable government issued photo identification includes:

Type of Card or Documents	Issuing Province or State and Country
Canadian Passport	Canada
Permanent Resident Card	Canada
Citizenship Card (issued prior to 2012)	Canada
Secure Certificate of Indian Status	Canada
Driver's Licences	
British Columbia Driver's Licence	British Columbia, Canada
Alberta Driver's Licence	Alberta, Canada
DND 404 Driver's Licence	Department of National Defence, Canada
Provincial Services Cards	
Saskatchewan Non-driver Photo ID	Saskatchewan, Canada
Ontario Photo Card	Ontario, Canada
Nova Scotia Identification Card	Nova Scotia, Canada
Prince Edward Island Voluntary ID	Prince Edward Island, Canada
Types of Card or International Document	
Global Entry Card	United States
NEXUS	United States or Canada
France Driver's Licence	France
Australian Passport	Australia

*Note: This is not an exhaustive list. You cannot use a provincial health card for identification purposes where it is prohibited by provincial legislation.

The following information must be recorded on the NAAF:

- The individual's name;
- The date on which you verified the individual's identity;
 - The date in the signature section of NAAF are deemed to represent the date the identity verification was completed.
- The type of document used (e.g. driver's license, passport);
- The unique identifying number of the document used;
- The jurisdiction (province or state) and country that issued the document; and
- The expiry date, if it appears on the document or card.

How to determine "authentic" government issued photo identification:

You can determine the authenticity of a government issued photo identification document by looking at the characteristics of the original physical document and its security features in the presence of the individual to be satisfied that it is authentic as issued by the competent authority that is valid (unaltered, not counterfeit) and current (not expired). The following will provide you with a list of things to consider to allow you to verify the document you are provided from a client is "authentic":

- The room or area should be well lit;
- Take your time and examine the ID closely;
- Check the photo (is this the person in front of you?), the birth date and expiry date (if applicable);
- Hold the ID in your hands rather than allowing the client to flash it at you. If it is in any case, take it out;
- Feel for extra thickness around the photo and the edge of the lamination:
 - This may indicate a second photo is placed on top of an original and re-laminated.
- Look for consistency between numbers and letters:
 - Are the numbers and letters consistent and the same thickness, weight and colour?

Identity Verification Two Factor Method – Non-Photo Identification - Only to be Used in Rare Circumstances

While government issued photo identification is the preferred method to verify identity, the two-factor identification method involves referring to information from two reliable sources that refer to any two of the following:

- Document that contains the individual's name and address;

- Document that contains the individual's name and date of birth;
- Document that contains the individual's name and confirmation of a deposit, credit card or loan account with a financial entity (bank, trust or loan company, a caisse populaire or a credit union).
 - This does not include accounts such as Registered Retirement Savings Plans (RRSP).

To be acceptable, the information must be valid and current and from different sources. A valid document would include information that has not been redacted, amended, replaced or shortened. A current document would include information that has not expired (if there is an expiry date). To be considered current, the document must be the most recent version of the document. For example, if the client provides a Canada Revenue Agency (CRA) Notice of Assessment, it would need to be the latest one received by the client.

What is a reliable source of information?

A reliable source is an originator or issuer of information that can be trusted, be well known and considered reputable. Investment Planning Counsel considers documents issued by the following Canadian entities to be considered acceptable:

- Federal, provincial, territorial or municipal levels of government;
- Crown corporations, federally regulated financial entities, utility providers.

Information may be found in statements, letters, certificates, forms or other sources. Clients can provide an original version or another version of the information's format (e.g. fax, photocopy, scan). Examples of acceptable non-photo identification sources and documents include:

Reliable sources of information to verify name and address	Reliable sources of information to verify name and date of birth	Reliable sources of information to verify name and confirm a financial account (specifically a deposit account, credit card account or loan account)
Issued by a Canadian government body: <ul style="list-style-type: none"> • A fax, photocopy, scan or electronic image of a government-issued photo identification document • Any statement, form, certificate or other source issued by a Canadian government body (federal, provincial, territorial or 	Issued by a Canadian government body: <ul style="list-style-type: none"> • A fax, photocopy, scan or electronic image of a government-issued photo identification document • Any statement, form, certificate or other source issued by a Canadian government body (federal, provincial, territorial or 	Confirm that the individual has a deposit, credit card or loan accounts by means of: <ul style="list-style-type: none"> • Credit card statement • Bank statement for deposit or chequeing accounts* • Loan account statement (i.e. mortgage)* • Cheque that has been processed in the last

municipal): <ul style="list-style-type: none"> • Canada Pension Plan statement • Property tax assessment • Provincially issued vehicle registration • Benefits statement: • Federal, provincial, territorial or municipal levels 	municipal): <ul style="list-style-type: none"> • Birth certificate • Marriage certificate • Divorce documentation • Permanent resident card • Temporary driver's licence (non-photo) 	statement period by a financial institution <ul style="list-style-type: none"> • Telephone call, email, letter or other traceable means of confirmation from the financial entity holding the deposit account, credit card or loan account*
Issued by other Canadian sources: <ul style="list-style-type: none"> • Utility bill • Canada 411 • Record of Employment • Registered investment account statements (i.e. RRSP, TFSA)* • Insurance documents (i.e. home, auto, life)* 	Issued by other Canadian sources: <ul style="list-style-type: none"> • Investment account statements (i.e. RRSP, GIC)* • Insurance documents (i.e. home, auto, life)* 	
	Issued by a foreign government: <ul style="list-style-type: none"> • Travel visa 	

*Cannot be a statement for accounts under Investment Planning Counsel

As a result of the requirements for this method, the Identity Verification Two Factor Method Form is available on The Hub and is to be submitted along with your account opening documents for review and approval. The following information is to be recorded:

- The client's name;
- The date you verified the information;
- The name of the two different sources that were used to identify your client;
- The type of information (e.g. bank statement, utility statement); and
- The number associated with the information:
 - If there is no account number, you must record a reference number that is associated with the information.

Important Things to Remember for the Non-Photo Method

The source cannot be you, your client or from social media and you cannot use the same source to ascertain the client's identity. For example, you wouldn't be able to use two different documents from the CRA because the CRA would be considered the same source.

Investment Planning Counsel recommends that you review the original documents in the presence of your client. Be sure to take your time to review the information provided by your client. It is not acceptable to rely on information if any of the information appears to be doctored, altered, redacted or modified. We will consider the use of fax, photocopy or scan on a case by case basis. You will want to contact your Branch Manager and provide the details about your situation to determine the best approach.

If you cannot rely on the information or you determine that the information does not match what the client has told you, you cannot use the information. An alternative source or method (see photo identification above) to verify a client's identity must be viewed.

Who Needs to Be Identified?

Identification requirements apply to all beneficial owners of an account and individuals assigned Trading Authority or Power of Attorney on any type of account. For corporate accounts, identification must be obtained for directors, signing officers and all beneficial shareholders of the corporation.

If the Advisor has personally viewed the client ID, the Advisor must initial in the space provided on the KYC.

Affiliates

Any IPCIC Advisor can verify a client's identification including any Advisor of a related IPC firm (i.e. IPC Securities Corporation).

To rely on an associate of an IPC related firm you must confirm that they verified an individual's identity using government issued photo identification or non-photo identification and verify that the individual's name, address and date of birth in their record are those of your client. Below is a sample of an acceptable agreement that can be sent by email:

I, (insert IPC Advisor Name), hereby verify that the following individual's, (insert client's name), identity was verified using government issued photo identification / non-photo identification (select one) and was done with the client physically / not physically present (select one). I hereby verify that the individual's name, address and date of birth in their record are those of your client.

(Insert email signature)

The following information must be recorded by the IPC Advisor and returned to you:

- The individual's name;
- The date the affiliate verified the identity of the individual;
- The name of the affiliate that verified the individual's identity;
- The method that the affiliate used to verify the individual's identity; and
- The information that the affiliate recorded based on the method it used.

Foreign Account Tax Compliance Act (“FATCA”)

As of July 1, 2014, IPC is required under FATCA to adopt policies in order to comply with the Act. IPCIC has elected to accept a self-certification from clients attesting to whether they are a U.S. person for tax reporting for all new individual accounts. Likewise, on January 1, 2015, IPCIC adopted self-certification procedures to identify the tax status for entity accounts. As of July 1, 2017, the self-certification for FATCA is done using the relevant Canada Revenue Agency (CRA) forms created for this purpose. Provided that IPCIC has adopted procedures to comply with FATCA reporting there will be no withholding tax applied at source.

A U.S. Person is defined as:

1. a U.S. citizen or resident individual;
2. a partnership or corporation organized in the United States or under the laws of the United States or any State thereof;
3. a trust if:
 - a. a court within the United States would have authority under applicable law to render orders or judgments concerning substantially all issues regarding administration of the trust; and
 - b. one or more U.S. persons have the authority to control all substantial decisions of the trust; or
 - c. an estate of a decedent that is a citizen or resident of the United States.

Under no circumstance should Advisors assist clients in completing this question as it could be construed as providing legal advice. All new accounts opened subsequent to this date will also need have their taxpayer status appropriately identified and recorded on Univeris. Advisors will complete these details within the Foreign Tax Reporting section.

Commencing in 2015, IPCIC or the fund manufacture will report certain information on Financial Accounts to the CRA on an annual basis. The following accounts are considered exempt from the convention of reportable accounts under the CRA guidance Notice Part XVII of the Income Tax Act. (all other open/unregistered plans held by specified U.S. persons are potentially reportable):

- Registered Retirement Savings Plans (RRSPs)
- Registered Retirement Income Funds (RRIFs)
- Pooled Registered Pension Plans (PRPPs)
- Registered Pension Plans (RPPs)
- Tax-Free Savings Accounts (TFSAAs)

- Registered Disability Savings Plans (RDSPs)
- Registered Education Savings Plans (RESPs)
- Deferred Profit Sharing Plans (DPSPs)

In the occasion where there is certain “U.S. indicia” presented at account opening, such as a U.S. telephone number or address additional due diligence will be required. Refer to CB14-07 and CB14-13 for more information.

Common Reporting Standard (“CRS”)

As of July 1, 2017, IPC is required under CRS to adopt policies in order to comply with the Act. CRS requirements do not replace FATCA but expands upon already existing legislation relating to foreign tax reporting. Much like FATCA, registered plans are exempt from reporting requirements; however, CRS focuses on residency for tax purposes whereas FATCA relates to both citizenship and residency. IPCIC will become CRS compliant on June 19, 2017 to coincide with new AML regulations.

To comply with CRS requirements, any individual or entity that opens a new non-registered account, on or after June 19, 2017, is required to provide a self-certification to establish where the individual or entity and its controlling persons (Passive NFE’s) is a resident for tax purposes. Advisors are asked to collect both FATCA and CRS information on the relevant CRA self-certification forms that were created for this purpose:

- For Individuals: CRA Form – RC518: Declaration of Tax Residence for Individuals
- For Entities: CRA Form – RC519: Declaration of Tax Residence for Entities

Additionally, all non-registered accounts opened prior to July 1, 2017, were required to have completed the appropriate CRS forms by December 31, 2019. Advisors need to ensure that these forms are completed and on file.

Accounts are CRS reportable only when they meet certain criteria. Please refer to CB17-06 and CB20-03 for more information.

Banking Information

IPCIC highly recommends that banking information (bank, branch address, transit number, and account number) be collected for all new clients as it forms part of the client identification process and it may be needed in order to process certain transactions or to verify instructions received from the client. Banking information should be evidenced by either a void cheque or bank deposit form. In all cases, the onus is on the Branch Manager to ensure that the submission is lawful (i.e. by ensuring that the banking information provided belongs to the client providing the information).

Any subsequent changes in banking information must be authorized by the client in writing and can only be made with a client signed Letter of Direction and accompanying VOID cheque or bank deposit form. Alternatively, a client signed Non-financial update, KYC update or NAAF, with VOID cheque or bank deposit form is also acceptable.

Trading Authorization and Financial/Beneficial Interest Information

These are additional pieces of information that we need to ascertain under the federal *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA).

If a client answers yes to either of these two questions on the NAAF, or if a third party intends to make deposits into the account, then the Related Party Section must be completed on the NAAF for the third party and the third party must be identified. Note that the ability to make third party deposits does not extend to RRSP's (except spousal) or TFSA's due to Income Tax Act requirements.

Politically Exposed Persons (PEP), Heads of International Organizations (HIO's), Family Members and Close Associates of a PEP or HIO

This is an additional client determination that we need to make for each new client under the federal Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA). A Politically Exposed Person & HIO Determination Form must be completed if the client answered "yes" to the question:

- Is the applicant/joint applicant/power of attorney a:
 - Foreign or Domestically Exposed Person (PEP); or
 - Head of an International Organization (HIO); or
 - Prescribed family member of a PEP or HIO; or
 - Close Associate (CA) of a PEP or HIO?

The definitions for each category are included in the Investment Planning Counsel Information Booklet that the client must be given when the NAAF is completed.

A completed Politically Exposed Person & HIO Determination Form must be sent to IPCIC Head Office without delay. IPCIC has an obligation to obtain senior management approval within 30 days of the determination. Submissions can be made to CAMLO@ipcc.ca. If IPCIC management approves, enhanced monitoring of the client's account(s) will take place in accordance with the policies and procedures established for this purpose.

IPCIC also periodically compares its current client information with a subscription listing of known PEPs, HIOs and CAs in order to determine if there are any clients who may be undisclosed.

Please refer to FINTRAC' Know Your Client Guidance: Politically Exposed Persons and Heads of International Organizations for Securities Dealers for more information.

Know Your Client Information

Securities regulations require a client to provide information regarding their income, net worth, investment knowledge, and other investments.

Income: this is the annual income of the client(s) only and should not include the income of anyone else, household member or otherwise.

Net Worth: this is the net worth (assets minus liabilities) of the client(s) only and should not include those of anyone else, household member or otherwise unless client net worth includes spouse has been checked on the NAAF. **Note:** Liquid assets would include those that are not subject to restrictions and are readily converted into cash without penalties. For example, generally, investments would be considered liquid assets unless they are locked-in or held in a registered plan where there would be taxes owing on withdrawal.

Investment Knowledge: this identifies the client's knowledge of investment matters based on the client's discussions with their Advisor:

- **Limited:** The client is unfamiliar with investments and capital markets and has little or no previous investing experience.
- **Fair:** The client has limited previous investing experience and has some knowledge of investments and capital markets with an understanding of the risks and rewards of investing.
- **Good:** The client has previous investing experience and good knowledge of investments and capital markets with an understanding of the risks and rewards of investing.
- **Sophisticated:** The client has a broad knowledge of investments and capital markets, significant previous investment experience, and is familiar with Market Behavior and the characteristics of all investment products sold by IPCIC.

Plan Intent

For each non-registered plan opened, we need to identify the purpose for which the account was opened by choosing the appropriate tick-box on the NAAF or KYC form. When "other" is chosen as an option for plan intent, a detailed description is required to be provided regarding the exact purpose for which the account is being opened.

AML Code

Regulations require that a client risk assessment be performed at beginning of a business relationship (i.e. new client), as well as for existing business relationships (i.e. existing client).

The NAAF section titled, AML Code includes two checkboxes marked by a 1 and 2. This section is required to be completed by the Advisor prior to submitting the document to the Branch Manager for approval.

Based on your understanding of the client during the account opening or KYC Update process, this code would be marked “1” for high risk. Below are some high-risk situations to consider:

- Is the client involved in a cash intensive business (e.g. Laundromat, car wash, restaurant)?
- Is the client a PEP/HIO Person?
- Is the client an immediate family member/close associate of a PEP/HIO?
- Does the client reside in a known high-risk crime area or country?
- Does the client have any criminal convictions, regulatory sanctions or civil judgements?
- Is the source of funds unknown?
- Does the client exhibit suspicious behavior (see Suspicious Indicators section of this manual)?

The AML Watch flag in Univeris (client level) must be updated in situations where “1” is selected. The AML Watch flag is used for trending and reporting purposes. Head Office Compliance may periodically remove clients from this list if it is determined that their account activity appears to be at a low risk for money laundering.

If an Advisor’s assessment determines there is no AML risk, this code would be marked “2”.

It is important to ask questions and document everything. You will not be asking “Are you a terrorist” but rather simple questions such as “Where are the funds coming from? What are your intentions?”

What if a client does not tell you the truth? This may happen, but what is important is for an Advisor to fulfill their obligations. An assessment of suspicion should be based on a reasonable evaluation of relevant factors.

Leverage Identification

For each plan opened, we need to document whether or not the client has borrowed from any source to make their investment (RSP Loan, Credit Line, Mortgage, Leverage Loan, etc.), regardless of whether or not the leveraging strategy was recommended or facilitated by the Advisor. Leveraged investing is defined as borrowing money to finance an investment. Although borrowing for the purpose of RSP investment is typically viewed as a lower risk strategy than other leverage practices, it must still be regarded as leveraging for the purposes of providing the required leverage disclosure.

Note: The IPCIC Leverage disclosure form must be attached to the purchase form if the client borrows money for investing any time after six months from the account opening date.

Plan Specific KYC

Securities regulations require clients to provide this information regarding their investment objectives, time horizon, and risk tolerance. IPCIC Advisors are required to collect and administer this information in a manner that is consistent with any standards established by IPCIC. If a client is opening more than one plan type, the Advisor needs to obtain this information for each plan being opened as this KYC information can vary from one plan to another.

Note: You can only open multiple plans with a single NAAF if the account ownership is exactly the same for all plans. For example, James Kirk can open a non-registered plan, an RSP plan, and a locked-in RSP plan with a single NAAF but another NAAF would be required if the account registration of one plan is “James Kirk and James Kirk Jr.” In addition, if James Kirk opened a non-registered plan in January using a NAAF, and then opened an RSP plan in April, a second NAAF would be required.

Investment Objectives:

These categorize the financial goal or goals of the client and their identification helps to determine what kind of investments are appropriate for the client. An Advisor can establish a client’s overall circumstances and record in the client file the global objectives. The investment objectives recorded on the KYC is per plan registration. It is the Advisor’s responsibility to recommend investments that in their opinion would help the most to achieve the client’s overall investment goal and be reasonable and in line with the client’s objectives. IPCIC determines a product’s investment objectives by reviewing information provided by the investment provider in their Fund Fact or prospectus documents. IPCIC does not determine the investment objectives by an analysis of the underlying investments and asset allocation within a mutual fund. The client may have more than one objective and the importance of each is expressed as a % and the total % must equal 100. If there is only one objective, it is to be marked as 100%.

- **Income:** The client seeks investments that produce a continued receipt and steady stream of income within the investment such as a bond or dividend fund. A client’s desire to withdraw a portion of their investments on a regular periodic basis does not mean they have an income objective. Rather, it means that they have a cash flow requirement. This requirement is additional KYC info above and beyond investment objectives, risk tolerance and time horizon. Accordingly, the establishment of a SWP or regular periodic distributions does not satisfy a client’s income objective but rather satisfies an additional requirement for regular cash flow. For example, establishing a SWP for a growth fund does not satisfy an income objective.
- **Balanced:** This goal is a combination of the income and growth goals and typically includes approximately 40% fixed income and 60% equity. IPCIC is also of the position that dividend focused equity funds that pay a regular distribution to unit holders may also be suitable to satisfy a balanced objective; not from an asset class standpoint but rather in an intent to create income and growth. The exposure to risk should be more moderate. Advisors may also select debt and equity funds to create their own balanced plan or simply invest in balanced objective mutual funds.
- **Growth:** The client seeks investments primarily focused on achieving capital appreciation with little or no emphasis on the generation of income. The client is willing to accept a medium or higher level of risk in their portfolio in exchange for the potential of long-term capital growth.

Examples of investments that may meet this objective include most equity mutual funds. While it is common for an equity mutual fund to have certain investments that are income generating in order to reduce the product's volatility, such funds are not suitable for clients whose primary objective is income.

Split Investment Objectives: If a product's offering documents describe a split investment objective without allocating a percentage to each, IPCIC will default to a 50/50 split for each. For example, a balanced fund with an investment objective described as "the object of this fund is to provide for long term capital appreciation and a moderate level of income" will, in most cases, be considered suitable for a client with a 50% income and 50% growth investment objective.

Time Horizon

This identifies the length of time that the client expects or is willing to hold the majority of investments within the plan. Once a client has identified his/her time horizon, Advisors are then responsible for assessing its reasonableness in comparison to the clients age, investment objectives, risk tolerance and their particular circumstances. Be reminded that recording time horizon as 10 or more years for seniors aged 75 or older should be done sparingly (on an exception basis only) and when applied, be well documented. Any such instances must pass a reasonability test of which none of the following are acceptable responses:

- Client is healthy;
- Client has signed the KYC form;
- Client needs higher risk products to generate income;
- Client's investment goal is "estate planning";
- Client is aware of all risks; and
- Client is eligible for the product.

Branch Managers must receive detailed notes before a review can be performed and subsequently approved. Refer to CB 17-14 KYC Reasonability for more information.

Risk Tolerance

This identifies the greatest degree of risk that the client is willing to assume based on the Advisor's discussions with the client. The degree of risk must be reasonable and in line with the client's overall circumstances as the Advisor must ensure that trades entered on behalf of the client are for products whose risk tolerance, as described on the IPCIC Approved Product List available on the IPC HUB, are equal to or less than the client's stated risk tolerance. Investments held by a client can be less risky but not more risky than the client's stated risk tolerance.

It is highly recommended that all Advisors have their clients complete a “risk profile” questionnaire that the Advisor reviews with the client. A copy of the risk profiler signed by the client is then retained in the client’s file along with any other documents supporting the client’s KYC profile. These questionnaires assist a client in expressing their risk comfort and are commonly available from the fund companies and from IPCIC as well.

The client may have different risk tolerances for portions of their overall portfolio, and this is indicated by assigning a % to each applicable risk tolerance and the total % must equal 100. If there is only one risk tolerance for the entire portfolio, it is to be marked as 100%.

It is important to remember that the investments held in a plan must be customized to satisfy the client’s risk tolerance rather than risk tolerance customized to satisfy the plan’s holdings.

IPCIC has the following 5 Risk Categories:

1. **Low:** For investors seeking a low expected rate of return but sufficient to provide some current income with a low risk that they will lose money in ordinary circumstances over the medium to long-term;
 - A conservative investor, will accept lower returns to minimize price volatility
 - Uncomfortable with potential short-term losses
 - Generally, a short-term investment time horizon (i.e. 1-3 years) but not always
 - Bond and Income funds - typically, Canadian fixed income funds fall in this category
2. **Low to Moderate:** For investors accepting less than normal returns, with a low risk of losing money over the medium to long term (although higher than the “low” category).
 - Accept some risks and can tolerate minor losses
 - Expecting a rate of return that should exceed inflation, but not comfortable with wide fluctuations
 - Bond, Balanced funds and some Asset Allocation funds generally fall in this category, although some equity funds qualify
3. **Moderate:** For investors expecting market rates of return from equity investments with a:
 - Reasonable amount of volatility;
 - Accept some risks and can tolerate periodic declines in the value of the investment as a trade-off for potentially higher long-term results
 - Will accept greater price volatility than lower risk tolerances to pursue higher returns over the long term
 - Various equity, global and income trust funds generally fall in this category

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4. **Moderate to High:** For investors seeking slightly higher than market rates of return who are willing to undertake more risk to achieve that and;
- Are comfortable with a variety of long-term equity investments
 - Can tolerate the negative performance inherent in stock market cycles
 - Accept greater risk and can tolerate periodic declines in the value of the investment as a trade-off for potentially higher long-term results
- Includes various equity funds that invest in specific countries or in specific sectors of the economy, small cap, resource and precious metals generally fall in this category
5. **High:** For investors seeking potential high returns who are willing to take a substantial risk that they may lose money:
- Priority to maximize the long- or short-term return potential
 - Will accept large price swings or volatility to seek the highest returns
 - Funds may experience a relatively high degree of volatility
 - Have the financial resources to withstand losses that may occur in the portfolio

Note: In all cases, clients must initial all changes made to the KYC. For example, if an objective or risk percentage that was originally pre-populated but then is crossed out and changed to a different percentage, the client must initial that change.

Limited Authorization Form (“LAF”)

The Advisor must indicate on the system when the client has completed a LAF. The original form must be attached. This is not the same as a Power of Attorney (POA) which grants discretionary authority to an individual over the account of another. IPCIC will take disciplinary action against an Advisor who personally accepts a POA over a client’s account and uses this form of trading authority as a means for discretionary trading on a client account. Please discuss POA issues with your Compliance Officer.

A Note on Joint Accounts

Each client is fully responsible for the joint account. A jointly held registration is defined as a separate entity or client. Each jointly held registration must have its own KYC for the plans opened in its name or those controlled by it for their minor dependents. If the plan is a joint ITF, one client would be the primary and the other a related party, the name of the person the plan is held in trust for would also be a related party and the basic information must be gathered on this form.

Please note that age and investment knowledge should be collected for each individual account holder, annual income and net worth can be collected separately or combined but must be indicated whether it is combined. Information for investment objective, risk tolerance, time horizon must be combined.

Amendments to the NAAF/KYC

The NAAF represents the legal contract between the Dealer, the Advisor and the client. In the event of a dispute we rely on these documents to demonstrate that proper authorization was obtained from the client. Accordingly, IPC requires evidence of client authorization by way of client signature, and if any changes are made to the form, by obtaining a client initial beside all changes.

Where an error has occurred when completing these forms, the Advisor should cross out the incorrect information, re-record the correct information, and have the client initial beside all changes. The use of whiteout is strictly prohibited.

Changes to all the following sections on the NAAF/KYC require client initials:

- Address
- Banking Information
- Client Name
- All information under the KYC information section and plan specific KYC sections

Clients must be provided with copies of all NAAF and KYC forms.

Fund Company Questionnaires and IPC Individual Client Profiler

IPCIC allows for the use of third-party fund questionnaires and the IPC Individual Client Profiler to help document and validate the KYC collection process. The use of these tools is strictly complementary to determining a client's potential ideal asset mix and does not serve to satisfy an Advisor's KYC obligations. At a minimum, Advisors are to collect, understand, and consider all factors identified on a client's NAAF/KYC and as outlined in MFDA Policy 2. Where an Advisor uses such a questionnaire there is an expectation that the questionnaire be provided to your Branch Manager for review and approval.

IPCIC Client Information Booklet

The *Client Information Booklet* must be provided to each new client of the firm. The client acknowledges receipt of the Booklet when they sign the NAAF. The booklet includes the IPC Personal Information Policy, Relationship Disclosure, Client Complaint Information disclosure, and Equity Interest disclosure documents which we are required to provide to all new clients. This document is available in Univeris and on the IPC HUB by going to Compliance>Relationship Disclosures.

Client Complaint Information Disclosure

MFDA regulation requires us to provide their prescribed disclosure form to new clients whenever a NAAF is completed and also whenever a client submits a written complaint to us. The disclosure describes the steps that a client may take if they have a complaint and it also provides information regarding the Ombudsman for Banking Services and Investments (OBSI). The Client Complaint Information Disclosure is included in the *Client Information Booklet*.

Statement of Policies Disclosure

Securities legislation requires us to provide certain disclosures to clients with respect to related dealers and Advisors and potential conflicts of interest with these related parties. As a result, the IPCIC “*Statement of Policies*” disclosure is provided to all clients, annually, with their client statement. The Statement of Policies is also available on our website at www.ipcc.ca.

IPC Personal Information Policy Disclosure

Section F-2 of this manual describes IPCIC position regarding the protection of the privacy, confidentiality, accuracy, and security of Personal Information that we collect, use, retain, and disclose in the course of providing our clients with our products and services.

A description of our policy is included in the *Client Information Booklet*. The full policy is available on our website at www.ipcc.ca.

Know Your Client Information

As stated in the “Account Opening Procedures” section, all fields and questions on the NAAF must be fully completed including know-your-client (“KYC”) information. IPCIC will not permit an account to be opened for a client who refuses to provide required KYC information. A NAAF indicating that the client “declines to provide certain info” will be rejected even if the client is willing to sign a document to that effect.

With respect to existing accounts, trades will be rejected at the Advisor’s expense if current and complete KYC information is not available in Univeris.

Stale Date KYC Policy

Clients must sign and date a new KYC form at least once every 2 years even if their KYC information remains unchanged from the last signed KYC form on file. KYC forms may need to be updated more frequently if there are any material changes as described below.

Trades that are processed with a stale date KYC on file will be immediately placed into Order Affirmation and released only upon the presentation of an updated and approved KYC document. Costs or trade losses resulting from any delays in processing are fully attributable to the Advisor. Advisors may not attempt to circumvent this policy by by-passing Univeris and sending trades directly to the fund company. Full redemptions and automatic transactions such as PAC’s and SWP’s are not affected by this policy. We highly suggest entering KYC information into Univeris prior to placing trades on the system, so as to avoid un-necessary issues with trades going into Order Affirmation for reasons relating to a stale date KYC.

With respect to partial redemptions, Branch Managers cannot rely on Univeris to assist with ensuring that their Advisors are adhering to the stale date KYC policy. Branch Managers need to closely watch for partial redemptions during their daily trade reviews and use a graduated warning system when breaches

to this policy are identified. Upon the 3rd attempted partial redemption for any one client (no matter the account), the account should be restricted by placing a Trade Watch where appropriate. The Compliance Department at Head Office should be further notified so that a Compliance Notice can be issued to the Advisor. No further trades should be permitted until such time that an updated KYC is received and approved by the Branch Manager.

Know Your Client Information Updates

An Advisor must update the NAAF/KYC information in the client's Head Office file and on Univeris whenever they become aware of a material change in client information. The date of the change must also be recorded in both the client file and Univeris. A Know Your Client Update form signed by the client is the preferred way to document changes in KYC information. If, instead, the changes are noted directly on the client's existing NAAF, the client must initial and date each change made.

A material change is any change in the client's life circumstances that requires a revision to the KYC information we have on file. Examples of a material change include, but are not limited to, changes in occupation or employment status, marital status, income, net worth, risk tolerance, investment objectives or time horizon. Any material changes in a client's KYC information must be reviewed and approved by the Branch Manager no later than one business day after the change is received from the client. The approval must be noted on either the NAAF or the KYC Update form.

Notwithstanding the above, IPCIC will include the current Univeris plan specific KYC information on our official IPCIC statements sent to clients at each calendar year end. The statements request clients to notify our firm if the KYC information previously provided, or the client's circumstances, has materially changed. Written authorization and supporting documentation must be obtained from the client for any change in the client's name.

Clients are required to initial the first page of the KYC form and to sign the second page of the form. Copies of all KYC updates must be provided to your clients for their records.

Return Mail

In most cases Advisors find out about return mail when mail sent to the client has been returned by the post office or the Advisor becomes aware that a client's phone number has gone out of service. Advisors must make a reasonable effort to obtain updated information whenever invalid addresses and phone numbers are encountered and to maintain evidence of their efforts.

IPC's Document Services team is responsible for keeping track of all return mail. In order to do this, a count of all return mail is kept for reporting purposes. In addition, every piece of return mail needs to be logged in Univeris through the client details page and coded as "Incorrect Address and Hold Mail." The team will reach out to all Advisors asking for assistance when mail is returned to Head Office.

On a regular basis, IPCIC Advisors should be running reports to identify clients with returned mail by generating reports through Univeris under: Reports>Management>Marketing>Client List, selecting Incorrect Address, Hold Mail and Hide KYC Information.

D2 – Mutual Fund Processing Procedures

Timely Transmission of Orders and Other Documents

National Instrument 81-102 requires orders received by a dealer at a location other than the principal office to be delivered to the principal office by the next business and the principal office in turn must deliver the order to the mutual fund company by the following business day (forwarding manual trades to a fund by regular mail or any other manner which does not guarantee next day delivery is not acceptable). For our purposes, the dealer's principal office should be taken to mean any IPCIC office that inputs trades into Univeris.

Simply stated, an order received by an IPCIC Advisor must be delivered to an IPCIC location that inputs trades into Univeris on the same or the next business day after a client has signed the document. Whenever an Advisor forwards a trade order to a Branch that is dated prior to that date, a notation as to why should be attached (for example, "received yesterday after 4pm cut-off" or "received by mail today").

Branches must ensure they are adequately staffed to ensure trades are either input into Univeris on the business day that they are received or forwarded to mutual fund companies in a manner that ensures that the fund company receives it on the next business day. Branches are permitted to have a reasonable cut-off time for same day processing.

When an order is received by the Dealer or Branch, the documents are to be promptly date stamped and then checked for completeness and accuracy. On the same or next business day that the order was received, the transaction is entered electronically or forwarded by courier to the mutual fund company for the purchase of fund units only if the order cannot be entered electronically please refer to Compliance Bulletin CB13-10. The purchase price the customer should receive would be the net asset value per share calculated by the mutual fund on its next valuation.

The IPCIC policy this example is drawn from is as follows:

- The trade documentation must be delivered by hand, fax or courier to an IPCIC location that inputs trades into the system on the same or the next business day
- The IPCIC location must process the trade electronically the same business day it is received from the Advisor
- If you can place the orders electronically, then they must be placed the same business day the order is received by the sales Advisor from the client

- Orders received by telephone (using an LTA) should be treated similarly to electronic orders, and should be placed the same day they are received by the Advisor from the client
- If an order is placed to the fund company over the phone or by other means that circumvent the branch office (for example, a fax sent directly by an Advisor to a Fund Company or Intermediary without a copy also being provided to the branch), copies of the applicable backup documents (KYC, Client Acknowledgement, and trade documents) must be received by the branch no later than one business day after the client has signed the form. This ensures that the Branch Manager is able to perform the required compliance review of the trade in a timely manner. Corporate Branch Managers will send copies of all manual trade approvals to Synergize for scanning on behalf of the Advisor.
- Whenever an Advisor forwards a trade order to a Branch that is dated prior to the date that it is sent, a notation as to why should be attached (for example, “received yesterday after 4pm (EST) cut-off” or “received by mail today”). This provides documentation that the order was forwarded to an IPCIC processing location in a timely manner.
- IPCIC processing locations are required to date stamp all orders upon receipt as the date recorded on the order may not be indicative of the date that the order was received from the Advisor. The date stamping provides documentation that the order was processed in a timely manner.
- If there is a delay in processing a trade in a timely manner, the Branch Manager is responsible for determining if the delay resulted in any harm to the client. If so, the harm must be remedied in accordance with the process described in Section B-11 Letters of Indemnity
- In instances where a Licensed Assistant is signing a form on behalf of an Advisor in his/her absence, this form must subsequently be presented to the Advisor when they return to the office for the Advisor’s review and signature. Forms must then be re-submitted to Synergize for scanning.
- Purchase and Redemption documents should generally not to be pre or postdated, nor should they be held in an Advisor’s office for a period of time. All instructions should instead be acted upon immediately. However there may be a limited number of circumstances where this may be appropriate, such as in cases where the client is not able to be contacted for an extended period of time due to travel or for other reasons, and the proceeds from a transfer or maturing GIC are expected. In cases where it is necessary to have paperwork signed that cannot be processed until a later date, the form should be current dated, with a clear notation that the trade will not be processed until (date) and that the client understands that market values fluctuate. If a trade will be processed longer than 30 days after the signing of client instructions, the Advisor will contact the client to verify the trade details, previously agreed too, and to document this fully in the meeting notes or client file. Any contemplation of this scenario should first be discussed with

your Branch Manager to determine the most appropriate course of action given the circumstances.

Compliance with these procedures is mandatory. The IPCIC location cannot be bypassed when submitting orders or redemptions. If an Advisor submits an order directly to a fund company and therefore bypasses the IPCIC location, it prevents IPCIC from fulfilling its responsibility to ensure full compliance with Securities Acts, Regulations and Policies, and may result in disciplinary action by IPCIC.

Obtaining Client Authorization for Trades

An Advisor registered as a mutual fund's salesperson does not have "Discretionary Trading" authority and is required to obtain specific client instruction for each and every trade and to also maintain adequate records of the specific instructions. It is always preferable that you meet your clients in person however If you are dealing with your clients over email, know that by their very nature email communications carry an element of risk and you should safeguard your business by ensuring that all email communications with clients are secure by password protecting all documents.

The detailed requirements for obtaining client authorization for trades are as follows.

A trade can only be processed after the Advisor has received specific instructions from the client.

- An adequate record of the client's specific instruction is one of the following:
 - An IPCIC order entry form or a detailed letter of direction clearly identifying the fund(s) to be purchased and/or redeemed containing an original client signature*;
 - A faxed or emailed copy of an IPCIC order entry form or a detailed letter of direction clearly identifying the fund(s) to be purchased and/or redeemed containing a client signature provided that the client has signed a Fax/Scan and Email Agreement and the original Agreement is in the client's file; or
 - For those clients who have signed an LAF, a record maintained by the Advisor detailing the date, time and specifics of the trade instruction received by the client (for information on trades using an LAF please refer to the Limited Authorization Form (LAF) section below).
- A fund company or intermediary (B2Bapplication or form that contains all of the following:
 - Client information & signature*
 - Dealer & Advisor Information
 - Advisor signature (if there is no space for this, it is acceptable to sign near the Advisor information)
 - Trade details including fund names and commission fee basis

- Client acknowledgement of receipt of Fund Facts
- For purchases, a notation as to whether or not the client has borrowed money to make the purchase

The Advisor must maintain an adequate record of the instruction in the client's individual file as follows:

- For e-mails, both the e-mail and the attachment with the image of the client's signature or copy of the LAF agreement.
- For faxes, both the fax cover sheet and the trade instruction document.

Amendments to Order Entry Form

IPCIC is bound to demonstrate evidence of client authorization for all trades. As such, any amendments to Order Entry Forms must have a client initial where there is no LAF on file. Specifically, changes to any of the following will require a client initial:

- Fund Name/Fund code
- Date
- Dollar amount to be invested/sold
- Fund load type

Signature Falsification

Blank or pre-signed forms, or forms containing signatures which have been falsified by other means, are strictly prohibited. Examples include, but are not limited to:

- Client signed forms which are blank or only partially completed
- A client signs multiple forms for use in future trading
- Cut and paste, photocopying or use of liquid paper on a document to "re-use" a previous signature
- Altering or correcting any information on a signed document, without the client initialling the document to show the change was approved
- Reproduced client initials beside changes made to a document where the client forgot to initial
- Use of liquid paper to white out old instructions and write in new instructions on a signed client form
- Receiving client instructions over the phone or by email and signing the client's signature on an account form to carry out the instructions
- Photocopied a previously submitted account form and altered the trade details in order to process a new trade

Detection of any such infractions are required to be reported under MFDA Policy 6.

Copies of Paperwork

Clients should be provided with a copy of everything they sign. This includes copies of all NAAFs, KYCs, disclosures, fund company forms, order entry forms, letters of direction, and/or any other signed document which pertains to the accounts a client maintains with IPCIC.

Changes to Client Name, Address or Banking

MFDA Rule 2.2.4 and MFDA Policy 2 requires that a client signature must be on file to evidence any changes in client name, client address or client banking information.

Electronic and Digital Signatures (eSignatures)

An electronic signature refers to electronic information that a person creates or adopts in order to sign a document and that is in, attached to or associated with the document. Some examples include: (i) a typed name on an electronic form or document; (ii) an image of a handwritten signature on a transmitted fax, (iii) clicking “agree” or “disagree” on an electronic “terms and agreements” contract, and (iv) a handwritten but digitally captured signature made on a touch device, such as a tablet or smartphone (sometime referred to as a “dynamic signature.”

A digital signature is a type of electronic signature that includes a certificate of authority to identify both the party requesting a signature and the party providing one.

The purpose of an eSignature is to establish a lasting and reliable record of intent to execute a document. eSignatures are functionally equivalent to a wet signature. IPC currently provides a digital signature facility through DocuSign Inc. Advisors cannot use their own e-sign service provider, as it is necessary for IPC to maintain control for third-party verification and regulatory audit. Advisors also cannot use their IPC DocuSign account for personal or outside business activities, as these form a permanent part of IPC’s books and records. While there is conflicting legislation regarding the use of eSignatures in estate processes, IPC will approve beneficiary designations made electronically.

Please refer to the Forms with Signature Tags Guide to know which forms are able to be accepted via client eSignature. This can be accessed by going to the IPC HUB and navigating to the Managing Your Business page>MFDA Services>eSignature.

Required Disclosure of Fees and Pre-Trade Disclosure of Charges

Regardless of the method used to receive client trade authorization, MFDA Rule 2.4.4 requires disclosure of direct fees and charges deducted from either the proceeds to be received, or the amount to be invested by the client at the time of the transaction. Specifically, Advisors are required to disclosure all fees or charges a client may or will incur, disclosure the term and extent of any deferred sales charges, which may apply and advise as to whether the security will pay trailing commissions.

MFDA Rules require that documentation is maintained to support that the client was informed of the above. Advisors may maintain evidence in the form of notes on the Order Entry Form, IPC notes template, or another comparable method.

This requirement also extends to Estate redemptions.

Fee Based Accounts

There is an increased popularity for fee-based accounts as both Advisors and clients recognize a need for increased fee transparency. At IPCIC, we offer fee-based accounts through IPC Nominee and client name. Where offered through IPCIC, note that both financial planning fees and fee-based accounts need to be in keeping with your requirements to deal fairly, honestly and in good faith with your clients – this means no double dipping and ensuring that all fees are recorded through IPCIC. Double dipping is when a client is charged a fee based on assets in a fee-based account that also pays a sales commission and/or has an embedded trailing commission.

All documents that are used to establish a negotiated advisory fee with clients, whether client name, or nominee, must be submitted to your Branch Manager for approval on a T+1 basis. Branch Managers must inquire on fees less than 0.5% in accounts less than \$1,000,000, and where a rate of 0% has been established. Further, all 0% fees must be presented to Tier 2 Compliance for pre-approval.

Refer to CB-16-20 for more details.

Email, Facsimile and Scanned Document Agreement

This is a form that IPCIC clients can execute whereby the client requests and authorizes IPCIC to receive instructions and information from time to time by way of fax or email. IPCIC agrees to act on such information subject to certain terms and conditions. Specifically, IPCIC is not obliged to act on instructions received in this manner but will notify the client within one business day if that is the case. The client also agrees to accept all responsibility for actions taken by IPCIC in good faith in accordance with instructions given that purport or appear to have been received from the client and releases IPCIC from any liability or claim from any failure to act on instructions never properly received.

The agreement (version January 2015 and later) permits clients with an LAF on file to email order instructions within the body of an email, those clients without an LAF will still need to fax or scan a completed order entry form back to their Advisors for processing. The terms of use are indicated on the form. Previous versions of the agreement could only be used where an LAF was also on file. The new form can also be used to satisfy collecting express consent to communicate or send documents to your clients electronically.

The form is available in a stand-alone version and also forms part of the Client Information Booklet.

Joint Accounts

The E-mail Agreement is specific to each individual client, so a husband and wife must each sign a separate agreement and issue separate e-mail instructions. Advisors may not accept email instructions from a spouse who does not hold trading authority or power of attorney over the other spouse's account. In cases where a joint account has been setup that only one of the owner's instructions is required to affect a transaction, then an e-mail from only one of the registered owners is acceptable.

Acceptable E-mail addresses

The Fax/Scan and E-mail Agreement allows a client to set out certain e-mail addresses as their "acceptable" addresses. Due to the potential for confusion about which party the instruction is coming from, multiple clients may not both share the same e-mail addresses for the purposes of the E-mail Agreement.

Redemptions

Redemption requests require special attention. Advisors have the responsibility to double-check the authenticity of all redemption instructions, especially when these instructions are received or accepted via email or through other non-face-to-face means. Clients must be called, and the legitimacy of the request confirmed. This protects the client from any potential e-mail security breaches and provides an increased opportunity for the Advisor to verify the client instructions and to confirm that the redemption proceeds are being directed into the clients own personal bank account (and not to a third party). Refer to CB17-11 – Eliminating Fraudulent Redemptions in Client Accounts for more information.

Specific Instruction Guidelines

A client's instruction is sufficiently specific if it does not require the Advisor to exercise discretionary trading by having to interpret the instruction or make a choice about which investment to purchase or redeem. The following illustrates some examples of acceptable and unacceptable instructions.

Acceptable - The client has given specific instruction if they write:

- "Add the attached cheque to the ZZZZZ fund in my RRSP account" or
- "Redeem \$2,000 from my open account on a proportionate basis from each fund" or
- Switch all of my ZZZZZ fund to the YYYYY fund

Unacceptable - The client has not given specific instruction if they write

- "Add the attached cheque to my RRSP" and the RRSP holds more than one fund or
- "Redeem \$2,000 from my account" and it holds more than one fund or
- "Please invest the attached cheque as you see fit"

Limited Authorization Form (LAF)

A Limited Authorization Form (“LAF”) from a client prescribes the manner in which a client can give specific instruction to an Advisor for accounts in client name only including joint accounts. It may not be used for intermediary accounts, nominee accounts, corporate accounts or “in trust for” accounts. The LAF cannot be used for clients living outside of Canada, nor can this be used for clients holding segregated funds with IPC Estate Services. The name is a bit of a misnomer as it does not permit the Advisor to act without specific instruction from the client. One key point to note is that the use of an LAF does not eliminate the need to actually receive specific client authorization - it simply eliminates the need to obtain the client’s signature. Further, the LAF does not alleviate the need to obtain signature for banking changes, KYCs or NAAFs – the LAF is intended to assist in the facilitation of trade instructions.

Please refer to MFDA Rule 2.3.2, CB14-02, and CB 19-06 for more information.

Use of LAF

The LAF allows clients to provide authority to their Advisor to give instructions on the client’s behalf to fund companies. This authority extends over the following transaction types:

- Purchases;
- Switches within fund families;
- In cash-transfers (version 2019)
- Set up or change PAC’s, SWPs and AWD’s (version 2013 and later)
- Set up and change of Systematic Switching Plans (version 2019)
- Redemptions (Note: Proceeds on redemptions may only be directed to the clients address or financial institution, as found on the form. It is not acceptable to alter the form to have proceeds directed to the branch or elsewhere. A client signature is required if redemption proceeds are to be directed to other than the clients address or financial institution).

Trades requiring a client disclosure cannot be transacted using a LAF as the disclosure will require an original client signature. (e.g. 10% Free/Matured Units Switch; Rebate Purchases; Leveraged Account Purchases)

The LAF is a 6-page document (version 2019). All pages must be presented to the client when they execute the authorization. The Advisor must ensure that the client understands that by signing the LAF, the client is NOT granting discretionary trading authority to IPCIC and/or the Advisor and, accordingly, there will not be any trading in the account without specific authorization from the client.

After the LAF has been fully completed, a copy must then be returned to the client and the original LAF bearing the client’s original signature is sent to the IPC Head Office Compliance. Head Office will forward a certified true copy of the LAF to any fund company as may be required.

A LAF covers all existing and future accounts conducted by an Investor/s. A single LAF is required for purposes of providing trading instructions on all accounts held by a single Investor. In the case of joint accounts, a separate jointly signed LAF is required for all accounts conducted by the same joint Investors. Two or more Investors cannot operate their jointly held accounts under the authority of separately signed LAFs.

No Discretion Granted

A Mutual Fund Advisor does not have “Discretionary Trading” authority and is required to obtain specific client instruction for each and every trade. No discretion in relation to the investment’s nature, size, or timing is allowable. Failure to obtain and record client instructions for a transaction is a serious offence that it may result in internal disciplinary procedures being initiated, which may include suspension or termination of the Advisor’s registration. Such actions could also be considered grounds for dismissal.

Record-Keeping for Trading Authorizations

Advisors must be in the habit of recording and retaining good quality notes, in written or electronic format, of conversations they have with their clients. Advisors must record and maintain evidence of client instructions for all trades in accordance with MFDA Rule 5.1(b). Records of client trade instruction should include the date and time of the discussion, particulars of the securities to be purchased, redeemed or switched, and a note as to how the instructions were given (e.g. by telephone, in person, by e-mail or by fax). These notes should be maintained for a seven-year period in accordance with MFDA Rule 5.6. Without such notes, we are at the mercy of the courts in the event of a dispute. Branch Managers are responsible for sampling a selection of trades each month to check for adequate evidence of client authorization for trades where an LTA is utilized.

Due to the heightened record keeping requirements and resulting risks, this form may not be suitable for all clients. Both the client and the Advisor must understand and be comfortable with this process. Accordingly, in addition to the requirements set out in Rule 5.1, it is recommended that these records also include the following:

- A summary of the discussions between the client and the Advisor including any recommendations made by the Advisor (regardless of whether or not the client acted on the recommendation) and a summary of the various alternatives discussed with the client; and
- As per Rule 2.4.4 confirmation as to the discussion regarding fees or charges to be paid on the transaction or fees or charges that may apply (e.g. deferred sales charges).
- Notes must be kept in Advisors’ files to be readily retrievable for supervisors and regulators. Copies must be maintained by IPCIC even after an Advisor resigns or is terminated.
- Advisors who do not maintain adequate notes of client instructions will not be permitted to utilize this form or will have their right to utilize the LAF revoked.

The LAF form must be approved by your Branch Manager and retained in the clients file.

Completing and Administering the Form

- This form is for use with client name accounts. A single form will cover all current and future accounts of the client until such time as it is revoked or expires. Any changes to the form will require that a new form be executed. The LAF supersedes and replaces any other LAF, Limited Trading Authority, limited power of attorney or power of attorney previously granted to IPCIC or the Advisor by the client. Unless it is revoked by the client or expires, the LAF continues in force.
- The general provisions contained within the form must be reviewed with the client so that they fully understand the terms and conditions that will apply. The form contains a client acknowledgement for their signature indicating that they have read these provisions. There are two areas in which the clients must sign the form, on pages 3 and 6.
- It is important to note that the IPCIC Advisor named on the LAF can be the same person witnessing the client signature on the form. The Advisor cannot signature guarantee the LAF and the signature guarantee area is to be left blank when initially completing the LAF. This section is only completed whenever a fund company requires you to do so. If you receive such a request from the fund company, you should have your assistant or another Advisor in the office signature guarantee the form.
- Your client should be well suited to the use of a LAF. You should be careful not to lead clients to grant authority that makes them uncomfortable. This is not a blanket form to be used for all clients. Only those clients that for a particular reason, usually geographic, are unable to sign an application should be considered for this procedure. If you are not comfortable with a particular client, request that they sign all investment instructions. Your Branch Manager will make the decision on whether this form may be used and whether he/she will require a signed client direction to follow the processing of the transaction. The Branch Manager is responsible for trade supervision and has the authority to reject transactions or procedures that they are not comfortable with.
- The transaction request must be processed at the time of the discussion with the client. For example, during a phone conversation a client instructs you to transfer his assets out of equity mutual funds at the first signs of market weakness. That could be days, weeks or months after the conversation. This could result in accusations of discretionary trading which is not permitted. When the time arrives, you must contact the client again for confirmation to proceed.
- Client instructions may be taken by telephone, facsimile, other electronic means, written notice or verbal instructions during a meeting. IPCIC does not prohibit the use of telephone call recording technology. In order to comply with the PIPEDA when using call recording technologies, an Advisor or Licensed Assistant should take the following steps when recording conversations:

- 1) The individual must be informed that the conversation is being recorded at the beginning of the call.
- 2) The individual must be advised of the purposes for the recording. The Advisor or Licensed Assistant must be clear about the purpose. If the caller objects to the recording, the Advisor or Licensed Assistant should provide the caller with meaningful alternatives. Whatever method is used, sufficient record keeping must be maintained.
- 3) When using call recording technologies for joint accounts, the verbal instruction provided can be from only one of the account holders rather than all account holders provided that this is agreed upon by all account holders and duly noted on the clients file, with the fund company and on the back-office system.

Expiry of the Authorization

Authorization will expire immediately upon:

- Written notice of revocation by the client(s);
- Death of the client;
- Written evidence of the client's mental incapacity or bankruptcy having been received by IPC;
- Change in dealer of record (transfer of the client to another dealer);
- Transfer of the clients Advisor to another dealer; or
- Execution by the client of a new trading authorization.

Advisors should carefully read and become familiar with all sections of the LAF. Questions may be directed to your Branch Manager.

IPCIC Business Continuity Plan

IPCIC has developed a detailed business continuity plan ("BCP") that will ensure that we are adequately prepared to minimize business disruptions in a variety of potential crisis situations and be able to continue service or resume operations within an acceptable period of time. The BCP is overseen by the BCP Steering Committee and reviewed and tested annually by IPC's BCP Office.

Client Disclosure Required When Selling Value Partners (VPI) Funds

National Instrument 81-105 Mutual Fund Sales Practices requires a mutual fund dealer and its Advisors to disclose any ownership interest that the dealer or Advisors have in any mutual funds sold through the dealer to investors prior to the investor making a decision to purchase the related mutual funds.

Advisors who own equity ownership in VPI are in a conflict of interest position when they offer VPI funds to clients. The conflicts arise because there is the potential for personal gain, which could then lead to

inappropriate recommendations and adverse client outcomes. As such, Advisors are no longer able to acquire new shares in VPI.

Advisors who currently own shares of VPI should continue to provide the VPI disclosure *“Important Information regarding Value Partners Investments”* to any new clients who purchase VPI, as this provides the necessary disclosure required by National Instrument 81-105. The disclosure can be found on The Hub by going to Compliance > Relationship Disclosure.

One copy of the completed form is to be given to the client and another is to be placed in the branch file for the client.

Off Book Transactions Are Prohibited

All business that you are licensed for under IPCIC must be a product that has been approved by Head Office and must be processed through a Branch or Head Office.

Any order, whether for your own portfolio or for your clients, must be directed for processing and compliance through a Branch or Head Office, to ensure Head Office can maintain fully complete and accurate records and have all transactions on our books and records. Any transactions not processed through a Branch or Head Office would be considered “off book”. If you are licensed to sell a product, collect paperwork or a cheque from a client or receive any remuneration for processing the transaction through IPC, and you do not process it through a Branch or Head Office (i.e. you send this to the fund company directly), it is considered off book.

The Securities Commissions consider off book transactions a serious violation and can impose severe fines or suspend the license of both the Advisor and the dealer.

Approved Product List

IPCIC maintains an approved product list on the IPC Hub.

IPCIC no longer offers exempt products and is not permitted by registration to trade, advise or transfer in these products. Accordingly, the approved other product listing has been retired.

Prohibited Forms of Settlement (Payment)

Under no circumstances can an Advisor ever compensate a client from a personal or business account. Any compensation to a client must be submitted to Head Office in the form of a cheque requisition and deducted from an Advisor’s commission. This includes any form of compensation either directly to the client or to their account (trade losses, rebates, refund of transfer fees etc.)

To ensure the safety of client’s money, IPCIC’s policy is that under no circumstances can any Advisor of IPC Investment Corporation:

- Accept “cash” from a client (includes cash, travelers’ cheques, or cheques made out to cash);

- Accept a third-party cheque, an endorsed cheque or change the redemption proceeds to a third party;
- Have a client make a cheque payable to the Advisor;
- Make a “personal” cheque to a client’s account;
- Deposit a client’s cheque into his or her own personal bank or investment account;
- Deposit a client’s cheque into a trust account the Advisor may maintain for other business reasons such as a Real Estate Trust Account or a GIC Brokerage Trust Account; and
- Request for redemption proceeds to be payable to a third party.

Any deposits to the trust account for a single client, where the cheques total \$250,000 or more must be certified in advance of presentation for deposit to the trust account (cheques drawn on the accounts of the fund companies - typically redemption cheques payable to “IPC in trust for the client” - are exempt from this requirement). Cheques must be drawn on a Canadian institution and be deposited on the same day (or in advance of) as the purchase.

This policy is in place to reduce the risks of:

- Loan Risk - Client cheque does not clear and IPCIC has to float the funds to the client’s account until the replacement cheque clears
- Offset Risk – Client writes a bad cheque, cannot replace the funds, and the Advisor has to pay the offset on reversing the purchase
- Redemption Risk (Theft Risk) - Client deliberately (fraudulently) provides a bad cheque then redeems the funds through another institution before the cheque was returned to IPC as unclearable
- Money Laundering and Terrorist Financing Risk – clients are attempting to engage in activity that is contravention of the Federal Proceeds of Crime (Money Laundering) and Terrorist Financing Act

When faxing in a deposit slip containing cheques drawn on the same account that total over \$250,000, please attach a copy of the cheque evidencing that it has been certified. Our settlements team will follow up on any copies not received with the deposit slip.

In the event of a cheque that is not able to be certified (some banks are not able to certify items) then the cheque must be made payable to the fund company, and the trade individually settled. **UNCERTIFIED CHEQUES DRAWN ON THE SAME BANK ACCOUNT TOTALING OVER \$250,000 ARE NOT TO BE DEPOSITED TO THE IPC TRUST ACCOUNT IN ANY CIRCUMSTANCES.** Please note that cheques drawn on the accounts of the fund companies are exempt from this policy. Failure to comply with this policy may result in the

trades being reversed at the advisor's expense, and the advisor's commissions placed on hold until the risk of the uncertified deposit has been eliminated.

All deposits for investments must be made payable to IPCIC in trust for the client. Bank stamped copies of trust deposit slips must be received by IPCIC's Head Office by 3:00pm (EST) on the trade date. A charge of \$25.00 per deposit slip for deposit slips received after 3:00pm (EST) may be applied.

Late Trading

IPCIC does not permit clients to engage in late trading. Late trading is illegal and occurs when purchase or redemption orders are received by a mutual fund company after the close of business but are filled at that day's price rather than the next day's price. Late trading is a violation of National Instrument 81-102, which regulates the distribution of mutual funds and it is not excused or mitigated as a result of the consent or acquiescence of a mutual fund company.

IPCIC clients who seek to purchase or redeem mutual fund transactions after the close of trading at the NAV calculated for the same trading day gain the possibility of an information advantage based on after-close news that could affect the mutual fund's holdings but is not reflected in the NAV pricing for that day. In most cases, NAVs are set as at 4 p.m. Eastern Standard Time, meaning that in those cases all orders received by the fund company after that time must be valued at the NAV set on the next business day. This is so even if IPCIC received the order from the client prior to 4 p.m. EST.

If any IPCIC Advisor becomes aware of or suspects that a client is engaging in or attempting to engage in late trading, they are required to report the matter to IPC Head Office Compliance for their review.

Market Timing

IPCIC does not permit clients to engage in market timing. Market timing involves short-term trading of mutual funds securities to take advantage of short-term discrepancies between the price of a mutual fund's securities and the stale values of the securities within the fund's portfolio. Market timing transactions include mutual fund trades that occur when the purchaser or seller believes that the mutual fund's NAV does not fully reflect the value of the fund's holdings. For example, the fund has holdings that are priced on a basis that does not include the most updated information possible. International funds are most vulnerable to this as traders can take advantage of time zone differences. Funds holding thinly traded securities are also vulnerable to market timing manipulation. In addition, frequent switches or active buy and sell strategies may be indicative of market timing.

If any IPCIC Advisor becomes aware of or suspects that a client is engaging in or attempting to engage in market timing, they are required to report the matter to IPC Head Office Compliance for their review. IPC Head Office will also review any notices provided by fund companies with respect to short-term trading charges incurred by our clients in order to determine if the clients are engaging in market timing.

Pre-Sale Delivery of Fund Facts

Securities laws require Advisors to deliver the Fund Facts Document before the actual purchase of a mutual fund. The regulators have intended for the definition of “before” to be flexible; it is important to remember that the prospective investor must have enough time to review the material facts of the investment and make an informed decision. The mutual fund purchase cannot be completed until the delivery of the Fund Facts and the recording of evidence of the delivery method.

Requirements

- *The pre-sale Fund Fact delivery requirements apply to new purchases*; subsequent purchases of the same fund do not require additional delivery if the client already has the most current version.
- It does not apply to subsequent pre-authorized plan purchases (“PACs”).
- Sending out Fund Facts in batch to prospective clients does not satisfy delivery requirements.

Exception

In cases where a client requests not to receive a pre-sale Fund Facts document, but a purchase is immediately required, there can be an exception to pre-sale requirements: this results in providing the Fund Facts document post-sale. *This should happen rarely and “not be a pattern for most initial sales”.*

If this occurs:

- You must maintain evidence of client consent for post-sale delivery - consent does not need to be in writing.
- You are required to provide the client with certain verbal disclosures with respect to the fees and trailing commissions that may apply for the associated transaction.
- Consent for post-sale delivery is one-time only and cannot be blanket consent for all future orders.

D3 – Churning, Excessive Trading Activity, and Switch fees

The MFDA defines churning, excessive trading or overtrading as a practice whereby an Advisor recommends a trade or multiple trades in a client’s account for the purpose of generating commissions, or otherwise creating a benefit for the Advisor where there is little or no rationale for the trade(s) or where the trade(s) will have little or no economic benefit for the client.

The practice of churning is inappropriate in that:

- Our business philosophy is to strive to ensure that our client’s interests are always our first priority; IPCIC and IPCIC Advisors have an obligation to deal fairly, honestly and in good faith with clients and observe high standards of ethics and conduct in the transaction of business in accordance with MFDA Rule 2.1.1.

MFDA Rule 2.1.4 also requires IPCIC and IPCIC Advisors to ensure that any conflict of interest is addressed by the exercise of reasonable business judgment influenced only by the best interests of the client

MFDA Member Regulation Notice MSN-0065 “CHURNING” provides guidance for the MFDA’s position with respect to churning and excessive trading. Examples of prohibited trading activity include:

- The redemption and subsequent repurchase of the same fund where the repurchase generates commissions. Temporarily parking the redemption proceeds in another investment such as a money market or no load fund for a short period time does not transform this into an acceptable trade.
- The movement of money between funds in the same fund family done as a redemption and repurchase rather than a switch in order to generate a commission higher than a typical switch fee.

Examples of trading activity which may be churning include:

- DSC to new DSC Schedule
- 10% Free to DSC
- Matured DSC Free Units to new DSC Schedule
- Front End to DSC

Note: Effective September 2019, IPC no longer allows the purchase of any new LL or DSC funds in any client account.

The ability to charge the client a switch fee or a fee on a FEL fund is another area that must be viewed in relation to a pattern of generating unjustified revenue. Charging these fees is relatively uncommon, as they tend to make your business less competitive in the eyes of the client. Clients who themselves request numerous portfolio changes on an on-going basis may certainly warrant levying the fees, however the reason for these additional fees must be well documented. Clients must also appropriately be advised that mutual funds are viewed as long term investments. To take a large number of clients and impose fees of this nature may be far less justifiable.

Fund investments with a DSC schedule - still running creates a unique opportunity for the Advisor and client to determine what action is in the clients’ best interest. If for any number of reasons, the existing investment becomes no longer suitable for the client, either because of changed client circumstances, fund manager or fund strategy changes or extremely poor fund performance, it may be necessary to recommend a change in the portfolio. In these cases, the client will face a deferred sales charge that they otherwise would not expect. Further conversation with the client should clearly explain the ramifications of making the changes and this must all be properly documented in meeting notes. Advisors have the option of using the cheque requisition process to give back to the client, any DSC fees incurred upon redemption of a DSC fund.

Supervision

Daily Tier 1 and Tier 2 trade reviews, monthly reporting requirements and audits are structured to detect churning and excessive trading in client accounts. IPCIC views these as a significant breach of our obligations to our clients and it may be grounds for IPCIC to take disciplinary action against the Advisor involved.

If you have concerns about the appropriateness of any transaction, you should contact your Branch Manager for guidance.

Fund Company Automatic Conversion Plans

Note: while IPC no longer allows the purchase of DSC funds in client accounts, there may be remaining legacy DSC funds in a client's account to which this section applies.

Prior to entering a client into any fund company arrangement that automatically converts DSC units to 0% FEL units on a recurring basis, appropriate disclosure must be provided to the client and written consent must be obtained from the client as outlined in MFDA Notice MSN-0041.

The fund company's disclosure form to be signed by the client should include the following:

- disclosure of any increased dealer/advisor compensation including trailer fees
- disclosure of any tax implications
- reference to the applicable Fund Facts

The MFDA also expects Dealers to notify clients each year prior to the annual switch.

D4 – Fee Rebating and Disclosure

All fee rebates, such as trustee fees or transfer out fees that are paid either directly to the client or a third party will be deducted from the “net” commission of the Advisor (i.e. after IPCIC's share of commission) and are subject to regulatory requirements. In order to do so, the Advisor must submit a completed Advisor Cheque Requisition, available on Univeris in the forms section. The cheque will be returned to the address specified on the cheque requisition.

Advisors can use this similar process to rebate back to clients any fees incurred on the redemption of a DSC mutual fund.

D5 – Out of Province/Country Trading

Trading typically includes three types of activities:

- Any sale or disposition of a security for valuable consideration;
- Any receipt by a person or firm registered under the Securities Act of an order to buy or sell a security; or

- Any act, advertisement, solicitation, conduct or negotiation in furtherance of the foregoing.

Out of Province

Advisors cannot act in furtherance of a trade for a resident of any jurisdiction in Canada prior to obtaining a registration or a client mobility exemption in that jurisdiction.

Solicitation in a province where an Advisor is not licensed is a violation of the Advisor's agreement with IPCIC and that province's Securities Laws, and therefore may be cause for immediate termination

Client Mobility Exemptions

IPCIC permits its Advisors to utilize client mobility exemptions contained in National Instrument 31-103. Advisors may apply for a non-resident registration in another province by logging onto the IPC HUB and accessing the Registration Updates icon, and then completing the "Client Mobility Exemption Request (CME)" form.

The client mobility exemptions permit an Advisor to have up to 5 clients in a Canadian jurisdiction other than their resident province without the need to be registered in that non-resident jurisdiction if certain requirements are met. Specifically, these requirements are as follows:

- The Advisor must have been the Advisor of record for the client, before the client moved to the new province
- IPCIC Registrations must file a 31-103F Use of Mobility Exemption form for the Advisor with the securities commission in the non- resident jurisdiction
- IPC must notify the impacted clients in writing that the Advisor is exempt from registration in the local jurisdiction
- Not subject to requirements otherwise applicable under local securities jurisdiction

Once approved, your Registration Officer will provide you with the form letter to deliver to your clients. A copy of the letter must also be placed in the client file.

Trading for U.S. Residents

Source: IIAC Guidance: US Snowbird & Temporary Resident Exemptions August 2012 (updated November 2018)

In June 2000, the U.S. Securities and Exchange Commission (SEC) granted an exemption from broker-dealer registration for SRO Members and their Advisors when dealing with U.S. residents, who have Canadian self-directed tax-advantaged retirement plans such as RRSPs and RRIFs. This exemption includes Canadian citizens who are temporarily resident in the U.S. The exemption is also subject to the following conditions:

- Trading in non-registered accounts is prohibited.
- The account must be managed by the client (i.e. the client must select or control the funds).

- IPC and Advisors may not advertise to or solicit U.S. customers.
- On an annual basis it is the responsibility of the Advisor to disclose to clients that such accounts are not regulated under the securities laws of the U.S. and that IPC is not subject to regulations in the U.S.
- IPC or Advisor must have a bona fide pre-existing relationship with the client before they entered the U.S. Soliciting accounts from U.S. residents is not allowed.
- IPC and Advisor must comply with the anti-fraud provisions of U.S. securities laws.

Additionally, each State separately regulates securities trading and distribution. This means that in addition to the Federal SEC Rules, which allow Canadians to manage their registered retirement accounts under the above noted exemption, there are State laws which must be considered and whose conditions must be met in order to provide certain services to clients. Advisors should always contact the Registrations Department before setting up any accounts for U.S. residents to confirm current State requirements, as they do change from time to time.

In accordance with SEC Rules, the exemption is subject to the following conditions:

Advisors are prohibited from providing advice to U.S. residents on their non-registered accounts, which includes:

- Opening or transfers into new non-registered accounts
- Additional purchases to or switches within existing non-registered accounts
- Maintaining or setting up PAC's in non-registered accounts

NOTE: It is in the Advisor's and client's best interest to advise clients to transfer their non-registered account(s) to an institution that can service their financial needs. All U.S. clients with non-registered accounts at IPC are restricted to liquidating transactions only.

Most U.S. states permit Advisors to service and execute trades in registered accounts of clients who are now U.S. residents. Advisors are permitted to do the following provided that certain conditions are met:

- Service clients that hold a tax advantaged retirement account ("registered plan"), i.e. RRSP/RRIF, LIRA/LIF.
- Transfer ownership to Canadian Residents in any account.
- Issue statements, KYC Updates, proxies, and other material as required by law.
- IPC and the Advisor must have pre-existing relationship with the client before entering the U.S.
- IPC and/or the Advisor meet any licensing and registration requirements, based on exemptive relief offered under the applicable Model category (see Model categories below) for each

respective U.S. state (registration fees may apply for some States).

NOTE: Redemptions are always permitted in any account.

Model 1: Self-Executing Exemption

IPC and Advisors are permitted to deal with clients who have registered plans in the following Model 1 states based on the following:

- Advisor is a Canadian resident.
- Not have an office or other physical presence in the state.
- Only allow transactions in self-directed tax-advantaged retirements plans for Canadian clients with whom the Advisor has a pre-existing relationship and the clients are:
 - Temporarily present in the state i.e. snowbirds, temporary work permit; or
 - Resident in the state but maintain a registered plan that they are the holder of/contributor to.
- Must be in good standing with the Mutual Fund Dealers Association of Canada (“MFDA”).
- Maintain its provincial registrations and its membership in the MFDA in good standing.
- Not be in violation of the anti-fraud laws of the state in connection with its securities transactions.

If you become aware that your client has moved to any of the Model 1 states listed below, please contact your Registrations Officer who will provide you with a letter to send to your U.S. client(s) holding a pre-existing registered plan with IPC, advising them that you are operating under a registration exemption. This letter must be sent annually to your U.S. client(s).

Model 1 States:

California	Michigan	South Dakota
Connecticut	Minnesota	Texas
Georgia	Missouri	Vermont
Idaho	Nevada	West Virginia
Illinois	New Mexico	Wisconsin
Kansas	Ohio	Wyoming
Kentucky	Oklahoma	
Maryland	Pennsylvania	

Model 2: Exemption by Notice Filing Procedure

IPC and Advisors are permitted to deal with clients who have registered plans in the following Model 2 states provided that:

- All requirements in Model 1 are met.
- Advisor discloses to their U.S. client(s) that they and IPC are not subject to the full regulatory requirements of the Blue-Sky laws in the state.
- IPC and/or Advisor must make a notice filing to claim the exemption.
- No filing fees are required to be paid.

Prior to dealing with any U.S. clients who are now resident in any of the following Model 2 states, IPC is required to submit formal registration documentation to the State regulator. If you become aware that your client has moved to any of the Model 2 states listed below, please contact your Registrations Officer who will provide you with a letter to send to your U.S. client(s) holding a pre-existing registered plan with IPC, advising them that you are operating under a registration exemption. This letter must be sent annually to your U.S. client(s).

Model 2 States:

Alabama	Indiana	New Jersey
Arizona	Louisiana	North Dakota
Arkansas	Nebraska	Rhode Island
Colorado	Maine	South Carolina
Delaware	Massachusetts	Tennessee
Florida	Mississippi	Utah
Hawaii	Montana	Washington

Model 3: Special Registration Procedure

IPC and Advisors are permitted to deal with clients who have registered plans in the following Model 3 states provided that:

- All requirements in Model 1 are met.
- IPC and Advisors must file a registration application and renew that application annually along with any applicable fees &/or renewal fees.
- Advisor discloses to their U.S. client(s) that they and IPC are not subject to the full regulatory requirements of the Blue-Sky laws in the state.

Prior to dealing with any U.S. clients who are now resident in any of the following states, IPC is required to submit regulatory registration filings for both IPC and the Advisors along with the applicable

registration fees. Advisors are required to pay any such individual registration fees, which must be renewed annually. Please contact your Registrations Officer for more information on registration requirements and costs.

Please note that dealing with U.S. clients in Model 3 states is prohibited until confirmation from the U.S. regulator is provided to you. This process may take several weeks. If you become aware that your client has moved to any of the Model 3 states listed below, please contact your Registrations Officer who will provide you information regarding next steps. Once registration is confirmed, your Registrations Officer will also provide you with a letter to send to your U.S. client(s) holding a pre-existing registered plan with IPC, advising them that you have been granted exemptive registration in that state.

NOTE: If exemptive registration is not obtained, the account will be placed on Trade Watch and the client must be informed that no trading is permitted on their accounts other than liquidating transactions.

Model 3 States:

Alaska	New Hampshire	Oregon
D.C.	New York*	US Virgin Islands
Iowa	North Carolina	Virginia

*IPCI cannot meet the filing notice requirements for New York so therefore Advisors are not able to deal with clients who reside in this state

Trading for Out-of-Country Residents

A “foreign order” is an order made by, or on behalf of, an investor resident outside of Canada, including a Canadian investor living outside of Canada, or a non-Canadian for tax purposes. The laws of the foreign country regulate the sale of financial products to that individual.

Dealers and Advisors with accounts outside of Canada are obligated to comply with the securities laws in those foreign jurisdictions. Advisors are reminded that disciplinary action may be taken by IPC, the MFDA or Canadian or international securities authorities for breach of those requirements. The guidance below is applicable to both registered and non-registered accounts.

Closed Countries

Due to securities legislation within certain countries or strategic AML/CFT deficiencies as prescribed by the Financial Action Task Force (FATF), IPC will not open accounts or accept orders, except transactions of a redeeming nature, for individuals (or corporations) resident in the countries listed below:

Australia	Ethiopia	Iran
Brazil	Gibraltar	Iraq
China*	India	Israel

Jamaica	Singapore	Tunisia
North Korea**	South Korea	United Kingdom
Pakistan	Sri Lanka	Vanuatu
Russia	Thailand	Yemen
Serbia	Trinidad and Tobago	

* Excludes Hong Kong ** Treat as High Risk

NOTE: This is not an exhaustive list and is subject to change without notice. Many fund companies will not allow new accounts or trades for clients falling within their own closed country lists. Advisors must contact the applicable fund company before initiating any transaction for an out-of-country resident to confirm current requirements and whether the fund company will accept the proposed transaction(s).

Existing IPC clients who have relocated from Canada to one of the closed foreign countries listed above and have decided to retain their accounts with IPC will be allowed to do so, subject to the following restrictions:

- Advisors are prohibited from giving advice to these clients.
- Redemption requests are typically not subject to these restrictions.
- Additional purchases into or switches/transfers within existing accounts are not permitted.
- Existing clients are not permitted to open new plans.
 - *Exception:* with prior fund company approval, Advisor may be able to accommodate the change of ownership required as a result of an estate settlement or marriage breakdown. A new plan may be opened provided the new non-resident owner is an existing IPC client.
- The address of a foreign resident must not be changed to a Canadian address in an attempt to avoid the restrictions, i.e. the address of a relative of the client.

Open Countries

Any country not identified on the Closed Country table above is considered Open or Open-Unsolicited (see country lists below). IPC will accept orders for client's resident in an open country; however, will only open new accounts for existing clients that have moved to one of these countries.

With prior fund company approval, orders may be accepted from existing IPC clients while they are outside of Canada if they provide the Advisor clear and specific investment instructions in writing. The Advisor must not solicit an order or provide advice. All such requests must be retained in the client file to support all out-of-country trades and trades should be marked as unsolicited. This applies to requests that relate to inter-fund transfers and new deposits.

Open Countries

Advisors are permitted to deal with clients in these countries as they would with a client in Canada:

Bahamas	Costa Rica	Jersey States
Bermuda	Isle of Man	Turks & Caicos

Open-Unsolicited Countries

Advisors are permitted to deal with clients in these countries, provided the client initiates the trade(s):

Argentina	Greece	New Zealand
Austria	Guernsey	Norway
Belgium	Hong Kong	Portugal
Cayman Islands	Ireland	Saudi Arabia
Chile	Italy	South Africa
Denmark	Japan	Spain
Finland	Luxembourg	Sweden
France	Mexico	Switzerland
Germany	Netherlands	Taiwan

NOTE: Any country not included on any of the lists above should be treated as Open – Unsolicited. It is recommended that Advisors contact the applicable fund company before initiating any transaction for an out-of-country resident to confirm current requirements and whether the fund company will accept the proposed transaction(s). Regardless of all of the above, IPCIC reserves the right to decline any trades for residents of any place other than the province in which the Advisor is registered.

D6 – Suitability Obligations for Unsolicited Orders

Overview

MFDA Rule 2.2.1 requires IPCIC and our Advisors to use due diligence to ensure that each order accepted, or recommendation made for any account of a client is suitable for the client and in keeping with the client's investment objectives. The obligation to make a suitability determination applies to all proposed trades, whether the trade was recommended by the Advisor or an unsolicited order was received from the client.

Unsuitable Orders

If an Advisor's suitability assessment for an unsolicited order determines that this order is not suitable for the client and in keeping with the client's investment objectives, the Advisor must advise the client before executing the trade that the transaction is not suitable based on the information provided on the New Account Application Form ("NAAF") or KYC Update form and provide appropriate cautionary advice.

If the client's information has changed, the NAAF or KYC form must be updated to reflect this. If the client's KYC information has not changed and the proposed trade is unsuitable in light of the information on the NAAF or KYC forms, the Advisor needs documentation if the client insists on proceeding with the trade.

Procedures for Unsuitable Orders

Where an unsolicited order is determined to be unsuitable for the client, the Advisor must advise the client in writing that a suitability review has been performed and it has been determined that the proposed transaction is unsuitable for the client. If the client wishes to proceed with the trade, the client must acknowledge in writing that they were advised that the trade is not suitable, and they wish to proceed despite this. A sample letter of direction for these types of situations is available on the IPC HUB by going to Forms & Applications>MFDA-IPCIC>Order Entry and Transfers>Letter of Direction – Unsolicited Trade Request.

Before processing the trade, the Advisor must also get approval from their Branch Manager.

Copies of all documentation must be placed in the client file.

No Obligation to Accept Unsuitable Orders

IPCIC and its Advisors are not obligated to accept a purchase or switch order from a client that is determined by IPCIC to be unsuitable.

D7 – Suitability Generally

The Suitability Process

Suitability refers to the obligation an Advisor has to determine if a particular investment is appropriate for a client. Advisors who fail in their suitability requirement put their clients at risk of financial loss that can place them in hardship. MFDA rule 2.2.1 defines the suitability requirement by stating each Advisor shall use due diligence “to ensure that each order accepted or recommendation made, including recommendations to borrow to invest, for any account of a client is suitable for the client based on the essential facts relative to the client and investments within the account.”

Advisors should be taking their clients through a consistent and defined suitability process, by following 4 stages:

1. Due Diligence –your KYC and KYP (Know Your Product) obligations
2. Apply Judgement – this is the suitability determination stage where you use the information that has been gathered through the KYC and KYP process to identify appropriate investment products or strategies for your client
3. Disclosure – you are making recommendations to the client and providing disclosure with respect to the product, fees and compensation you will earn

4. Putting it all Together – using the first three stages and putting this into practice with your clients

The suitability process in ongoing and Advisors should perform a subsequent suitability determination when any of the following events occur:

- A new recommendation is made, or a trade is accepted in any client account;
- There is a change in the registered Advisor on the account;
- New assets are transferred into the account; and
- When there is a material change to the client's KYC

Please refer to CB 17-13 Portfolio Suitability for more detailed information.

Special Considerations

When determining suitability of the recommendations being made, Advisors should give special consideration to all the following:

1. **Concentration Issues:** that is, with respect to whether the client account has an undue concentration within a particular sector or product; for example, concentration which exceeds 10% of their net financial assets at IPC and if the concentration represents 25% of their account market value at IPC (note that where an account holds more than one sector fund or exempt product, the aggregate should be used in the 25% consideration. A detailed suitability review of these accounts is necessary to ensure that the client has the ability (risk tolerance) to withstand the added risk that accompanies funds of this nature. Other important considerations include age (retired clients generally rely on their investments as a source of income, rather than as a source of capital), time horizon and liquidity needs. Refer to CB 17-02 for more information.
2. **Competitive Pricing:** Advisors must offer products with the most competitive pricing to their clients. Some fund companies employ automatic switch programs into these high net worth fund offerings. Advisors should seek to ensure that such products are being offered to clients when minimum thresholds are reached. Non-automatic HNW funds are not approved for sale at IPC. Please refer to CB18-08 – Mutual Fund Preferred Pricing and CB19-04 Householding Eligibility for more information.
3. **KYC Uniformity:** that is, where KYC information (risk tolerance, investment objectives and time horizon) is uniform across all or nearly all client accounts. Patterns such as these raise questions about the KYC collection process and whether the KYC information may have been documented to match the Advisor's investment philosophy or the investments in a client plan. Use of a client risk profiler, client meeting notes and/or a clearly documented KYC collection process will help in demonstrating against uniformity in client KYC. Uniformity in investment patterns, where all or nearly all clients are invested the same or similar funds (such as 100% invested in equity with no

diversification into fixed income investments) is also another area of consideration when it comes to uniformity. Of potential concern are situations where investment patterns and KYC information are identical for all clients, despite differences in age and financial situation. Compliance staff will make queries where such patterns are observed and Advisors will be requested to demonstrate their KYC collection process. Failing to demonstrate such a process will be considered non-compliant.

D8 – Joint Advisor Codes

This section is intended to clarify the obligations of IPCIC and its Advisors with respect to joint Advisor codes.

Each of the Advisors operating under a joint code is jointly and severally responsible for the clients. Both must be licensed in the jurisdiction where the client resides, or both must be able to qualify for the Client Mobility Exemption.

Whenever an Advisor is called upon to service a joint code account, the Advisor must be aware of the essential facts relative to the client in order to ensure that any recommendations made for the client's account are suitable and in keeping with the client's investment objectives.

If the Advisor on a joint code account has not been involved in the collection of know-your-client information, the Advisor should confirm the accuracy of the information on file with the client before making any recommendations.

If there is a concern with respect to a client account under a joint code, and there is no clear evidence as to which Advisor is responsible, all Advisors on the joint code may be held accountable.

To avoid confusion with the fund companies and to ensure proper compliance is being met, please ensure that the Advisor's NAME identified on the bottom of the IPCIC trade form matches the Advisor's signature. There should not be any question as to who actually discussed the trade with the client.

E – LEVERAGING

E1 – What is leveraging?

Leveraged investing refers to all situations that involve borrowing money and the proceeds of the loan are used to purchase investments. Generally, the supervision guidelines in this policy pertain to open accounts. Advisors must still ensure leveraged recommendations in registered plans are in accordance with KYC principles and provide clients with a Leverage Disclosure Document in the event that they recommend a new leverage strategy or become aware that a client has borrowed money for the purpose of investment. However, new leverage strategies in registered accounts (RESPs or RRSPs) do not require pre-trade approval nor do they require the completion of a Leverage Details Worksheet.

Open accounts: are defined as open/non-registered and TFSAs.

Know Your Client obligations require you to make a diligent effort to learn the essential financial and personal circumstances of each client. Leverage is not suitable for all investors because there is a magnification of investment risk whenever a leverage strategy is used. Therefore, the appropriateness of a recommendation to use leverage must be assessed on a client-by-client basis. Client factors to be considered include the following:

- investment objectives
- risk tolerance
- investment time horizon
- financial circumstances including net worth and income
- the manner in which they intend to secure and repay their loan
- client's age and future earning potential
- if the strategy is appropriate for the client
- the client is a willing and knowledgeable participant
- careful attention has been paid to the amount of leverage to employ, the client's full financial circumstances and the appropriate type of loan
- any other factors that are known at the time or reasonably ascertainable and may be relevant in the circumstances

Advisors must ensure that a leveraging strategy is suitable for the client and that they have sufficient means to service the loans without the possibility of having to sell a portion or all of their investment prior to the time horizon that the investment was expected to be held in order to meet loan repayment

obligations. IPCIC has established suitability guidelines (see below) to assist Advisors in fulfilling their duties and responsibilities with respect to leveraging strategies and recommendations.

Under no circumstance are any Advisors permitted to act as lender or as guarantor for clients who wish to borrow money for mutual fund purchases. Furthermore, Advisors may not express an opinion regarding the client's ability to qualify for a loan.

Do not leverage an uncommitted or reluctant client. Even if you personally believe it is an appropriate strategy for the client. The client's comfort level should determine suitability as much as income or asset levels.

Types of Investment Loans:

A variable rate investment loan features an adjustable interest rate. The amount of the monthly payments made by the borrower varies as interest rates change. The interest rate falls when the economy is doing well, and it rises when the economy is doing poorly.

A fixed rate investment loan allows more certainty for the investor, though often at a price. The amount of repayments in a fixed rate investment loans remains the same every single month. This avoids the risk that payments are affordable when the loan is first established but rise at a later and become more than the investor can handle.

An interest only investment loan involves monthly repayments that cover only the interest. In this type of investment loan, the principal amount borrowed has to be fully repaid by the debtor at the end of the specified loan term.

The equity investment loan typically involves the use of home equity ("HELOC"). In this type of investment loan, the debtor is given a line of credit on the home. The home equity loan, which is considered to be one of the most flexible investment loans, usually allows the investor flexibility in payment terms.

1 for 1 Investment Loans:

For every dollar the investor invests or pledges, the lender will loan \$1. For example, if the investor invests \$10,000, the lender will loan \$10,000 for a total investment of \$20,000. This type of loan will usually be subject to margin calls, that is, demands from the lender to provide more cash or collateral if the lender's portion of the current value of the investment (LTV) exceeds 85%.

2 to 1 Investments Loans:

For every dollar the investor invests or pledges, the lender will loan \$2. For example, if the investor invests \$10,000, the lender will loan \$20,000 for a total investment of \$30,000. This type of loan will usually be subject to margin calls, that is, demands from the lender to provide more cash or collateral if the lender's portion of the current value of the investment (LTV) exceeds 66.6%.

3 to 1 Investments Loans (not permitted):

For every dollar the investor invests or pledges, the lender will loan \$3. For example, if the investor invests \$10,000, the lender will loan \$30,000 for a total investment of \$40,000. This type of loan will usually be subject to margin calls, that is, demands from the lender to provide more cash or collateral if the lender's portion of the current value of the investment (LTV) exceeds 75%.

Communications & Projections Relating to Leveraging

We must ensure that any marketing or other communications, including projections, provided to clients or prospective clients relating to leveraging strategies and recommendations are balanced and disclose potential benefits and risks. Projections, if used, must be based on realistic assumptions and illustrate both gains and losses. Communications and projections must not be misleading. As per MSN-0070 some examples of misleading communications include statements/projections that:

- suggest that leveraging is appropriate for all clients
- promise that “We can make your mortgage tax deductible”
- suggest that the use of borrowed funds has “no additional risk”
- promise returns but provide no disclosure or inadequate disclosure of downside risk or potential negative returns
- that presume unrealistic returns or feature overly optimistic examples

In addition, whenever an Advisor becomes aware that a client has received misleading information the Advisor should take steps to make the client aware of the true risks involved in borrowing to invest.

As always, any sales communication must be approved by IPCIC Head Office. This includes websites, television and radio ads, newspaper and magazine ads, flyers and prospecting letters

Advisors involved in joint advertising, seminars or other programs with parties who arrange financing must disclose this to IPCIC in advance to obtain preapproval. IPCIC requires that the other party provides copies of their pamphlets, information brochures or presentation materials to IPCIC for review.

Advisors' responsibility to inform the client

As per MSN-0069 and MFDA Policy 2, it is the responsibility of the Advisor and IPC to fully understand client circumstances prior to recommending a leveraging strategy for the client. It is also the Advisor's responsibility to explain and ensure that the client fully understands the concept of leveraging including:

- Increased risk
- The value of the leveraged portfolio may fall below the value of the loan
- Even when returns are positive, interest costs may exceed the returns received

- Whether returns are positive or negative, clients must still pay back the loan plus the agreed interest
- Any loan secured against the client's home can put the client's equity interest in their home at risk.
- If a client is relying on investment returns to cover borrowing costs and the investment falls in value, the client could default on the loan
- A leverage strategy is not suitable simply because it is being used as a means to take advantage of a tax deduction.

It is important for an Advisor, upon becoming aware that a client is considering leveraging, to explain all the particulars, details, risks and benefits of leverage. Especially in circumstances where an Advisor feels that the client may not fully understand all the risks or requirements associated with leveraging, extra time must be taken to address these deficiencies, and document the steps taken to resolve any gaps.

E2 – Documents required for new Leverage Strategy

Before a leveraged trade is processed, the following documents must be obtained, given to the Branch Manager and copies saved in the Advisor's client file:

- Up-to-date KYC
- Copy of the client-signed Leverage Disclosure Document
- Copy of loan documents (see below for definition)
- Leverage Details Worksheet (LDW)

1. Up-to-Date KYC

Updated KYC information must be obtained whenever a new leverage program is recommended and/or established, as well as upon a material change to the client's situation. You must be satisfied that you have current KYC information that provides an accurate picture of the client's financial situation.

2. Leverage Disclosure Document

The MFDA requires that a leverage disclosure document be delivered to all clients when opening an account with the dealer, regardless of whether or not a leveraging strategy is being employed. In addition, a leverage disclosure document must also be delivered to the client when a leverage strategy is undertaken, or an Advisor becomes aware that a client is borrowing for the purpose of investment.

A leverage disclosure is included in the Client Information Booklet, which is to be provided at account opening and clients acknowledge receiving this while signing the NAAF.

For new leverage strategies, or if an Advisor becomes aware of the client borrowing for the purposes of investing (i.e. use of a line of credit for investing), the Leverage Disclosure Document is available on the

IPC by going to Forms & Applications>MFDA-IPCIC>Agreements and Disclosures>Leverage Disclosure Document. Advisors may not alter this disclosure in any way.

The signed original disclosure document must be attached to the applicable trade order sent to the Branch Manager and then is to be subsequently filed in the client file. Clients must also receive a copy of the disclosure. If the client is borrowing to invest, this must be noted on the investment application/KYC and trade ticket for the investment made with the borrowed funds.

Clients must be provided with a balanced presentation of available options and the risks associated with the use of leverage must be clearly disclosed. IPCIC has created a brochure titled “Borrowing to Invest – Is It Right for You?” This brochure must be provided to clients and the clients must acknowledge receipt of this brochure when signing the Leverage Disclosure.

3. Loan Documents (Open Plans)

The following documentation is required for both the Head Office and Advisor files for all IPCIC leveraged accounts where the Advisor recommended the strategy:

- A copy of all sales communications relating to the leveraging recommendation
- A copy of all projections relating to the leveraging recommendation
- A copy of the lending documents if the Advisor made the recommendation to leverage
- A copy of the lending documents or details of the loan (amount, terms, interest rate, payment amount and frequency, lender’s name) if the Advisor becomes aware of the leverage after the fact.
- A copy of the Leverage Details Worksheet
- A copy of the signed Leverage Disclosure including evidence that the client has received the IPCIC approved brochure titled “Borrowing to Invest – Is It Right for You?”

Any KYC information on the lending documents or other loan related supporting documents must be reviewed for consistency with the IPCIC KYC on file, and other items in the client’s file. Inconsistencies must be investigated and corrected and details regarding why there was an inconsistency must be maintained.

4. Leverage Details Worksheet (LDW)

A completed LDW must accompany all new leveraged loans, completed in its entirety. The form can be found on Univeris in the forms section. Refer to section E4 for more details.

E3 – Supervisory Review for Leveraged Trades (excluding registered plans)

All leveraged trades are subject to Tier 1 and Tier 2 supervisory review.

ADDITIONAL SUPERVISORY REQUIREMENTS AND PRE-APPROVAL

All proposed new leveraged investing in open plans requires pre-trade approval by the Branch Manager and 2nd tier Head Office compliance approval. Approval will be evidenced on the Leverage Worksheet before the first trades are placed.

The leverage approvals noted above are separate from and in addition to the normal daily trade review process completed by Tier 1 and 2 Supervisors.

Supervisory review at both Tier 1 and Tier 2 level must include a review of the documents previously listed. If a new KYC with greater asset levels, income levels, risk level or investment knowledge is submitted at the same time as the loan documents, further investigation is required, with notes of questions asked, follow up and resolution. If the loan documents or LDW shows greater income or asset levels than the current KYC, the discrepancy should be checked by the Branch Manager or Head Office Compliance directly with the client. If there are other inconsistencies among the supporting documents, these must be investigated, with notes of questions asked, follow up and resolution.

Inclusion of “Other Assets” in the net worth calculation must include enough detail to enable a sufficient review of the reasonableness of including other assets, and if the leverage criteria are only met by virtue of the inclusion of other assets, further detailed examination is required and must be documented.

Univeris provides tools to help the Compliance team monitor all leveraged accounts. It is essential that this loan information is captured, updated and available for review by the Branch Manager and 2nd tier Compliance.

Re-Review and Re-Approval of Leverage Details Worksheets (LDW) Open Plans

At IPCIC, Advisors generally communicate with their clients on a regular basis so as to ensure that they promptly become aware of any changes in their clients’ circumstances. Additionally, clients are sent their KYC information annually on IPC dealer annual statements so that clients are continually made aware of their stated objectives and risk tolerance and can let their Advisor know if there have been any changes to their circumstances.

Effective immediately, it is no longer necessary to re-submit a Leverage Details Worksheet annually. However, it is expected that there will be at least one approved LDW in the Head Office and client files. Further, Advisors are required to re-submit a Leverage Worksheet whenever any of the following have occurred: there has been a material change in the account; there are new leveraged assets transferred in; or there has been a change to the Advisor on the account.

For the purposes of our leverage policy, a Material Change is defined as:

- A drop in income or net-worth of 10% or more;
- A change to the client’s investment objectives or risk tolerance; and

- A reduction in Time Horizon to under 5 years.

In the event of a material change, Advisors will update the client's KYC information and re-submit a Leverage Worksheet for Tier 1 approval and then to Head Office Compliance for Tier 2 approval. Evidence of the re-approval will be maintained on the Leverage Worksheet, as well as any inquiries made regarding the approval.

IPCIC Leveraging Standards

Leveraging is not suitable for all clients and the following guidelines have been established by IPCIC in order to provide a framework for IPCIC and Advisors to assess the suitability of leveraging recommendations. IPCIC and its Advisors cannot rely on the loan approval by the lending institution as an indication of suitability. The following guidelines must be followed.

- A leveraging strategy is generally not suitable for investing in low risk investments as the cost of borrowing may be greater than the returns from the investment. The client's investment objective must be mainly growth (i.e. greater than 50%) rather than income.
- The client should have an investment knowledge of "Fair", "Good" or "Sophisticated". A leverage strategy should not be recommended to a client with little or no investment knowledge, or a client who lacks the ability to make an informed decision.
- The client's investment horizon must be no less than 5 years. Also, the client should not be retired or expected to retire within the next 5 years as their earning potential and ability to withstand investment losses has or can be expected to decrease. If the client is expecting to retire within the next 5 years, the client must have post retirement income that is sufficient to meet IPCIC requirements regarding Total Debt Servicing Ratio and the client must acknowledge that they will have the ability to withstand any investment losses in their post retirement years. Therefore, leveraging is generally not considered appropriate for clients who are 60 years of age or greater.
- A general guideline is that an investment loan should not exceed 30% of a client's total net worth and 50% of a client's liquid net worth. For example, a client with a liquid net worth of \$200,000 should not have a loan that is more than \$100,000. Liquid assets refer to cash or financial instruments that can be quickly and easily converted into cash. Real estate, vehicles, and household goods would clearly not fit into this category. Advisors must also ensure that the client has adequate non-registered net worth to support a margin call, which is often made based on the value after the deduction of any fees. For loans with interest only repayment structures, ensure the client has sufficient liquid assets to satisfy a demand by the lending institution to repay a portion or all of the loan. If the loan application is joint, the aggregate of all borrowed amounts must be incorporated into the net worth calculation.

A client's income must be sufficient to service the debt payments on all client loans and based on values that are sustainable. Clients must have the capacity to service the debt and meet a maximum total debt

service ratio of 35% of the client's gross income (not including the income generated from the leveraged investments). The MFDA's guideline suggests that if the income test is almost triggered with interest only payments, the loan is likely unsuitable for the client. IPCIC addresses this concern by:

- Ensuring that the leverage recommendation will not cause the client's Debt as a percentage of the client's Income Ratio to exceed 35% if the loan repayment type is principal and interest.
- Ensuring that the leverage recommendation will not cause the client's Debt as a percentage of the client's Income Ratio to exceed 30% if the loan repayment type is interest only.
- Income should not include discretionary bonuses or other amounts that are not determinable or contractually guaranteed. For the purpose of this calculation, interest-only loans should utilize a payment based on a maximum 20-year amortization period. Unless the loan and leveraged account is a joint account, only the borrower's income may be recorded within the KYC Data and on the Leverage Details Worksheet.

Advisors must capture all the client's liabilities and loan payments, including joint loans, when analyzing suitability.

The proceeds of the new or existing leveraged strategy should be excluded for the purposes of calculating the Liquid Asset Ratio.

Advisors, Branch Managers and Compliance Officers should ensure that investments purchased with leverage funds are suitable and appropriate for a leveraging strategy. The risk tolerance of the investor must always be followed when selecting appropriate investments using leveraged monies.

RRIF meltdowns, leverage strategies designed to offset the interest expense of a mortgage (Smith Maneuver) and the use of T-series or ROC funds in connection with the strategy will generally be considered unsuitable and not permitted in a leveraged plan by IPCIC.

Exceptions to Minimum Standards

There may be circumstances where it is appropriate to recommend leveraging to a client even if some of the guidelines above are not met.

The rationale for the leveraging strategy provided by the Advisor must be detailed and the Branch Manager and 2nd tier Compliance is expected to subject this rationale to critical analysis. For example, a rationale of 'estate planning' does not provide sufficient detail. The Advisor must provide enough information for the Branch Manager and 2nd tier Compliance to consider whether the leverage recommendation is:

- in line with the client's needs
- not excessive to the clients means
- consistent with IPCIC's criteria for acceptable leveraging

This circumstance is expected to be the exception and must receive *both Branch Manager and Head Office approval prior to trade entry*.

Example - A young client with a business degree in finance, a home with a mortgage, little in the way of liquid assets, but high income and stable employment wants to benefit from early investment. The loan to liquid net worth ratio is 60% but all other ratios are within limits. This client lives below his means and is content to continue sacrificing today to accumulate capital for tomorrow.

If written pre-approval is obtained, it must be maintained within the Head Office file for that client.

MFDA Rule 2.2.1 requires the use of due diligence to ensure that the suitability of the use of borrowing to invest is assessed on certain trigger events.

In cases where a leverage strategy does not meet IPCIC's Guidelines for assets purchased using borrowed funds are transferred into IPCIC, or it is determined that an existing leverage no longer meets IPCIC's Guidelines, or whenever the Member/Advisor becomes aware of a material change, or the Advisor changes on the client's account, the Advisor must submit the Leverage Detail Worksheet and supporting documents (KYC Update, notes, etc.) to IPCIC's Compliance Department. IPCIC will review the documentation to determine if any additional actions are necessary. Evidence must be maintained of any advice and recommendations. If it is determined that additional actions are necessary, the Advisor will be contacted to discuss the situation and IPCIC may contact the client by telephone or written communication to:

- Review the KYC information on file to ensure accuracy
- Explain to the client why their leveraged account with existing KYC information is inconsistent with IPCIC's current Leveraging Guidelines
- Provide the client with their available options including:
 - paying back the loan in full
 - converting from an interest only loan to principal & interest
 - continue with the strategy and rebalance the holdings where necessary
 - continue with the loan and original investment strategy

E4 – Guidelines for Leverage Review (excluding RESPs and RRSPs)

A Leverage Detail Worksheet must be completed and submitted to the Branch Manager for review and approval whenever a loan is established or re-written.

The Branch Manager is required to review all KYC data (including NAAF's, KYC Updates, loan documents and leverage detail worksheets) and review for consistency of KYC information. Any variances identified must be investigated and details of the inquiries must be maintained on the Leverage Detail Worksheet.

If the client file contains any of the following documents, these documents must specifically be reviewed to ensure consistency with the information on the loan application, KYC forms/NAAF's and Leverage Worksheet:

- Documents supporting or pertaining to the client's income (T-slips, notice of assessments, etc.);
- Financial plan(s);
- Documents supporting or pertaining to the client's net worth;
- Risk assessments or investor profile questionnaires;
- Any marketing of the leveraged strategy or illustrations/projections of investment returns or the future value of the account;
- Notes of client meetings or discussions; and any other documents relevant to the review of the leverage strategy.

When a loan has been approved by the Branch Manager, the Leverage Detail Worksheet as well as supporting documentation (notes, loan applications, etc.) and all KYC Data must be submitted to IPCIC Head Office Compliance for review and approval.

The Advisor may only proceed with arranging financing and implementing the leveraging strategy upon receipt of confirmation from the Branch Manager, and IPCIC Head Office Compliance.

If the client expresses doubt or discomfort with the leverage strategy, or difficulty making loan payments, do not take this as a challenge to your expertise or as an objection to be overcome. Listen, probe and counsel the client with the client's best interests in mind - not just financially but emotionally. You may want to ask the advice of another respected Advisor. Partial or full deleveraging may be the best solution for the client.

Notes regarding recommendations and discussions about leveraging *must* be maintained and become part of the Head Office files.

The client should be making their loan payments from income rather than by SWP'ing from existing investments especially registered investments. Under no circumstances should the client be relying on the growth or income from the investments purchased to make payments on the loan.

Referral Arrangements with Lending Institutions

Where any remuneration, direct or indirect, is received by an Advisor or IPCIC for referring a client to a financial institution for an investment loan, the arrangement must comply with MFDA rule 2.4.2.

Arrangements with lending institutions whereby IPCIC and/or its Advisors are compensated for clients taking out loans are only permitted if IPCIC has a formal referral agreement in place with the lender. For further information on permitted referral agreements, please refer to *section on Referral Arrangements*.

Even when there is no compensation paid, Advisors are required to inform IPCIC of the arrangement so that it may be reviewed for any potential conflicts of interest. Such arrangements should be reported directly to the CCO.

[Leverage Accounts for Univeris Users](#)

TIER 1 - BRANCH MANAGER SUPERVISION OF LEVERAGE

All leverage accounts must be designated as leveraged accounts in Univeris, including registered plans. This is to be noted in the description field in Univeris under the Plan details. The Advisor is responsible for ensuring his or her leveraged accounts are correctly tagged as such in Univeris.

Leverage in Open Accounts

All new leveraging investment strategies must receive pre-approval by the Branch Manager, that is, prior to any borrowing or leverage transaction occurring in a client's account.

ADDITIONAL STEPS

- Review Leverage Details Worksheet
- Review Advisor's written case for suitability
- Review notes of client meetings, discussions with the client, financial plan and any illustrations or examples given to the client
- If approved, forward to Tier 2 Compliance for a secondary review

If the documents provided are not clear, the Branch Manager must question the Advisor to verify the suitability of the leverage strategy. If the inquiries are made in person or by telephone, the Branch Manager must retain notes of the discussion and ensure these form part of the approval records for imaging in Univeris via Synergize. If the inquiries are made by email, the email inquiry should accompany all relevant trade paperwork and form part of the approval records for imaging in Univeris via Synergize.

Approval

If after the review of all leveraged documents the Branch Manager approves the leveraging strategy, the Branch Manager must sign the leverage details worksheet and forward all the required documents to Tier 2 Compliance, including the record of the Branch Manager's notes of queries and discussions.

By signing their approval on the leverage worksheet, the Branch Manager is also assuming responsibility for the leverage strategy. Even if the strategy is also approved on the Tier 2 review, the Branch Manager does not shed the responsibility; both Tier 1 and Tier 2 reviewers will share responsibility. Where a question arises concerning a leverage strategy that was approved, in all cases the Branch Manager's review and role of the strategy will form part of IPCIC's investigation.

Non-Approval

If after the review of all leveraged documents the Branch Manager does not approve the strategy as submitted, the Branch Manager must email the Advisor that the strategy is not approved. As per Rule 2.2.1 the Member/Advisor has an obligation to advise the client of the unsuitability of the transaction and to maintain evidence of the advice.

Tier 2 – Head Office Compliance Officer Supervision of Leverage

The Tier 2 review of leverage accounts is fundamentally the same as the Tier 1 review, with additional monitoring of the adequacy of the Branch Manager's review and to ensure that the Branch Manager performed an appropriate level of supervision.

Leveraged investing in registered accounts is not subject to Tier 2 review, however, all leverage in open accounts must be reviewed at a Tier 2 level prior to any borrowing or leverage transaction occurring.

Following the 'Additional requirements' in Tier 1 supervision for leveraged investing, Tier 2 Compliance must also review the Branch Manager's notes.

Inquiries to the Advisor and Branch Manager may be required to verify the suitability of the leverage strategy. Evidence of all inquiries must form a part of the approval records and sent for imaging in Univeris via Synergize.

After reviewing, the Head Office Compliance Officer must email the Branch Manager, copying the Advisor on their opinion and retaining a copy of the email with the pertinent documents.

F – ANTI-MONEY LAUNDERING AND PRIVACY

F1 – Anti-Money Laundering & Anti-Terrorist Financing Policies

The object of the federal Proceeds of Crime (Money Laundering) and Terrorist Financing Act (“the Act”) is to help detect and deter money laundering and the financing of terrorist activities in Canada. It is also formulated to facilitate investigations and prosecutions of money laundering and terrorist activity financing offences. The Act contains reporting, record keeping, client identification and compliance regime requirements for securities dealers, the firm category that IPCIC falls under in the Act.

What is Money Laundering?

The United Nations defines money laundering as any act or attempted act to disguise the source of money or assets derived from criminal activity. Essentially, money laundering is the process whereby dirty money-produced through criminal activity- is transformed into clean money, the criminal origin of which is difficult to trace. There are three recognized stages in the money laundering process.

1. Placement: involves placing the proceeds of crime in the financial system.
2. Layering: involves converting the proceeds of crime into another form and creating complex layers of financial transactions to disguise the audit trail and the source and ownership of funds. This stage may involve transactions such as the buying and selling of stocks, commodities or property.
3. Integration: involves placing the laundered proceeds back in the economy to create the perception of legitimacy.

The money laundering process is continuous, with new dirty money constantly being introduced into the financial system.

Under Canadian law, a money laundering offence involves various acts committed with the intention to conceal or convert property or the proceeds of property (e.g. money) knowing or believing that these were derived from the commission of a designated offence. In this context, a designated offence means most serious offences under the *Criminal Code* or any other federal Act. It includes those relating to illegal drug trafficking, bribery, fraud, forgery, murder, robbery, counterfeit money, stock manipulation, etc. The few exceptions are for offences such as those related to tax evasion or breach of copyright, and some others that involve administrative and monetary penalty structure.

A money laundering offence may also extend to property or proceeds derived from illegal activities that took place outside Canada.

Methods of Money Laundering

There are as many methods to launder money as the imagination allows, and the schemes being used are becoming increasingly sophisticated and complicated as technology advances. The following are some examples of common money laundering methods.

Nominees

This is one of the most common methods of laundering and hiding assets. A launderer uses family members, friends or associates who are trusted within the community, and who will not attract attention, to conduct transactions on their behalf. The use of nominees facilitates the concealment of the source and ownership of the funds involved.

Structuring or smurfing

Many inconspicuous individuals deposit cash or buy bank drafts at various institutions, or one individual carries out transactions for amounts less than the amount that must be reported to the government, and the cash is subsequently transferred to a central account. These individuals, commonly referred to as “smurfs”, normally do not attract attention as they deal in funds that are below reporting thresholds and they appear to be conducting ordinary transactions.

Asset purchases with bulk cash

Individuals purchase big-ticket items such as cars, boats and real estate. In many cases, launderers use the assets but distance themselves from them by having them registered in a friend’s or relative’s name. The assets may also be resold to further launder the proceeds.

Exchange transactions

Individuals often use proceeds of crime to buy foreign currency that can then be transferred to offshore bank accounts anywhere in the world.

Currency smuggling

Funds are moved across borders to disguise their source and ownership, and to avoid being exposed to the law and systems that record money entering into the financial system. Funds are smuggled in various ways (such as by mail, courier and body-packing) often to countries with strict bank secrecy laws.

Gambling in Casinos

Individuals bring cash to a casino and buy gambling chips. After gaming and placing just a few bets, the gambler redeems the remainder of the chips and requests a casino cheque.

What is Terrorist Financing?

Terrorist financing provides funds for terrorist activity. Terrorist activity has as its main objective to intimidate a population or compel a government to do something. This is done by intentionally killing, seriously harming or endangering a person, causing substantial property damage that is likely to seriously harm people or by seriously interfering with or disrupting essential services, facilities or systems.

Terrorist activity is undertaken for political, religious or ideological purposes. This does not mean that an expression of political, religious or ideological beliefs alone is a terrorist activity, unless it is part of a larger conduct that meets the definition explained above.

Terrorists need financial support to carry out terrorist activities and achieve their goals. In this respect, there is little difference between terrorists and other criminals in their use of the financial system. A successful terrorist group, much like a criminal organization, is one that can build and maintain an effective financial infrastructure. For this, it must develop sources of funding and means of obscuring the links between those sources and the activities the funds support. It needs to find a way to make sure that the funds are available and can be used to get whatever goods or services needed to commit terrorist acts.

The fundamental aim of terrorist financing is to obtain resources to support terrorist activities. The sums needed to mount terrorist attacks are not always large and the associated transactions are not necessarily complex.

Methods of Terrorist Financing

There are two primary sources of financing for terrorist activities. The first involves getting financial support from countries, organizations or individuals. The other involves revenue-generating activities. These are explained in further detail below.

Financial Support

Terrorism could be sponsored by a country or government, although this is believed to have declined in recent years. State support may be replaced by support from other sources, such as individuals with sufficient financial means.

Revenue-Generating Activities

The revenue-generating activities of terrorist groups may include criminal acts, and therefore may appear similar to other criminal organizations. Kidnapping and extortion can serve a dual purpose of providing needed financial resources while furthering the main terrorist objective of intimidating the target population. In addition, terrorist groups may use smuggling, fraud, theft, robbery, and narcotics trafficking to generate funds.

Financing for terrorist groups may also include legitimately earned income, which might include collection of membership dues and subscriptions, sale of publications, speaking tours, cultural and social events, as well as solicitation and appeals within the community. This fundraising might be in the name of organizations with charitable or relief status, so that donors are led to believe they are giving to a legitimate good cause.

Only a few non-profit organizations or supposedly charitable organizations have been implicated in terrorist financing networks in the past, worldwide. In these cases, the organizations may in fact have carried out some of the charitable or relief work. Members or donors may have had no idea that a portion of funds raised by the charity was being diverted to terrorist activities.

This type of legitimately earned financing might also include donations by terrorist group members of a portion of their personal earnings.

What is FINTRAC?

Financial Transactions and Reports Analysis Centre of Canada (“FINTRAC”) is an independent agency, at arms-length from law enforcement agencies, responsible for collecting, analyzing and, in appropriate circumstances, disclosing certain limited information to law enforcement agencies. FINTRAC is required to ensure that personal information under its control is protected from unauthorized disclosure and is subject to the *Privacy Act*.

Reporting Obligations to FINTRAC

IPCIC and IPCIC’s employees, agents, and employees of our agents have an obligation to report the following to FINTRAC.

SUSPICIOUS TRANSACTIONS

You must report where there are reasonable grounds to suspect that an attempted or completed transaction is related to the commission of a money laundering offence or to the financing of a terrorist activity.

TERRORIST PROPERTY

A terrorist property report must be sent to FINTRAC for property that is known or believed to be owned or controlled by or on behalf of a terrorist, terrorist group or listed person.

LARGE CASH TRANSACTIONS

Large cash transactions involving amounts of \$10,000 or more received in cash must be reported (please note that IPCIC policies prohibit cash transactions).

Penalties for Failure to Fulfill Reporting Obligations to FINTRAC

The penalties for non-compliance include significant fines and jail terms. The penalties are outlined in Part 5 of the Act. Failure to comply can lead to criminal charges against the persons and entities subject to the Act. The following are some of the elements of the penalties:

- Failure to report suspicious transaction - conviction of this could lead to up to five years imprisonment, to a fine of \$2,000,000 or both.
- Failure to report a large cash transaction - conviction of this could lead to a fine of \$500,000 for a first offence and \$1,000,000 for each subsequent offence.
- Failure to retain records - conviction of this could lead to up to five years imprisonment, to a fine of \$500,000 or both.

- Failure to implement a compliance regime - conviction of this could lead to up to five years imprisonment, to a fine of \$500,000 or both.

What are Suspicious Transactions?

Suspicious transactions are financial transactions that there are reasonable grounds to suspect are related to the commission of a money laundering offence or to the commission of a terrorist financing activity offence.

Transactions may give rise to reasonable grounds to suspect that they are related to money laundering or terrorist activity financing regardless of the sum of money involved. There is no monetary threshold for making a report on a suspicious transaction. A suspicious transaction may involve several factors that may on their own seem insignificant, but together may raise suspicion that the transaction is related to the commission of a money laundering offence, a terrorist activity financing offence, or both.

As a general guide, a transaction may be connected to money laundering or terrorist activity financing when you think that it (or a group of transactions) raises questions or gives rise to discomfort, apprehension or mistrust.

The context in which the transaction occurs is a significant factor in assessing suspicion. This will vary from business to business, and from one client to another. As a reporting person or entity, or an employee of a reporting person or entity, you should evaluate transactions in terms of what seems appropriate and is within normal practices in your particular line of business and based on your knowledge of your client. The fact that transactions do not appear to be in keeping with normal industry practices may be a relevant factor for determining whether there are reasonable grounds to suspect that the transactions are related to money laundering or terrorist activity financing.

An assessment of suspicion should be based on a reasonable evaluation of relevant factors, including the knowledge of the customers business, financial history, background and behavior. Remember that behavior is suspicious, not people. Also, it could be the consideration of many factors not just one factor that will lead you to a conclusion that there are reasonable grounds to suspect that a transaction is related to the commission of a money laundering offence, a terrorist activity financing offence, or both. All circumstances surrounding a transaction should be reviewed.

Suspicious Transactions Indicators

As the reporting person or entity with whom the transaction occurs, IPCIC and IPCIC's employees, agents, and employees of our agents have to assess whether there are reasonable grounds to suspect that a transaction is related to a money laundering offence or a terrorist activity financing offence. The following information concerning indicators is provided to help you with this.

General Indicators

- Client admits or makes statements about involvement in criminal activities.

- Client does not want correspondence sent to home address.
- Client appears to have accounts with several financial institutions in one area for no apparent reason.
- Client repeatedly uses an address but frequently changes the names involved.
- Client is accompanied and watched.
- Client shows uncommon curiosity about internal systems, controls and policies.
- Client has only vague knowledge of the amount of a deposit.
- Client presents confusing details about the transaction.
- Client over justifies or explains the transaction.
- Client is secretive and reluctant to meet in person.
- Client is nervous, not in keeping with the transaction.
- Client is involved in transactions that are suspicious but seems blind to being involved in money laundering activities.
- Client's home or business telephone number has been disconnected or there is no such number when an attempt is made to contact client shortly after opening account.
- Client is involved in activity out-of-keeping for that individual or business.
- Client insists that a transaction be done quickly.
- Inconsistencies appear in the client's presentation of the transaction.
- Client appears to have recently established a series of new relationships with different financial entities.
- Client attempts to develop close rapport with staff.
- Client uses aliases and a variety of similar but different addresses.
- Client uses a post office box or General Delivery address, or other type of mail drop address, instead of a street address when this is not the norm for that area.
- Client offers you money, gratuities or unusual favors for the provision of services that may appear unusual or suspicious.
- You know that a client is the subject of a money laundering or terrorist financing investigation.

Knowledge of Reporting or Record Keeping Requirements Indicators

- Client attempts to convince employee not to complete any documentation required for the transaction.
- Client makes inquiries that would indicate a desire to avoid reporting.
- Client has unusual knowledge of the law in relation to suspicious transaction reporting.
- Client seems very conversant with money laundering or terrorist activity financing issues.
- Client is quick to volunteer that funds are clean or not being laundered.

Identity Document Indicators

- Client provides doubtful or vague information.
- Client produces seemingly false identification or identification that appears to be counterfeited, altered or inaccurate.
- Client refuses to produce personal identification documents.
- Client only submits copies of personal identification documents.
- Client wants to establish identity using something other than his or her personal identification documents.
- Clients supporting documentation lacks important details such as a phone number.
- Client inordinately delays presenting corporate documents.
- All identification presented is foreign or cannot be checked for some reason.

All identification documents presented appear new or have recent issue dates.

Economic Purpose Indicators

- Transaction seems to be inconsistent with the client's apparent financial standing or usual pattern of activities.
- Transaction appears to be out of the ordinary course for industry practice or does not appear to be economically viable for the client.
- Transaction is unnecessarily complex for its stated purpose.
- Activity is inconsistent with what would be expected from declared business.
- Transaction involves non-profit or charitable organization for which there appears to be no logical economic purpose or where there appears to be no link between the stated activity of the organization and the other parties in the transaction.

Transactions Involving Accounts Indicators

- Opening accounts when the clients address is outside the local service area.
- Opening accounts in other people's names.
- Opening accounts with names very close to other established business entities.
- Attempting to open or operating accounts under a false name.
- Account with a large number of small cash deposits and a small number of large cash withdrawals.
- Funds are being deposited into several accounts, consolidated into one and transferred outside the country.
- Client frequently uses many deposit locations outside of the home branch location.
- Multiple transactions are carried out on the same day at the same branch but with an apparent attempt to use different tellers.
- Activity far exceeds activity projected at the time of opening of the account.
- Establishment of multiple accounts, some of which appear to remain dormant for extended periods.
- Account that was reactivated from inactive or dormant status suddenly sees significant activity.
- Reactivated dormant account containing a minimal sum suddenly receives a deposit or series of deposits followed by frequent cash withdrawals until the transferred sum has been removed.
- Unexplained transfers between the client's products and accounts.
- Multiple deposits are made to a client's account by third parties.
- Deposits or withdrawals of multiple monetary instruments, particularly if the instruments are sequentially numbered.
- Multiple personal and business accounts are used to collect and then funnel funds to a small number of foreign beneficiaries, particularly when they are in locations of concern, such as countries known or suspected to facilitate money laundering activities.

Indicators Involving Transactions Outside of Canada

- Client and other parties to the transaction have no apparent ties to Canada.
- Transaction crosses many international lines.
- Use of a credit card issued by a foreign bank that does not operate in Canada by a client that does not live and work in the country of issue.

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- Transactions involving countries deemed by the Financial Action Task Force as requiring enhanced surveillance, including the Republic of Nauru.
 - Foreign currency exchanges that are associated with subsequent wire transfers to locations of concern, such as countries known or suspected to facilitate money laundering activities.
 - Deposits followed within a short time by wire transfer of funds to or through locations of concern, such as countries known or suspected to facilitate money laundering activities.
 - Transaction involves a country where illicit drug production or exporting may be prevalent, or where there is no effective anti-money-laundering system.
 - Transaction involves a country known for highly secretive banking and corporate law.
 - Transaction involves a country known or suspected to facilitate money laundering activities.

IPCIC does not have accounts or service accounts in countries identified as “non-cooperative”. Countries on this list are deemed to have critical weakness in their anti-money laundering systems which serve as obstacles to international cooperation in this area.

Securities Dealer Indicators

- A new or prospective client is known to you as having a questionable legal reputation or criminal background.
- Normal attempts to verify the background of a new or prospective client are difficult.
- Accounts that have been inactive suddenly experience large investments that are inconsistent with the normal investment practice of the client or their financial ability.
- Any dealing with a third party when the identity of the beneficiary or counterparty is undisclosed.
- Client attempts to purchase investments with cash.
- Client wishes to purchase a number of investments with money orders, traveler’s cheques, cashier’s cheques, bank drafts or other bank instruments, especially in amounts that are slightly less than \$10,000, where the transaction is inconsistent with the normal investment practice of the client or their financial ability.
- Client uses securities or futures brokerage firm as a place to hold funds that are not being used in trading of securities or futures for an extended period of time and such activity is inconsistent with the normal investment practice of the client or their financial ability.
- Client wishes monies received through the sale of shares to be deposited into a bank account rather than a trading or brokerage account which is inconsistent with the normal practice of the client.

- Client frequently makes large investments in stocks, bonds, investment trusts or the like in cash or by cheque within a short time period, which is inconsistent with the normal practice of the client.
- Client makes large or unusual settlements of securities in cash.
- The entry of matching buying and selling of particular securities or futures contracts (called match trading), creating the illusion of trading.
- Transfers of funds or securities between accounts not known to be related to the client.
- Trades conducted by entities that you know have been named or sanctioned by regulators in the past for irregular or inappropriate trading activity.
- Transaction of very large dollar size.
- Client is willing to deposit or invest at rates that are not advantageous or competitive.
- All principals of client are located outside of Canada.
- Client attempts to purchase investments with instruments in the name of a third party.
- Payments made by way of third-party cheques are payable to, or endorsed over to, the client.
- Transactions made by your employees, or that you know are made by a relative of your employee, to benefit unknown parties.
- Third-party purchases of shares in other names (i.e., nominee accounts).
- Transactions in which clients make settlements with cheques drawn by, or remittances from, third parties.
- Unusually large amounts of securities or stock certificates in the names of persons other than the client.
- Proposed transactions are to be funded by international wire payments, particularly if from countries where there is no effective anti-money-laundering system.

Reporting Obligations for Suspicious Transactions

IPCIC Compliance must send a Suspicious Transaction Report (STR) to FINTRAC when there are reasonable grounds to suspect that an attempted or completed transaction is related to the commission of a money laundering offence or a terrorist financing offence.

There is no minimum threshold amount for reporting a suspicious transaction.

Reporting persons and entities are protected from criminal and civil legal proceedings when they submit suspicious transaction or other financial transaction reports in good faith to FINTRAC, as required. The same applies to terrorist property reports.

How to Report a Suspicious Transaction

IPCIC employees, Advisors (including employees of Advisors) who become aware of a potentially suspicious transaction must complete an IPC Suspicious Transaction Report (available on The Hub) and submit the details to IPCIC's Chief AML & ATF Officer ("CAMLO") at CAMLO@ipcc.ca without delay. It is important to report these instances to IPC Compliance without delay so that the CAMLO or designate can take measures to evaluate the relevant facts, context and indicators to conclude if there are reasonable grounds to suspect the commission of a money laundering or terrorist financing offence. Suspicious transactions may be complex and require time to document the incident for reporting to FINTRAC. Effective June 1, 2020, FINTRAC has removed the 30-day filing timeline and expects suspicious transactions to be reported as soon as practicable. STRs are to be considered a priority and FINTRAC may question delayed reports the greater the delay, the greater the need for a suitable explanation. IPCIC's CAMLO or designate will review the Report and, if appropriate, file a report with FINTRAC in the prescribed manner detailed in FINTRAC's guidelines. Prior to filing a report with FINTRAC, IPCIC will take reasonable measures to identify i) the individual, ii) if the transaction being reported was a completed transaction; and iii) any previously executed suspicious transactions. IPCIC will also conduct a documented assessment to determine the extent of the enhanced due diligence and ongoing monitoring of the account.

In the event that enhanced due diligence is warranted, it will follow the same due diligence requirements outlined for high risk clients. The CAMLO will also advise the CCO, President & UDP of any suspicious transactions. IPCIC will retain a copy of all reports filed.

Confidentiality When Reporting a Suspicious Transaction

IPCIC's employees, agents, and employees of our agents who file a Suspicious Transaction Report to IPCIC's CAMLO are not allowed to inform anyone else, especially parties associated with the suspicious transactions, about the contents of the Report or even that the Report is being filed. Furthermore, one should not request any information that would not be normally requested from the parties associated with the suspicious transaction as this may potentially tip them off regarding your intent to file.

Reporting Obligations for Terrorist Property

IPCIC has to send a terrorist property report to FINTRAC if there is property in our possession or control that we know, or believe, is owned or controlled by or on behalf of a terrorist or a terrorist group. This includes information about any transaction or proposed transaction relating to that property.

In this context, property means any type of real or personal property in your possession or control. This includes any deed or instrument giving title or right to property or giving right to money or goods. For example, cash, bank accounts, insurance policies, money orders, real estate, securities, and traveler's cheques, among other types of assets, are considered property.

A terrorist or a terrorist group includes anyone that has as one of their purposes or activities facilitating or carrying out any terrorist activity. This can be an individual, a group, a trust, a partnership or a fund. It can

also be an unincorporated association or organization. A terrorist group will also include anyone on a list published in Regulations issued under the Criminal Code. More information about this list is available from the following Web sites:

- <http://www.osfi-bsif.gc.ca/Eng/fi-if/amlc-clrpc/atf-fat/Pages/default.aspx>. IPCIC subscribes to electronic updates from OSFI and FINTRAC to remain aware of Ministerial directives issued by the Minister of finance to ensure compliance.

Once we know, or believe, that any property in our possession or control is owned or controlled by or on behalf of a terrorist or a terrorist group, or after any transaction is proposed for such a property, a terrorist property report must be sent to FINTRAC without delay.

United Nations Reporting Requirements & Forms

IPCIC has monthly reporting and other requirements relating to terrorist financing and United Nations Act sanctions on certain countries under the:

- Criminal Code
- Regulations Implementing the United Nations Resolutions on the Suppression of Terrorism (RIUNRST)
- United Nations Al-Qaida and Taliban Regulations (UNAQTR)
- Regulations Implementing the United Nations Resolution on the Democratic People's Republic of Korea (RIUNRDPRK)
- Regulations Implementing the United Nations Resolution on Iran (RIUNRI)
- Special Economic Measures (Venezuela) Regulations (SEMVR)
- Justice for Victims of Corrupt Foreign Officials Regulations (JVCFOR)

The duties imposed on securities registrants under the laws referred to above include the following:

Duty to review and make filings

IPCIC must review our records on a continuing basis to determine whether we are in possession or control of property owned or controlled by or on behalf of a designated person and report our findings on a monthly basis. We are responsible to take appropriate measures in order to determine if our clients are designated persons. Reports are to be provided on the 15th day of each month, to our principal regulator.

IPCIC refers to the OSFI website prior to completing each report. The OSFI website has updated consolidated lists of designated persons for purposes of the *Criminal Code*, the RIUNRST and the UNAQTR. OSFI has also made available a listing of designated persons under the RIUNRI. These lists are available in downloadable and printable formats. IPCIC downloads the consolidated lists on a monthly basis and compares the names on the consolidated list again with our client names in our back-office system.

Once we have made the determination that a client is a designated person, in addition to filing the monthly “Yes” or “long form” report with our principal regulator, we must “freeze” the property and report the details to the RCMP and CSIS as described below. If we determine that none of our clients are designated persons, we are still required to file the monthly “No” or “short form” report with our principal regulator. IPCIC’s Chief AML & ATF Officer or designate signs and files the monthly report.

Freezing property

Under section 83.08 of the Criminal Code, section 4 of the RIUNRST, sections 4 and 4.1 of the UNAQTR, section 9 of the RIUNRI and section 9 of the UNRDPRK, no person in Canada and no Canadian outside Canada shall knowingly: deal, directly or indirectly, with property of a designated person; enter into or facilitate, directly or indirectly, any transaction in respect of such property; or provide any financial or other services in respect of such property. In addition, section 9 of the RIUNRI and section 9 of the UNRDPRK prohibit making any property or any other financial or other related service available to or for the benefit of a designated person under the RIUNRI or the UNRDPRK. Thus, any property held directly or indirectly by IPCIC on behalf of a designated person must be held or be frozen. We note that OSFI has indicated that these prohibitions extend to the debiting of service charges and crediting of interest and/or if the frozen property is a securities portfolio, the crediting of interest, dividends or other entitlements and the charging of custodial fees, transaction fees or any other debits or credits to the account.

Duty to disclose:

Under section 83.1 of the Criminal Code, section 8 of the RIUNRST, section 5.2 of the UNAQTR, section 12 of the RIUNRI and section 12 of the UNRDPRK, every person in Canada and every Canadian outside Canada must forthwith report to both the Royal Canadian Mounted Police (RCMP) and the Canadian Security and Intelligence Service (CSIS) any property held for any designated person and any information about transactions or proposed transactions with respect to that property. IPCIC will provide Information to these organizations as follows:

- RCMP Anti-Terrorist Financing Group Unclassified fax: (613) 993-9474
- CSIS Financing Unit Unclassified fax: (613) 231-0266

Client Identification Obligations

IPCIC’s client identification obligations are as follows:

- Keep account opening records (see Section D New Account Applications & KYC Information).
- Identify the client(s) (see Section D- Identification).
- Make a third-party determination and keep related records where it is known or where there are reasonable grounds to suspect a third party is involved. Records must include details of why the individual is suspected of acting on instructions from a third party (see Section D topic on Third Party Determination).

- Make a determination of whether the client(s) is a politically exposed person/HIO and, if so, keep records and take other measures (see Section D topic on Politically Exposed Persons).
- Keep a record of the intended use of the account (see Section D topic on Plan Intent).
- Obtain additional information for corporate accounts (see Section D topic on Corporate Accounts) including:
 - Documents (for example – certificate of incumbency or articles of incorporation) that confirm the existence of the corporation.
 - Information about the directors and signing officers.
 - Information that will determine whether there are any beneficial owners of the corporation.
 - Information about any beneficial owners identified.
- Obtain additional information for trust or other entities (see Section D topic on Trusts/Other Entities) including:
 - Documents (for example - trust agreement, partnership agreement or articles of association) that confirm the existence of the trust or other entity.
 - Information about the signing officers.
 - Information that will determine whether there are any beneficial owners of the trust or other entity
 - Information about any beneficial owners identified.

Record Keeping

All records completed in the normal course of business, including AML records, must be maintained for a period of seven years from the date the account is closed. Failure to keep records or identify clients can lead to an administrative monetary penalty from FINTRAC and MFDA sanction.

IPCIC's AML & ATF Compliance Regime

IPCIC's Money Laundering and Anti-Terrorist Financing Compliance Regime includes the following key components as part of our commitment to prevent, detect and address non-compliance with the federal Proceeds of Crime (Money Laundering) and Terrorist Financing Act.

Governance Structure

The senior officer appointed as IPCIC's Chief AML & ATF Officer ("CAMLO") is responsible for the implementation of IPCIC's compliance regime and has the authority and the resources necessary to discharge his or her responsibilities effectively. The CAMLO will oversee the execution and development of the AML policies and procedures and provide written approval of the procedures on an annual basis.

He or she may choose to delegate certain duties to other qualified individuals. Specifically, the responsibilities of the CAMLO will include:

- Ensuring that clients are adequately and properly identified to standards required by PCMLTFA and that records are maintained of the client identification and updated when necessary;
- Maintaining the overall firm risk assessment and ensuring individual risk assessments and PEP/HIO determinations are performed for every account, and that all high-risk accounts identified are dealt with in accordance with the overall AML risk framework;
- Ensuring that suspicious transactions and attempted suspicious transactions are identified and that reports of such transactions are prepared and properly filed with FINTRAC and any other applicable agencies;
- Ensuring that necessary records of all AML compliance activities are created, stored and retained for required timeframes;
- Ensuring that the AML Compliance Program is updated regularly to reflect current requirements and related guidance issued by the federal government, FINTRAC and other applicable agencies and regulatory bodies;
- Ensuring that appropriate AML training and education is developed, provided to all appropriate personnel and updated regularly; and
- IPCIC's CAMLO is required to report on a quarterly basis to the Chief Compliance Officer on the overall status of the AML/ATF Compliance Regime and any incidents in the past quarter.

IPCIC's employees, agents and employees of our agents are an integral part in detecting and preventing anti-money laundering and anti-terrorist financing. As such, IPCIC's employees, agents and employees of our agents are required to remain informed on IPCIC's Compliance Regime and their obligations with respect to AML & ATF as outlined within these Policies. Failure to do so may result in termination of the individual's employment or referral to the Accountability Review Committee.

Client Risk Assessment

Customer due diligence is key to developing knowledge about the client and the types of transactions in which they are likely to engage. When assessing a situation, it is important to remember that it is the behavior that is suspicious and not people. Furthermore, what may be reasonable for one client may be suspicious for another. A well-documented file with current client information provides you with an understanding of the client and allows you to assess the reasonableness of the transaction in the context of what you know about the client and appropriateness given their personal situation.

In addition, there are a number of red flags that you should watch for when dealing with clients or prospective clients (refer to section, What Are Suspicious Transactions). It is important to ask questions

and document everything. You will not be asking “Are you a terrorist” but rather simple questions such as “Where are the funds coming from? What are your intentions?” So, what if a client does not tell you the truth? This may happen, but what is important is for you to fulfill your obligations. It is the information about your suspicion that is important. Fines and penalties can be imposed for not fulfilling obligations under the legislation.

Customer due diligence along with understanding the intended business relationship and know-your-client information helps you assess the risk that a client may pose.

What is customer due diligence?

Customer due diligence is similar to know-your client requirements but includes the specific information gathering as described within this document, required under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act and supporting regulations for customer verification and record keeping. Information that must be collected includes client name, address, date of birth, occupation, primary purpose of account, politically exposed person determinations, specimen signature and identity verification. In the case of corporate or non-individual accounts, ownership and director information is also required. In the case of trust accounts, information regarding the trustees, beneficiaries and settlor is also required.

What is Know-Your-Client?

The term know-your-client refers to assessing the suitability of recommendations to purchase, sell or exchange any product or service on the basis of a client’s financial situation, investment objectives, risk tolerance and time horizon. Consideration is given to situational factors such as age, health, number of dependents, job security, investing experience and anticipated future financial needs.

When is a client risk assessment required?

- At the beginning of a business relationship (i.e. new client). Fulfilling customer due diligence and know-your-client obligations will help with the initial assessment.
- For existing business relationships (i.e. existing client), continue to watch for indicators which may be considered high risk for money laundering or terrorist financing activities.

What is the basic approach to conducting a risk assessment?

- Understanding the intended business relationship.
- Knowing your client (fulfilling customer due diligence and know-your-client obligations).
- Determining if there is a contravention of policies and procedures or industry practice.
- Gathering sufficient knowledge about the client and their activities.
- Watching for inconsistencies or unusual client activity or behavior.
- Contacting Corporate Compliance for direction and guidance, if in doubt.
- Reporting any suspicious or attempted suspicious transactions.

Some questions you may ask yourself when conducting a risk assessment include:

- Has the client been identified to have engaged in activity that is consistent with the indicators for Suspicious or Attempted Suspicious Transactions?
- Is the client unable to provide or can only provide partial documentation for identity verification inspection?
- Is the client an unregistered charity or other unregulated “not-for-profit” organization?
- Is the client a Politically Exposed Person?
- Has the client provided a P.O. Box address which is not the norm for the area, or C/O or “Care of” address without a reasonable explanation?
- Will the client be using their account for or on behalf of a non-account holder (i.e. a third-party determination)?
- Does the client’s name appear on the lists of individuals or entities that are believed to be involved in or associated with terrorist activity?
- Is the client located in a known high crime rate area?
- Is the client in a cash-intensive business?

What should you do if you identify a reportable transaction?

If you answer yes to any of the questions above, or your client risk assessment identifies potential indicators or a reportable transaction, you should consider the client as a higher risk for money laundering or terrorist financing activities and therefore:

- Bring your suspicions to the attention of the designated person in your area;
- Complete the IPC Suspicious Transaction Report (available on The Hub);
- Submit your report to CAMLO@ipcc.ca.

Corporate Risk Assessment

A Risk-Based Program has been developed at a corporate level whereby an assessment has been conducted of various risks to IPC Investment Corporation. Assessing risk requires an analysis of potential vulnerabilities to money laundering and terrorist financing activities and having a good knowledge of the business operations of IPC Investment Corporation (IPCIC). The risk based approach for IPCIC encompasses the following:

- The **risk assessment** of IPC’s business activities considers certain factors:
 - Products, services and delivery channels;
 - Geography;
 - Clients and business relationships;
 - Other relevant factors.

- The **mitigation of risk** to implement controls and measures to handle identified risks;
- Keeping **client identification and, if required, beneficial ownership and business relationship information** up to date **in accordance with the assessed level of risk**; and
- The **ongoing monitoring** of transactions and business relationships in accordance with the assessed level of risk.

Factors which are considered high risk are monitored by the Compliance Department. You may be contacted for further information or assistance

If after careful review, there are reasonable grounds to suspect that a transaction identified through monitoring is suspicious the activity will be reported to FINTRAC.

High risk factors include those which have been deemed to be high risk by regulators, government authorities, other credible sources or transactional activity that may identify possible placement, layering or integration.

IPCIC has adopted through policy and procedure, certain risk mitigation strategies to limit exposure to money laundering and terrorist financing activities.

Policies and Procedures

IPCIC will develop and enforce Money Laundering and Anti-Terrorist Financing policies and procedures to prevent, detect and address non-compliance with the federal Proceeds of Crime (Money Laundering) and Terrorist Financing Act.

Mackenzie/IG Internal Audit will conduct a review on a biennial basis of the policies and procedures to test their effectiveness. The CAMLO will report the results of these assessments to the CCO and Board of Directors.

Training

IPCIC requires all employees, agents and employees of our agents to complete AML training. Ongoing training will be provided to ensure that IPCIC's employees, agents, and employees of our agents acting on our behalf are aware of our policies and reporting obligations with respect to AML Legislation. Generally, training will be delivered every two years but may be delivered more frequently in the event of material changes in regulation or procedure.

Successful completion of AML training will require the individual to complete a quiz, hosted on our Learning Center. Evidence of successful completion will be maintained by IPC Head Office. If the individual fails to complete the training, they may be referred to the Accountability Review Committee or, if the individual is an employee, their employment with the firm may be terminated.

All new IPC employees, sponsored advisors, licensed and unlicensed assistants are required to complete AML training within 30 days of assignment. The training will be assigned by the IPC Training Department as

“Mandatory Learning” and it will appear within the “My Learning Dashboard” section of Learning Centre accessed through The Hub.

Politically Exposed Persons (PEPs) and Heads of International Organizations

As of June 23, 2008, IPCIC must take reasonable measures to determine if the firm is dealing with a PEP for new or existing accounts. Effective June 17, 2017, FINTRAC updated the definition of a PEP to include more categories. IPCIC must take reasonable measures to determine whether a person is a Politically Exposed Foreign (PEFP) or Domestic Person (PEDP) or a Head of an International Organization (HIO). This also includes immediate family members and close associates of a PEP or HIO.

Politically Exposed Foreign Person

A Politically Exposed Foreign Person (“PEFP”) is defined as an individual (regardless of citizenship, residence status or birthplace) who holds or has held one of the following offices or positions in or on behalf of a foreign country:

- A head of state or head of government;
- A member of the executive council of government or member of a legislature;
- A deputy minister (or equivalent);
- An ambassador or an ambassador’s attaché or counselor;
- A military general (or higher rank);
- A president of a state-owned company or bank;
- A head of a government agency;
- A judge of a supreme court, constitutional court or other court of last resort; or
- A leader or president of a political party in a legislature.

Politically Exposed Domestic Person

A Politically Exposed Domestic Person (“PEDP”) is defined an individual who holds or has held (within the last 5 years) one of the following offices or positions in or on behalf of the Canadian federal, provincial or municipal government:

- A governor general, lieutenant governor or head of government;
- A member of the senate or house of commons or member of a legislature;
- A deputy minister (or equivalent);
- An ambassador or an ambassador’s attaché or counselor;
- A military general (or higher rank);

- A president of a corporation that is wholly owned directly by Her Majesty in right of Canada or a province;
- A head of a government agency;
- A judge of an appellate court in a province, the Federal Court of Appeal or the Supreme Court of Canada;
- A leader or president of a political party represented in a legislature;
- A mayor (head of a city, town, village, or rural or metropolitan municipality, regardless of the size of the population).

Heads of International Organizations

An international organization is defined as an organization set up by the governments of more than one country. The Head of an International Organization (“HIO”) is the primary person who leads that organization (e.g. president or chief executive officer) and is a person who is either:

- The HIO established by the government of states;
- The HIO established by an international organization.

A PEFP, PEDP or HIO will also include the following immediate family members of the individuals described above:

- Spouse (includes a civil union spouse or common-law/de facto partner);
- Children (includes birth and adopted children);
- Parent (includes birth and adoptive parents);
- Parents-in-law (includes those of civil union spouse or common law/de facto partners); and/or
- Siblings (includes birth and adopted brothers and sister).

A Close Associate of a PEFP, PEDP or HIO is defined as an individual who is closely connected to a PEP or HIO for personal or business reasons. A close association includes an individual who is either:

- Business partners with, or who beneficially owns or controls a business with, a PEP or HIO;
- In a romantic relationship with a PEP or HIO;
- Involved in financial transactions with a PEP or a HIO;
- A prominent member of the same political party or union as a PEP or HIO;
- Serving as a member of the same board as a PEP or HIO; or
- Closely carrying out charitable works with a PEP or HIO.

Risk assessment of a PEP, HIO, or their family member, or close associate

Foreign PEPs, or a family member of, or person closely associated with a foreign PEP, are high risk clients and senior management must approve all accounts within 30 days.

If it is determined that a person is a *Domestic* PEP, HIO, or a family member or close associate of a domestic PEP or HIO, a further assessment will be conducted to determine if this person is a high risk for a money laundering or a terrorist activity financing offence. If it is determined that the individual is high risk, senior management will approve all associated accounts within 30 days, otherwise senior management approval is not required. The risk assessment will be documented on the Politically Exposed Domestic Persons and Heads of International Determination Risk Assessment form.

What could make a Domestic PEP or HIO High-Risk?

When assessing the risk level of a Domestic PEP or HIO, the following must be considered:

- The amount of time that has passed since the person held the position – after 5 years a person is no longer considered a domestic PEP;
- The organization or institution where the person held the position – as there may be certain organizations that are higher risk based on previously reported vulnerabilities to corruption;
- If the person attempts to shield their identity to prevent detection;
- If the person makes use of intermediaries and this does not match the normal business practice;
- If the person makes use of family members or close associates as legal owners for property or corporate vehicles in a way that does not fit their expected profile;
- Use of corporate vehicles (legal entities and legal arrangements) to obscure ownership;
- If the person seems uncomfortable providing information about source of wealth or source of funds;
- The type of transaction(s) conducted or expected to be conducted by the client;
- A change in the account activity following their PEP, HIO, family member, or close associate status change;
- If the person provides information that is inaccurate or incomplete;
- If the person does not reveal additional positions they hold elsewhere.

In addition to the above, consideration will also be given to several other important factors:

1. The level of authority and influence of the PEDP or HIO position.
2. The purpose and intended activity of the account being opened.
3. Red Flag Indicators.

1. *Assessment of position, level of authority and influence*

Factors that increase an individual's exposure to being able to participate in illegal activities, including corruption, bribery and money laundering require closer examination. This includes:

- Consideration of the official responsibilities of the identified individual;
- The nature of the individual's title (e.g. honorary or salaried);
- Level of authority over government activities or other officials;
- Access to significant government assets or funds;
- In the case of a family member or close associate of the domestic PEP or HIO, the nature of the relationship and probability that this person would be able to assist in illegal activities on behalf of the PEP or HIO.

While all holders of public functions have a heightened exposure to the possibility of corruption or the abuse of their position to a certain degree, those individuals holding senior, prominent or important positions pose a greater risk than individuals with less significant roles or functions. Similarly, those with substantial authority over policy, operations or the use or allocation of government-owned resources, have much more influence than others who are not in a similar position.

IPC considers individuals holding the following PEDP positions to be high risk:

- The governor general or lieutenant governor or head of government;
- A current member of the senate or house of commons (Federal or Provincial);
- A deputy minister/or minister (e.g. Minister of Finance, Minister of Foreign Affairs);
- An ambassador or an ambassador's attaché or counselor;
- General/Admiral of the Canadian Armed Forces/Royal Canadian Navy;
- A president of a corporation that is wholly owned directly by Her Majesty in right of Canada or a province (e.g. Bank of Canada, Liquor Control Board, Canada Post);
- A head of a government agency (e.g. RCMP, CRA, CRTC);
- Senior judicial officials whose decisions are not subject to further appeal (Federal or Provincial);
- A leader or president of a political party represented in a legislature¹;
- A mayor who represents a city, town, village, or rural or metropolitan municipality under the *Federation of Canadian Municipalities*.

IPC considers individuals holding the following HIO positions to be high risk:

¹ To be considered major, the party must be currently represented within the legislature at either the federal or provincial level.

- President, COO or CFO of an international organization, or major subsidiary of the international organization.

Examples of international organizations, and institutions established by international organizations, can be found [here](#).

Immediate Family Members and Close Associates of High-Risk PEPs and HIOs

It is critical to consider family members or close associates of PEPs and HIOs as part of our obligations. FINTRAC has observed that many criminals rely on family members or other personal relationships to conduct transactions on their behalf in order to create this distance until they can establish a safe way to spend these assets. IPC considers the following family relationships to be high risk:

- Spouse (includes a civil union spouse or common-law/de facto partner);
- Children (includes birth and adopted children);
- Parent (includes birth and adoptive parents);
- Parents-in-law (includes those of civil union spouse or common law/de facto partners); and/or
- Siblings (includes birth and adopted brothers and sister).

A Close Associate of a Politically Exposed Foreign/Domestic Person or Head of an International Organization is defined as an individual who is closely connected to a PEP or HIO for personal or business reasons. IPC considers the following close associations to be high risk:

- Business partners with, or who beneficially owns or controls a business with, a PEP or HIO;
- In a romantic relationship with a PEP or HIO;
- Involved in financial transactions with a PEP or a HIO;
- A prominent member of the same political party or union as a PEP or HIO;
- Serving as a member of the same board as a PEP or HIO; or
- Closely carrying out charitable works with a PEP or HIO.

2. Account – Purpose and Intended Activity

The purpose of the account, the actual or anticipated activity, products and services purchased, and size or complexity of the account are also important considerations. Items such as the following need specific consideration:

- Source of funds – specifically, money originating outside of known sources of wealth; money received from third parties and/or entities outside of current place of employment; and money received from off-shore accounts.

- The purpose for which the account is being opened – speculation or desire to make frequent transactions; and with respect to our on-going review, the activity within the account is not reflective of the intended purposes recorded.

3. Red Flag Indicators

To further determine the level of risk for a Domestic PEP or HIO, or the family member or close associate of a Domestic PEP or HIO, consideration to the same red flag indicators being used for all clients should be implemented. Additional red flag indicators include:

- If the person attempts to shield their identity to prevent detection;
- If the person makes use of intermediaries and this does not match the normal business practice;
- If the person makes use of family members or close associates as legal owners for property or corporate vehicles in a way that does not fit their expected profile;
- Use of corporate vehicles (legal entities and legal arrangements) to obscure ownership;
- The person seems uncomfortable providing information about source of wealth or source of funds;
- The person provides information that is inaccurate or incomplete;
- The person does not reveal additional positions they hold elsewhere;
- Presence of concerning public news stories about the individual or affiliated organization.

Final Risk Assessment and Documenting the Risk for Domestic PEPs, HIOs or their Family Members or Close Associates

In assessing the risks posed by Domestic PEPs or HIOs, or the family member or close associate of a domestic PEP or HIO, consideration of the position/role of the identified individual should be compared to the amount, frequency and type of transactions that they intend to conduct, in addition to other red flag indicators. Consideration of all of these factors may result in a high-risk rating being assigned. All risk assessments will be documented on the Politically Exposed Domestic Persons and Heads of International Organization Checklist form.

Final Risk Assessment Criteria

A high-risk rating will be assigned to a Domestic PEP, HIO, or the family member or close associate of a Domestic PEP or HIO when any factor listed above applies. If it is determined that an individual is high risk, then all close associates and family of the individual who are also clients will be treated as high risk.

An individual assessed as high risk will require senior management approval to accept the account and such approval must be obtained within 30 days of the assessment. Domestic PEPs and HIOs (including close associates and family) found to be high risk will cease to remain as such in the event of death,

transferring out, or when more than 5 years has passed (see exceptions above) since they last held the position.

All other domestic PEPs and HIOs who have not been assessed as high risk will be identified and subject to ordinary account review protocols and procedures outlined within the IPC Risk Assessment.

PEP/HIO Internal Controls

The New Account Application Form (NAAF) includes a PEP question. If it is identified that the individual is a PEP/HIO, a Politically Exposed Person & HIO Determination Form ("the Form") must be completed and submitted with the NAAF to Compliance for Senior Management approval without delay. This applies to individuals identified as high risk. The source of the funds and personal details must be recorded on this document. Once you have determined the source of the funds for the account, you are not required to do so again for future deposits unless ongoing monitoring triggers the need to do so.

A member of IPCIC's senior management team will review the Form within 2 weeks of receipt to determine whether IPCIC is prepared to have the individual as a client of the Firm. If IPCIC is not prepared to keep the PEP/HIO as a client, the client will be informed, and steps taken to transfer the account out of IPCIC. If IPCIC approves the PEP/HIO as a client, enhanced due diligence will take place and the individual's account will be monitored in accordance with the policies and procedures established from time to time for this purpose.

The current monitoring procedures are as follows:

- The individual will be flagged on the back-office system as a PEP/HIO by IPCIC Head Office Compliance;
- The daily trade review process (refer to Section B-7) carried out by IPCIC will include a review of all trades processed in high risk PEP/HIO accounts. Any irregular or suspicious trades will be brought to the attention of senior management for their review;
- A transaction report for each calendar quarter will be reviewed in the month following the quarter end. Any irregular or suspicious trading patterns will be brought to the attention of senior management for their review;
- On a weekly basis, the IPCIC client database will be compared to a PEP/HIO subscription list and certain profile matches will be investigated to determine if these clients are actual undisclosed PEP's/HIO's. In the event that IPCIC becomes aware of a client who is an undisclosed PEP/HIO, the Advisor will be notified by IPCIC Head Office to contact the client and to complete the Declaration Form to be submitted for approval. IPCIC has an obligation to obtain management approval of the PEP/HIO as a client.

Risk Mitigation Measures

IPCIC has reviewed and updated its AML/ATF Risk Assessment to account for the changes in legislation from FINTRAC that came into effect February 1, 2014.

IPCIC has performed a business-based and relationship-based risk assessment on its products, services, geography, delivery channels and clients according to FINTRAC guidelines. IPCIC reviews all factors on a regular basis to ensure all risks are identified and appropriate mitigation measures are implemented.

Some of the measures identified are as follows:

- At the time of registration all Advisors are screened for suitability against industry guidelines;
- Clients are reviewed weekly using the FINSCAN system and are compared against the OFSI terrorist watch lists and Dow Jones watch lists for Politically Exposed Persons;
- The daily trade review process carried out by IPCIC will include a review of all trades processed in PEP and AML risk accounts. Any irregular or suspicious trades will be brought to the attention of senior management for their review;
- Head Office reviews the account activity of clients for high risk clients on a quarterly basis;
- Statements to clients include a message to prompt individuals to report changes to their Advisor should there be any changes in the purpose or intended use of their account, updated beneficial ownership information or updated information for persons providing instructions on the account;
- Advisors complete a risk assessment at account opening or KYC update to identify high risk clients (i.e. a cash intensive business).

In addition, the following charts outline how an individual or entity client would be assigned as high risk:

Client Characteristics (Individuals)

PEFP, PEDP, HIO, Close Associate	Non-Domestic Residence (U.S.)	Non-Domestic Residence	Non-Domestic (High Risk) Residence	Cash Intensive Business	Suspicious Transaction Report	Terrorist Property	Risk Level
N	N	N	N	N	N	N	Low
N	Y	N	N	N	N	N	Low
N	N	Y	N	N	N	N	Moderate
N	N	N	Y	N	N	N	High
Y	N	N	N	N	N	N	High
N	N	N	N	Y	N	N	High
N	N	N	N	N	Y	N	High
N	N	N	N	N	N	Y	High

Client Characteristics (Corporations, Trusts, Entities)

PEFP, PEDP, HIO, Close Associate	Non-Domestic Residence (U.S.)	Non-Domestic Residence	Non-Domestic (High Risk) Residence	Cash Intensive Business	Suspicious Transaction Report	Terrorist Property	Risk Level
N	N	N	N	N	N	N	Low
N	Y	N	N	N	N	N	Low
N	N	Y	N	N	N	N	Moderate
N	N	N	Y	N	N	N	High
Y	N	N	N	N	N	N	High
N	N	N	N	Y	N	N	High
N	N	N	N	N	Y	N	High
N	N	N	N	N	N	Y	High

Note: FINTRAC requires IPCIC to identify an entity client as high risk if a client acting on behalf of an entity is not aware of the entity's beneficial owners (such as the names of the entity's directors or the individuals controlling the entity, for example).

Advisors and supervisory teams should be aware of the following for clients who are identified as high risk:

- Do not advise or “tip off” a client that he/she has been deemed high risk or that their account(s) is subject to Enhanced Due Diligence (EDD);
- Maintain a heightened awareness of client’s transactions and trading activity;
- Take reasonable measures to keep client identification information, beneficial ownership and intended use up to date.
 - This does not mean you have to identify these clients again. This can be achieved by determining whether or not there has been a material change to the client’s previous KYC information (material change means any information that results in changes to the stated risk tolerance, time horizon or investment objectives of the client or would have a significant impact on the net worth or income of the client). For example, you can ask the client if their information is up to date when they come in or when you send them written correspondence.
 - For high risk clients you should verify the information is correct on an annual basis.
- Be advised of your requirement to report any suspicious or irregular or attempted suspicious or irregular trading activities to the CAMLO.

IPCIC’s risks and mitigation measures are documented in an external document entitled Investment Planning Counsel’s Risk Assessment Program.

F2 – Privacy Laws & Protection of Personal Information

IPCIC and its associated companies are committed to protecting the privacy, confidentiality, accuracy, and security of Personal Information (defined below) that we collect, use, retain, and disclose in the course of providing our clients with our products and services.

As a result, we adhere to the IPC Personal Information Policy (the “Policy”) which was developed in accordance with existing privacy legislation guidelines. Each new client of IPCIC is provided with a “Client Information Booklet”, which among other things, provides for a description of how personal information will be used and collected described within the section entitled “Your Personal Information”. A copy of our current Policy is available on IPC’s public website <http://www.ipcc.ca/privacy.aspx>, within the IPC Hub or upon request by contacting IPC’s Privacy Officer.

IPC Privacy Officer

Contact information for the IPC Privacy Officer is as follows:

IPC Privacy Officer

5015 Spectrum Way, Suite 200, Mississauga, Ontario, L4W 0E4

Telephone: 1 (877) 212-9799

Fax: (905) 212-9798

Email: privacy@ipcc.ca

Confidentiality

All information received by IPCIC relating to a client or the business and affairs of a client shall be maintained in confidence by IPCIC and its Advisors, employees, and agents. This information may not be disclosed to any other person or used for the advantage of IPCIC, its Advisors, employees, and agents without written consent from the client or as permitted by the IPC Personal Information Policy.

IPCIC Advisor and Employee Responsibilities

IPCIC Advisors, employees, and agents are required to safeguard Personal Information obtained from Clients in accordance with the IPC Personal Information Policy and the following IPCIC Representations Regarding the Safeguarding of Information:

IPCIC Representations Regarding the Safeguarding of Information

In these IPCIC Representations:

“Client(s)” means an individual(s) who has provided Personal Information to IPCIC or IPCIC Advisors, employees, and agents

“Personal Information” means all individually identifiable information, which is:

- “personal information” within the meaning of the Personal Information Protection and Electronic

Documents Act (Canada), An Act respecting the protection of personal information in the private sector (Quebec), the Personal Information Protection Act (British Columbia), and/or the Personal Information Protection Act (Alberta);

- “health information” within the meaning of the Health Information Act (Alberta);
- “personal health information” within the meaning of The Personal Health Information Act (Manitoba) and/or The Health Information Protection Act (Saskatchewan);
- “nominative information” within the meaning of An Act respecting access to documents held by public bodies and the protection of personal information (Quebec), and/or
- information otherwise protected by Canadian federal or provincial laws as in force now or in future;

“PI Laws” means all of the statutes referred to in the preceding “Personal Information” paragraph, as the same may from time to time be amended, and any other statutes of Canada or any province thereof that may hereafter be enacted regulating the collection, use or disclosure of personal information;

“we”, “us” or “our” refers to IPCIC;

“you” or “your” refers to IPCIC Advisors, employees, and agents;

As from January 1, 2004, in disclosing to you any Personal Information relating to any Client, IPCIC represents that we have given due consideration to the requirements of all applicable PI Laws and we will consider that you have represented to us, and that you acknowledge that you have also given due consideration to the requirements of all applicable PI Laws (as defined above).

IPCIC will consider that such representations apply to all Personal Information with respect to such Clients which we may have provided to you prior to January 1, 2004 as well as to all Personal Information which we may hereafter provide to you, and to all PI Laws, whether now or hereafter in force or applicable, in each case as from their effective date(s).

IPCIC represents that we take all commercially reasonable steps to ensure that Personal Information is protected against unauthorized access, disclosure, inappropriate alteration or misuse and all safety and security measures are taken to ensure that Personal Information is protected and kept confidential and we will consider that you have represented to us, and that you acknowledge that you also take all commercially reasonable steps to ensure that Personal Information is protected against unauthorized access, disclosure, inappropriate alteration or misuse and all safety and security measures are taken to ensure that Personal Information is protected and kept confidential.

If you are unable to confirm that you can make the representations above and comply with your obligations referred to herein, you will notify us promptly. Until receipt of such notice, IPCIC will rely on the representation contained herein.

IPCIC will defend, indemnify, save and hold the you, your servants, directors, officers, agents, successors, assigns and related and affiliated companies harmless from any and all demands, liabilities, losses, costs and claims, including reasonable legal fees, asserted against them or any of them that may arise or result from lack of consent to any Personal Information about Clients that we have provided to you. IPCIC expects that you will defend, indemnify, save and hold us, our servants, directors, officers, agents, successors, assigns and related and affiliated companies harmless from any and all demands, liabilities, losses, costs and claims, including reasonable legal fees, asserted against them or any of them that may arise or result from lack of consent to any Personal Information about Clients that you have provided to IPCIC.

PIPEDA Checklist

IPC has put together a checklist/guide (“A QUICK REFERENCE GUIDE TO PRIVACY IN THE WORKPLACE”) that Advisors must use to review and evaluate how well their workplace is addressing the new privacy requirements. An essential part of protecting one’s ongoing business is to ensure that it meets regulatory requirements and IPC requires its Advisors to utilize this tool in order to satisfy themselves that they are adequately protecting clients’ personal information. This checklist will also be utilized by IPCIC Compliance staff when they perform on-site reviews of branches. The checklist is available on the IPC Hub by way of www.ipcc.ca.

IPC Fax Guidelines

Investment Planning Counsel (“IPC”) has developed guidelines to be used by individuals sending faxes on behalf of any IPC company including Counsel Portfolio Services, IPC Estate Services, IPC Investment Corporation and IPC Securities Corporation. Individuals who should be knowledgeable of these guidelines and who should adopt them as a best practices standard include all IPC employees, IPC advisors and agents, and employees of IPC advisors and agents handling IPC information.

We highly recommend that all IPC business locations including branches and sub-branches post a copy of the following IPC Fax Guidelines on or near the fax machines:

IPC guidelines on the faxing of personal information

Faxing personal information may increase the risk that highly sensitive details will fall into the hands of people who should not receive them. IPC encourages everyone to explore alternate ways of distributing information to others.

What are the risks?

Dialing a wrong fax number could accidentally send sensitive personal information to the wrong person. On several occasions employees or advisors have misdialed numbers or hit the wrong speed-dial key and sent sensitive personal information to the media or parties unknown.

What should I do if someone asks me to fax his or her own personal information?

- Explain how faxing personal information can result in it being accidentally disclosed or deliberately intercepted by other people.
- Explain the risks and the precautions you have taken to reduce the risks. Ensure the person consented before faxing personal information.

How can I reduce the risk?

- Fax only personal information that must be transmitted immediately which can't be sent by an alternate method.
- Always confirm that the receiver has taken appropriate precautions to prevent anyone else from seeing the faxed documents.
- Before sending a fax, check that the receiver's number is correct, and then verify in the machine's display window that you have keyed it in correctly.
- If you must send personal information, always complete the fax cover sheet, clearly identifying both sender and intended receiver. The cover sheet should include a warning that the information is intended for the named recipient only, as well as a request to contact you if the transmission was misdirected.
- Call the recipient to verify that he or she received the complete transmission.
- Consider making one individual responsible for the fax machine.
- Arrange a time to receive faxes containing personal information so you can be at the machine as they arrive.
- Fax only the personal information which you would feel comfortable discussing over the telephone.

[How to Report a Potential Privacy Breach](#)

IPCIC's employees, agents, and employees of our agents who become aware of a potential or actual breach of privacy with respect to information pertaining to IPCIC, IPCIC related companies, and clients of IPCIC and its related companies must complete a Privacy Incident Report and then submit it to the IPC Privacy Officer at Head Office within two business days of becoming aware of the incident. The Privacy Incident Report is available on the IPC Hub.

The IPC Privacy Officer or designate will review the Report and, if appropriate, promptly take corrective action to remedy and/or mitigate any harm that has or may occur as a result of the potential or actual breaches.

Changes to Canada's federal privacy sector that came into effect November 2018 requires IPC to report certain breaches of security safeguards to the Commissioner's office and to notify those affected. Under the new regulations IPC must:

- Report to the Privacy Commissioner's office any breach of security safeguards where it creates a "real risk of significant harm":
 - IPC will consider the sensitivity of the personal information involved and the probability that the personal information has been, is being, or will be, misused.
- Notify individuals affected by a breach of security safeguards where there is a real risk of significant harm;
- Keep records of all breaches of security safeguards that affect the personal information under their control; and
- Keep those records for two years:
 - PIPEDA requires IPC to keep a record of every breach of security safeguards whether there is a real risk of significant harm or not.

Privacy Training

IPCIC requires all employees, agents and employees of our agents to complete privacy training. Ongoing training will be provided in the event of material changes in regulation or procedure, to ensure that IPCIC's employees, agents, and employees of our agents acting on our behalf are aware of our policies and reporting obligations with respect to Privacy Legislation. Generally, training will be delivered every two years but may be delivered more frequently in the event of material changes in regulation or procedure.

Successful completion of privacy training will require the individual to complete a quiz, hosted on our Learning Center. Evidence of successful completion will be maintained by IPC Head Office. If the individual fails to complete the training, they may be referred to the Accountability Review Committee or, if the individual is an employee, their employment with the firm may be terminated.

All new IPC employees, sponsored advisors, licensed and unlicensed assistants are required to complete privacy training within 30 days of assignment. The training will be assigned by the IPC Training Department as "Mandatory Learning" and it will appear within the "My Learning Dashboard" section of the Learning Centre accessed through The Hub.

G – COMPLAINT HANDLING

G1 – Client Complaints

Any person who submits a complaint to IPCIC will be treated with respect and dignity and their complaint must be dealt with in good faith. IPCIC will acknowledge all client complaints in writing and will complete their investigation and analysis and provide a substantive response letter in a timely manner (in most cases this will be within three months).

Definition

A “complaint” is defined as any written or verbal statement of grievance, including those received via electronic communications, from a client, former client, or any person who is acting on behalf of a client (who has written authorization to so act), or of a prospective client who has dealt with IPCIC or any IPCIC Advisor alleging a grievance involving IPCIC, an IPCIC Advisor or former IPCIC Advisor if the grievance involves matters that occurred while the IPCIC Advisor was an Advisor with IPCIC.

Background

At account opening clients must be provided with:

- A summary of the firm’s Complaint Handling Procedures which can also be found on IPCIC website. This summary is included in the IPCIC Information Booklet that IPCIC Advisors provide to new clients when they first complete an IPCIC New Account Application Form.
- A copy of the Client Complaint Information Form (“CCIF”) – an updated copy can be found on The Hub by going to Compliance/Client Complaints.
- CCIF’s must again be provided to clients who submit a written complaint.

How Complaints Can Be Filed?

The Complaints Resolution team is the initial contact person for all complaints received at Head Office including those submitted by email to complaintresolution@ipcc.ca. Complaints received by Advisors should be either be sent via email to this address or sent by fax to 1-905-212-9167 to the attention of the Complaints Resolution team.

Complaint Reporting to Branch Manager and H. O. Compliance

As per MFDA Policy No. 6, Part A, section 4.1(a) all written and verbal complaints and legal actions (actual or pending) must be disclosed by Advisors to their Branch Manager and the Complaint Resolution Team (complaintresolution@ipcc.ca) within two business days of receiving or learning of such matters. Failure to do so will be considered a serious breach of IPCIC policy which may result in disciplinary action up to and including possible dismissal with cause. All Advisors are required to immediately take the time to fully document all conversations, meetings, dates, times, etc. relating to a complaint or “grievance”

whether from a client, former client or authorized party. Advisors and/or Branch Managers should obtain a written version of the complaint and should provide documentation assistance to complainants if necessary.

Duty to Assess All Complaints

IPCIC has a duty to engage in an adequate and reasonable assessment of all complaints in accordance with Part 1 of MFDA Policy No. 3. All complaints must be handled in accordance with the general complaint handling procedures set out in MFDA Policy No. 3, which are captured herein. In addition, any complaints that relate to any of the following specific actions will be subject to both general complaint handling procedures and additional complaint handling requirements specified in MFDA Policy No. 3:

- breach of client confidentiality;
- unsuitable investments or leveraging;
- theft, fraud, misappropriation of funds or securities, forgery, misrepresentation, unauthorized trading;
- engaging in securities related business outside of IPCIC;
- engaging in an undeclared occupation outside of IPCIC;
- personal financial dealings with a client, money laundering, market manipulation or insider trading.

General Complaint Handling Procedures

Any complaints will be reviewed and investigated by either qualified Compliance Department staff or other qualified supervisory persons. An individual who is the subject of a complaint must not review and investigate the complaint. Complaints will be handled in the following manner:

- The Branch Manager will promptly provide the assigned Complaints Investigation Officer at IPCIC Head Office with full details of any and all complaints and grievances received. This will be done by submitting a Complaint Report form which is available on the IPC HUB by going to Compliance/Complaints.
- The Branch Manager will also record the complaint in their Branch Complaint Log which must be maintained in a centrally located file within the Branch. The template for the Branch Complaint Log form is available on the IPC HUB at Compliance/Helpful Resources/Branch Managers.
- In general, Branch Managers should not attempt to resolve any complaints or grievances without first communicating with a member of the Complaints Resolutions Team. However, there may be situations involving straight forward client servicing issues and requests, such as complaints regarding the inability of clients to reach their Advisor after repeated and failed attempts. Such complaints may be handled and resolved informally by the Branch Manager prior to informing Head

Office of this complaint. Any questions regarding what constitutes client servicing issues that may be resolved informally should be directed to the Complaints Resolutions Team.

- The Complaints Officer will record complaints received by Branch Manager and IPCIC Head Office in the Head Office Complaint Log.
- If applicable, the Complaints Officer will inform the MFDA of the complaint via the Member Events Tracking System (“METS”) within 5 business days of the occurrence of the event in accordance with MFDA Policy No. 6.
- Where a complaint subject to informal resolution is received in writing, IPCIC must in turn provide a response to the complainant in writing. IPCIC will assist clients in documenting verbal complaints where it is apparent that such assistance is required.
- Client complaints not resolved in an informal manner by the Branch Manager and any related supervisory obligations will be handled by qualified IPCIC Compliance staff who will conduct a thorough investigation and analysis of the matters specific to the complaint and in a timely manner advise both the Advisor and Branch Manager of any additional procedures or information required of them. In some cases, the Branch Manager may be delegated the responsibility for handling the complaint by the Complaints Resolution Team.
- In addition to the Complaint Log, the Branch and Compliance Department must both maintain up-to-date documentation and records for each complaint, including the following information:
 - the name of the individual handling the complaint;
 - the date of the complaint;
 - the complainant’s name, address, telephone and facsimile numbers as well as email address, if applicable;
 - the name of the person who is the subject of the complaint;
 - the investments or services which are the subject of the complaint;
 - the date and conclusions of the decision rendered in connection with the complaint; and
 - all working papers, notes and documents pertinent to the complaint handling.
- The Complaints and Investigations Officer will notify the Chief Compliance Officer (CCO) of any complaints alleging serious misconduct and of all legal actions in a timely manner. The CCO, in turn, will advise IPCIC executive management and the Board of Directors of such matters.
- Where the events relating to a complaint took place in part at another member firm or at a member of another SRO, IPCIC will cooperate with the other entity in the sharing of information as necessary to address the complaint.

Please note that it is a regulatory and IPCIC requirement for all registered Branches and Sub-branches to have a client complaint log even if the Branch Office has never received a complaint and the file is otherwise empty.

Additional Complaint Handling Procedures

Any complaints other than verbal complaints that Branch Managers or other supervisory personnel resolve informally will be subject to the following additional complaint handling procedures conducted by qualified Compliance Department staff:

- The IPCIC Complaints Resolution Team will send acknowledgement of receipt of the complaint to the client, or the clients' legal counsel, within 5 business days of receipt of the complaint. The acknowledgement letter will include:
 - a request to the complainant for any additional reasonable information required to resolve the complaint;
 - the name, job title and full contact information of the individual at IPCIC who is handling the complaint along with a statement indicating that the complainant should contact the individual to enquire about the status of the complaint;
 - a summary of IPCIC's internal complaint handling process, including general timelines for providing a response to the complaints and a state advising clients that each province and territory has a time limit for taking legal action; and
 - a reference to an attached copy of the MFDA Client Complaint Information Form.
- A copy of IPCIC's *Client Complaint Handling Procedures* as well as the *MFDA's Client Complaint Information Document* will be included in the response for all clients outside of Quebec.
- The acknowledgement to a Quebec client will inform the complainant that if they are dissatisfied with the complaint examination procedure or our reply, they can ask us to forward a copy of their file to the Autorité des marchés financiers ("AMF").
- Within the acknowledgement, the client will be provided the name and contact information of the Compliance Officer responsible for handling the complaint. They will also be advised that IPCIC will review the complaint and provide a substantive response in a prompt manner, acting diligently, and while the time required for each complaint may vary, IPCIC normally expects to deliver a substantive response to the client no later than three months following the receipt of the complaint.
- Should the substantive response not be provided within three months, IPCIC will notify clients and provide an explanation as to why the substantive response has been delayed along with our best estimate of the time required for the completion of the substantive response.

- IPCIC's review of a complaint will result in a substantive response being issued to the complainant that will include either a fair offer to resolve the complaint or denial of the complaint with an explanation.
- Prior to issuing the substantive response, the Branch Manager and Advisor will be provided the opportunity to review the response and provide comments for a limited time period. Once all comments have been given due consideration and, if necessary, the letter has been revised, or the allotted time has lapsed with no comments received from the Branch Manager or Advisor, the letter will be forwarded to the client along with the required information documents set out above. (Note: there is no requirement that either the Branch Manager or Advisor agree with IPCIC's findings or resolution of the complaint.)
- The substantive response addressing the complaint will include the following;
 - an outline of the complaint;
 - IPCIC's substantive decision on the complaint, including reasons for the decision and, if applicable, any offer to settle the complaint;
 - a reminder to the complainant that if he/she is not satisfied with the substantive decision, other options exist for a continued review of the complaint, including;
 - presenting the complaint to the Ombudsman for Banking Services and Investments; independent from the MFDA, government and the financial services industry. OBSI provides an independent and impartial process for the investigation and resolution of complaints about the provision of financial services to clients.
 - presenting the complaint to the MFDA: investigates complaints about mutual fund dealers and their Advisors and takes enforcement action where appropriate. There is no cost to clients to submit a complaint to the MFDA.
 - taking litigation/civil action; if the complainant chooses litigation, participation in the litigation process in accordance with the rules of the applicable jurisdiction will be followed.
 - any other applicable options, such as an internal ombudservice provided by an affiliate of IPCIC (such a service does not presently exist).
- When a complaint is received or an investigation is required, Advisors will be placed under close supervision at a charge of 5% or for strict supervision at a charge of 10%. Advisors may also be required to pay IPCIC \$1,500 to offset costs incurred by IPCIC for each complaint requiring a substantive investigation that concludes that the complaint had merit. This charge can be adjusted based on the co-operation of the Advisor with the investigation, and the facts relevant to the complaint. If the investigation indicates that there has been a significant breach of IPCIC's policies

and procedures or MFDA rules by the Advisor, the matter will be referred to IPCIC's Chief Compliance Officer.

- No Advisor or Branch Manager may engage outside legal counsel on behalf of IPCIC or any company within the IPC Group of Companies with respect to any client matter without the knowledge and consent of IPCIC.

The nature of complaints filed will be reviewed and analyzed to determine if there is a systemic issue which requires attention. In the event that a pattern or trend is identified, additional measures and/or internal controls may be imposed to minimize repeat occurrences. Additional measures may include further investigation of the Advisor's activities, additional supervision and/or additional branch reviews over the Advisor, revised policies and procedures, or revised or new internal controls.

Fair Handling of Client Complaints

MFDA Rule 2.11 requires IPCIC to ensure that all client complaints are dealt with promptly and fairly. As such, the basis of IPCIC's analysis must be reasonable. For example, a suitability complaint must be considered in light of the same principles that would be applied in conducting a suitability review, which would include an acknowledgement of the complainant's stated risk tolerance. It would not be reasonable for IPCIC to assess suitability based on a risk level presumed to be higher than indicated by the complainant. A further example of an unreasonable analysis would be to dismiss a complaint due to a simple uncorroborated denial by the IPCIC Advisor notwithstanding evidence in support of the complainant.

Settlements and Release of Claims

In the event that a payment to a client is required to settle a complaint, the client is required to sign a "Release of Claim" in order to prevent any further claims being made with respect to issues resolved. The Release of Claim cannot impose confidentiality restrictions on clients with respect to regulators. Advisors and/or Branch Managers are not permitted to make offers of settlement or to settle complaints with clients directly. All settlements must be done by IPCIC, through Head Office, with the appropriate documentation.

Errors & Omissions Insurance Claims

It is imperative that any complaint (or any other event) that could give rise to a claim against an Advisor's Errors and Omissions (E&O) insurance coverage be reported as soon as possible to IPCIC's insurer. IPCIC's E&O insurer is Marsh Canada Limited. Failure to report matters on a timely basis could prejudice the claim and possibly even void any available coverage. Head Office Compliance can assist Advisors in making a claim against E&O coverage. Please contact the Complaints Resolution Team for more details on this matter.

Reporting of Complaints

Whenever a client complaint or lawsuit is settled by way of a monetary payment or other offsetting compensation to the client or to a third party as directed by the client, IPCIC will notify the appropriate entities as required by regulation:

1. Settlements falling under the jurisdiction of the MFDA

If a settlement agreement is entered into which results in the payment of compensation to a client either directly or indirectly in excess of \$15,000, IPCIC will report the terms of the settlement agreement to the MFDA in accordance with the requirements of MFDA Policy No. 6.

2. Complaints falling under the jurisdiction of the AMF

IPCIC is required to submit details of all complaints which involve an Advisor registered in Quebec, or a client who resides in Quebec to the AMF on a semi-annual basis, by July 30 of the current calendar year for data collected January 1 to June 30 of that same year, and by January 30 of the following calendar year for data collected during the period July 1 to December 31 of the prior calendar year. In addition, if an Advisor has been the subject of more than five complaints in a calendar year, the AMF will be notified within 20 days of receipt of the fifth complaint.

[Supervisory Investigations Overview](#)

MFDA Policy No. 3 sets out the minimum requirements which MFDA member firms must follow with respect to supervisory investigations.

IPCIC has a duty to monitor, through its supervisory personnel, all information that it receives regarding potential breaches of applicable requirements on the part of IPCIC and our current and former Advisors that raise the possibility of risk to IPCIC clients or other investors. Applicable requirements include MFDA By-laws, Rules and Policies, other applicable legal regulatory requirements and IPCIC's related internal policies and procedures.

IPCIC must take reasonable supervisory action in relation to such information, the extent of which will in part depend on the severity of the allegation and the complexity of the issues. In some cases, it will be necessary to conduct an active supervisory investigation in relation to the information received in specific situations and the level of the investigation must be reasonable in the circumstances.

IPCIC has a duty to conduct a detailed investigation in all situations where there is information from any source, written or verbal, whether from an identified source or anonymous, to raise concerns that the following types of conduct have occurred either inside or outside of IPCIC. This duty applies to all conduct by current or former Advisors of IPCIC:

- breach of client confidentiality;

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- theft, fraud, misappropriation of funds or securities, forgery, misrepresentation, unauthorized trading;
 - engaging in securities related business outside of IPCIC;
 - engaging in an undeclared occupation outside IPCIC; and
 - personal financial dealings with a client, money laundering, market manipulation or insider trading.

Detailed Investigation Requirements

Any detailed investigation completed by IPCIC must be sufficiently thorough and must include all reasonable steps to determine whether the potential activity occurred. Examples of the activities that IPCIC may need to take include:

- i) Interviewing or otherwise communicating with individuals such as:
 - the individuals of concern;
 - related supervisory personnel;
 - other branch staff and Head Office personnel;
 - the client or other external individuals who brought the information to IPCIC's attention or other clients who may have been affected by the alleged activity.
- ii) Conducting a review at the branch or sub-branch;
- iii) Reviewing documentation such as:
 - files of the Advisor relating to IPCIC business; and
 - files and other documents in the Advisor's custody or control that relate to any outside business, where there is a reasonable possibility that such information is relevant to the investigation.

In order for IPCIC to meet its investigatory obligations under MFDA Policy No. 3, IPCIC has a right to require such information and Advisors have an obligation to cooperate with such requests.

Advisors will be required to pay IPCIC \$1,500 to offset costs incurred by IPCIC for each regulatory investigation requiring a substantive investigation that concludes that the investigation was with merit. This charge can be adjusted up or down based on the work involved, the co-operation of the Advisor with the investigation, and the facts uncovered. If the investigation indicates that there has been a significant breach of IPCIC's policies and procedures or MFDA rules by the Advisor, the matter will be referred to IPCIC's Chief Compliance Officer.

Record Retention

Branch and Compliance Department records and documents relating to client complaints and IPCIC supervisory investigations must be retained for a period of seven years from the date the complaint file is closed. These records must be readily available for handing over on request to any examiner from applicable Securities Commissions or the MFDA.

H – MARKETING & SALES COMMUNICATIONS

H1 – Client Communications

A client communication is any written communication by IPCIC or IPCIC Advisors to a client of IPCIC, including trade confirmations, account summaries and account statements, other than an advertisement or sales communication.

General Requirements

Client communications must not:

- be untrue or misleading or use an image such as a photograph, sketch, logo or graph which conveys a misleading impression – examples would be the promise or guarantee of a rate of return when none exists or the use of a name or image/logo that would suggest a relationship or endorsement when none exists;
- make unwarranted or exaggerated claims or conclusions or fail to identify the material assumptions made in arriving at these conclusions;
- be detrimental to the interests of clients, the public, IPCIC or the MFDA;
- contravene any applicable legislation or any guideline, policy, rule or directive of any regulatory authority having jurisdiction over IPCIC; or
- be inconsistent or confusing with any information provided by IPCIC or an IPCIC Advisor in any notice, statement, confirmation, report, disclosure or other information either required or permitted to be given to clients.

Promotion of Approved Outside Business Activities

IPCIC does not permit Advisors to promote any business activities conducted outside of IPCIC on any dealer stationery, marketing material or website. The business conducted outside of IPCIC is not the business of IPCIC or the responsibility of the dealer. If insurance business is conducted (either partially or totally) through IPC Estate Services Inc./PPI Solutions, a disclaimer can be included (space permitting) on your IPCIC dealer business card stating, “Insurance products available through IPC Estate Services Inc.”.

Disclosed and approved business activities conducted outside of IPCIC such as insurance products offered through other MGAs, or services such as tax preparation, may only be promoted on material that does not use or make use of IPC’s name, any variation thereof or any word, phrase, symbol or logo which could reasonably imply that such outside business activity is business of IPCIC or the responsibility of IPCIC.

Account/Portfolio Summaries

MFDA Rule 5.3 sets out the delivery and content requirements for the official account statements sent quarterly to clients by IPCIC. These official account statements are produced and distributed in

accordance with internal project management standards and oversight including a documented review of sample statements by Head Office Compliance to ensure that they meet regulatory requirements. Per MFDA Policy 10, these statements will also include the MFDA logo prominently displayed on the front page.

While these official IPCIC statements can only reflect transactions executed by IPCIC, IPCIC and its Advisors may provide consolidated portfolio (account) summaries to clients in addition to but not in place of IPCIC's official dealer statements provided that they are produced directly from Univeris. IPCIC Head Office Compliance is responsible for ensuring that any account summaries produced from Univeris meet these standards established by the MFDA as described in MFDA Member Regulation Notice MSN-0024. Account summaries which are independently created (including those produced in MS Word or Excel) are strictly prohibited.

Rates of Return

In addition to complying with the general requirements above, any IPCIC client communication, account summary, or statement containing or referring to a rate of return regarding a specific account or group of accounts must use standard industry methods such as Time-Weighted Rate of Return or Modified Dietz and explain the methodology used to calculate such rate of return in sufficient detail and clarity to reasonably permit the client to understand the basis for the rate of return. If an account has been open for less than 12 months, the rate of return shown must be the actual total rate of return since account opening and not the annualized rate of return.

IPCIC's Official Account Statements

In the event that IPCIC provides its clients with the official account statements together with the account statements of related financial service entities such as IPC Estate Services in one document, it will not be a consolidated account statement, but separate legal entity statements formatted as one document and sent out in a single mailing meeting the following Standards:

- IPCIC's account statement must be clearly separated or segmented from the account statements of the related entities within the document, which will require at a minimum:
 - A separate section within the document for each legal entity with separate pagination; and
 - A separate heading clearly identifying the legal entity that is responsible for the transactions or assets shown on the account statement.
- In accordance with MFDA Rule 5.3.4, the IPCIC account statement will only show transactions executed by IPCIC and may not include transactions executed on behalf of related entities. This restriction applies to segregated fund transactions executed by IPC Estate Services.
- The IPCIC account statement must include a statement disclosing which assets are eligible for protection by the MFDA Investor Protection Corporation (when operational).

- The document must include a disclosure statement outlining the relationship between IPCIC and the related entity and advising that the IPCIC is a separate entity from the related entity.
- The document may include an account/portfolio summary that summarizes the client's total investments and holdings across multiple related financial service entities. The account/portfolio summary must be clearly separated from the official IPCIC account statement and comply with the requirements set out above.

H2 – Advertising and Sales Communications – General Information

All Advertisements and Sales Communications promoting the business of IPCIC must be approved by Head Office prior to usage. An Advertisement includes television or radio commercials or commentaries, billboards, Internet websites (including social networking sites such as Facebook, LinkedIn and Twitter) and blogs, newspapers and magazine advertisements or commentaries, flyers, brochures, any other published material promoting the business of IPCIC or the Advisor, and any other sales literature disseminated through the communications media. Sales Communications include records, video tapes and similar material, marketing/newsletters, research reports, seminars and other presentations, and all other published material (whether such material is given or shown to clients or prospects) which includes a recommendation in respect of a security.

General Requirements

Advertisements and Sales Communications must not:

- be untrue or misleading or use an image such as a photograph, sketch, logo or graph which conveys a misleading impression;
- make unwarranted or exaggerated claims or conclusions or fail to identify the material assumptions made in arriving at these conclusions;
- be detrimental to the interests of clients, the public, IPCIC or the MFDA;
- contravene any applicable legislation or any guideline, policy, rule or directive of any regulatory authority having jurisdiction over IPCIC; or
- be inconsistent or confusing with any information provided by IPCIC or an IPCIC associate in any notice, statement, confirmation, report, disclosure or other information either required or permitted to be given to clients.

Advertising & Sales Communication Approval Process

Head Office Designed Pieces

If you have requested that Head Office Marketing design a Sales Communication or Advertisement for you, they will undertake to have Compliance review and approve the piece prior to providing you with a

final copy. Marketing will advise you that the piece is Compliance approved and your Branch Manager will be copied on the communication for their records.

Items Created Outside of IPC

All Sales Communications and Advertisements that are not designed by Head Office Marketing and which require approval should be submitted through the IPC HUB by going to Registration Updates and choosing the MFDA or IIROC Marketing Review Form. Please refer to CB19-07: Marketing Approvals for more information about this process.

Guest Presentations at IPCIC Seminars

IPCIC requires copies of any audio or visual presentations or handouts that will be used by any guest presenting at your event. We need to know what material is being presented at seminars or events that are hosted by our Advisors in order to effectively evaluate seminar requests. You will need to obtain these presentations and forward them to Compliance for review prior to hosting the event. You also need to provide a copy of any material that IPCIC Advisors may be using or handing out.

Marketing Materials

It is IPCIC's objective to use a uniform brand throughout Canada and this requires a consistent look to all materials produced for IPC. It also provides us with the opportunity to reduce our Advisors' costs through the bulk ordering of materials. Accordingly, we require our Advisors to order stationery supplies (business cards, letterhead, and envelopes) through IPCIC in order to maintain proper compliance and branding consistency. Other types of stationery such as notepads or post-it notes with the dealer name on it must be approved by Marketing Compliance but can be printed locally by the advisor's chosen printer.

When ordering business cards, letterhead or other marketing pieces that include an address and/or phone number, the information provided must be the applicable information for your registered branch or sub-branch. Space permitting, alternate phone numbers or cell phone numbers are permitted and can be identified as such, but they do not preclude the requirement for proper branch details. Approvals may be delayed or denied if this requirement is not adhered to.

Enforcement of Policy

Failure on the part of any Advisor of IPCIC to provide Head Office with advertising and/or sales communication copy may result in a fine, suspension or termination. If a regulator issues a deficiency letter issued as a result of sales communication that was not submitted to Head Office Compliance for review and approval prior to usage, the Advisor may be fined \$500 for the first such letter. A second deficiency letter will incur a \$1,000 fine for the Advisor and a \$500 fine for the Branch Manager.

H3 – Future Value of an Investment

IPCIC and its Advisors are not permitted to guarantee the future value or the rate of return of an investment.

Securities Acts prohibit “any undertaking, written or oral, relating to the future value or price of a security.” That is to say, you are not allowed to make any specific promise as to the future value, such as “The value of ABC Fund will be \$27.00 by the end of next month”. This also extends to more general statements such as “Your daughter’s RESP won’t lose any money.”

H4 – Websites and Business Directories

Section H-2 states that no Advisor may issue an advertisement or sales communications including websites unless first approved by IPCIC Head Office Compliance. This section provides IPCIC’s policies and requirements relating to websites of Advisors that reference or promote IPCIC business and websites that do not promote IPCIC business. In particular, IPCIC must ensure that such websites comply with the general restrictions set out in MFDA Rule 2.7.2 regarding false or misleading advertisements and sales communications as well as the requirements outlined in MFDA Notice MSN-0033 regarding websites of Advisors of MFDA members.

General Obligations of IPCIC

IPCIC will review websites of all Advisors to ensure compliance with MFDA Rules and all other applicable legislation, including the following:

- Requirement that all securities-related business as defined in MFDA By-law 1 be carried on for the account of IPCIC through the facilities IPCIC with the exception of business relating to trading in deposit instruments that has been disclosed to and approved by IPCIC;
- Requirements with respect to dual occupations set out in MFDA Rule 1.2.1(d), in particular:
 - the requirement for IPCIC approval of outside business activities promoted on a website;
 - the requirement that websites provide to client’s clear disclosure of the products and activities that are being offered through, and are the responsibility of the IPCIC and which products and services are being carried on as outside business activity including those with respect to financial planning activities outside of IPCIC; and
 - the requirements with respect to business names under MFDA Rule 1.1.7 that IPCIC’s legal name or trade name Investment Planning Counsel appears in at least equal size to any other trade name that has been disclosed to and approved by IPCIC;
- Requirements with respect to business titles which prohibits the use by Advisors of any business name or designation of qualifications or professional experience that deceives or misleads or could

reasonably be expected to deceive or mislead, a client or any other person as to the proficiency or qualifications of the Advisor;

- Requirement for IPCIC to have policies and procedures and internal controls in place to ensure the handling of its business in accordance with MFDA By-laws, Rules, Policies and with applicable securities legislation.
- Requirements for IPCIC websites to prominently display the MFDA logo.

Websites that Promote IPCIC & IPC Business

IPCIC will only permit Advisors to promote IPCIC business and/or the business of related firms (“IPC”) on websites directly managed and controlled by IPCIC or IPC Head Office. Business activities outside of IPCIC and IPC may not be promoted on an Advisor’s IPCIC and/or IPC website. However, an Advisor may have a link on their IPCIC and/or IPC website to another website for the Advisor’s business outside of IPCIC and IPC provided that IPCIC’s requirements for websites relating to outside business have been satisfied.

The procedures for obtaining an IPCIC and/or IPC website are as follows:

- Submit your request for an IPCIC and/or IPC website in the prescribed manner
- IPCIC Head Office Compliance will review the website prior to release for compliance with MFDA Rules, applicable legislation, and IPCIC requirements
- Any material changes to the content of the website will also be reviewed by IPCIC Head Office Compliance prior to implementation of the change

Websites for Business Activities Outside of IPCIC and IPC

IPCIC will not permit Advisors to promote business activities outside of IPCIC on the Advisor’s IPCIC and/or IPC website. Business activities outside of IPCIC may only be promoted on non IPCIC and/or IPC websites subject to IPCIC approval. However, an Advisor may have a link on their non IPCIC and/or IPC website to their IPCIC and/or IPC website provided that IPCIC’s requirements for such websites have been satisfied. The procedures for obtaining IPCIC approval of non IPCIC and/or IPC websites for an Advisor’s business activities outside of IPCIC and IPC are as follows:

- Notify IPCIC Head Office of the website prior to activation
- IPCIC Head Office Compliance will review the website prior to activation for compliance with MFDA Rules, applicable legislation, and IPCIC requirements
- Any material changes to the content of the website must be submitted to and reviewed by IPCIC Head Office Compliance prior to implementation

Monitoring of Websites

IPCIC Head Office Compliance will monitor for on-going adherence to these requirements through periodic online reviews of approved websites and general internet searches. In addition, websites will be reviewed during branch reviews. IPCIC Head Office Compliance will require non-compliant websites to either be corrected or removed without delay and the matter will also be reviewed to determine if any further corrective or disciplinary action is appropriate.

Books and Records

IPCIC Head Office Compliance will maintain books and records that provide evidence of website reviews, approvals, and corrective actions taken.

Business Directory Listings

On-line directory listings such as Yellow Pages, the local business directory, or other membership directories (online or otherwise) that reference the Advisor's name and dealer related business need to list the dealer's legal name and/or the dealer's trade name. If the directory references only the Outside Business Activity of the Advisor, then the dealer's legal name cannot be shown. For example, a listing in the yellow pages under mutual funds would need to list the IPC name. The listing under Tax Preparation could not list the IPC name.

It is imperative that the Advisors be diligent about where their business is listed on the internet. There are often listings that get forgotten and are not kept updated as a dealer name or the Advisor's contact information changes. Best practice is for Advisors and Branch Managers to use an online search engine to check for these listings at least twice annually to ensure they are updated and correct, and any problems are addressed quickly.

H5 – Social Media Sites

In this section, the policies and procedures for social media apply to registered individuals who are using social media for communicating with clients or posting sales related content for clients on social media sites. This does not apply to personal social media sites such as for Facebook or Twitter. For Advisors with a LinkedIn account, the policy will apply if it mentions the name of IPC Investment Corporation. Any and all social media sites being used for business purposes are required to be reviewed and approved by IPC Compliance.

IPC policies require that all social media websites, profiles, events and updates comply with our sales communications and marketing policies. As part of the approval process, Advisors may have to allow the compliance staff as a connection or follower. All postings must abide by federal privacy legislation. Client personal information (full name, address, social insurance number, financial details and account information) may not be posted to a public medium, including any social media sites.

List of Permitted & Prohibited Activities

The following table provides guidelines to the appropriate pre-approval, permitted and prohibited activities as it relates to various social media platforms:

Platform	Pre-Approval Required	No Pre-Approval is Required	Non-Compliant
Facebook	<ul style="list-style-type: none"> Initial page set-up Changing the content of your profile, including work experience, or the “about me” section Posting links to events, articles or third-party sites Posting quotations 	<ul style="list-style-type: none"> Changing your interests Updating your photo Adding friends and relationships Tracking stats on who is viewing your site Creating a “Like” button for your professional website Posting pre-approved marketing material 	<ul style="list-style-type: none"> Communicating with clients about business through messenger or wall posts Removing reference to the dealer from the profile Loading applications Making sales recommendations Any other activity that is not listed in the previous categories
LinkedIn	<ul style="list-style-type: none"> Initial profile set-up Changing Personal Information on the Edit Profile tab Posting Communications on a group blog Posting links to events, articles or third-party sides Posting any sales communication that has not already been pre-approved 	<ul style="list-style-type: none"> Adding connections Requesting recommendations Providing recommendations on peers Managing recommendations Creating and join groups Posting jobs Updating your photos Posting pre-approved sales/marketing communication 	<ul style="list-style-type: none"> Sending business communication out via LinkedIn email box Loading applications Making sales recommendations Removing references to the dealer Any other activity that is not listed in the previous categories
Twitter	<ul style="list-style-type: none"> Setting up a twitter page Sending a tweet with sales communications that has not already been approved 	<ul style="list-style-type: none"> Following people on Twitter Accepting followers Posting a verified badge Posting pre-approved sales/marketing material 	<ul style="list-style-type: none"> Making sales recommendations Removing references to the dealer in the details section Any other activity that is not listed in the previous categories
Blogs	***All content must be Pre-Approved**		
YouTube	*** All content must be Pre-Approved**		

Monitoring of Social Media Sites

IPC Head Office Compliance will monitor for on-going adherence to these requirements through periodic online reviews of approved social media sites and general internet searches to assist with discovering unapproved sites. In addition, social media sites will be reviewed during branch reviews. IPC Head Office Compliance will require non-compliant social media sites to either be corrected or removed without delay and the matter will also be reviewed to determine if any further corrective or disciplinary action is appropriate.

Books and Records

IPC Head Office Compliance will maintain books and records that provide evidence of social media reviews, approvals, and corrective actions taken.

H6 – Authorship of Material

The following is IPCIC's policy on authorship and use by Advisors of material that has been written by or contributed by individuals other than the Advisor whose name appears on the material. While this policy specifically addresses advertisements, prospecting letters, seminar materials, brochures, fact sheets, posters, banners, newsletters, newspaper articles and books, it also encompasses any other form of marketing material. This policy is a supplement to the existing IPCIC policy on approval of marketing material. All advertising and marketing referred to in this policy **MUST STILL BE SUBMITTED TO THE COMPLIANCE DEPARTMENT FOR APPROVAL** in that it is a violation of Internal Policy to distribute or disseminate marketing material that has not been approved by the Marketing and Compliance Departments.

The intention of this policy is to eliminate the possibility of misrepresentation to the client as to the extent of an Advisor's authorship of or contribution to the material in question. Misrepresentation by Advisors, either intentionally or by omission is a violation of IPCIC's internal policy and securities regulation. The purpose of this policy is to ensure that the client is fully aware of the extent of the Advisor's contribution to the material as well as the contributions of others, if applicable. Please contact the Compliance Department should you require any further clarification or interpretation of this policy.

This policy draws a distinction between:

- *Internally Prepared Material* - being defined as material prepared by IPCIC employees or Advisors, and by an outside contractor engaged by IPCIC or its Advisors to produce unique material for the exclusive use of IPCIC and such contractor has waived his rights of authorship.
- *Externally Prepared Material* - being defined as material prepared by authors not employed by IPCIC such as written material prepared by Advisors of mutual fund companies which is made available to sales Advisors at various firms in an identical form.

Internally Prepared Material

Internally prepared material falls within the following three categories:

1. General Marketing - material includes advertisements, prospecting letters, seminar material, brochures, fact sheets, posters and banners. These materials which do not ascribe authorship and are generic in nature may be used by Advisors subject to our current standard disclaimers, limitations and approval process.
2. Newsletters - prepared by our firm or outside contractor employed by our firm are generally prepared without personalization. These may be customized with the name and picture of the Advisor but must clearly show that they were written on behalf of the Advisor. These materials may not state or suggest that they were authored “by” the Advisor to ensure that clients are not left with a mistaken impression as to the authorship of the material. A statement to the effect, “This report has been prepared by Investment Planning Counsel” is generally sufficient.
3. Newspaper articles - prepared by our firm or outside contractors employed by our firm may display the name of the Advisor but may not state or imply that they are written “by” the Advisor or refer to the Advisor as the “author” of the material. Authorship for the article must be attributed in the following manner so as to ensure that no confusion as to the Advisor’s contribution may result: “The article was prepared for (*name of Advisor*) who is an Advisor with IPC Investment Corporation.”

Externally Prepared Material

Externally prepared materials are authored by individuals not employed by IPCIC and made available generally for use by persons in the investment industry either for free or for a fee/charge. Identical materials are generally distributed to all users of these products. The most common sources of this type of written material are mutual fund companies and distributors of packaged marketing systems.

1. General Marketing Material - received from mutual fund companies is generally specific to the product sold (i.e. fact sheet on specific mutual funds) or generic in nature (i.e. pre-formatted ads for specific mutual funds). The approval of these items will be handled through the existing process for obtaining approval of marketing or advertising materials. Where, however, the author of the material is known, the author’s name must be identified immediately beneath the main heading of the article or marketing material. Advisors cannot state or imply that he or she is the author of general marketing material.
2. Newsletters - received from external sources may display the name and the picture of the Advisor but must clearly show that they were written on behalf of the Advisor and may not state that they were written “by” the Advisor. In order to accomplish this, the newsletter must disclose on the first page who wrote the material (“i.e. a publication for investors by ABC Mutual Fund Company’). In addition it must bear a disclaimer similar to the following to ensure that the reader is not confused as to the authorship to the material. “This newsletter was written, designed and

produced by (name of author or fund company) and is for information purposes only.”

3. Newspaper Articles - prepared by external sources may display the name of the Advisor but may not state that they are written “by” the Advisor or refer to the Advisor as the “author” of the article. In order to accomplish this, credit for the article must be given in the following manner: “The article was prepared by (author’s name) for (Advisor’s name) who is an Advisor with IPC Investment Corporation.” In addition the name of the author of the article must appear immediately below the main heading or title of the article.

Books

Books deserve special consideration because of copyright issues and the credibility that authorship of a text establishes with the reader. Any Advisor contributing to the writing of a book must contact our Compliance Officer for approval of the project. This encompasses books of any nature whether they are for sale in a bookstore, by mail or distributed on a complimentary basis to customers as a business promotion.

While each case is different and will be judged on the facts, the following general principals will apply:

- An Advisor must make a significant contribution to the book in order to claim authorship;
- The Advisor must be familiar with and able to work with all concepts, strategies and ideas contained in the book. Where the book deals with specific investment products, the Sales Advisor will be required to be registered to trade in those products;
- Disclosure must be made in each copy of the book of the names of all persons who will be claiming authorship or co-authorship of the book. The distribution of identical books with different authors listed or only a partial list of authors is prohibited; and
- Compliance must read and review the contents of all books prior to publication.

Use of Copyrighted Materials

It is a violation of the Canadian Copyright laws to make copies of printed material or redistribute it electronically without the express written consent of the author.

The steps for obtaining such consent are as follows:

1. Identify the article you wish to copy and contact the publisher for permission to do so. There will generally be a fee based on the number of copies you wish to make.
2. If the author is a staff writer, then the publisher can usually give permission to re-print the article.
3. If the author was a freelancer, you would require permission directly from the author. This would probably be more expensive. Authors who do not work for the publisher are usually identified with things like “Special Report for...” “Wall Street Journal” or “API” under their names.

The publisher or the freelancer themselves will then send written permission to reprint the article, along with an invoice for the fee.

A copy of the material, along with the permission received, must be provided to Marketing Compliance when the item is submitted for approval.

It is also important to carefully examine the “terms of use” of software and websites such as Advisor.ca, Paltrak, or Globefund to determine what limits may be on the information. Paying for a subscription to a service does not allow you to do whatever you want with the data.

Citing Sources

When writing marketing materials it’s often confusing about where you have to cite a source and where it’s unnecessary.

When to Cite a Source

You must cite a source when you make a claim that is not based on a well-known fact or common knowledge. Additionally, you must quote a source when:

- You make a general claim that could be challenged.
- You quote somebody.
- You make a specific claim that is not common knowledge.
- You paraphrase information from a source (give the meaning but change the wording).
- You use someone else’s material (with permission) in whole or in part.
- You assemble facts and display them (such as constructing a graph comparing three market sectors).

Example of Claims that need to be sourced:

- 73% of women use a financial planner instead of doing it themselves.
- North American markets have outperformed European markets in the past 5 years.
- Mark Carney, the Governor of the Bank of Canada, said that he sees the Canadian Economy growing by 1.8% next quarter and that interest rates will remain at current levels for the next 6 months.
- XYZ mutual fund has the highest MER of all equity mutual funds in Canada.
- You assemble a graph that compares the historical performance of 3 North American Equity indices of the past 10 years.

When You Don’t Need to Cite a Source

You do not need to cite a source when you are stating facts that are common knowledge, are well known, or are facts that could easily be looked up by the reader if they didn’t know it.

Examples of facts that are common knowledge:

- Investment Return is directly related to the level of Risk you are willing to take.
- RSP Contributions provide a tax deduction.

Examples of facts that are well known or could easily be looked up:

- The Canadian Dollar rose against the US greenback this week.
- The TSX closed above 1,200 today.
- Fund Companies pay distributions in the late fall, usually at the beginning of December.
- The first Canadian Mutual Fund was started in 1932.
- Capital Gains income is taxed at a lower tax rate than interest income.

H7 – Co-Op Marketing Process

National Instrument 81-105 permits mutual fund companies to reimburse IPCIC certain direct costs incurred by IPCIC or its Advisors relating to qualifying sales communications, investor conferences, and investor seminars presented by IPCIC or its Advisors. The aggregate direct costs paid by the fund companies are not to exceed 50% of the total direct costs.

Mutual fund companies may pay up to 100% of the registration fees of an IPCIC Advisor for qualifying third party sponsored education events such as conferences, seminars, or courses related to financial planning, investing in securities, mutual fund industry matters, or mutual funds generally.

Mutual fund companies may reimburse to IPCIC certain direct costs incurred by IPCIC relating to qualifying non- investor conferences and seminars sponsored by IPCIC. The aggregate direct costs paid by one organization of fund companies is not to exceed 10% of the total direct costs and the aggregate direct costs paid by all organizations of fund companies is not to exceed 66% of the total direct costs. IPCIC Head Office Compliance reviews all co-op approvals and reimbursement requests to ensure that they meet these requirements.

The process for getting co-op approvals and reimbursement is as follows:

1. You determine what marketing events, activities, etc. you wish to undertake. To accommodate the process below, you are going to have to plan in advance.
2. You determine if the event, activities, etc. fall within the CSA sales code as per the National Instrument 81-105. If the events/activities qualify, you may make an application to obtain a pre-approval from the Fund Company. Generally speaking, the event or activity must meet the “Primary Purpose Test” of 2/3 of the time and content of the event/activity being mutual fund-education oriented.

3. To obtain pre-approval, fill out the Cooperative Marketing Pre-approval form, available by going to the IPC HUB/Compliance/Marketing and Compliance/Marketing Co-Op. Complete the form and submit this to Head Office for approval by going to the IPC HUB, choosing the Registration Updates icon and selecting the MFDA or IROC Marketing Review Form option., We will verify that your event/activity is in keeping with NI 81-105 and will sign the Pre-Approval form. For a seminar, you must include the proposed invitation, event agenda, and estimated budget breakdown. For other items where co-op is going to be sought, you need to include a breakdown of the estimated costs with the proposed advertisement or mailing. Marketing Approvals will then review, approve, and forward the request back to the Advisor for forwarding to the Fund Company. Advisors are prohibited by the sales code from requesting co-op from the fund companies directly.
4. When you receive approval from the Fund Company, begin work on your event/activity.
5. Keep in mind that this is a process that can take up to 3 weeks, so plan ahead. To ensure a timely response, please make certain that the ad or invitation clearly states, "Paid for in part by (name of fund company)" and that the IPCIC Co-op rules are followed.
6. During the planning and execution of your event/activity, keep all of your receipts for expenses incurred. You will have to submit these once your event/activity is over. Upon completion of your event/activity, tally all receipts and submit them with a completed Cooperative Marketing Reimbursement Request using the links and information provided in point 3 above. Once reviewed, Head Office will sign off certifying that the expenses meet with NI-81-105. Remember that only direct expenses qualify.
7. Head Office retains a copy of the Form containing dated evidence of review and approval.

The cheque from the fund company must be made out to IPC Investment Corporation and addressed to IPCIC Head Office. Once received by IPCIC Head Office, the cheque is given to the Accounting department who will prepare a cheque to be sent to the Advisor.

H8 – Promotional Items and Business Activities

Requirements

NI 81-105 s. 5.6 provides a minimum standard with respect to promotional items and business promotion activities that manufacturers may provide to Advisors. The items or activity must be of a minimal value and neither be so extensive nor so frequent as to cause a reasonable person to question whether the provision of the items or activities improperly influences the investment advice provided by the Advisor. At IPC, we believe that the value of promotional items or business promotion activities should not exceed \$150 at any one given time without express written pre-approval from your Branch Manager.

PROMOTIONAL ITEMS: IPC is obligated by the MFDA to have policies and procedures in place to track and supervise the receipt of non-nominal promotional items and participation in promotional activities that are funded by the mutual fund companies and the organizations with whom we have a dealer referral agreement in place (dealer referral agreements). OSC Staff Notice 33-749 provides further guidance on promotional items and activities, details of which are itemized below in the list of compliant and non-compliant promotional items and business activities. Advisors should use this list to consider whether accepting the promotional item or business activity from a fund company or referral partner is in keeping with the spirit of the rules.

COMPLIANT: promotional items having a value of not more than \$50.00, which prominently display the company logo and are not extensive and/or frequently provided. Examples include:

- Luggage tags
- Embroidered basic bags (i.e. back packs)
- Water bottles
- Insulated Coffee Mugs
- Notebooks and Notepads
- USB Keys
- Umbrellas
- Passport Holders
- Business Card Holders
- Mobile Telephone Cases
- Pens
- Calendars
- T-Shirts
- Hats
- Paperweights
- Golf Balls

NON-COMPLIANT: items that are not of minimal value, do not prominently display the company logo, or are extensive and/or frequently provided. Examples include:

- Electronic items – BOSE speakers or wireless music systems, activity trackers, SONY cameras
- Computers or Tablets – iPad mini's, Samsung Galaxy Tablets
- Alcohol – Dom Pérignon champagne, expensive bottles of wine
- Designer Jewelry – Tiffany & Co.
- Custom made clothing – men's dress shirts, sports jacket
- Household appliances and gadgets – Nespresso espresso machine
- Luxury sporting goods – expensive golf putters and golf shoes, Nike golf bags

BUSINESS ACTIVITIES: Promotional activities paid for by product issuers, mutual fund companies and entities with whom there is a referral arrangement, at a cost that is not more than \$100 per person that are not extensive or frequent.

COMPLIANT: Examples include:

- Rounds of golf at golf courses with reasonable green fees
- Tickets to sporting events at a reasonable cost (i.e. regular season sporting tickets for MLB, NBA, NHL etc. and no floor seats or box seats)
- Breakfast, lunch or dinner costs that were not excessive and not held at extravagant venues
- Tickets to city attractions at mutual fund company or referral partner conferences or events (i.e. museums, the city zoo etc.)

NON-COMPLIANT: Examples include:

- The opportunity to play at a golf course with expensive green fees or golf followed by a reception including cocktails dinner and non-promotional gifts NOT of minimal value that in aggregate make the cost of the day excessive – i.e. golf events or green fees in excess of \$600 per Advisor
- Major league sporting event play-off tickets or tickets to sporting events that include expensive catering and bar service or meals and drinks and non-promotional gifts (such as team jerseys, hats, other non-promotional sport paraphernalia) – examples: Vancouver Canucks and Montreal Canadiens hockey games with a total benefit of more than \$700 per Advisor
- After business hour activities at conferences held at extravagant venues, including excessive cocktails, dinner, receptions and entertainment – i.e. approximately \$1500 per Advisor for dinner and activities held at a luxury resort, tickets to popular celebrity concerts/or sporting events for an Advisor and their family members at excessive costs – e.g. Madonna concert

Self-Reporting

Advisors need to self-report their receipt of promotional items and participation in activities that are funded by the fund companies or referral partners which are valued at \$50 or more. This reporting can either be done once a year on the Annual Compliance Questionnaire or tracked throughout the year by using the Gift module available on Registrations Updates. We believe it reasonable to receive \$1200 per fund company/referral partner per calendar year in gifts or activities (combined). It is important for Advisors to report the retail value of the item or activity. If unsure, Advisors can contact their company representatives to inquire further.

Refer to Compliance Bulletin CB18-03 for more information.

IPC Monitoring and Controls

As items are self-reported, IPC will review the request for adherence to NI 81-105, OSC Staff Notice 33-749, CB 18-03: Promo Items and our internal policies and procedures. Consideration will be given to the following:

- Limit per item – item is of minimal value – should not exceed \$150 at any one given time unless this has received pre-approval from the Branch Manager
- Limit per activity – IPC requires reporting of all items valued over \$50

- Limit per Advisor per year - \$1200/company per year
- Does the item/activity comply with the spirit of the rules?
- Would the activity be out of reach for an average person?
- How would an independent third party react to the provision of the non-monetary benefit? Would they consider it to be extravagant?
- What would be the reputational impact to the IPC if the non-monetary benefit was made public, for example in a news article?
- Does the activity fall within the non-compliant examples included in IPC's policies and procedures?

In addition, at least annually, IPC will contact the fund companies and referral partners on our approved list to obtain a list of promotional items and business activities that were extended to our Advisors in the calendar year. This list will be cross-referenced against the self-reporting tracked in Registration Updates and discrepancies and outliers reviewed against potential conflicts of interest and escalated appropriately.

H9 – Charitable Donations

Advisors are required to report when they solicit charitable donations from the fund companies or our referral partners. To report, log onto the IPC HUB, then go to Registration Updates. Using the gift module, choose 'create gift' and selection Donation.

For more information on reporting charitable donations, please refer to CB19-10: Charitable Donations.

H10 – Incentives and Rewards at the Branches

Compensation, reward and incentive programs at the branches which lead to adverse client outcomes or which give rise to a conflict, or a potential conflict of interest must be avoided. Examples include situations where Advisors are encouraged to recommend one product over another to clients or instances where client transactions are structured to benefit the Advisor, rather than the client.

Refer to CB19-01: Contests, Incentives, Compensation and Rewards Programs at the Branches for more information.

I – OUTSOURCING POLICY

Purpose

The purpose of the IPC Investment Corporation (“IPCIC”) Outsourcing Policy (the “Policy”) is to establish requirements for the management of risks associated with arrangements with third-party service providers, in compliance with Part 11 of National Instrument 31-103 *Registration Requirements, Exemptions, and Ongoing Registrant Obligations* (“NI 31-103”) and the Mutual Fund Dealers Association of Canada (“MFDA”) Rule 1.1.3 *Service Arrangements* (the “MFDA Rule”), and MFDA Notice MSN-0061 *Member Obligations Regarding Outsourcing* and MFDA Notice MSN -0044 *Member Obligations Regarding Service Providers* (collectively, “the MFDA Notice”).

Scope

The Policy applies to all of IPCIC’s Outsourcing Arrangements (as defined below).

Definitions

Outsourcing Arrangement: An Outsourcing Arrangement is an arrangement wherein the business activity (including regulated and unregulated functions) that could be performed by IPCIC itself is instead contracted out to a Service Provider (rather than IPCIC performing that business activity itself). Services that may be subject to an Outsourcing Arrangement include core functions (i.e. functions that are critical to the ongoing viability of IPCIC and to meeting regulatory obligations, e.g. trade execution and introducing broker/carrying broker arrangements) and non-core functions (e.g. office service management activities and human resources management services). Note: Outsourcing Arrangements do not include any activities that cannot be performed by IPCIC itself (e.g. audit services).

Senior Manager: A Senior Manager is the Chief Executive Officer, or any other individual appointed by the Chief Executive Officer as having supervisory obligations, including but not limited to any of the following: Chief Financial Officer, Vice-President of Operations and Manager of Accounting.

Service Provider: A Service Provider is a third party, including a third party that is an affiliate of IPCIC, that performs a business activity on behalf of IPCIC.

Background

NI 31-103

Under section 11.1(b) of NI 31-103, a registered firm is required to maintain policies and procedures that establish a system of controls and supervision sufficient to manage the risks associated with its business in accordance with prudent business practices. The Companion Policy to NI 31-103 outlines guidance with respect to outsourcing activities and states that:

- a registered firm is responsible and accountable for all functions that it outsources;

- a registered firm should conduct due diligence on prospective third-party service providers, including prospective service providers that are affiliates; and
- outsourced activities should be governed by written, legally binding contracts that include the expectations of the parties to the contract.

MFDA Rule 1.1.3

Under MFDA Rule 1.1.3, a Member or Approved Person may engage the services of any person including another Member or Approved Person, to provide services to the Member or Approved Person, as the case may be, provided that:

- the services do not in themselves constitute securities related business or duties or responsibilities that are required to be performed by the Member or Approved Person engaging the services pursuant to the By-laws, Rules or applicable securities legislation;
- any remuneration or compensation in any form in respect of such services shall only be paid or credited by the Member or Approved Person engaging the services, as the case may be, directly to the person providing the services and the payment or credit of such remuneration or compensation shall be recorded in the books and records required to be maintained in accordance with the By-laws and Rules by the Member or Approved Person engaging such services;
- the Member or Approved Person engaging the services shall remain responsible for compliance with the By-laws and Rules and any applicable legislation;
- any person preparing and maintaining books and records as a service in respect of the business of the Member or Approved Person shall do so in accordance with the requirements of Rule 5, and such books and records shall be available for review by the Member or Approved Person during normal business hours and by the Corporation in accordance with the By-laws and Rules; and
- all material terms of the services to be engaged that relate to requirements of the Member or Approved Person under the By-laws, Rules, Policies or Forms shall be evidenced in writing and a copy of such terms, together with any amendments thereto from time to time or termination, shall be provided by the Member or Approved Person promptly to the Corporation upon request, together with any other information relating thereto as may be requested by the Corporation.

MFDA Notice MSN-0061 and MSN-0044

The MFDA Notice requires IPCIC to ensure that the outsourced services meet all applicable regulatory requirements and to exercise due care, skill and diligence in the selection of any service provider to ensure that it has the ability and capacity to effectively undertake the outsourced service. In addition, procedures for monitoring the performance of the third-party service provider on an ongoing basis should be established to ensure that services continue to be performed in compliance with all applicable regulatory requirements. MFDA Notice MSN-0061 refers to the International Organization of Securities Commissions

(“IOSCO”), *Principles on Outsourcing of Financial Services for Market Intermediaries*, and sets out the following general principles identified by IOSCO to be considered with respect to outsourcing:

- Due diligence in selection and monitoring of service provider and service provider’s performance - due diligence must be exercised in the selection of third-party service providers.
- The contract with a service provider - Outsourcing agreements should be clearly written to reduce the risks of non-performance and avoid disagreements regarding the scope and nature of the service to be performed.
- Business continuity at the outsourcing firm - Business continuity arrangements should be established to ensure that business disruptions are minimized if the service provider is unable to continue providing the outsourced service.
- Client confidentiality issues - Measures should be taken to confirm that the service provider does not misuse or misappropriate confidential firm and customer information.
- Concentration of outsourcing functions - IOSCO has noted potential concentration risks when a large number of firms use a common service provider.
- Termination procedures - Termination provisions in outsourcing agreements should be addressed to ensure that any outsourced functions may be effectively transitioned in the event that an outsourcing agreement is terminated.
- Regulator’s and intermediary’s access to books and records, including rights of inspection - Regulators, the outsourcing firm and its auditors should have access to the books and records of service providers.

IPCIC Policy

1. Materiality Assessment

The Senior Manager responsible for supervising an Outsourcing Arrangement, or his or her delegate, shall perform, document, and retain records of an assessment of its materiality to IPCIC. Outsourcing Arrangements shall be assessed as “material” or “non-material”. If an Outsourcing Arrangement is assessed as material to IPCIC, then it is subject to all sections of the Policy.

In the event of a significant change in volume or the nature of the business conducted by a Service Provider, the relevant Senior Manager, or his or her delegate, shall reassess the materiality of the Outsourcing Arrangement(s) in which that Service Provider participates.

2. Due Diligence on Service Providers

When an Outsourcing Arrangement is created or renewed, the Senior Manager responsible for supervising the Outsourcing Arrangement, or his or her delegate, shall perform, document, and retain records of a due diligence review of the Service Provider.

3. Written Contracts

The Senior Manager responsible for supervising an Outsourcing Arrangement, or his or her delegate, shall ensure that a written, legally binding contract that includes the expectations of the parties to the Outsourcing Arrangement is executed for all Outsourcing Arrangements. The contract must adhere to the following criteria:

- Limitations or conditions, if any, on the service provider's ability to subcontract, and, to the extent subcontracting is permitted, obligations, if any, in connection therewith;
- Firm and client confidentiality;
- Defining the responsibilities of the outsourcing firm and the responsibilities of the service provider and subcontractors, if any, and how such responsibilities will be monitored;
- Responsibilities relating to information technology security;
- Payment arrangements;
- Liability of the service provider to the outsourcing firm for unsatisfactory performance or other breach of the agreement;
- Guarantees and indemnities;
- Obligations of the Service Provider to provide, upon request, records, information and/or assistance concerning outsourced activities to IPCIC, its auditors and/or its regulators;
- Mechanisms to resolve disputes that might arise under the outsourcing arrangement;
- Business continuity provisions;
- With respect to outsourcing on a cross-border basis, choice of law provisions;
- Termination of the contract, transfer of information and exit strategies; and
- Addressing any applicable Key Risks of outsourcing, including the following:

Key Risks	Major Concerns
Client harm risk	<ul style="list-style-type: none"> • Inadequate third-party outsource service provider controls to ensure adequate protection and timely client access to their account assets and related account records
Strategic risk	<ul style="list-style-type: none"> • The third-party outsource service provider may conduct activities on its own behalf which are inconsistent with the overall strategic goals of the regulated entity.

Key Risks	Major Concerns
	<ul style="list-style-type: none"> • Failure to implement appropriate oversight of the outsource service provider. • Failure to maintain adequate in-house expertise to oversee the outsource service provider.
Reputation risk	<ul style="list-style-type: none"> • Poor service from third-party outsource service provider. • Customer interaction is not consistent with overall standards of the regulated entity. • Third-party outsource service provider practices are not in line with stated practices (ethical or otherwise) of regulated entity.
Compliance risk	<ul style="list-style-type: none"> • Privacy laws are not complied with. • Consumer and prudential laws not adequately complied with. • Outsource service provider has inadequate compliance systems and controls.
Operational risk	<ul style="list-style-type: none"> • Technology failure. • Inadequate financial capacity to fulfill obligations and/or provide remedies. • Inadequate internal controls leading to undetected errors or fraud. • Difficult/costly for firm to undertake inspections of the outsource service provider's operations.
Exit strategy risk	<ul style="list-style-type: none"> • The risk that appropriate exit strategies are not in place. This could arise from over-reliance on one firm, the loss of relevant skills in the institution itself preventing it from bringing the activity back in-house, and contracts which make a timely exit prohibitively expensive. • Limited ability to return services to firm due to lack of staff or loss of institutional knowledge.
Counterparty risk	<ul style="list-style-type: none"> • Inappropriate underwriting or credit assessments. • Quality of receivables may diminish.
Country risk	<ul style="list-style-type: none"> • Political, social and legal climate may create added risk. • Business continuity planning is more complex.
Contractual risk	<ul style="list-style-type: none"> • Ability to enforce contract. • For offshore outsourcing arrangements, choice of law is important.
Access risk	<ul style="list-style-type: none"> • Outsourcing arrangement hinders ability of regulated entity to provide timely data and other information to regulators. • Additional layer of difficulty in regulator understanding activities of the outsource provider.

Key Risks	Major Concerns
Individual firm concentration risk	<ul style="list-style-type: none"> The firm has significant exposure to the third-party outsource service provider, because of the number and/or the materiality of the activities that have been outsourced to that provider
Industry concentration and systemic risk	<ul style="list-style-type: none"> The industry, as a whole, has significant exposure to the outsource provider. This concentration risk has a number of facets, including: <ul style="list-style-type: none"> Lack of control, by individual firms, over provider; and Systemic risk to industry as a whole.

Outsourcing Arrangements that are assessed as material to IPCIC should be subject to a written contract that shall include a provision permitting IPCIC, its auditors, and its regulators the same access to the work product of the Service Provider as if the activities were performed by IPCIC itself.

The Senior Manager shall provide executed copies of all written contracts of Outsourcing Arrangements to the Chief Compliance Officer.

4. Ongoing Reviews of Outsourcing Arrangements

At a frequency to be determined based on the nature of the Outsourcing Arrangement, but at least once per calendar year, the Senior Manager responsible for supervising an Outsourcing Arrangement, or his or her delegate, shall perform, document, and retain records of a review to ensure that the service is being delivered in the manner expected and in accordance with the terms of the contract governing the Outsourcing Arrangement.

5. Centralized List of Material Outsourcing Arrangements

The Chief Financial Officer shall maintain a centralized list of all Outsourcing Arrangements and shall retain copies of all contracts pertaining to these Outsourcing Arrangements.

In the case of a contract prepared by the Great-West Life Vendor Relations Team, the Senior Manager responsible for supervising the Outsourcing Arrangement, or his or her delegate, shall provide a copy of the contract to the Chief Financial Officer.

A central list of all Outsourcing Arrangements shall be maintained by the Compliance Department.

Compliance Reporting

The Compliance Department shall provide an annual report to the IPCIC Board of Directors, or a committee thereof as determined by the board, assessing IPCIC's compliance with the Policy.

Policy Review

The Compliance Department shall coordinate a review of the Policy and of all Outsourcing Arrangements each calendar year and make amendments as required.