



Canadian Investor Protection Fund

Fonds canadien de protection des épargnants

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Sponsored by the Alberta, Montréal, Toronto and Vancouver Stock Exchanges,
The Toronto Futures Exchange and the Investment Dealers Association of Canada

CIPF/FCPE POLICIES — October 1992

DEFINITION OF CUSTOMERS

A customer considered eligible for protection by CIPF/FCPE shall be any customer having an approved securities or futures contracts account used solely for the purpose of transacting securities or futures business (dealing as principal or agent) executed directly with the insolvent Member on account of securities received, acquired, borrowed or held for safekeeping, futures contracts and cash balances and shall include moneys left on deposit.

An approved securities account is any account opened in accordance with the rules governing new accounts prescribed by any Provincial Securities Act.

A customer shall be an individual, a corporation, a partnership, an unincorporated syndicate, an unincorporated organization, a trust, a trustee, an executor, an administrator or other legal representative but shall not include:

- i) a Member of a participating institution or a foreign securities dealer registered with a Canadian securities commission or foreign equivalent;
- ii) any individual or corporation to the extent that such person has a claim for cash or securities which by contract, agreement, or understanding, or by operation of law, is part of the capital of the insolvent Member such that the claim represents five percent or more of any class of equity security of the insolvent Member, or any individual who has a claim which is subordinated to the claims of any or all creditors of the insolvent Member;
- iii) a general partner or director of the insolvent Member;
- iv) a limited partner with a participation of five percent or more in the net assets or net profits of the insolvent Member;
- v) someone with the power to exercise a controlling influence over the management or policies of the insolvent Member;
- vi) a clearing corporation;
- vii) a customer of an institution, securities dealer or other party dealing with a Member of a participating institution on an omnibus basis; or
- viii) a customer who caused or materially contributed to the insolvency of a Member of a participating institution.

LIMITS OF COVERAGE

The determination of the amount of financial loss suffered by a customer of an insolvent Member of a participating institution for the purposes of payment by CIPF/FCPE and the maximum limits of such payments shall be in accordance with this Policy.

In the case of any question or dispute as to the amount of the financial loss incurred by a customer for the purposes of payment by CIPF/FCPE, and the maximum amounts to be paid to a customer, the interpretation of the Board of Governors of this Policy shall be final and conclusive. The Board of Governors reserves the right in the appropriate circumstances to authorize any payments in a manner other than as prescribed in this Policy.

Determination of Customer Losses

The financial loss of a customer in respect of which the Governors may authorize payment by CIPF/FCPE shall be determined as at the date of the insolvency of the Member (as fixed by the Board of Governors) after taking into account the delivery of any securities to which the customer is entitled and the distribution of any assets of the insolvent Member. Accordingly, the maximum amount of securities and cash which CIPF/FCPE may pay to a customer shall be calculated as the balance of the customer's financial loss as a result of the insolvency of the Member net of such deliveries or payments. The Board of Governors may in its discretion reduce the amount of the financial loss of a customer for the purposes of authorizing payments by the amount of compensation the customer may receive from any other source.

The date at which the financial loss of a customer is determined shall be fixed by the Governors as the date of bankruptcy of the Member, if applicable, or the date on which, in the opinion of the Governors, the Member became insolvent. The amount of securities delivered to a customer in satisfaction of a claim shall be the amount of securities to which the customer was entitled as at the date for determining financial loss without regard to subsequent market fluctuations. In lieu of satisfying a claim by the delivery of securities, cash in an amount equal to the value of the securities as at the date for determining financial loss may be paid to the customer even though the amount of such cash is not equal to the value of such securities as at the date of payment.

Maximum Limits of Payments

The Board of Governors may authorize payments to be made to each customer considered eligible for protection by CIPF/FCPE who has suffered financial loss to a maximum

amount of \$500,000 (including claims for cash) with respect to each of (i) the aggregate of all the customer's General Accounts and (ii) each type of aggregated Separate Account of the customer, as such General and Separate Accounts are determined by a Policy of the Board of Governors. The maximum amount of cash to be paid in respect of cash in each of the aggregated General Accounts and cash in each type of aggregated Separate Account of a customer of an insolvent Member as part of such aggregate maximum of \$500,000 shall be \$60,000.

The Board of Governors shall determine by policy the accounts of a customer which are General Accounts and Separate Accounts.

GENERAL ACCOUNTS

Each account of a customer considered eligible for protection by CIPF/FCPE which is not a Separate Account shall be one of the General Accounts of such customer. All General Accounts of a customer, or any interest the customer may have therein, shall be combined or aggregated so as to constitute a single account of such customer for the purposes of determining the payments to be made to the customer. An account held by a nominee or agent for another person as a principal or beneficial owner shall, except as otherwise provided in this Policy, be deemed to be the account of the principal or beneficial owner.

SEPARATE ACCOUNTS

Each account of a customer held by it in the capacity or circumstance set out below shall be considered a Separate Account of the customer. Unless otherwise indicated below, each Separate Account held by a customer in the same capacity or circumstance shall be combined or aggregated so as to constitute a single Separate Account.

Registered Retirement Savings Plan: *accounts of retirement savings plans which comply with the requirements under the Income Tax Act (Canada) for registered retirement savings plans and which have been accepted by the Minister under such Act, where the customer is entitled to the benefits of the plan. Accounts established with respect to a customer through the same trustee shall be combined and aggregated by trustee, but not if established through different trustees.*

Registered Retirement Income Funds: *accounts of retirement income funds which have been accepted by the Minister under the Income Tax Act (Canada) for registration, where the customer is entitled to the benefits of the fund. Accounts established with respect to a customer through the same trustee shall be combined and aggregated by trustee, but not if established through different trustees.*

Registered Education Savings Plans: *accounts of education savings plans which comply with the requirements under the Income Tax Act (Canada) for registered education savings plans and which have been accepted by the Minister under such Act, where the customer is the subscriber of the plan. Accounts established with respect*

to a customer through the same trustee shall be combined and aggregated by trustee, but not if established through different trustees.

Joint Accounts: *joint accounts which are owned jointly by the owners as joint tenants with the rights of survivorship, as tenants by the entirety or as tenants in common, by spouses as community property, or in any other manner, shall be the Separate Accounts of the co-owners authorized to act with respect to the entire account. Joint accounts which are Separate Accounts of the same persons shall be combined or aggregated so as to constitute a single Separate Account of a customer.*

Testamentary Trusts: *accounts held in the name of a decedent, his or her estate or the executor or administrator of the estate of the decedent. Accounts of testamentary trusts held by the same executor or administrator shall not be combined or aggregated unless held in respect of the same decedent.*

Inter-vivos Trusts and Trusts Imposed by Law: *accounts of inter-vivos trusts which are valid trusts created by a written instrument and trusts imposed by law. Such Separate Accounts of customers shall be distinct from the trustee, the settlor or any beneficiary.*

Guardians, Custodians, Conservators, Committees, etc.: *accounts maintained by a person as a guardian, custodian, conservator, committee or similar capacity in respect of which accounts such person has no beneficial interest. Such accounts held by the same person in any such capacity shall not be combined or aggregated unless held in respect of the same beneficial owner.*

Personal Holding Corporation: *accounts of corporations controlled by a customer shall be Separate Accounts provided that the beneficial ownership of a majority of the equity capital of the corporation is held by persons other than the customer.*

Partnerships: *accounts of partnerships controlled by a customer shall be Separate Accounts provided that the beneficial ownership of a majority of the equity interests in the partnership is held by persons other than the customer.*

Unincorporated Associations or Organizations: *accounts of unincorporated associations or organizations controlled by a customer shall be Separate Accounts provided that the beneficial ownership in a majority of the assets of the association or organization is held by persons other than the customer.*

Introducing/Carrying Brokers: *accounts which are carried on a fully disclosed basis for a customer which has been introduced by another broker and which by agreement is the customer of the carrying broker. All such accounts of the customer introduced by the same broker shall be combined or aggregated to constitute a single account unless such accounts are otherwise Separate Accounts under this Policy. Accounts introduced by different brokers shall not be aggregated or combined except as provided in the foregoing sentence.*