

13.1.2 IDA By-Laws 10.26, 10.27 and 10.28 – Member Regulation Oversight Committee and Additional Board Committees

**INVESTMENT DEALERS ASSOCIATION OF CANADA –
BY-LAWS 10.26, 10.27 AND 10.28 – MEMBER REGULATION OVERSIGHT COMMITTEE
AND ADDITIONAL BOARD COMMITTEES**

I OVERVIEW

A Current Rules

IDA By-law 10 sets out the composition, procedures and mandates of IDA Board of Directors, National Advisory Committee, Executive Committee, Chair's Consultative Council and Audit Committee. In addition, By-law 10.20 sets out the ability of the Chair or President of the IDA, with the consent of the Board of Directors, to appoint sub-committees from time to time.

B The Issue

There is no procedure to establish standing committees. Committees created under By-law 10.20, unless specifically renewed by the Board, are terminated.

C Objective

The objective of the amendments is to establish the Member Regulation Oversight Committee and provide the Board of Directors with the ability to create other standing committees from time to time.

D Effect of Proposed Rules

The proposed amendments will improve the corporate governance of the Association by ensuring that committees are properly constituted and are able to effectively exercise their mandates. The By-law 10 amendments relating to the MROC merely formalize the operation of this committee as a standing committee. There will be no changes to the composition or mandate of the MROC.

II DETAILED ANALYSIS

A Present Rules, Relevant History and Proposed By-Law Amendments

By-law 10 in general provides for the Board of Directors to establish particular committees such as the National Advisory Committee, the Executive Committee and the Audit Committee. In addition, By-law 10.20 provides that the Chair or President of the IDA, with the consent of the Board of Directors, "may appoint such Sub-Committees and for the purposes as either of them may in his discretion decide. The life of such Sub-Committee shall not extend beyond the first Annual Meeting next following its appointment".

There is no explicit residual authority for the Board to appoint any other committees. The Member Regulation Oversight Committee (MROC) has been appointed by the Board of Directors and is regarded as a standing committee without limited life (although the composition of the committee may be changed on a periodic basis).

The mandate of this Committee is to:

- 1) Ensure that Member Regulation is fulfilling its regulatory obligations in a fair, effective and efficient manner
- 2) Approve standards for departmental performance in specific areas, monitor performance in relation to those standards and make recommendations for improvement
- 3) Discuss, review and approve policy related to regulatory operations
- 4) Approve annual Self-Assessments
- 5) Review budget submissions on Member Regulation.

The MROC should be specifically provided for in the By-laws in the same way that the Executive Committee and Audit Committee, for example, are provided for. The proposed MROC By-law amendments mirror By-laws 10.25 and 10.25, which pertain to the Audit Committee.

In addition, the By-laws should provide the Board with the power to create committees from time to time on such terms and with such mandates as it may consider appropriate. This is the approach adopted by most business organizations under corporation by-laws (and enabling statutes), subject to many by-laws and business corporation statutes specifically requiring and/or providing for certain committees such as an executive committee, audit committee and others. In view of the fact that the IDA has other committees not provided for in the By-laws but which are apparently not ad hoc or of limited life, this approach will be useful beyond the establishment of MROC. The ability of the IDA to establish committees without specific provisions in the By-laws referring to each of them would also eliminate the need for by-law amendments for each new committee established.

B Issues and Alternatives Considered

No other alternatives were considered.

C Systems Impact of Rule

There are no systems issues associated with the amendment.

D Best Interests of the Capital Markets

The Board has determined that this housekeeping rule is not detrimental to the best interests of the capital markets.

E Public Interest Objective

According to the IDA's Order of Recognition as a self-regulatory organization, the IDA shall, where requested, provide in respect of a proposed rule change "a concise statement of its nature, purposes and effects, including possible effects on market structure and competition". Statements have been made elsewhere as to the nature and effects of the proposals with respect to the proposed amendments.

The purpose of the proposal is to recognize MROC's status and role in regulatory activities. As a result, the related general purpose of the amendment is to:

- provide for the administration of the affairs of the IDA.

The proposal does not permit unfair discrimination among customers, issuers, brokers, dealers, Members or others. It does not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes.

An assessment has been made that the proposed amendment is housekeeping in nature.

III COMMENTARY

A Filing in Other Jurisdictions

These proposed amendments will be filed for approval in Alberta, British Columbia, Quebec and Ontario and will be filed for information in Manitoba, Nova Scotia and Saskatchewan.

B Effectiveness

The proposed amendments are simple and effective.

C Process

The proposed amendments were suggested by the Executive Committee of the IDA and have been approved by the IDA Board of Directors.

IV SOURCES

References:

- By-law 10

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The Association has determined that the entry into force of the proposed amendments are housekeeping in nature. As a result, a determination has been made that this proposed rule amendments need not be published for comment. Questions may be referred to:

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INVESTMENT DEALERS ASSOCIATION OF CANADA

**BOARD OF DIRECTORS, NATIONAL ADVISORY COMMITTEE AND MEETINGS –
BY-LAW 10**

The BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. By-law 10 is amended by adding the following:

“Member Regulation Oversight Committee

10.26. The Board of Directors shall establish a Member Regulation Oversight Committee composed of the Vice-Chair, the President, two public directors and two other directors as may be designed by the Board. The Member Regulation Oversight Committee shall oversee the member regulation department of the IDA, report to the Board not less than annually and carry out such other functions as determined by the Board of Directors from time to time. With the exception of the President and Chief Executive Officer, the Board of Directors shall not be provided or have access to information concerning current and ongoing complaints, investigations and prosecutions.

10.27. The Member Regulation Oversight Committee shall (subject to the provisions of this By-law) fix its own rules of procedure from time to time and shall meet at such place or places and in accordance with such rules as provided by resolution of the Board of Directors. A majority of members of the Committee shall constitute a quorum for the transaction of business. The Vice-Chair, or in his or her absence another director selected by the Committee, shall act as chair of such meetings. If all the members present at or participating in the meeting consent, a meeting of the Committee may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and a member of the Committee participating in such meeting by such means is deemed for the purposes of the By-laws and Regulations to be present at that meeting.

Additional Board Committees

10.28. The Board of Directors may from time to time in its discretion appoint such committees as it considers necessary or appropriate for such purposes and with such powers not inconsistent with the Constitution or By-laws as the Board of Directors may determine including, without limitation, the authority to exercise any of the powers of the Board of Directors and to act in all matters for and in the name of the Board of Directors under the By-laws. Subject to any provisions of the By-laws otherwise, any such committee may be composed of public directors or other directors or both. A majority of the members of a committee established under this By-law 10.28 shall constitute a quorum.”

PASSED AND ENACTED BY THE Board of Directors this 26th day of October 2005, to be effective on a date to be determined by Association staff.