

## **RULE 2**

### **CNSX DEALERS**

#### **2-101 Qualifications**

A dealer applying for approval as a CNSX Dealer shall, prior to being approved as a CNSX Dealer:

- (a) be a member in good standing of the Investment Industry Regulatory Organization of Canada or such other recognized self-regulatory organization as may be prescribed by CNSX from time to time; and
- (b) meet such standards as may be prescribed from time to time.

#### **2-102 Application**

An application for approval as a CNSX Dealer shall be made in such form and contain such information as CNSX may from time to time require.

#### **2-103 Approval as a CNSX Dealer**

CNSX may:

- (a) approve a dealer as a CNSX Dealer unconditionally;
- (b) approve a dealer as a CNSX Dealer subject to such terms and conditions as may be considered appropriate or necessary to ensure compliance by the dealer with CNSX Requirements; or
- (c) refuse the application if, after having regard to such factors as CNSX may consider relevant including, without limitation, the past or present conduct, business or condition of the dealer or any of its directors, senior officers or holders of a significant equity interest, CNSX is of the opinion that:
  - (i) the dealer will not comply with CNSX Requirements,

- (ii) the dealer is not qualified by reason of integrity, solvency, training or experience, or
- (iii) such approval is otherwise not in the public interest.

## **2-104 Rights of Applicant**

If CNSX proposes to approve a dealer subject to terms and conditions or to refuse a dealer, the applicant shall be:

- (a) provided with a statement of the grounds upon which CNSX proposes to approve the applicant subject to terms and conditions or to reject an applicant with the particulars of those grounds; and
- (b) entitled to appeal the Decision in accordance with the provisions of Rule 1-104.

## **2-105 Set Up Fee**

- (1) A dealer that has been approved as a CNSX Dealer shall pay, before beginning to trade on the CNSX System, the set up fee as may from time to time be fixed by CNSX.
- (2) If a dealer has not paid the set up fee within 30 days of approval by CNSX, such approval shall lapse.

## **2-106 Register of CNSX Dealers**

CNSX shall keep a register of CNSX Dealers, setting out the name and address of each CNSX Dealer.

## **2-107 Representative of CNSX Dealer**

- (1) A CNSX Dealer that is not an individual shall appoint, in writing, an individual as its representative who shall be a senior officer, director or partner of the CNSX Dealer.
- (2) The representative shall:

- (a) represent the CNSX Dealer in all dealings with CNSX, with full authority to speak for and bind the CNSX Dealer;
- (b) ensure that the CNSX Dealer, and the partners, shareholders, directors, officers and employees of the CNSX Dealer comply with CNSX Requirements; and
- (c) be primarily responsible to CNSX for the conduct of the CNSX Dealer and the partners, shareholders, directors, officers and employees of the CNSX Dealer without in any way limiting the duties and liabilities of others under these Rules.

## **2-108 Not transferable**

Approval and status as a CNSX Dealer is not transferable.

## **2-109 Related Entities**

A Related Entity shall comply with all CNSX Requirements as though it were a CNSX Dealer and each partner, owner, director, officer, shareholder or employee of a Related Entity shall comply with CNSX Requirements as though the Related Entity were a CNSX Dealer, except to the extent that non-compliance with specified provisions may be approved from time to time by CNSX, either generally, individually or by classes.

## **2-110 Continuing Membership in IDA or SRO**

- (1) If a CNSX Dealer is suspended from or ceases to be a member of the Investment Industry Regulatory Organization of Canada or other prescribed recognized self-regulatory organization, it shall, without hearing or notice, be suspended, such suspension to be deemed an interim order made pursuant to Rule 7-105.
- (2) If, in the opinion of CNSX, a CNSX Dealer breaches a requirement of the Investment Industry Regulatory Organization of Canada or other prescribed recognized self-regulatory organization of which it is a member, CNSX may impose such terms and conditions on the CNSX Dealer as CNSX deems appropriate in the circumstances.

## **2-111 Fees and Charges**

- (1) A CNSX Dealer shall pay such fees and charges as shall be fixed by CNSX and the Market Regulator, which shall become due and payable to the CNSX or the Market Regulator at such time or times and in such manner as CNSX and the Market Regulator shall require.
- (2) If a CNSX Dealer has not paid any fees or charges within 30 days of becoming due and payable, CNSX may, without harm or notice, suspend the CNSX Dealer, such suspension to be deemed an interim order made pursuant to Rule 7-105.

## **2-112 Notifications**

A CNSX Dealer shall give CNSX prior written notice of:

- (a) a change in its name or the name under which it carries on business;
- (b) a change in the address of its head office; and
- (c) a change of its representative.

## **2-113 Indemnification and Limited Liability of CNSX**

- (1) To the extent permitted by law, CNSX and the Market Regulator shall at all times be indemnified and saved harmless by each CNSX Dealer from and against all costs, charges and expenses (including an amount paid to settle an action or satisfy a judgment and including legal and professional fees and out of pocket expenses of attending trials, hearings and meetings), whatsoever that CNSX or the Market Regulator sustains or incurs in or about any action, suit or proceeding, whether civil, criminal or administrative, and including any investigation, inquiry or hearing, or any appeal therefrom, that is threatened, brought, commenced or prosecuted against CNSX or the Market Regulator or in respect of which CNSX or the Market Regulator is compelled or requested to participate, for or in respect of any act, deed, matter or thing whatsoever made, done or permitted by such CNSX Dealer.

- (2) To the extent permitted by law, all costs, charges and expenses indemnified pursuant to Rule 2-113 shall be paid to CNSX by the CNSX Dealer in advance of the final disposition of the matter and shall be paid promptly or at the latest within 30 days after receiving the written request of CNSX.
- (3) By making use of the CNSX Trading and Access Systems, a CNSX Dealer expressly agrees to accept all liability arising from the use of the CNSX Trading and Access Systems.
- (4) CNSX shall not be liable for any loss, damage, cost, expense, or other liability or claim suffered or incurred by or made against a CNSX Dealer as a result of the use by such CNSX Dealer of the CNSX Trading and Access Systems.
- (5) CNSX shall not be liable to a CNSX Dealer for any loss, damage, cost, expense or other liability or claim arising from any:
  - (a) failure of the CNSX Trading and Access Systems, whether temporary or permanent, arising from any cause;
  - (b) negligent, reckless or wilful act or omission of:
    - (i) the Market Regulator or any director, officer or employee of the Market Regulator;
    - (ii) a director, officer or employee of CNSX or member of a committee appointed by CNSX or the Market Regulator; or
    - (iii) an independent contractor retained by CNSX or the Market Regulator; or
  - (c) operation of the CNSX Trading and Access Systems, including without limitation, any halts, suspension or disqualification from listing of any security.
- (6) No director, officer or employee of CNSX or the Market Regulator or member of a committee appointed by CNSX or the Market Regulator shall be liable for any loss, damage or misfortune whatever that happens in the execution of his or her duties or in relation thereto, including in the execution of duties, whether in an official capacity or not, for or on behalf of or in relation to CNSX or the Market Regulator or any body corporate or

entity which he or she serves or provides services to at the request of or on behalf of CNSX or the Market Regulator, unless the same is occasioned by his or her own willful neglect or default.

- (7) If a legal proceeding that arises directly or indirectly from the use of the CNSX Trading and Access Systems by a CNSX Dealer is brought or threatened against CNSX, the Market Regulator or a person named in Rule 2-113(5)(b), the CNSX Dealer shall reimburse CNSX for:
  - (a) all costs, charges, expenses and legal and professional fees incurred to indemnify a person named in Rule 2-113(7);
  - (b) any recovery adjudged against CNSX, the Market Regulator or a person named in Rule 2-113(7) if CNSX or such person is found to be liable; and
  - (c) any payment made by CNSX with the consent of the CNSX Dealer in settlement of such proceeding.

#### **2-114 Good Standing**

- (1) No person shall use, exercise or enjoy any of the rights or privileges of a CNSX Dealer unless the person is a CNSX Dealer that has not been suspended or terminated and that has not been deprived of such rights or privileges pursuant to CNSX Requirements.
- (2) A CNSX Dealer that has been suspended or terminated or that has been deprived of some rights or privileges pursuant to CNSX Requirements shall not for that reason alone lose its rights hereunder in respect of any claims it may have against another CNSX Dealer unless such rights are expressly dealt with.

#### **2-115 Termination**

- (1) A CNSX Dealer may terminate its status as a CNSX Dealer by giving not less than 3 months written notice to CNSX.
- (2) CNSX may postpone the effective date of termination until it is satisfied that the CNSX Dealer has:
  - (a) complied with CNSX Requirements; and

- (b) obtained the necessary consents from the recognized self-regulatory organization of which it is a member.
- (3) CNSX may terminate a CNSX Dealer's status, if CNSX determines, after a hearing conducted according to the rules established under Rule 7, that a CNSX Dealer has:
  - (a) contravened or is not in compliance with a CNSX Requirement; or
  - (b) engaged in conduct, business or affairs that is unbecoming, inconsistent with just and equitable principles of trade or detrimental to the interests of CNSX or the public.

## 2-116 Automatic Suspension

- (1) If a CNSX Dealer becomes insolvent or bankrupt or adjudged to be a defaulter in accordance with Rule 5, the CNSX Dealer shall automatically and without the necessity of any action by CNSX, be suspended as a CNSX Dealer and notice of such suspension shall be provided by CNSX to CNSX Dealers.
- (2) A CNSX Dealer shall be deemed to be insolvent if:
  - (a) the CNSX Dealer is for any reason unable to meet its obligations as they generally become due;
  - (b) the CNSX Dealer has ceased paying its current obligations in the ordinary course of business as they generally become due; or
  - (c) the aggregate of the property of the CNSX Dealer is not, at a fair valuation, sufficient or, if disposed of at a fairly conducted sale under legal process, would not be sufficient to enable payment of all its obligations, due and accruing due.
- (3) A CNSX Dealer shall be deemed to be bankrupt if the CNSX Dealer has committed an act of bankruptcy as set forth in the *Bankruptcy and Insolvency Act* (Canada).
- (4) A CNSX Dealer shall forthwith give written notice to CNSX upon the occurrence of any event or act named in Rule 2-116(2) or (3).

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