

RULE 7

INVESTIGATIONS AND ENFORCEMENT

7-101 Investigations

CNSX may at any time, whether or not on the basis of a complaint or other communication in the nature of a complaint, investigate the conduct, business or affairs of any CNSX Dealer or Related Person of a CNSX Dealer under the jurisdiction of CNSX and CNSX may authorize any committee or person to conduct or to assist in the conduct of the investigation.

7-102 Obligations to Provide Information, Books, Records and Papers

Upon the request of CNSX, a CNSX Dealer or any Related Person of a CNSX Dealer under the jurisdiction of CNSX shall forthwith:

- (a) provide any information, books, records and papers in the possession or control of the CNSX Dealer or the Related Person that CNSX determines may be relevant to a matter under review or investigation and such information, books, records and papers shall be provided in such manner and form, including electronically, as may be required by CNSX;
- (b) allow the inspection of, and permit copies to be taken of, any books, records and papers in the possession or control of the CNSX Dealer or the Related Person that CNSX determines may be relevant to a matter under review or investigation; and
- (c) provide a verbal, recorded statement or testimony at a time and place specified by CNSX or the Market Regulator on any issues that CNSX determines may be relevant to a matter under review or investigation in the following manner:
 - (i) in the case of a person other than an individual, by the statement or testimony of any appropriate officer, director or employee, or
 - (ii) in the case of an individual, by a statement or testimony in person.

7-103 Exchange and Provision of Information

CNSX may provide information and other forms of assistance for market surveillance, investigative, enforcement and other regulatory purposes to:

- (a) a recognized self-regulatory organization;
- (b) a self regulatory organization in a foreign jurisdiction;
- (c) a securities regulatory authority;
- (d) a securities regulatory authority in a foreign jurisdiction;
- (e) another market regulator; and
- (f) such other body or organization as may be prescribed.

7-104 Powers and Remedies

- (1) Where a CNSX Dealer or Related Person of a CNSX Dealer has:
 - (a) contravened any CNSX Requirement; or
 - (b) engaged in any 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; or
 - (c) is not in compliance with any CNSX Requirement,

CNSX may impose any one or more of the following penalties or remedies against the CNSX Dealer or Related Person:

- (d) a reprimand;
- (e) a fine not to exceed the greater of:
 - (i) \$1,000,000, and
 - (ii) an amount equal to triple the financial benefit which accrued to the person as a result of committing the violation;
- (f) the suspension as a CNSX Dealer for the period and upon the terms and conditions, if any, determined by CNSX or the Market Regulator;

- (g) the revocation, suspension or amendment of the terms and conditions of a previously granted access as a CNSX Dealer;
 - (h) the termination of the person's status as a CNSX Dealer; and
 - (i) any other penalty or remedy determined to be appropriate under the circumstances.
- (2) Fines shall be paid to CNSX.

7-105 Interim Orders

- (1) Where CNSX
- (a) determines that a CNSX Dealer or Related Person of a CNSX Dealer has engaged in or may engage in any course of conduct, has carried on or otherwise acted in a manner that is detrimental to the interests of CNSX or the public; and
 - (b) considers it necessary for the protection of the public interest,

CNSX may without notice of a hearing impose one or more of the following interim orders against the person:

- (c) the suspension as a CNSX Dealer or any of the rights and privileges of a CNSX Dealer for the period and upon the terms and conditions, if any, determined by CNSX;
- (d) the imposition of any terms and conditions determined by CNSX that must be satisfied by a CNSX Dealer to continue as a CNSX Dealer;
- (e) the imposition of any terms and conditions on other persons under the jurisdiction of CNSX relating to the continuance of any business relationships by them with the person against which the interim order is made; or
- (f) the imposition of any other terms or conditions that CNSX determines to be appropriate.

- (2) An interim order issued by CNSX pursuant to Rule 7-105(1) expires 15 days after the date on which the interim order was made unless:
 - (a) a hearing is commenced within that period of time to confirm or set aside the interim order; or
 - (b) any party against which the interim order is made consents to an extension of the interim order until a hearing of the matter is held.

7-106 Responsibility of CNSX Dealers and of Partners or Directors of CNSX Dealers

- (1) A CNSX Dealer may be found liable by CNSX for the conduct, business or affairs of a Related Person and subject to any penalties as if it had engaged in that conduct, business or affairs.
- (2) Notwithstanding Rule 7-106(1), the imposition of any penalties against a CNSX Dealer does not prevent the imposition by CNSX of any penalties against the Related Person.

7-107 Responsibility of Partners and Directors of CNSX Dealers

- (1) Any partner or director of a CNSX Dealer may be found liable by CNSX for the conduct, business or affairs of the CNSX Dealer if such person had responsibility for same and subject to any penalties as if such person had engaged in that conduct, business or affairs.
- (2) Notwithstanding Rule 7-107(1), the imposition of any penalties against any partner or director of a CNSX Dealer does not prevent the imposition by CNSX of any penalties against the CNSX Dealer.

7-108 Responsibility of Supervisors

- (1) A Related Person who has authority over, supervises or is responsible to the CNSX Dealer for any Related Person may be found liable by CNSX for the conduct, business or affairs of the supervised Related Person or employee and subject to any penalties as if such person had engaged in that conduct, business or affairs.
- (2) Notwithstanding Rule 7-108(1), the imposition of any penalties against a supervising Related Person does not prevent the imposition by CNSX of any penalties against the supervised Related Person.

7-109 Assessment of Expenses

- (1) Upon the conclusion of any proceedings commenced pursuant to the Rules Governing the Practice and Procedure of Hearings, CNSX or the Hearing Committee shall assess against a person under the jurisdiction of CNSX any one or more of the following expenses incurred by CNSX as a result of the proceedings:
 - (a) recording or transcription fees;
 - (b) expenses of preparing transcripts;
 - (c) witness fees and reasonable expenses of witnesses;
 - (d) professional fees for services rendered by expert witnesses, legal counsel or accountants other than full-time CNSX staff;
 - (e) expenses of staff time incurred by CNSX or its agents;
 - (f) travel costs;
 - (g) disbursements; or
 - (h) any other expenses determined to be appropriate under the circumstances.
- (2) Where CNSX conducts an investigation of a complaint or other communication in the nature of a complaint that was made by a person under the jurisdiction of CNSX and determines that the complaint or other communication in the nature of a complaint was unfounded and made in bad faith, CNSX may assess the expenses incurred by CNSX or its agent as a result of the investigation against that person.

7-110 Exercise of Powers by Market Regulator

- (1) The Market Regulator has all of the rights and may exercise all of the powers of CNSX set out in this section, except as otherwise agreed between CNSX and the Market Regulator.
- (2) Any investigation, examination and disciplinary hearing (both interim and final) by the Market Regulator shall be conducted in accordance with the procedures established or adopted by the Market Regulator.