

RULE 2

DEALERS

2-101 Qualifications

A market participant applying for approval as a Dealer shall, prior to being approved as a 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 the Exchange 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 Dealer shall be made in such form and contain such information as CNSX may from time to time require.

2-103 Approval as a Dealer

The Exchange may:

- (a) approve an applicant as a Dealer unconditionally;
- (b) approve an applicant as a Dealer subject to such terms and conditions as may be considered appropriate or necessary to ensure compliance by the dealer with Exchange Requirements; or
- (c) refuse the application if, after having regard to such factors as the Exchange 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, the Exchange is of the opinion that:
 - (i) the dealer will not comply with Exchange 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 the Exchange 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 the Exchange 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 1-105.

2-105 Set Up Fee

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

2-106 Register of CNSX Dealers

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

2-107 Representative of CNSX Dealer

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

2-108 Not transferable

Approval and status as a Dealer is not transferable.

2-109 Related Entities

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

2-110 Continuing Membership in IIROC or SRO

- (1) If a 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 the Exchange, a 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, the Exchange may impose such terms and conditions on the Dealer as the Exchange deems appropriate in the circumstances.

2-111 Fees and Charges

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

2-112 Notifications

A Dealer shall give the Exchange 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 the Exchange

- (1) To the extent permitted by law, the Exchange and the Market Regulator shall at all times be indemnified and saved harmless by each 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 the Exchange 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 the Exchange or the Market Regulator or in respect of which the Exchange 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 Dealer.

- (2) To the extent permitted by law, all costs, charges and expenses indemnified pursuant to Rule 2-113 shall be paid to the Exchange by the 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 the Exchange.
 - (3) By making use of the Trading and Access Systems, a Dealer expressly agrees to accept all liability arising from the use of the Trading and Access Systems.
 - (4) The Exchange shall not be liable for any loss, damage, cost, expense, or other liability or claim suffered or incurred by or made against a Dealer as a result of the use by such Dealer of the Trading and Access Systems.
 - (5) The Exchange shall not be liable to a Dealer for any loss, damage, cost, expense or other liability or claim arising from any:
 - (a) failure of the 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 the Exchange or member of a committee appointed by the Exchange or the Market Regulator; or
 - (iii) an independent contractor retained by the Exchange or the Market Regulator; or
 - (c) operation of the Trading and Access Systems, including without limitation, any halts, suspension or disqualification from listing of any security.
 - (6) No director, officer or employee of the Exchange or the Market Regulator or member of a committee appointed by the Exchange or
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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 the Exchange 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 the Exchange 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 Trading and Access Systems by a Dealer is brought or threatened against the Exchange, the Market Regulator or a person named in Rule 2-113(5)(b), the Dealer shall reimburse the Exchange 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 the Exchange, the Market Regulator or a person named in Rule 2-113(7) if the Exchange or such person is found to be liable; and
 - (c) any payment made by the Exchange with the consent of the 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 Dealer unless the person is a Dealer that has not been suspended or terminated and that has not been deprived of such rights or privileges pursuant to Exchange Requirements.
- (2) A Dealer that has been suspended or terminated or that has been deprived of some rights or privileges pursuant to Exchange Requirements shall not for that reason alone lose its rights hereunder in respect of any claims it may have against another Dealer unless such rights are expressly dealt with.

2-115 Termination

- (1) A Dealer may terminate its status as a Dealer by giving not less than 3 months written notice to the Exchange.
- (2) The Exchange may postpone the effective date of termination until it is satisfied that the Dealer has:
 - (a) complied with Exchange Requirements; and
 - (b) obtained the necessary consents from the recognized self-regulatory organization of which it is a member.
- (3) The Exchange may terminate a Dealer's status, if the Exchange determines, after a hearing conducted according to the rules established under Rule 7, that a Dealer has:
 - (a) contravened or is not in compliance with an Exchange 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 the Exchange or the public.

2-116 Automatic Suspension

- (1) If a Dealer becomes insolvent or bankrupt or adjudged to be a defaulter in accordance with Rule 5, the Dealer shall automatically and without the necessity of any action by the Exchange, be suspended as a Dealer and notice of such suspension shall be provided by the Exchange to Dealers.
- (2) A Dealer shall be deemed to be insolvent if:
 - (a) the Dealer is for any reason unable to meet its obligations as they generally become due;
 - (b) the 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 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 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 Dealer shall forthwith give written notice to CNSX upon the occurrence of any event or act named in Rule 2-116(2) or (3).

Rule 2-117 Disclosure of Exchange Ownership

A Dealer that beneficially owns or controls, directly or indirectly, more than 5% of any class of voting shares of the Exchange must disclose that relationship with the Exchange to:

- (a) clients whose orders might be, and clients whose orders have been, routed to the Exchange; and
- (b) entities for whom the Dealer is acting or proposing to act as underwriter in connection with the issuance of securities to be listed on the Exchange.