



IDA Update on ABCP Regulatory Initiatives

As the national self-regulatory organization of the Canadian securities industry, the Investment Dealers Association of Canada (IDA) has regulatory responsibility to oversee the sales compliance, financial adequacy, business conduct and educational proficiency of 214 full-service investment dealers and their 30,963 registered employees.

The IDA has been closely monitoring the non-bank Asset-Backed Commercial Paper (ABCP) situation since August 2007. Since the onset of this crisis we have undertaken three important initiatives.

A key component of investor protection is the assurance that IDA-regulated firms are maintaining adequate capital for solvency purposes and that if any member firm does fail, all the client cash and securities are available for distribution to the clients. On August 16, 2007 -- 24 hours after the onset of the liquidity crisis -- the IDA contacted all member firms to determine their exposure to any ABCP inventory and customer margin holdings. We reported this information immediately to the Bank of Canada and to the Canadian Securities Administrators. On September 25, 2007 we issued a communiqué to firms' Chief Financial Officers advising them on margining requirements for commercial short term money market instruments and guidance on providing an appropriate cushion to address illiquidity and valuation issues. We have continued to monitor IDA regulated firms' ABCP exposure.

Second, we launched a joint financial and sales compliance sweep focused on the IDA-regulated firms involved in the manufacture and/or distribution of non-bank ABCP. The primary objective of the review is to identify and address areas for systemic improvement such as internal controls, risk management and firm processes relating to product assessment, due diligence and approval, compensation structure, investment suitability, marketing materials and training of salespersons. We will determine what follow-up action is required based on the findings of this review and then make our findings public.

Third, our enforcement department is reviewing the complaints which we have received to date. We are reviewing these complaints with regard to a number of issues including, but not limited to, determining if individual clients were provided with adequate and appropriate information about the risk or the suitability of the product which was sold to them and if the firm undertook appropriate due diligence in its product review. Our complaint investigation process includes collecting and reviewing all relevant documentation and conducting interviews

with witnesses and others. Based on our findings, we will be able to determine whether regulatory disciplinary action is warranted.

The IDA, among other parties, has been very interested in the development of the Crawford Committee Pan Canadian restructuring initiative in particular as it relates to ABCP note holders who are clients of IDA-regulated firms. We have reviewed the plan of compromise filed with the court with regard to the scope of the release. It is our understanding at this time that the terms and conditions of the proposal will not hinder the IDA's ability to exercise its regulatory responsibilities as outlined above.

We encourage clients of IDA regulated firms to contact us at our Info/Complaint line 1 877 442 4322 for information or if they wish to file a complaint. [Complaints](#) can also be filed electronically. A list of IDA regulated firms is available at www.ida.ca.