

ORDER NUMBER 84

**IN THE MATTER OF  
THE SECURITIES ACT, R.S.N.L. 1990, CHAPTER S-13  
AS AMENDED (the "Act")**

**AND**

**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA  
("IIROC")**

**ORDER  
(Section 144.(1) of the Act)**

**Background**


1. On March 19, 2013, IIROC applied to the Superintendent of Securities (the "Superintendent") for an order pursuant to section 144.(1) of the Act exempting IIROC from the requirements of Section 9 of Appendix A ("Section 9") of the Superintendent's Order dated May 30, 2008, effective June 1, 2008, as varied and restated by an Order of the Superintendent dated May 31, 2010, recognizing IIROC as a self-regulatory organization ("SRO") pursuant to section 25 of the Act, in connection with the proposed distribution by IIROC of funds (including interest earned on those funds) (the "Settlement Funds") paid to it by Deutsche Bank Securities Ltd. ("DBSL"), a member firm, under a settlement agreement accepted by an IIROC hearing panel on February 8, 2013 (the "Settlement Agreement") that resolved a proceeding related to the sale of third-party asset-backed commercial paper ("ABCP") by DBSL to clients who purchased ABCP issued by Coventree Inc. ("Coventree ABCP") from it in the circumstances described in the Settlement Agreement;
2. IIROC has been recognized as an SRO under the *Act* and under similar legislation in all other provinces of Canada;
3. on February 8, 2013, IIROC announced that it had reached a settlement with DBSL, which settlement resulted from investigations into the Canadian ABCP market after August, 2007;
4. under the Settlement Agreement, DBSL paid IIROC \$1,000,000 in Settlement Funds;
5. subsequent to the settlement, IIROC determined, with the approval of its Corporate Governance Committee, to allocate the Settlement Funds to investors who purchased ABCP from DBSL;
6. IIROC wishes to distribute the Settlement Funds to investors who purchased Coventree ABCP from DBSL between July 25 and August 10, 2007, inclusive, who continued to hold this ABCP on August 13, 2007, the date the third-party ABCP market froze, and who were not aware of the fact that a number of Coventree conduits contained significant U.S. subprime exposure, as disclosed in an email sent to DBSL by Coventree on July 24, 2007;

7. each such investor will receive a proportionate amount of the Settlement Funds, based on the purchase price paid by the investor, less any cash amounts received by the investor with respect to its Coventree ABCP on or before January 12, 2009 or from DBSL thereafter;
8. IIROC will publish a news release announcing its proposed distribution and the terms on which investors are eligible to obtain their proportionate amount of the Settlement Funds and will send a notice (the "Notice") to all such investors, describing the eligibility criteria and the method of calculating the funds to be distributed to them;
9. the eligibility criteria and terms will be the same as those in previous distributions of settlement funds paid by IIROC member firms that resulted from the same investigations, which distributions were permitted under exemption Order No. 77, granted by the Superintendent on March 26, 2012;
10. DBSL will not be permitted to receive any of the Settlement Funds, directly or indirectly;
11. IIROC will retain an administrator (the "Administrator") to administer the distribution of the Settlement Funds and wishes to pay the Administrator's fees and expenses from the Settlement Funds; and
12. section 9 restricts the use of the Settlement Funds to specified purposes that benefit investors; it permits IIROC to use payments made under settlement agreements for the administration of its disciplinary hearing panels or, subject to approval by IIROC's Corporate Governance Committee, the development of systems and other non-recurring capital expenditures necessary to address emerging regulatory issues and education about and research into investing and similar matters, but these purposes do not permit it to use the Settlement Funds to benefit investors by distributing the Settlement Funds or paying the costs of administration relating to distribution of the Settlement Funds.

#### **Order**

13. Considering that it would not be prejudicial to the public interest to do so, it is ordered, pursuant to section 144.(1) of the *Act*, that IIROC is exempt from Section 9 with respect to the distribution of the Settlement Funds to clients of DBSL who satisfy the eligibility criteria in the Notice, including the costs of administration of the distribution.

**Dated** at St. John's, Newfoundland and Labrador this 25<sup>th</sup> day of April, 2013.

  
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**Douglas Connolly, C.G.A.**  
Superintendent of Securities