



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

P.O. Box 55, 19th Floor
20 Queen Street West
Toronto ON M5H 3S8

CP 55, 19^e étage
20, rue queen ouest
Toronto ON M5H 3S8

**IN THE MATTER OF THE *SECURITIES ACT*
R.S.O. 1990, c. S.5, AS AMENDED**

and

IN THE MATTER OF HSBC BANK CANADA

O R D E R

WHEREAS on December 18, 2009, the Ontario Securities Commission (the “Commission”) issued a Notice of Hearing pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “Act”) in relation to HSBC Bank Canada (“HSBC”);

AND WHEREAS HSBC entered into a settlement agreement with Staff of the Commission (“Staff”) dated December 16, 2009 attached hereto as Appendix “A” (the “Settlement Agreement”) in which it agreed to a settlement of the proceeding commenced by the Notice of Hearing dated December 18, 2009, subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement, and upon hearing submissions from counsel for Staff and HSBC;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS ORDERED THAT:

1. The Settlement Agreement is approved;
2. HSBC shall submit to a review of its compliance practices and procedures in accordance with the Terms of Reference attached at Schedule “B” to the Settlement Agreement;

3. HSBC pay to the Commission the sum of \$5,925,000, to be allocated under section 3.4(2)(b) of the Act to or for the benefit of third parties; and
4. HSBC pay the costs of the Commission's investigation in the amount of \$75,000.

DATED at Toronto this 21st day of December, 2009.

"James E.A. Turner"
James E. A. Turner

"Mary G. Condon"
Mary G. Condon

APPENDIX “A”

**IN THE MATTER OF THE *SECURITIES ACT*
R.S.O. 1990, C. S.5, AS AMENDED**

-AND-

**IN THE MATTER OF
HSBC BANK CANADA**

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. The Ontario Securities Commission (the “Commission”) will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to section 127 and section 127.1 of the *Securities Act*, R.S.O. 1990, c. S-5, as amended (the “Act”), it is in the public interest for the Commission to make certain orders in respect of HSBC Bank Canada (“HSBC”).

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission (“Staff”) agree to recommend settlement of the proceeding commenced by Notice of Hearing dated December 18, 2009 (the “Proceeding”) against HSBC according to the terms and conditions set out in Part IV of this Settlement Agreement. HSBC agrees to the making of an order in the form attached as Schedule “A”, based on the facts set out below.

PART III – AGREED FACTS

3. HSBC admits the facts set out in this Settlement Agreement solely for the purposes of this Settlement Agreement. This Settlement Agreement and the

facts and admissions set out herein are without prejudice to HSBC in any proceeding including, without limitation, any civil, administrative, quasi-criminal or criminal actions or proceedings that may be brought by any person or agency, whether or not this Settlement Agreement is approved by the Commission.

OVERVIEW

4. HSBC is a bank listed on Schedule II of the Bank Act (Canada). Its head office is located in Vancouver, British Columbia and its money market treasury function is located in Toronto, Ontario. HSBC is not a registrant under the Act.
5. On August 13, 2007, the Canadian non-bank sponsored asset-backed commercial paper (“ABCP” or “third-party ABCP”) market froze, leaving Canadian investors holding illiquid investments that they could neither sell nor redeem.
6. HSBC was an agent for issuers in the third-party ABCP market. In that capacity, HSBC bought and sold third party ABCP.

ASSET-BACKED COMMERCIAL PAPER

7. ABCP is a short-term debt instrument with typical maturities of 30 to 180 days. ABCP is backed by a pool of underlying assets and offers a yield slightly better than the yield offered on short-term government debt.
8. ABCP is issued by a special purpose vehicle (also referred to as a conduit). In Canada, the conduits are trusts established by sponsors. Sponsors generally select underlying assets, administer the assets and arrange for the sale of the ABCP notes. The Canadian ABCP market included two categories: bank-sponsored and non-bank-sponsored (or third party) ABCP.
9. As the underlying assets held by conduits were long-term and the ABCP notes were short-term, there was a timing mismatch between the cash flowing from the

assets and the cash needed to repay maturing ABCP. For many years, conduits met their maturity obligations by selling newly issued ABCP, the proceeds of which were used to pay maturing ABCP. The liquidity of ABCP was an important characteristic for investors along with credit ratings and yields.

10. To safeguard against difficulty meeting maturity obligations, conduits entered into agreements with liquidity providers which provided credit lines under certain conditions. In general, there were two types of liquidity facilities: (1) general market disruption (“GMD”) and (2) global-style. GMD liquidity was also called “Canadian-style” since it was only available in the Canadian ABCP market. Unlike global-style liquidity facilities, Canadian-style liquidity facilities required specified “general market disruption” events and a credit rating affirmation before liquidity was provided.
11. Liquidity agreements were subject to confidentiality provisions. Many details of the pre-conditions required for liquidity support, including the definition of a “general market disruption event”, were not known to the public, investors or to the distributors of ABCP who were not also liquidity providers. Conduits generally disclosed the existence of their liquidity arrangements and disclosed that there were pre-conditions to draws.
12. As of September 2005, ABCP distributed in Canada was prospectus-exempt under the short-term debt exemption in section 2.35 of National Instrument 45-106 - *Prospectus and Registration Exemptions*, which provided an exemption for commercial paper with an approved credit rating from an approved credit rating organization. The conduits issuing the ABCP were not reporting issuers under applicable securities laws.
13. Dominion Bond Rating Services Limited (“DBRS”), an approved credit rating organization, was the sole credit rating organization which rated third-party ABCP in Canada.

14. On January 19, 2007, DBRS announced changes to its rating methodology for certain new transactions entered into by ABCP issuers. The DBRS press release set out specific new rating criteria, including a requirement for global-style liquidity, to be applied prospectively in the marketplace.

THIRD-PARTY ABCP

15. ABCP has been in the Canadian marketplace for over a decade, and non-bank sponsors entered the marketplace in approximately 2000.
16. Historically, the assets underlying ABCP consisted of traditional assets such as consumer loans, credit card receivables and residential mortgages. Non-traditional complex synthetic assets, such as collateralized debt obligations, came into these structures over time.
17. Third-party ABCP was typically issued by a series of notes, the most common being Series “A” Notes and Series “E” Notes. The “A” Notes were supported by the Canadian-style liquidity facilities. “E” Notes were not, but could be extended up to 364 days after the original maturity date if certain conditions were met, including that market conditions did not allow for “E” Notes to be sold at a specified spread.
18. The sponsors provided limited information regarding the underlying pool of assets in conduits issuing ABCP. Sponsors typically provided an information memorandum describing the basic elements of ABCP. In most cases, the general asset classes were the only information publicly disclosed; there was no disclosure of the specific assets held in the conduits or the terms of the liquidity agreements supporting the ABCP.

COVENTREE INC.

19. At all material times, Coventree Inc. was the largest sponsor of third-party ABCP in Canada. Coventree Inc. also issued third-party ABCP through a subsidiary, Nereus Financial Inc. (“Nereus”).
20. At all material times, Coventree Inc. and Nereus (collectively, “Coventree”) sponsored the following third-party ABCP conduits: Apollo Trust, Aurora Trust, Comet Trust, Gemini Trust, Planet Trust, Rocket Trust, Slate Trust, Venus Trust, Structured Investment Trust III and Structured Asset Trust.
21. All Coventree conduits but one received an R1-(high) rating (the highest credit rating available, equivalent to a “AAA” for long term debt) by DBRS, as did other Canadian third-party ABCP. This rating remained in place at all material times up to and including August 13, 2007. Coventree ABCP was rated by DBRS above the minimum “approved credit rating” required by NI 45-106 at all material times.

DISTRIBUTION OF THIRD-PARTY ABCP

22. In general, third-party ABCP was distributed to investors through a dealer group (the “dealer syndicate”). Typically, one member of the dealer syndicate would be appointed as lead dealer. Some of the lead dealer’s daily duties included the allocation of ABCP notes to dealer syndicate members and setting the yield in consultation with the conduit sponsor.
23. The dealer syndicate members maintained trading lines, up to a credit limit, for third-party ABCP mainly to provide a market-making function. Dealer syndicate members would typically purchase third-party ABCP that was not sold at the end of a trading day. These positions were to be held on a short-term basis, typically overnight, until the notes could be sold to investors. Dealer syndicate members also purchased third-party ABCP from clients in the secondary market. While the

dealer syndicate was under no obligation to purchase any third-party ABCP, they did so to provide a secondary market, maintain liquidity in the market and/or as a service to their clients. Dealer syndicate members other than the lead dealer also had the option to turn back ABCP to the lead dealer if they were unable to sell their daily allocation, but this was not their ordinary practice.

24. Third-party ABCP traded in a dealer market, also known as an over-the-counter (“OTC”) market. Unlike an auction market or exchange, the OTC market did not have a centralized quotation system and/or a centralized repository containing disclosure information that investors could access independently.
25. The primary information that dealers disclosed to investors was the name, yield, term and credit rating of third-party ABCP.

THE MARKET FREEZE

26. On August 13, 2007, a number of Canadian third-party ABCP conduits including the Coventree conduits were unable to sell new ABCP to fund the repayment of maturing ABCP. Many of the conduits’ liquidity providers did not agree that the conditions for liquidity funding had occurred and refused to provide liquidity to the affected conduits.
27. As of August 13, 2007, the third-party ABCP market totalled approximately \$35 billion, with Coventree conduits representing approximately 46 percent of the value of the third-party ABCP market.
28. On August 16, 2007, a consortium representing banks, asset providers and major ABCP holders agreed to take steps to establish normal operations in the ABCP market. This agreement was known as the Montreal Proposal.
29. A Pan-Canadian Investors Committee, including investors who were signatories to the Montreal Proposal plus other significant holders, was established to oversee

the restructuring of third-party ABCP. It put forward the Plan of Compromise and Arrangement (the “Plan”), which was implemented on January 21, 2009.

30. Pursuant to the Plan, holders of the eligible third-party ABCP had their short-term notes exchanged for longer term notes to match more closely the maturity dates of the underlying assets. These new notes were issued by Master Asset Vehicles (“MAVs”). It is not currently possible to determine if any or all of the notes of the MAVs will mature at par value.

HSBC'S ROLE IN SELLING THIRD PARTY ABCP

31. HSBC first started selling third-party ABCP around 2002. HSBC sold ABCP to investors pursuant to a registration exemption found in section 4.1 of OSC Rule 45-501 - *Ontario Prospectus and Registration Exemptions*, which is available to HSBC as a financial intermediary.
32. Over time, HSBC took on various roles in the third-party ABCP market. When the market froze on August 13, 2007, HSBC's activities in respect of third-party ABCP included acting as:
 - (a) a financial market intermediary, dealing in third-party ABCP conduits available in the market; and
 - (b) a liquidity provider for reference assets in two Coventree conduits, namely Rocket Trust and Gemini Trust.
33. HSBC sold third-party ABCP primarily to institutional investors.

EMERGING ISSUES

(a) US Subprime Exposure

34. During the period from March to June, 2007, increasing defaults in US subprime mortgages started to place strains on credit markets in the United States.

35. Prior to July 24, 2007, HSBC received information from Coventree about third-party ABCP on the following occasions:
- (a) HSBC and some of its clients were among the ABCP investors and other market participants who attended a Coventree investor presentation in late April 2007. At that presentation, Coventree covered a number of topics, including disclosing that the overall US subprime exposure in its conduits was 7.4 percent and that all assets remained enhanced to AAA and were performing as expected.
 - (b) In early July 2007, one of HSBC's clients who had investments in ABCP made an enquiry with HSBC about a media article concerning the US subprime situation. HSBC approached Coventree for further information in response to this client enquiry. On July 6, 2007, Coventree sent an email to HSBC with an attachment detailing Coventree's US subprime exposure by conduit as at February 28, 2007. Although the attachment showed that the aggregate US subprime exposure in Coventree conduits was 7.39 percent, the Comet, Planet and Slate conduits were revealed to have elevated exposure to US subprime at 15.8, 19.1 and 21.3 percent respectively. Coventree also indicated that all deals remained enhanced to AAA level, and that all of the subprime deals were done prior to 2006. A Coventree representative stated in the email that the attached information could be forwarded to ABCP investors by HSBC.
 - (c) On July 9, 2007, Coventree sent a subsequent email to HSBC as an update to its July 6, 2007 email detailing Coventree's US subprime exposure by conduit and note series as of June 29, 2007. Although the email showed that the aggregate US subprime exposure was at 7 percent, the Comet E, Planet A and Slate E note series were shown to have higher levels of exposure at 41, 30 and 22 percent respectively.

36. On July 24, 2007, Coventree sent an email (the “July 24th email”) to all of Coventree’s syndicate members, including HSBC, setting out information regarding US subprime exposure in Coventree conduits as of June 28, 2007 and indicating the following:
- (a) low loss levels;
 - (b) that subprime deal vintages were focused in pre-2006 vintages; and
 - (c) that all assets were performing as expected and remained at AAA level.
37. The July 24th email stated that “[a]t Coventree we are committed to furnishing our investors and dealer partners with the information they need to continue to support us through market cycles.”
38. The July 24th email listed the US subprime exposure in each of the conduits as follows:

Conduits	Series A	Series E	Total ABCP
Aurora Trust	0%	8%	3%
Comet Trust	0%	42%	16%
Planet Trust	26%	3%	17%
Slate Trust	0%	16%	13%
Apollo Trust Gemini Trust Rocket Trust Venus Trust	0%	0%	0%
SAT	0%	0%	0%
SIT III	1%	0%	1%
TOTAL	3%	6%	5%

39. Coventree did not put any limitations on disclosure of the information contained in the July 24th email.
40. The information communicated by Coventree to HSBC on the occasions noted above was not verifiable by HSBC through publicly available sources. The

publicly available DBRS rating remained unchanged throughout the period that HSBC received the communications from Coventree. HSBC did not disclose the information it received from Coventree to its Coventree-sponsored ABCP investor clients.

(b) Liquidity Issues

41. Beginning on July 30, 2007, HSBC became aware of certain factors that, in the aggregate, suggested there were liquidity issues affecting the third-party ABCP market:
 - (a) from July 30, 2007, spreads began to widen on third-party ABCP and continued to widen until August 13, 2007;
 - (b) on July 30, 2007, HSBC learned that other dealers were turning back unsold third-party ABCP to the lead dealer;
 - (c) on August 1, 2007, one client declined to roll \$53 million of Coventree Planet “A” ABCP (although that client subsequently rolled \$19.3 million of Aurora “E” and \$15.4 million of Rocket “E” ABCP on August 3, 2007);
 - (d) on August 2, 2007, HSBC first learned that another dealer was no longer bidding on third-party ABCP;
 - (e) on August 7, 2007, HSBC learned that one of the Coventree dealer syndicate members had recently resigned from the dealer syndicate;
 - (f) on August 7, 2007, HSBC learned that the third-party ABCP market was experiencing pressure because of an issuance of new bank-sponsored ABCP into the market on August 3, 2007; and
 - (g) on August 8, 2007, HSBC learned that another dealer was no longer bidding on third party ABCP.

42. In addition to the foregoing factors HSBC:
- (a) declined to provide bids for third-party ABCP in the secondary market beginning on August 8, 2007;
 - (b) returned unsold third-party ABCP to the lead dealer; and
 - (c) examined the provisions of its liquidity agreements with Coventree, and the pre-conditions to payment, and began to monitor daily movement within the ABCP market.
43. By August 8, 2007, HSBC was aware that liquidity issues were affecting the entire third-party ABCP market.

HSBC'S RESPONSE TO EMERGING ISSUES

44. HSBC did not inform Compliance of the emerging issues in the third-party ABCP market prior to the market freeze. As a result, there was a delay in engaging appropriate processes for assessing the impact of emerging issues in the third-party ABCP market.
45. More generally, prior to the market freeze HSBC did not conduct new product review with respect to third-party ABCP, nor changes to ABCP. Furthermore, HSBC did not provide formal training to its sales representatives concerning the ABCP product.
46. HSBC continued to sell third-party ABCP:
- (a) with exposure to US subprime, from July 25 to August 10, 2007; and
 - (b) despite the liquidity issues described above, after August 8, 2007.

47. During those periods, HSBC sold \$172 million to clients who may not have been aware of those issues, \$2.6 million of which came from HSBC's inventory (excluding sales of ABCP that matured prior to August 13, 2007).
48. Prior to July 2007, HSBC's inventory fluctuated with the demand for third-party ABCP between \$8.8 million and \$89.4 million.
49. As at August 13, 2007, HSBC held for its own account \$52 million in frozen third-party ABCP.

HSBC'S ADMISSION

50. Between July 25 and August 13, 2007, HSBC engaged in conduct contrary to the public interest by failing to adequately respond to emerging issues in the third-party ABCP market insofar as it continued to sell third-party ABCP without engaging compliance and other appropriate processes for the assessment of such information and concerns.

HSBC'S POSITION

51. Throughout the crisis, HSBC supported the preservation and then the restructuring of the non-bank ABCP market through actions such as the following:
 - (a) its participation in the Montreal Proposal;
 - (b) upon being advised that the liquidity draw requests for Coventree Rocket and Gemini liquidity agreements had been pre-empted by the Montreal Accord, HSBC began negotiations to purchase assets from the relevant Coventree conduits in exchange for cash, and those transactions closed in due course.
52. HSBC fully cooperated with the joint regulatory investigation of Coventree at its own significant expense.

PART IV – TERMS OF SETTLEMENT

53. HSBC agrees to the terms of settlement listed below.
54. The Commission will make an order pursuant to section 127(1) and section 127.1 of the Act that:
- (a) the Settlement Agreement is approved;
 - (b) HSBC shall submit to a review of its compliance practices and procedures in accordance with the Terms of Reference attached at Schedule “B”;
 - (c) HSBC pay to the Commission the sum of \$5,925,000, to be allocated under s. 3.4(2)(b) of the Act to or for the benefit of third parties; and
 - (d) HSBC pay the costs of the Commission’s investigation in the amount of \$75,000.
55. HSBC agrees to personally make any payments ordered above by immediately available funds when the Commission approves this Settlement Agreement. HSBC will not be reimbursed for, or receive a contribution toward, this payment from any other person or company.

PART V – STAFF COMMITMENT

56. If the Commission approves this Settlement Agreement, Staff, the Investment Industry Regulatory Organization of Canada and Autorité des marchés financiers will not commence any proceeding against the Respondent or any of its affiliates or their respective present or former directors, officers, employees or agents in relation to the facts set out in Part III of this Settlement Agreement, subject to the provisions of paragraph 57 below.
57. If the Commission approves this Settlement Agreement and HSBC fails to comply with any of the terms of the Settlement Agreement, Staff may bring

proceedings under Ontario securities law against HSBC. These proceedings may be based on, but are not limited to, the facts set out in Part III of this Settlement Agreement as well as the breach of the Settlement Agreement.

PART VI – PROCEDURE FOR APPROVAL OF SETTLEMENT

58. The parties will seek approval of this Settlement Agreement at a public hearing before the Commission scheduled for December 21, 2009, or on another date agreed to by Staff and HSBC, according to the procedures set out in this Settlement Agreement and the Commission's Rules of Practice.
59. Staff and HSBC agree that this Settlement Agreement will form all of the agreed facts that will be submitted at the settlement hearing on HSBC's conduct, unless the parties agree that additional facts should be submitted at the settlement hearing.
60. If the Commission approves this Settlement Agreement, HSBC agrees to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.
61. If the Commission approves this Settlement Agreement, neither party will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the settlement hearing.
62. Whether or not the Commission approves this Settlement Agreement, HSBC will not use, in any proceeding, this Settlement Agreement or the negotiation or process of approval of this agreement as the basis for any attack on the Commission's jurisdiction, alleged bias, alleged unfairness, or any other remedies or challenges that may otherwise be available.

PART VII – DISCLOSURE OF SETTLEMENT AGREEMENT

63. If the Commission does not approve this Settlement Agreement or does not make the order attached as Schedule “A” to this Settlement Agreement:
- i. this Settlement Agreement and all discussions and negotiations between Staff and HSBC before the settlement hearing takes place will be without prejudice to Staff and HSBC; and
 - ii. Staff and HSBC will each be entitled to all available proceedings, remedies and challenges. Any proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this agreement.
64. Both parties will keep the terms of the Settlement Agreement confidential until the Commission approves the Settlement Agreement. At that time, the parties will no longer have to maintain confidentiality. If the Commission does not approve the Settlement Agreement, both parties must continue to keep the terms of the Settlement Agreement confidential, unless they agree in writing not to do so or if required by law.

PART VIII – EXECUTION OF SETTLEMENT AGREEMENT

65. The parties may sign separate copies of this agreement. Together, these signed copies will form a binding agreement.

66. A fax copy of any signature will be treated as an original signature.

Dated this 16th day of December, 2009

HSBC BANK CANADA

By: “J. Lindsay Gordon”
Name: J. Lindsay Gordon
Title: Chief Executive Officer

**STAFF OF THE ONTARIO
SECURITIES COMMISSION**

By: “Kathryn Daniels”
Name: Kathryn Daniels
Title: Deputy Director, Enforcement

SCHEDULE “A”

**IN THE MATTER OF THE *SECURITIES ACT*
R.S.O. 1990, c. S.5, AS AMENDED**

-AND-

**IN THE MATTER OF
HSBC BANK CANADA**

O R D E R

WHEREAS on December ●, 2009, the Ontario Securities Commission (the “Commission”) issued a Notice of Hearing pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “Act”) in relation to HSBC Bank Canada (“HSBC”);

AND WHEREAS HSBC entered into a settlement agreement with Staff of the Commission (“Staff”) dated December 16, 2009 (the “Settlement Agreement”) in which it agreed to a settlement of the proceeding commenced by the Notice of Hearing dated December ●, 2009, subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement, and upon hearing submissions from counsel for Staff and HSBC;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS ORDERED THAT:

5. The Settlement Agreement is approved;
6. HSBC shall submit to a review of its compliance practices and procedures in accordance with the Terms of Reference attached at Schedule “B” to the Settlement Agreement;
7. HSBC pay to the Commission the sum of \$5,925,000, to be allocated under section 3.4(2)(b) of the Act to or for the benefit of third parties; and

8. HSBC pay the costs of the Commission's investigation in the amount of \$75,000.

DATED at Toronto this day of December, 2009.

**SCHEDULE “B”
TERMS OF REFERENCE FOR
COMPLIANCE REVIEW**

A. Retention of the Consultant

1. The Consultant's reasonable compensation and expenses shall be borne exclusively by HSBC Bank Canada (the “Respondent”).
2. The agreement with the Consultant (“Agreement”) shall provide that the Consultant examine the policies, procedures and effectiveness of:
 - a. the Respondent’s compliance and oversight functions concerning its trading and sales within the fixed income department;
 - b. any committees or other mechanisms established to review and approve new fixed income securities products and changes to those products;
 - c. the Respondent's training of its staff concerning new fixed income securities products and changes to those products;
 - d. the Respondent’s training of its staff concerning the escalation of issues to compliance and engaging other appropriate processes;(collectively, the “Review”).

B. The Consultant's Reporting Obligations

1. The Consultant shall issue a draft report to the Respondent within 3 months of appointment and in that regard will be provided the opportunity to present its report to the Board of Directors of the Respondent.
2. The Consultant shall engage with the Respondent in discussions regarding the draft report with a view to reaching consensus and finalizing the report within 1 month of the delivery of the draft report. If requested by the Consultant, the Consultant will be

provided with an opportunity to present its final report to the Board of Directors of the Respondent, and may explain any areas of disagreement with management of the Respondent.

3. The Consultant will deliver the final report to the Respondent.
4. Staff with prior notice may attend at the premises of the Respondent and review the draft and final versions of the Consultant's report.
5. The Consultant's draft and final reports shall include a description of the review performed, the conclusions reached, and the Consultant's recommendations for any changes or improvements to the Respondent's policies and procedures as the Consultant reasonably deems necessary to conform to regulatory requirements.
6. The Respondent will, within 60 days after receipt of the Consultant's report, advise Staff of the OSC ("OSC Staff") of a timetable to implement the recommendations contained in the report; however, in the event the Respondent disagrees with any of the recommendations, the Respondent shall so advise OSC Staff and provide to the Consultant reasons for such position and, if applicable, any alternative actions, policies or procedures the Respondent intends to adopt.
7. Staff may attend at the premises of the Respondent and may review the Consultant's report with respect to the implementation of the Consultant's recommendations.
8. The Respondent shall certify to the OSC, by certificate executed on its behalf by each of the CEO, the CCO and the Chair of the Board of Directors of the Respondent, that the Respondent has implemented those recommendations of the Consultant which it had agreed upon, and will do so promptly following such implementation.
9. For greater certainty, the terms of this compliance review do not limit in any respect the authority of the OSC to undertake, as part of their normal course audit activities, a review of all matters within the scope of the Review or any other aspect of the business of the Respondent.

C. Terms of the Consultant's Retention

1. The appointment of the Consultant shall be made promptly following the approval of the Settlement Agreement, but in any event by no later than January 31, 2010, by mutual agreement between the Respondent and OSC Staff.
2. The Consultant shall have reasonable access to all of the Respondent's books and records and the ability to meet privately with the Respondent's personnel. The Respondent shall instruct and otherwise encourage its officers, directors, and employees to cooperate fully with the review conducted by the Consultant, and inform its officers, directors, and employees that failure to cooperate with the Review may be grounds for disciplinary action.
3. The Consultant shall have the right, as reasonable and necessary in his or her judgment, to retain, at the Respondent's expense, lawyers, accountants, and other persons or firms, other than officers, directors, or employees of the Respondent, to assist in the discharge of the Consultant's obligations. The Respondent shall pay all reasonable fees and expenses (as reasonably documented) of any persons or firms retained by the Consultant.
4. The Consultant shall make and keep notes of interviews conducted, and keep a copy of documents gathered, in connection with the performance of his or her responsibilities.