



APPLICATION FOR FINANCIAL INSTITUTION BOND

Form No. 14

STOCK BROKERS, SECURITIES DEALERS AND SO ON

ATTACH TO THIS APPLICATION:

- i) Most recent Annual Report including Financial Statements
- ii) Latest external Auditor's memorandum to Management on internal controls along with Management's response or a letter from your Auditor stating one was not issued

ALL QUESTIONS MUST BE ANSWERED

1. Application is hereby made by: _____

- List **ALL INSUREDS** to be covered, including Employee Benefit Plans
- Please attach Addendum if insufficient space
- **Do Not** use general phrases such as subsidiary, or owned, managed, controlled, affiliated or associated, and so on

Principal Address: _____

(herein called Insured) for a **Primary**; **Excess**; **Financial Institution Bond, Form No. 14**, to become effective as of 12:01a.m. on: _____ to 12:01 a.m. on _____

Date Insured was established: _____

Name of prior carrier: _____

1. Insured is registered as a (check the appropriate category(ies)):

- Stock Broker
- Investment Banker
- Dealer in Securities
- Mutual Fund Dealer
- Mutual Fund Manager
- Investment Trust (excluding Small Business Investment Co.)
- Real Estate Investment Trust
- Commodity Broker
- Other: _____

2. List exchanges or self-regulatory organizations of which the Insured is a member:

3. Are you a member of the Investment Industry Regulatory Organization of Canada (IIROC)? Yes No

4. What is the percentage of business in:

Canada? _____ United States? _____ Other? (Please specify country) _____

5. For all Insureds, show the total number of:

- (a) Officers and employees, retained attorneys and persons provided by employment contractors (excluding agents):
- (b) Agents (if coverage is desired, please complete the attached Supplemental Application):
- (c) Total of (a) and (b):
- (d) Locations (other than the Home Office of the Insured first named):

Canada	U.S.	Other

(e) Locations outside of Canada and the U.S. (list below):

6. Complete the following for forms and amounts of coverage desired:

ACTUAL AMOUNT TO BE PROVIDED MAY DIFFER FROM THAT REQUESTED AND WILL BE INDICATED IN THE DECLARATIONS OF THE BOND

BASIC FORM OF COVERAGE

AMOUNT

- (a) (i) Basic Bond Coverage (Insuring Agreements A, B and C): \$ _____
- (ii) Deductible Options: (1) \$ _____ (2) \$ _____
- (iii) Deductible required by the Bank of Canada for losses arising from the Insured's acceptance of Government of Canada Bonds for transfer: \$ _____

OPTIONAL FORMS OF COVERAGE

- (b) Is Insuring Agreement D – Forgery or Alteration Coverage desired? Yes No \$ _____
- (c) Is Insuring Agreement E – Securities Coverage desired? Yes No \$ _____
- (d) Is Extortion – Threats to Persons Coverage desired? Yes No \$ _____
- (e) Is Extortion – Threats to Property Coverage desired? Yes No \$ _____
- (f) Is Agents Coverage desired? Yes No \$ _____
- (g) Is Computer Systems Fraud Coverage desired? Yes No \$ _____

If Yes, for the Computer System(s) you operate, whether owned or leased, complete the following:

- (i) Number of independent software contractors authorized to design, implement or service programs for your System(s): _____
- (ii) Is access to your System(s) by customers or outside parties permitted? Yes No
- (h) Is coverage desired on businesses engaged in the data processing of your cheques or other accounting records? Yes No

If Yes, list below the name and location of each data processor:

7. Are you a direct participant in a depository for the central handling of securities? Yes No

If Yes, list below the name and location of each such depository:

AUDIT PROCEDURES

8. **External Audit**

(a) Is there an annual semi-annual audit by an independent firm of Chartered Accountants (C.A.)? Yes No

If Yes, is it a complete audit made in accordance with generally accepted auditing standards and so certified? Yes No

If No, explain the scope of the C.A.'s examination.

- (b) Is the audit report rendered directly to all partners if a partnership or to the Board of Directors if a corporation? Yes No
- (c) Name and location of C.A. _____
- (d) Date of completion of the last audit by C.A. _____
- (e) Has there been any change in the outside auditing firm in the last 3 years? Yes No
If Yes, please explain: _____

- (f) Are the ledger balances to the credit of customers verified? Yes No

Internal Audit

- (g) Is there an Internal Audit or Compliance Department? Yes No
Number of Employees: _____ Position reported to: _____
- (h) Are the ledger balances to the credit of customers verified? Yes No

INTERNAL CONTROLS (OTHER THAN AUDIT PROCEDURES)

9. (a) Are all outgoing cheques countersigned? Yes No
If No, please explain: _____
- (b) How are cheques guarded to avoid loss or misplacement? _____
- (c) Is the sequence of cheque numbers carefully observed to ensure proper accountability? Yes No
- (d) If cheque-signing machines are used, describe control over signature plates: _____
- (e) Are all incoming cheques and drafts immediately endorsed "for deposit only"? Yes No
- (f) Are bank reconciliations completed by person(s) not authorized to deposit or withdraw therefrom? Yes No
If No, who (name and position) reviews and approves bank reconciliations? _____

CUSTOMER ACCOUNTS

10. (a) Are monthly statements (whether or not there was activity in the account) mailed directly to all customers? Yes No
If No, please explain: _____
- (b) Does an officer or partner reconcile differences reported by customers? Yes No
- (c) Are inactive accounts checked periodically by someone other than the customers' registered representatives? Yes No
- (d) Are registered owners of stocks or bonds required to sign such instruments in the presence of a partner, officer, employee or notary before the instruments are accepted for transfer? Yes No
- (e) Are discretionary accounts carried? Yes No

If Yes,

- (i) Is prior approval required from an officer or partner before such an account is serviced? Yes No
- (ii) Are all orders on such accounts initiated by a partner or officer prior to being executed? Yes No
- (iii) Does a partner, officer or other designated employee who has no other duties in connection with the account review each account frequently, checking for excessive or improper activity? Yes No

SECURITIES

11. (a) (i) Total dollar-value of securities kept in the vault/safe on your premises? _____
- (ii) How much is in negotiable form? Stocks \$ _____ Bonds \$ _____
- (b) Has any employee sole authority to withdraw or deposit securities in the vault/safe on your premises? Yes No
- (c) How often are securities in safekeeping and in segregation physically counted and verified with your stock record? _____
- (d) Is access to the cage area limited strictly to persons regularly employed in the cage? Yes No
- (e) Are securities for shipment, delivery, substitution, transfer, etc., requisitioned from your cashier? Yes No
- (f) Are bearer bonds (government bonds, treasury bills, municipals, corporates, etc.) held on your premises during business hours? Yes No
- If held on your premises, are they under dual control? Yes No
- (g) Does your firm use facsimile signatures to sign securities and/or stock powers? Yes No
- If Yes, is the facsimile plate physically guarded and access restricted? Yes No
- (h) Are duties segregated so that no individual acting alone can prepare both sides of an entry to the securities records other than an adjusting entry which is approved by supervisory personnel? Yes No
- (i) Are certificate numbers recorded for all securities received or delivered? Yes No
- (j) Is each shipment logged out and delivery verified by examination of receipt? Yes No
- (k) Are the services of an armoured motor vehicle company used? Yes No
- If Yes, please state the name(s) of the company(ies): _____

Under the terms of the contract, is the armoured motor vehicle company liable for all property in its custody? Yes No

- (l) What is the maximum dollar exposure per outgoing delivery of securities:
- (i) by employee(s)? \$ _____
- (ii) by messenger? \$ _____
- (iii) by Transportation Company via armoured motor vehicle? \$ _____
- (iv) by Transportation Company via a conveyance other than an armoured motor vehicle? \$ _____
- (v) other? (please describe): _____ \$ _____

VAULTS, SAFES AND ALARMS

12. (a) Are there vaults on the premises? Yes No
 (b) Are there safes on the premises? Yes No
 (c) Are there alarm systems in place? Yes No
 Are they connected to:
 Central Station? Yes No
 Police Station? Yes No

PERSONNEL

13. (a) Do you require annual vacations of at least two consecutive weeks for all personnel? Yes No
 If No, please explain: _____
 (b) Do you verify the business history of each prospective employee for the last five years preceding his/her employment with your firm? Yes No
 If No, please explain what procedure is followed: _____

 (c) Are employee's accounts allowed? Yes No
 If Yes, are ledger cards of such accounts segregated and frequently reviewed by an officer? Yes No
 (d) Are the major shareholders working full-time in the firm? Yes No
 14. (a) Has there been any change in controlling ownership or management within the past three years? Yes No
 If Yes, explain: _____

 15. Has any insurance similar to the type being requested in this application been declined or cancelled during the past six years? Yes No
 If Yes, explain: _____
 16. (a) List all claims that have occurred during the past six years (whether reimbursed or not), and
 (b) List all losses or situations, similar in type to claims which could fall within the scope of the bond being applied for in this application, that have occurred during the past six years (whether reimbursed or not.)

CHECK IF NONE

Date of Loss	Type of Loss	Amount of Loss	Amount Recovered from Insurance	Amount Recovered from other than Insurance	Amount of Loss Pending	If Loss occurred at other than Main Office, state Location
		\$	\$	\$	\$	
		\$	\$	\$	\$	
		\$	\$	\$	\$	
		\$	\$	\$	\$	

17. Is your firm or anyone in your firm, expected to be, currently is, or within the past three years, been under any increased, special or non standard reporting or licensing requirement or control of any sort, to any regulatory or governing bodies? Yes No

If the answer is Yes, please give complete details.

Special Conditions

Reason

All provisions contained in the various forms issued under this contract shall be deemed to be contained in the present application for insurance. Completion of this application does not bind the Underwriter to provide the insurance requested.

The Insured represents that the information furnished in this application is complete, true and correct. Any misrepresentation, omission, concealment or incorrect statement of a material fact, in this application or otherwise, shall be grounds for the rescission of any bond issued in reliance upon such information.

Dated at _____ this _____ day of _____, _____.

(Insured)

Signed By

(Name – Please Print)

(Title)

Optional bonds/policies are available in conjunction with the Financial Institution Bond. Please indicate your coverage requirements below:

- A. Registered Mail Policy? If Yes, please specify limit required: Yes No \$ _____
- B. Stamp Surety Bond? If Yes, please specify Single Transaction limit: Yes No \$ _____
- C. Other? Please specify: _____

AGENTS QUESTIONNAIRE

ATTACH TO THIS APPLICATION:

- (i) Copy of Standard Agent Contract or Agreement
- (ii) Copy of Customer Application for products and/or services offered by the Agent(s) on behalf of the Insured

PLEASE NOTE:

Agent means a natural person, firm or corporation engaged or authorized by written agreement with the Insured to (please provide a description of the products/service(s) to be provided by such Agent(s) in the space below):

The term Agent shall be deemed to include the partners, officers and employees of such Agent and all such persons shall collectively be deemed to be one person.

1. (a) Is the customer required to complete an application for products/services being offered through your Agents? Yes No
If Yes, does the application specify that all cheques be made payable to the Insured or another Financial Institution? Yes No
- (b) Are there other means of payment? Yes No
If Yes, please explain: _____
- (c) How does the Insured know that it is receiving payment on new accounts?

- (d) Does the Insured send a verification statement to its clients on all new business? Yes No
Do these verification requests contain instructions to report discrepancies to a named person other than the Agent? Yes No
2. How are commissions paid to Agents:
 - (a) Deducted by Agent? Yes No
 - (b) Paid by Insured to Agent? Yes No
3. (a) Does a contract or a greement exist between you (the Insured) and your Agent(s)? Yes No
If, Yes, please attach a copy.
If No, please explain: _____
- (b) What investigation is made prior to issuing a contract or agreement to a prospective Agent?

- (c) Is the Agent's personal financial information obtained? Yes No
- (d) Is there a periodic review of Agents? Yes No
- If Yes, how often? _____

4. (a) List all claims involving Agents that have occurred during the past six years (whether reimbursed or not), and
- (b) List all losses or situations involving Agents, similar in type to claims which could fall within the scope of the Agents coverage being applied for in this application, that have occurred during the past six years (whether reimbursed or not.)

CHECK IF NONE

Date of Loss	Type of Agent	Amount of Loss	Amount Recovered from Insurance	Amount Recovered from other than Insurance	Amount of Loss Pending	Location
		\$	\$	\$	\$	
		\$	\$	\$	\$	
		\$	\$	\$	\$	

5. Is any Agent expected to be, currently is, or within the past three years, been under any increased, special or non standard reporting or licensing requirement or control of any sort, to any regulatory or governing bodies? Yes No

If Yes, please give complete details:

Special Conditions

Reason

All provisions contained in the various forms issued under this contract shall be deemed to be contained in the present application for insurance. Completion of this application does not bind the Underwriter to provide the insurance requested.

The Insured represents that the information furnished in this application is complete, true and correct. Any misrepresentation, omission, concealment or incorrect statement of a material fact, in this application or otherwise, shall be grounds for the rescission of any bond issued in reliance upon such information.

Dated at _____ this _____ day of _____, _____.

(Insured)

Signed By

(Name – Please Print)

(Title)