

### **SECTION 3 BRANCHES AND SUB-BRANCHES**

#### *Definition of a Branch Office*

A Branch Office is considered to be any place where the business of trading in securities is conducted and to which the public is invited to deal, other than the head office.

#### *Definition of a Sub-Branch*

A Sub-Branch Office is considered to be any Branch Office having less than four Approved Persons that is supervised by a Branch Manager at another Branch Office or directly by Head Office. Where licensed assistants are registered solely to engage in sales support tasks but do not solicit trades or engage in account opening activities, they need not be included in the count of Approved Persons in determining branch vs. sub-branch status provided that certain conditions are met. (See Section 27)

#### *Branch and Sub-branch Registration*

Altimum operates sub-branch offices that report directly to Head Office. The Chief Compliance Officer has registered the firm's Sub-branches on NRD and with the MFDA.

Altimum requires that the Approved Person working from a Sub-branch notify the Chief Compliance Officer of any change in the address for service, the mailing address, the telephone number, or any other contact information as it regards the branch in which the Approved Person is working. The Chief Compliance Officer shall report these changes on NRD and register the change with the MFDA.

When opening a new sub-branch the procedure on NRD is to first of all open the location, and then in a separate filing, report the Approved Persons who are going to be working from that location. When closing a location, the reverse is true. The Approved Person must be reassigned or terminated first, and then the sub-branch must be closed in a separate submission. The sequence of reporting is important because one cannot assign an Approved Person to a branch if it does not yet exist, and one cannot close a branch that still has Approved Persons assigned to it.

On a quarterly basis, the Chief Compliance Officer shall reconcile the Approved Persons registration information and the Branch and Sub-branch registration information on the NRD to Altimum's records and will maintain a signed, dated record of the review. The Chief Compliance Officer shall also reconcile branch and sub-branch registration information on the NRD to the Member's records each year at renewal time.

#### *Branch and Sub-Branch Office Requirements*

Altimum must designate a person qualified as Branch Manager for each branch office of Altimum that is not a sub-branch. Altimum is not required to designate a branch manager to be in attendance for a sub-branch office provided that a trading partner, director,

officer, compliance officer or branch manager who is not normally present at such sub-branch office supervises its business done at the sub-branch office. Altimum will ensure that all branch managers possess the required branch manager proficiency requirements and the requirements necessary to act as a delegated compliance officer at the branches in relation to the everyday functions and requirements of the respective branches, particularly sales and account opening practices.

Altimum will ensure that its branch offices have access to a copy of Altimum's Compliance Policies and Procedures Manual so that the branch managers, the Approved Persons and administrative assistants at the branches are fully aware at all times of the policies and procedures that govern the regulatory compliance requirements of all appropriate regulators.

Altimum will institute mechanisms to ensure regular, formal reporting by its branches on compliance matters to head office.

More specifically, Altimum will have procedures in place for its branches to ensure that all branches are aware of:

1. The records required to be maintained by each branch office (that is, files to reflect client transactions, customer complaints, etc.).
2. The daily and periodic reviews that branch managers must carry out of branch office administration including client transactions, customer complaints, referral arrangements, limited trading authorizations, etc.
3. The mechanism in place to ensure that senior management at head office is notified of any changes that occur at the branch levels.
4. The procedures to be followed when a branch is being closed.
5. The responsibilities of the branch manager when supervising sub branches.
6. The procedures for filing new account application forms, Know-Your-Client information, and client orders with head office.
7. Alternative procedures for delivery of information in unusual situations such as mail or courier strikes.
8. The administrative assistant procedures and restrictions, for example, they cannot solicit business on behalf of a registered individual; cannot perform activities in furtherance of a trade, and cannot collect Know Your Client information.
9. The various types of client complaints to ensure they understand the kinds of complaints they need to report to head office.
10. Approved Persons must report any changes in the contact information at the branch to the Chief Compliance Officer.

All branch managers and Approved Persons at all branches receive appropriate training in Altimum's philosophy when they commence employment. Branch managers report all inappropriate branch office activities which result in regulatory breaches to the Chief Compliance Officer at head office. All branch managers are also aware they are

responsible for opening new accounts, and for supervising trades made for clients, including ensuring compliance with the suitability obligations of Altimum.

#### *Branch and Sub-Branch Reviews/Visits*

The Chief Compliance Officer shall send a letter to each Approved Person periodically to seek to independently confirm information gathered in Branch and Sub-Branch reviews by requiring the Approved Person to provide their business cards, letterhead, advertising, and a copy of complaints, referral arrangements, and details of outside activities. As the Approved Person supplies the Chief Compliance Officer with this documentation, the Chief Compliance Officer will keep a spreadsheet to check off that these requirements were disclosed and it will be reviewed by the Chief Executive Officer, who is responsible for the Branch and Sub-Branch Review Program. Head Office records will be checked for accuracy against these reports to ensure that Head Office records are complete as well as to determine whether there have been any developments that were not disclosed to Head Office at the time.

The Chief Executive Officer will visit Altimum's branch offices and sub-branch offices every third year, or more frequently, to ensure that the branches are complying with branch policies and procedures. These visits are documented, and any deficiencies are noted and discussed with the Approved Persons who are given a specified time to rectify such deficiencies. The Chief Executive Officer will follow up these audits to ensure that appropriate action has been taken to rectify any deficiencies found.

The Approved Person will also be encouraged to visit Head Office regularly to meet with the Chief Compliance Officer. The Branch Managers and the Chief Compliance Officer will discuss various compliance issues and the operations of Altimum and its branches or sub-branches.

Branches will be ranked by Audit Risk Ranking as the Chief Compliance Officer deems suitable based on several criteria. A low score reflects less perceived risk.

A sample follows.

ALTIMUM SUB-BRANCH RISK RANKING			
DATE OF LAST REVIEW			
Criteria	Ranking	Points	
<b>Assets Under Management</b>			
	Under 5 million	4 points	
	Over 5 million	9 points	
<b>Nature of Business</b>			
Use of Limited Trading Authorizations	One of these	5 points	
Leveraged Accounts	Two of these	9 points	
Riskier Products	Three of these	14 points	
Out of Province Clients	Four of these	19 points	
Non-Branch Structure	Five or more	29 points	
Fee based Accounts			
Internet or Social Media advertising			
Outside Business Activities			
<b>Previous Audit Results</b>			
	Compliant Some Issues	3 points	
	Non-Compliant or Serious Issues	19 points	
<b>Previous MFDA Examination Findings</b>			
	Minor Issues	9 points	
	Serious Issues	29 points	
<b>Complaint History</b>			
	One Previous Complaint	5 points	
	Two or more Complaints	19 points	
<b>Trading</b>			
	Frequent market related trading	9 points	
	Trades in Leveraged Accounts	10 points	
	US Clients	19 points	
	Referral Arrangements	15 points	
	Improper Application of DSC Fees	14 points	
	Commissions over 1% of AUM	4 points	
	Late or Missing KYC's	9 points	
	Frequent High Dollar trading	5 points	
	Trends or Patterns Noted	10 points	
	Frequent Suitability Issues	14 points	
	Senior Client base	4 points	
	Churning	19 points	
	2-4 LOI's last 12 months	15 points	
	5 or more LOI's last 12 months	24 points	
	DSC's on Redemptions not disclosed	14 points	
<b>New Rep</b>			
	New Rep	10 points	
<b>Strict Supervision</b>			
(Triggers Automatic Audit)	Strict Supervision Required	50 points	
<b>Total</b>			
<b>Final Risk Ranking for Priority of Audits</b>			
	High Risk	50 points or more	
	Medium Risk	30 - 50 points	
	Low Risk	Under 30 points	

## Branch Review Program - Overall Procedures

The Branch Review Program must include an assessment of the procedures and practices in place at the branch, as well as the quality of execution of those procedures. It must address all significant aspects of Altimum's policies and procedures manual and all MFDA By-laws, Rules and Policies. It must include interviews with Approved Persons at the Branch along with substantive testing to verify the accuracy of information that is provided to the interviewer.

Substantive testing should involve reviewing advertising and marketing materials, client files, trade blotters, Limited Trading Authorizations, Letters of Indemnity and other relevant records as well as complaints, KYC updates, referral arrangements, trade names, outside business activities, and all approvals from the Compliance Department for advertising and marketing together with reimbursements for Coop advertising. Altimum has prepared spreadsheets, or templates, enumerating the various categories to be tested. Preparation for a branch review would include a determination of minimum sample sizes in each of these categories. A normal review would have a default sample size of not less than 5 from each of the categories being tested, where applicable (for example, there might not be 5 leverage loans to review at that branch.)

Prior to a branch review, the reviewer shall prepare and plan for the review by doing a preliminary screening. This will include reviewing existing marketing, websites, complaints, pending and completed legal actions, Letters of Indemnity, errors, and other issues related to the Approved Persons at the branch or sub-branch. Such preparation would include a risk- based assessment of the branch relative to the firm's other branches to determine sample size and the scope, or extent, of the review.

The risk-based assessment is based on a number of factors, including:

1. Complaint history
2. Marketing used in the subject branch including websites and social media
3. Number of approved persons at the branch
4. Trade volume and commissions earned
5. Results of previous reviews
6. MFDA compliance examination findings
7. Daily trade supervision issues
8. Limited Trading Authorizations
9. Experience of the Approved Persons at the Branch
10. The nature of dual occupations or outside business activities carried on by the Approved Persons at the Branch
11. The volume of leveraged trades at the branch
12. The date of the last review
13. Pending legal actions.
14. Other specific activities at the branch

The risk-based assessment is to be considered when setting sample sizes and sample sizes are to be increased accordingly where there is deemed to be the potential for increased risk. Certain categories will require a sample size of 100% to be tested and reviewed, such as

complaints, undisclosed outside business activities, pending legal actions or undisclosed marketing.

The Branch Review program shall include these steps:

- 1) the Approved Person interview
- 2) review of client files (templates attached)
- 3) review of marketing
- 4) suitability analysis
- 5) other specific items raised by either the reviewer or the Approved Person

At Altimum, the Chief Executive Officer is to conduct the Branch Review Program in every branch at least once every three years. Similar, but less exhaustive, Branch Visits will be conducted every year except in the year when the branch is subject to the Branch Review, and will be conducted either by the Chief Compliance Officer or the Chief Executive Officer.

#### Sub-Branch Interview

The purpose of the Sub-Branch interview is to confirm that the Approved Person is aware of requirements under MFDA By-laws, Rules and Policies and applicable securities regulation. The interview process also allows the Approved Person to raise and discuss issues and areas of regulatory concern.

The interview will also include discussion about policies and procedures relating to:

1. Products and services offered to clients
2. Complaints
3. Advertising and sales communications
4. Referral arrangements
5. Outside business activities
6. Account opening procedures
7. Other branch/subbranch supervision issues

The Chief Compliance Officer will act as the reviewer and will conduct the interview and record the responses of the Approved Person.

The questionnaire closely follows the template provided by the MFDA for this purpose and includes discussions regarding account opening procedures.

#### Review of Client Files

Client files must be examined by the reviewer to verify that there is proper account opening documentation on file and that branch client files are appropriately safeguarded. The reviewer must also confirm that account opening procedures have been properly followed.

The Know-Your-Client information must be reviewed to:

1. Assess Completeness
2. Confirm that back-up for any changes has been maintained on file
3. Confirm that KYC information on the back office system matches that in the files.

Client files must be examined to verify that proper evidence of client instructions and any relevant trading authorizations have been maintained on file. The reviewer will look for trades in speculative funds to assess suitability and compliance issues such as off-book trades and trades in exempt securities (for which neither Altimum nor the Approved Person would be licensed.)

A sampling of trade orders must be reviewed to :

1. Assess suitability
2. Ensure proper documentation of trades done with a Limited Trading Authorization including a Client Contact Form or copy of e-mail
3. Detect trading in speculative or high-risk funds
4. Detect trading in exempt securities
5. Detect unlicensed/out of province trading
6. Confirm proper identification of leveraged trades
7. Confirm timeliness of trade processing
8. Detect existence or use of pre-signed forms
9. Detect undisclosed leverage transactions

Files will also be reviewed to assess the adequacy of notes regarding advice or recommendations provided to the client, as well as notes regarding discussions relating to fees and services, if any.

Where a potential material deficiency is discovered with respect to MFDA By-Laws, Rules or Policies, such as the existence or use of pre-signed forms, or trading in exempt securities, for example, the reviewer is to initiate a complete and thorough review of client files of the Approved Person and determine whether the issue needs to be reported to the MFDA on the METS system.

#### Review of Sales Communications, Advertising and Client Communications

The Branch Review Program must include a review of all sales communications, advertising and client communications, including business cards, letterhead and websites to confirm that any required approvals have been obtained in order to ensure that there is no undisclosed marketing or client communication. The review process must also involve discussions with the Approved Persons and testing, including reviews of client files, to detect:

1. Misleading communications
2. Trade names being used by Approved Persons that have not been approved by Altimum
3. Undisclosed outside business activities
4. Personal financial dealings with clients
5. Securities related business being conducted outside of Altimum
6. Undisclosed referral arrangements

Where a potential material deficiency is discovered with respect to the conduct of outside business activities or personal financial dealings with clients under MFDA By-Laws, Rules or Policies, the reviewer is to initiate a complete and thorough review of client files of the Approved Person responsible including those relating to non-Member business.



## Review of Client Complaints

The Branch Review Process includes a review of all known complaints to confirm that they have been properly recorded at Head Office and handled in accordance with Altimum procedures and MFDA By-laws, Rules and Policies. The nature of any complaints, together with the timeliness of the response and fairness of the resolution must be assessed.

The Branch Review Process also includes inquiries directed towards the Approved Person regarding complaints and inspection of client files to determine whether there are any complaints involving individuals at the sub-branch which may not have been disclosed to Head Office. If found, these must be reviewed for compliance with Altimum policies and procedures.

The nature of any complaints, together with the timeliness of the response and fairness of the resolution must be assessed.

The Branch Review Process must also confirm with the Approved Person that they are aware that all complaints and pending legal actions must be made known to the Chief Compliance Officer at Head Office within two business days in accordance with Altimum policies and MFDA Policy 3.

## Documentation of Testing Performed

Altimum shall maintain orderly, up-to-date files for each branch that has been reviewed. The files will include details of the procedures performed at the branch, including the review of client files, processed trades, complaints and client communications. All working papers to support the work done and provide evidence of any deficiencies noted. All follow-up documentation must also be included in the file. Records are to be retained for seven years and are to be available for review by the MFDA, if requested.

Branch review records may identify significant deficiencies that may disclose a need for further education and training of Approved Persons or other staff where applicable. If the issues are systemic, a review of internal procedures and practices may be necessary.

## Reporting of Results

All serious issues detected are to be reviewed by the Chief Compliance Officer and the Chief Executive Officer within a reasonable period of time, which, in the case of Altimum, means not later than the next business day.

Altimum must also ensure that Approved Persons at the branch are made aware of issues identified in the report relevant to them in a timely manner. A written report is required within 30 days of the review and must include the following information:

1. The date of the review
2. Basic branch information, including the Approved Persons and staff at the branch location
3. Details of any compliance deficiencies noted in completing the branch review including missing documentation or any gaps in following policies and procedures



4. The date the report is issued
5. The date the report is received by the branch
6. The date by which a response is required.

Altimum has established timelines regarding branch audits. The response from the Approved Person must contain acknowledgement and resolution timelines for each item in the report. The Approved Person's response to the report must be received within two weeks of the date of receipt of the report and it is expected that issues identified in the report are to be resolved within 3 months of the date of receipt of the report. The Chief Compliance Officer may agree in writing to an extension of this 3 month period due to extenuating circumstances and establish a new deadline if requested to do so by the Approved Person in advance of the expiration of the 3 month time frame.

Altimum is required to ensure that the issues identified in the course of the branch review are followed up and resolved. This is the responsibility of the Chief Compliance Officer, who must report back to the Chief Executive Officer regarding progress in obtaining the report from the Approved Person 30 days after the report to ensure that the time line is being followed. The Chief Compliance Officer will track responses from Approved Persons and review them with the Chief Executive Officer when received, and ensure that the branch implements all required changes in a reasonable amount of time, depending on the deficiency. The objective is to ensure consistent and timely reporting of results.

Altimum will retain responses and resolutions to the report with the original report of the branch audit in the branch audit file.

#### Other Visits to Sub-Branches

Altimum Compliance personnel will conduct a less formal visit to sub-branch locations at least once per annum except in those years when an on-site review as required by MFDA Policy 5 is being conducted instead. The Chief Compliance Officer will be responsible for these visits and will conduct a review of a sampling of client files to assess completeness, confirm that any backup for any changes has been kept on file, and to confirm that KYC information on the back office system matches with that recorded in the files for the accounts being inspected. The Chief Compliance Officer will also discuss account opening procedures, leverage account procedures, procedures with regard to approval of advertising and sales communications, handling of complaints, timeliness of processing, referral arrangements, outside business activities, products and services being offered to clients, etc. with the Approved Person in the sub-branch. The Chief Compliance Officer will keep a record of these visits including what was discussed, which files were looked at, and findings as a result of the review, and include a listing of completed visits each year in the Compliance Report filed with the Board of Directors. The Chief Executive Officer will support the Chief Compliance Officer in these visits and may conduct these visits as the Chief Compliance Officer's alternate. The intent is to maintain a level of Head Office contact with each branch and to ensure compliance with regulations between official on-site reviews which will be conducted at each sub-branch at least once every three years by the Chief Executive Officer and which will involve a much more detailed review of compliance practices.

**Altimum Mutuals Inc.**  
**Approved Person Interview**

**Registration**

1. How long have you been registered with Altimum?
  
2. What industry examinations have you completed and what professional designations have you obtained?
  
3. Where do you meet clients?
  
4. Where are client files maintained? Are any files maintained outside of the branch?
  
5. Does anyone else work at this location with you or use it as an office?
  
6. Do you use any trade or business names other than Altimum's legal name? What business title do you use?
  
7. Do any other businesses share office space at this location?
  
8. In which provinces are you registered? Do you have clients in other provinces?

9. Do you have a personal corporation?

10. Do you have a joint code with any other Approved Persons? If so, describe the procedures for accounts handled under a joint code? How do you identify who provided the recommendation or accepted the order?

**Business Activities**

11. What products do you offer through Altimum in addition to prospectus qualified mutual funds?

Pooled Funds		Principal Prot. Notes	
Segregated Funds		GIC's	
Hedge Funds		Limited Partnerships	
LSIFs		Flow-Through Shares	
Insurance		Other (list below	
Commodity Pools			

12. What services do you offer through Altimum? (If services are fee-based, provide details on how any fees are collected & paid.)

Service?		Fee Based?
Financial Planning		
Income Tax Preparation		
Other?		

13. What products and services do you offer outside Altimum?
14. Are you an officer or director of any other companies or organizations?
15. What fees and compensation do you receive for your outside business activities?
16. What business names are associated with your outside business activities?
17. Have you notified Altimum and received approval for these outside business activities?
18. When and how is disclosure of your outside business activities provided to clients?
19. If financial planning is offered outside Altimum, what entity is it conducted through? Is it a regulated entity such as a licensed insurance corporation?

### **Training, Policies and Procedures**

20. How do you access the Compliance Manual? Do you receive updates and amendments to the Manual?

21. How are you made aware of forms and documents that have been updated or superseded?

### **New Account Opening**

22. Describe how you open a new account and collect KYC information. What forms, questionnaires and/or systems do you use?

23. How do you determine a client's risk tolerance, investment objectives and time horizon? What questions do you ask?

24. Is KYC information collected per plan or per client?

25. What disclosure documents are provided to clients at account opening?

26. Is the client always provided with a copy of the NAAF and the KYC forms?
27. What do you do if a mistake is made on the NAAF or information needs to be changed?
28. What happens if a client refuses to provide you with KYC information?
29. Who enters the client information including the KYC information into the back-office system?
30. Have any client accounts been reassigned to you from other Approved Persons in the last year? If yes, did you perform a suitability review on these accounts?

### **Trading**

31. By what method do your clients place their orders, e.g. mail, telephone, e-mail, in-person.
32. Describe the procedures you follow and the information you gather or deliver to process a trade, from receiving the order to transmitting it for processing

33. How do you determine what investments to recommend to a client? What are the factors and criteria you consider?
34. Do you use any asset allocation software or other tools to assist you in making investment recommendations?
35. What is the source you use for product information including risk rankings? e.g. Fundfacts, back-office system, Globefund, Morningstar, etc.
36. What source do you refer to for client KYC information? e.g. paper KYC, scanned KYC, back-office system, other notes.
37. What do you do if a client wishes to purchase an investment that is not suitable for them?
38. What do you do or would you do when you receive a request to purchase securities that you are not registered to trade?



39. Do you ever have a client sign a blank form or sign a form before it is fully completed?
40. How do you maintain notes of client discussions and evidence of client authorization for transactions? In particular, if you have any clients where you have a limited authorization form, how do you obtain and record evidence of their trade instructions?
41. How do you inform clients of any sales charges or fees associated with a transaction? e.g. deferred sales charges associated with a redemption, switch fees.
42. Do you accept standing orders from your clients authorizing trades at a later date?
43. Do you have any outstanding compliance inquiries on any of your trading activity? If yes, why is the inquiry currently outstanding?
44. Is a Fundfacts document and Pre-Trade Disclosure of Fees document provided to the client relating to each fund prior to purchase of the fund?
45. Do you ever send trade orders directly to the fund company or issuer?

46. Describe the process for correcting a trade error or requesting a letter of indemnity?
47. Do you ever receive trade instructions for an account from anyone other than the client?
48. Does anyone other than you advise your clients on the investments in their account at Altimum?

**Changes to Client Information**

49. Describe the procedure for changes to client name, address or banking information. How is client authorization evidenced?
50. Describe the procedure for updates to client KYC information including risk tolerance, investment objectives, time horizon, income and net worth. How is client authorization obtained and recorded?

51. Who reviews and approves KYC changes? How do you submit KYC changes for supervisory review?

**Dealings with Clients**

52. Do you accept cash from clients for investment?

53. Do you accept bank drafts or third party cheques?

54. Do you ever accept client cheques made payable to you or your personal corporation?

55. What are the procedures for cheques received at the branch? How are they logged and safeguarded?

56. Do you have any clients whose mail is being held or redirected to the branch office? If so, what process did you follow? i.e. client authorization, head office approval, ongoing monitoring.

57. How do you handle returned mail?

58. Do you hold a power of attorney for any of your clients?

59. Are you acting as an estate trustee or executor for any clients?

60. Have you ever borrowed money from a client?

61. Have you ever loaned money to a client?

62. Do you participate in any private investment clubs or other arrangements where you invest together with clients?

63. Do you recommend any specific charitable donation programs to clients?

**Leveraging**

64. Have you recommended that any clients borrow to invest?

65. If yes, in what circumstances do you recommend that clients borrow to invest?
66. How do you describe the risks of borrowing to invest to clients?
67. What would be the typical profile of a client to whom you would recommend leveraging?
68. What types of clients would you not recommend leveraging to?
69. Do you provide any projections to clients as part of a leveraging recommendation or client presentation? If yes, what rates of return do you use in these projections?
70. What disclosure documentation do you provide to clients who are borrowing to invest?
71. Describe what paperwork is completed and your process for obtaining supervisory approval for leverage recommendations?

72. What lending institutions do you use for leverage?

73. Do you have any leveraged clients who have defaulted on their loans or are in arrears?

74. Do you have any leveraged clients who have expressed concern about their ability to make their loan payments?

**Referral Arrangements**

75. Do you have any referral arrangements where you either refer clients or accept referrals? If so, describe the nature of the referrals and the nature of the compensation including the amount and who payment is made to.

76. Has Compliance approved the referral arrangements?

77. What disclosure is provided to referred clients?

### **Marketing and Client Communications**

78. What types of marketing or advertising do you perform? (Obtain copies).
79. How do you obtain Compliance approval for your marketing?
80. Do you have a website? If so, was the website approved by Compliance? Have you made any changes to your website? Have these changes been approved by Compliance?
81. Do you use social media for business purposes?
82. Do you participate in radio or television programs?
83. Have you done any cooperative marketing with mutual fund companies in the past 3 years?



84. Have you done any joint marketing with another party such as a product provider, lender or mortgage broker? Have you provided clients with any marketing materials prepared by third parties such as product providers, lenders or mortgage brokers?

85. What procedure do you follow for ordering business cards?

86. Do you print and distribute account statements or portfolio summaries to clients?

87. If yes, do these statements include products not sold through the Altimum?

88. What system or software is used to produce the statements or summaries?

**Client Complaints**

89. Have you had any client complaints in the last 3 years?

90. What procedures did (or would) you follow when you receive a complaint?
91. Have you ever settled a client complaint on your own or directly compensated a client for losses?

### **Privacy and Confidentiality**

92. How do you ensure that client files and information are kept confidential?

### **Anti-Money Laundering**

93. What is your process for validating the identity of a client?
94. Give an example of a Type 1 Identification Document.
95. Give an example of a Type 2 Document.
96. Can you provide me with examples of what you would consider a suspicious transaction?
97. What process would you follow if you identified a suspicious transaction?

### **Schedule for Review**

- 1. Approved person to respond in writing to audit**
- 2. Date of response to be determined at time of audit**
- 3. Compliance Officer to document that the follow-up has been done and the Approved Person's response addresses what was raised in the audit.**
- 4. Approved Person to issue letter confirming certain details, including referral activities, procedures regarding statements of account, websites, and other information which the Compliance Officer may ask them to confirm in writing.**

### **Schedule for Next Audit**

**Signature of Representative (and initial each page)** \_\_\_\_\_ **Date** \_\_\_\_\_

**Compliance Signature** \_\_\_\_\_ **Date** \_\_\_\_\_

## NEW ACCOUNTS &amp; KYC UPDATES

Location under Review \_\_\_\_\_  
 Name of Branch Manager \_\_\_\_\_  
 Name of Approved Person(s) \_\_\_\_\_  
 Review Performed By \_\_\_\_\_  
 Date of Review \_\_\_\_\_

[illegible]

## CLIENT FILES & TRADING

Location under Review

Name of Branch Manager

Name of Approved Person(s)

[illegible]

Date of Review

## **Know Your Client Information**

[illegible]

## LEVERAGING

Location under Review \_\_\_\_\_  
 Name of Branch Manager \_\_\_\_\_  
 Name of Approved Person(s) \_\_\_\_\_  
 Review Performed By \_\_\_\_\_  
 Date of Review \_\_\_\_\_

[illegible]

\*Note: If client(s) have multiple loans, provide details on each loan held.

## MARKETING

Location under Review \_\_\_\_\_  
 Name of Branch Manager \_\_\_\_\_  
 Name of Approved Person(s) \_\_\_\_\_  
 Review Performed By \_\_\_\_\_  
 Date of Review \_\_\_\_\_

[illegible]

**Note:** If a potential deficiency is detected with OBAs or personal financial dealings, review all files of the Approved Person, including files relating to non-Member business.



## PORTFOLIO SUMMARIES

Location under Review \_\_\_\_\_  
 Name of Branch Manager \_\_\_\_\_  
 Name of Approved Person(s) \_\_\_\_\_  
 Review Performed By \_\_\_\_\_  
 Date of Review \_\_\_\_\_

[illegible]



If the Chief Executive Officer finds any violations of securities law or Altimum's policies and procedures during the course of his branch reviews, he will ensure that the Approved Persons immediately rectify such deficiencies. A sample of the Branch Office/Sub-Branch Compliance Review is included.

#### *Desk Audits*

In addition to quarterly reviews, there may be desk audits initiated by the Chief Compliance Officer to investigate whether a specific Approved Person is fulfilling his or her obligations with regard to:

- 1) Financial Needs Analysis and Asset Allocation Survey (Analysis of Investment Suitability) Changes
- 2) Financial Needs Analysis and Asset Allocation Survey (Analysis of Investment Suitability) Deficiencies
- 3) New Accounts
- 4) Leveraged Accounts
- 5) Excessive Commissions
- 6) Excessive Trading
- 7) Proceeds of Crime and Money Laundering

### **Employment and Supervision Requirements for Assistants and Contract Staff**

#### *Licensed Assistants*

Many Approved Persons employ Licensed Assistants to provide administrative and sales support. These assistants must be registered because they may engage in client related activities that could be considered acts in furtherance of a trade. Securities legislation specifically states that only registered persons may "trade" in securities.

The following are conditions that apply to both the Licensed Assistant and the Approved Person employing that Licensed Assistant:

- a. Licensed Assistants are restricted to providing solely sales support and cannot establish accounts for their own clients.
- b. Licensed Assistants are prohibited from opening new accounts or completing the Know Your Client process with clients.
- c. Licensed Assistants cannot sign as an Approved Person on account opening forms. Account opening forms must be signed by the Approved Person who is supported by the licensed assistant.
- d. Licensed Assistants can only trade on an unsolicited basis for accounts of the Approved Person they are supporting.

- e. Licensed Assistants cannot have their own sales code.
- f. Licensed Assistants must be familiar with the Compliance Manual and must comply with all MFDA rules.
- g. Approved Persons, Licensed Assistants, and Employees, Staff or Marketing Assistants recruited by or working on behalf of an Approved Person agree that any licensed assistant, employee, contract staff or marketing assistant, whether employed by Altimum or by an Approved Person, may be prohibited from working for the dealer or for any of its Approved Persons, or from occupying office space in the Head Office, a Branch Office, or a Sub-Office of Altimum at any time at the discretion of the Chief Compliance Officer.

Altimum will ensure that it has a Branch Manager at each Branch with four or more Approved Persons. If Licensed Assistants are to be excluded from the count of Approved Persons when determining Branch vs. Sub-Branch status, Altimum will maintain adequate, complete, accurate, and current records and documents to support this decision, which will be available for inspection by the MFDA at any time. Their activities will have to be limited as above. If the Approved Persons supervising the Licensed Assistants do not wish to limit their activities as indicated above, then the Licensed Assistants will not be excluded from the count of Approved Persons when determining Branch vs. Sub-Branch status.

#### *Restrictions on Duties of Unlicensed Assistants*

Unlicensed assistants are only eligible to accept completed forms from Approved Persons (not clients) without offering any comments or advice. Unlicensed assistants may not execute trades or perform any functions 'in furtherance of' a trade.

Access to files may only be permitted to registered staff. Unlicensed assistants may only file the paperwork but are not permitted to retrieve paperwork from the files.

Unlicensed assistants may process trades on the back office system, they may scan and append applications, documents and other client information into the back office system. They may send out applications, blank client service forms, and point of sale documents upon the Approved Person's instructions.

#### **Sharing Office Premises**

If premises are shared with another entity, the client must clearly understand which legal entity they are dealing with.

The client may be informed through various methods, including appropriate signage and disclosures.

When an Approved Person opens an account for a client, the Approved Person shall deliver a written disclosure statement outlining the relationship between Altimum Mutuals Inc. and the other entity or entities located on the premise and stating that Altimum Mutuals Inc. is a separate entity from the other entity or entities.

This disclosure is only required when the client is a client of a branch where there are shared premises.

At the time the account is opened a copy of the signed disclosure form must accompany the New Account Application.

### *Telephone Operations*

Clients should have a clear understanding of which entity they are dealing with when they call. A shared receptionist is permitted. Separate directory listings for each entity are required.

### *Client Records*

Records must be kept separate from the other entity and not have access to the client records unless the provisions relating to confidentiality are complied with. Electronic records must have separate passwords or other similar controls to ensure they are not accessible by the other entity(ies).

It is strongly recommended that separate computer hardware and software be used.

### *Signage*

The legal name of Altimum Mutuals Inc. must be clearly displayed in a prominent location such as the office entrance door or reception area. A business, trade or style name under which all entities operated may also be displayed. The names of each individual Approved Person of the entities need not be displayed.

### *Physical Premises*

The layout of the shared location must ensure confidentiality of client information.

Some of the more common deficiencies of branch and sub-branch audits include:

1. Unidentified Office Premises

Altimum Mutuals Inc. signage is required in all Branch Offices.

2. Shared Office Premises

Altimum must be notified of, and approve of, an Approved Person's intention to implement a shared office structure with individuals of

another financial services entity. In order to implement a shared office structure, requirements would include disclosure to clients, adequate Altimum signage, separation and security of clients' files, and separation of telephone and fax lines.

3. Inadequate Record Retention

Clients' files must be retained for a minimum of seven years. Adequate controls must be in place to guard against the risk of falsification of the information recorded. Files must be available to be furnished promptly to Altimum or to the MFDA upon request and must be securely stored. Sub-branches are also required to maintain their own copies of files in a secure manner.

4. Use of Old Forms

Approved Persons must ensure that they use current forms rather than expired versions, as the old version may not contain disclosures that are required by the regulators.

5. Blank Pre-signed Forms

Retaining blank client pre-signed forms, such as pre-signed blank cheques, pre-signed transaction requests, and the like, is strictly prohibited.