INVESTMENT INDUSTRY
ASSOCIATION OF CANADA

Debt Markets Syndication Practices

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1. FORWARD

Canada's fixed income markets represent an essential source of financing for Canadian businesses and government. An efficient and well-functioning debt market plays a critical role in Canada's economic prosperity by ensuring timely access to capital for borrowers. This document illustrates current industry "best practices" for the syndication of fixed income securities in Canada. The document has been prepared by a working group of fixed income industry professionals under the auspices of the Investment Industry Association of Canada (IIAC).

The method by which Canadian provincial governments and corporations issue debt securities differs significantly. This document is a comprehensive guide that illustrates these differences and the industry practices commonly followed during the syndication process. Where appropriate, the document recommends to investment dealers involved in debt syndication "best practices" for their consideration.

It is important to note that the practices in this document are voluntary and should not be interpreted as replacing the regulatory requirements placed on investment dealers by securities regulators. Where appropriate, this document provides specific reference to relevant Investment Industry Regulatory Organization of Canada (IIROC) requirements that readers should review in conjunction with this document. The document consists of two parts. Part I provides an overview of the debt syndication process for provincial government issuers, including the roles and responsibilities of the investment dealers. Part II provides similar information for corporate debt issuance.

We hope this guide facilitates the continued use of sound practices among Canadian market participants, and further enhances the efficiency and attractiveness of Canada's capital markets.

If you would like to share any comments you have on the content of this document, please e-mail them to capitalmarkets@iiac.ca.

2. PART I: PROVINCIAL GOVERNMENT FINANCE

Provincial government debt financing is predominantly undertaken on a "bought deal" basis, via an underwriting syndicate with a structure and membership determined by each province. Each syndicate participant acts independently of the others in conducting their distribution of bonds to their customers. The lead underwriter will draw down the entire new issuance from the issuer on behalf of the syndicate, and will make allotments to the other investment dealers ("dealers") reflecting their respective underwriting percentage, in addition to distributing to its own customers.

Dealers that have been appointed to the syndicate are expected to accept their percentage allotment of an offering by an issuer whenever that issuer comes to market. Periodically the issuer will review the appointed positions within the syndicate and make changes as desired.

At the completion of the offering, several provinces currently stipulate in the underwriting agreement that the syndicate members provide the volume breakdown by type of customer (retail and institutional) and geographic distribution. Generally, issuers want to see a good cross section of client types receiving a portion of the offering distributed. This breakdown is commonly known as the Distribution Report.

2.1. Provincial Government Debt Offerings

2.1.1. Appointment of the Syndicate

2.1.1.1. Lead, Co-Lead, Co-Manager, Book Runner and Selling Group (if applicable)

Each province creates its own underwriting syndicate and will periodically review the positions assigned to the dealers. Roles within a syndicate are not always static. Most provinces vary the roles amongst the dealers it chooses. In addition to the underwriting syndicate, each province determines if a selling group will be appointed and which dealers participate therein.

The deal size and the timing to market are decided by the province, based on various input factors. Since most financings are completed on a bought deal basis dealers then own the debt and distribute the debt instruments to their customers, independently of the actions of other syndicate members.

When a Province determines that the conditions for an issue are appropriate, it will contact the assigned syndicate participant(s) (lead and if applicable, co-leads) to negotiate the details (size and pricing) of the offering (called "the pricing call").

2.1.2. Distribution / Opening of the Offering

2.1.2.1. Appointment of Leads

Only the issuer can appoint the lead and other syndicate participants. The lead's primary responsibilities are i) negotiating the price at which the new issue will be sold, ii) receiving the new issue bonds from the issuer and distributing the new issue allotments to the other syndicate participants and iii) assisting in the new issue documentation process. The lead(s) and, potentially, co-leads if they are on the pricing call, also provide input on market conditions as well as an appropriate new issue size.

2.1.2.2. Pricing Negotiations

Negotiations start after the issuer contacts the lead and/or co-leads with their respective appointments. The issuer discloses (to the lead and/or co leads only) the desired size of the offering, maturity date and coupon rate. The syndicate lead, often with the assistance of the co-leads and the issuer will determine the appropriate pricing benchmark -- a similar term Government of Canada bond or interpolation of two Canada bonds -- to determine an appropriate yield (a "Canada benchmark"). Once the issuance spread is agreed upon, the price and yield of the new Provincial issue are subsequently determined. Industry practice is to have at least two dealers (lead and/or co-leads) on the call with the issuer to ensure that pricing is appropriately determined.

2.1.2.3. Involvement of other Bond Desk Personnel in Pricing

The size and organizational structure of each dealer generally determines how and where personnel are located and how the various functions of the organization interact. Generally, for efficiency, most dealers physically position the Government Finance function in close proximity to the syndication manager and other sales and trading functions. When negotiating the pricing, the lead (and co-leads) will typically check with their appropriate Canada bond trader, on a confidential basis, to determine the Canada benchmark prices and yields as required, and monitor the market should any Canada price changes occur during the pricing call.

2.1.2.4. Monitoring Inventory Trading Throughout the Offering Process

Given the limited but necessary involvement of certain trading personnel during the pricing of a new offering, there is potential for the dealers on the pricing call to trade in related issues and/or the underlying Canada benchmark during the pricing call.

Dealers are required by IIROC Rule 38, Compliance and Supervision, to establish and maintain a system of supervision reasonably designed to monitor activities before, during and after the release of the "New Issue Memorandum", which confirms the details of a new debt issue, indicates that price restrictions have been lifted, and signals the closing of the syndicate. This monitoring would cover the new issue and/or issues, benchmark issue(s) as well as other related issues having a similar term to maturity.

For transactions where a dealer acts as either a lead or co-lead, to establish the commencement time of the distribution, the dealer's Government Finance syndication should have procedures in place to evidence the pricing call and effective launch of the new issue. Currently completion of the call can be documented by maintaining the Bloomberg Red Banner information in the syndication file. Government finance syndication also files the New Issue Memorandum which is issued by the lead/co-leads to all syndicate members indicating the distribution of the new issue has been completed (however, syndication members may still be distributing the new issue to clients).

2.1.3. Bona Fide Offering

A dealer must have policies and procedures in place to ensure compliance with IIROC Dealer Member Rules 29.3 and 29.3a, which require a dealer to make a bona fide offering to the public of all of the securities that form the distribution and ensure a fair allocation process. In the context of government offerings, Government Finance is generally responsible for maintaining an up to date file on each issue and dealers will be responsible for maintaining records ensuring proper procedures have been followed. As a best practice, dealers should document the methods used to demonstrate completion of a bona fide offering to the public.

2.1.3.1. Green Banner / Red Banner – Use of Bloomberg

Near completion of the pricing call, the lead will bring up a special page entitled Canadian New Issue Screen (CNIS) on the Bloomberg terminal, the New Issue Syndication System which is accessible by Government Finance personnel. Details of the forthcoming new issue are entered, and when the issuer and the lead/co-leads have agreed on the issue details, and the issuer has given explicit permission to release these details, a "Green Banner" is generated informing the market that an offering will be forthcoming imminently.

Pricing is finalized and a second banner, red in colour, "Red Banner" is generated, which directs Bloomberg subscribers to the specific lead's New Issue Syndication System page. This page provides the issuer name, size of issue, coupon, price, yield to maturity, spread, and contact phone number for the lead's syndication department, among other details. This information is also released to Thomson Reuters to ensure broad dissemination.

As a best practice, dealers should have procedures in place to evidence the time of the pricing call commencement and completion and effective launch of the new issue. This should be documented and maintained in a syndication file with other syndication documents and archived for seven years.

2.1.4. Allocation Policy

A dealer should have a written allocation policy that addresses all clientele. Dealers with retail client accounts should have a standard offering procedure for allocating positions to retail clientele. These procedures should form part of dealers' overall policies and procedures and best practices should include supervisory procedures to monitor adherence to the stated allocation policy.

As a best practice, dealers should record institutional requests for allocations in debt issues of specified issuers. These can be viewed as "standing requests" in that they are subject to change depending on various non-exhaustive factors including market conditions and secondary market trading. Should the standing request be re-confirmed at the time of the offering, it can then be considered an expression of interest.

Investor allocations will vary primarily based on specific transaction circumstances. Other considerations can include: market conditions; the sequence in which such orders or indications of interest are received; the type and geographic location of the investor; past patterns of investor behaviour on new issues; the issuer's distribution objectives and requests, etc. Within the context of the above constraints, the allocation policy should be fair and must comply with applicable client priority rules. Syndicate members also need to take into account the risks associated with the bought deal nature of the transaction.

Dealers should have a procedure in place to ensure that expressions of interest and fill amounts are noted and documented with the syndication file. Where an investor has dominated an order book, or received a zero fill, from an already existing expression of interest, there should also be an appropriate explanation noted in the syndication records.

It is important to note that, in certain circumstances, an issuer may indicate to a lead/co-lead of a new issue, an allocation preference where the issuer indicates that a certain client should receive a certain fill on their order for the new issue; for example:

1. a client may approach an investment dealer indicating a sizeable lead order for a new issue or a re-opening of an existing issue (note that the issuer may also be approached directly by a very large investor); or

2. an investment dealer may have filled a client's immediate need for a specific existing issue by selling them the bonds and creating a short inventory position within the dealer.

In these situations, it is possible for the investment dealer to approach the issuer for the purposes of informing them that there is sufficient demand in the market to re-open an existing issue. In doing so, the investment dealer should:

1. ensure that the issuer is aware of the circumstances regarding the client lead order or investment dealer facilitation in filling client demand. If requested by the issuer the dealer should obtain permission from the client(s) to provide the issuer with the name of the client(s), to confirm the order directly, should they wish to do so; and

2. in the case of a short inventory lead order position, inform the issuer of the circumstances leading up to the short inventory position, the $ size of the lead order and the number of clients represented by the lead order. The timing of discussions with the issuer and the lead order clients, as a best practice for normal course of business, should take place concurrently or within a reasonably short window of time (i.e. 1 day or 24 hours) from start to end. It is possible that extenuating circumstances could result in the short window of time extending to 2 days. A transaction of this time frame would require extensive follow-up and notes of explanation in the due diligence file. The $ size of this type of Lead Order should not exceed the short inventory position thereby created.

Once the above information has been disclosed to the issuer and the issuer agrees to proceed with the new issue, the investment dealer will then allocate the specified portion of the issue to either the client or investment dealer inventory covering the lead order(s) as above. The investment dealer will then allocate the remainder of the issue in accordance with the investment dealer's written allocation policy. The investment dealer should retain records of correspondence with the issuer to evidence the transaction.

The completed order book, indicating initial order sizes as well as allocated fills, should have final approval of Government Finance/Syndication and a copy retained in each issue file. As a best practice, supervisory staff should consider additional measures for documenting details regarding specific Lead Orders derived from a short inventory position (already filled client demand).

2.1.5. Client Priority and Inventory Fills

Given the "bought deal" nature of these offerings, it is possible that during distribution sufficient demand may not exist to place all of the securities with investors. When this occurs and it becomes apparent that a portion of the primary offering cannot be distributed it may be transferred to a secondary inventory. Government Finance / Syndication must document the market conditions and reasoning for this transfer. It must also be demonstrated that sales staff made bona fide attempts to fully distribute the offering prior to the transfer.

Affiliates and other legal entities related to the dealer can receive new issue allocations. A dealer's policies and procedures must comply with client priority rules.

Compliance/Supervisory practices should include an appropriate syndication review procedure.

There may be internal accounts such as treasury desks, strip desks, swap desks and repo desks that have placed orders for new issue bonds; any allocations to these accounts should be to facilitate a client transaction. Such allocation should be documented and as a best practice the dealer should make the issuer aware of the allocation.

2.1.6. Closing the Syndicate

A government syndicate is considered to be open from the time the Bloomberg red banner is released with the details until the syndicate is closed by the lead dealer. Syndicate participants must sell their total allotment of bonds at the new issue offering price until the lead sends the notification found within the “New Issue Memorandum”, via email to all participants announcing the lifting of pricing restrictions and closing of the syndicate.

After the syndicate has closed, dealers may choose to continue selling a new issue at the original offering price through their syndication desks or may choose to close the offering. Dealers should consider a best practice that identifies when an offering has closed, and whether the dealer’s allocation was fully sold at that time. Unsold bonds can be transferred on a hedged, or un-hedged basis, to a secondary inventory.

As a best practice, every dealer should note in its policies and procedures how it documents the closing of the deal, including oversight and approval processes that demonstrate inclusion of Government Finance in the Syndication process.

2.1.7. Documentation

As a best practice, dealers should keep a file documenting all syndication activities. This should include the documents providing timing of the pricing call and all other efforts made to disseminate the information surrounding the new offering. Below is a list of documents that may form part of the syndication file. This list is not exhaustive and other records, as necessary, should be kept to support decision points in the syndication function.

- “New Issue Memorandums”, completed by the lead, setting out the terms of issue, allocations and pricing restrictions and provided to the other members of the syndicate to provide full details of the issue.
- The document that contains dated and time stamped records of the Bloomberg banner(s).
- The deal file will contain all documentation necessary to demonstrate completion of a bona fide offering of the securities to the public. Where an allocation was made to an investment dealer to cover a short position in the issuer`s securities that occurred as a result of filling a specific client(s) demand (and as described in section 2.1.4

above) this should be noted in the file along with an explanation (which may include details regarding timing of the transactions).

- The book of expressions of interest.
- The dealer confirmation to the issuer entitled “Distribution Report” in the specific format required by different issuers.
- Underwriting/Agency Agreement provided by the lead manager to each syndicate member.

Government Finance is responsible for ensuring proper documentation is maintained in each file.

3. PART II: CORPORATE FINANCE

Dealers also originate and facilitate financing for corporate issuers. As with provincial government finance offerings, corporate finance offerings are required to comply with the requirements set out in IIROC Rule 29.3 and 29.3a.

The corporate finance process generally involves introducing investors to an issuer (investor marketing) or presenting to an issuer the demand that the dealer believes exists for the issuer's debt.

3.1. Investor Marketing

3.1.1. Corporate Road Show Presentations

These meetings, set up and coordinated by the lead and/or co-leads, take the form of a presentation, typically conducted by the issuer. The dealer may or may not attend the meetings depending on issuer or investor preferences. These presentations can take place face-to-face or via conference call/webcast. The presentation and marketing will generally employ one of the following strategies:

i. **A non-deal road show or presentation** where the corporate borrower has not indicated an immediate interest in launching a debt issue. This type of road show involves introducing the issuer's executive management to investors. A general presentation will include information about the company's operations accompanied by a financial review. The presentation may have forward looking financial projections. This type of road show is often conducted over a luncheon in various cities, with a conference call which is available to all institutional investors. There may also be selected private one on one meetings with specific investors upon request. The presentation does not include any information regarding a specific debt issue.

ii. **A deal-specific road show or presentation** occurs where the issuer intends to issue a debt instrument in the near future. The format of the road show and the presentation are similar to a non-deal presentation with the exception that the deal-specific road show would include preliminary terms of the expected debt issue. Investors should be provided with a copy of a preliminary prospectus, credit rating agency reports and an indicative term sheet for the proposed bond issue. For a deal-specific issue, the order book could be open during the road show, or may be opened at the end of the road show, to accept expressions of interest from investors.

3.2. Corporate Debt Offering Types

There are currently three different types of debt offerings used by corporate borrowers in the Canadian capital markets (herein after generally referred to as "corporate debt").

3.2.1. Public Prospectus

Issuers can be rated either investment grade or non-investment grade. Issuers will file a preliminary prospectus prior to their contemplated debt issuance. The prospectus is deal-specific and is filed with all securities commissions and reviewed in detail before a final receipt is issued from the commission(s) conducting the review. The prospectus is valid only for the securities that were specifically named in the prospectus. A final dollar amount of debt and the details concerning the maturity date and coupon rate is not necessarily included in the preliminary prospectus.

In a debt offering of this type, the issuer may be placed on a dealer's pre-announcement/watch list as applicable, to ensure compliance with prospectus requirements, until the transaction is announced.

Upon completion of the debt issue, a final prospectus is filed with the securities commissions containing the final details of the transaction.

3.2.2. Public Shelf Prospectus

Issuers that carry an investment grade rating and are frequent corporate debt issuers will generally use a "shelf prospectus" to issue debt securities. A shelf prospectus, filed with securities commissions in Canada, has an active life of twenty-five months from the date of final receipt and can be used to issue debt securities, common shares, preferred shares, warrants and other securities that may be sold to investors. For corporate debt, a shelf prospectus is filed with a dollar amount which represents the maximum amount of issuance (which may entail multiple issues) that can be completed through the life of the shelf prospectus. Borrowers using a shelf prospectus are deemed to be in distribution and as such, can issue debt in a timely manner by filing a pricing supplement with the securities commissions as evidence of a completed debt issue.

3.2.3. Private Placements

Private placement transactions are generally completed by way of an offering memorandum created by the corporate debt issuer relying on the "accredited investor" exemption found in National Instrument 45-106. These types of issues may or may not be rated by one or more credit rating agencies. Offering memoranda may be filed with the appropriate securities commissions.

3.3. Investment Dealer (Dealers) Roles in Corporate Debt Issues

Dealers generally fulfill either one of two roles in the distribution of corporate debt. They either act as agent, on a best efforts basis, for the issuer in the distribution of the debt or they act as underwriter for the issuer, purchasing the total debt issue for resale assuming all liability and risk in drawing down and placing the debt.

Corporate debt issues are generally distributed by a syndicate of dealers whose composition is determined by the issuer, who allocates the percentage of the issue to each dealer; it also selects the lead and/or co-leads as well as the co-managers. The lead and/or co-leads negotiate the execution strategy and the pricing which is comprised of a spread or spread range against a Canada benchmark or a coupon on high yield issues.

Corporate debt syndicates are not fixed and the percentage allocated to each dealer can change at the discretion of the issuer at any time. Most often, “exempt list” investor (see 3.6.1.1) coverage for corporate debt issues is completed by only certain members of the debt syndicate who are chosen by the issuer.

The issuer determines the form of issue (agency, underwritten or marketed underwritten) to be distributed by the dealers. The issuer also determines whether or not the issue will be sold to institutional investors or retail investors or a combination of both. If the issue is to be distributed to both investor types, the issuer will set the percentage of the issue or dollar amounts to be distributed to each investor type.

3.3.1. Agency Transactions

In agency transactions, the debt issue is sold on a “best efforts” basis. The issuer indicates the total dollar amount (sometimes a range of amounts) that it wants to issue to the syndicate lead and/or co-leads. In turn, the dealers, forming the complete syndicate, will solicit investor interest for the offering. There is no obligation on the part of the dealer/syndicate to purchase any unsold corporate debt of the issuer if the investor demand is lower than anticipated. The issuance amount and/or pricing can be adjusted if demand is lower than required to complete the original transaction amount. Where demand is higher than expected, adjustments can be made to increase the offering size and/or adjust the pricing.

3.3.2 Underwritten Transactions

In the underwritten transaction, the dealer is required to assume the liability for the total dollar amount of their portion of the offering for re-distribution to investors. The book is opened and the dealer’s liability reduces as the order book builds and the final sale is confirmed. The dealers hold all liability associated with the issue until final sales are completed and a bona fide marketing effort has been made.

3.3.3 Marketed-Underwritten Transactions

A "marketed-underwritten" transaction is a hybrid of the two methods described above, which incorporates the selling side of an agency transaction coupled with the certainty of the underwritten transaction. In this type of transaction, the syndicate participants market the potential transaction and accept indications of interest based on a spread range. Upon completion of the marketing and sales process, a drawdown of the total amount at the final price is underwritten by syndicate participants in accordance with their percentage allocations.

3.4. Information Barriers

Regardless of the size and structure of the dealer, all dealers are expected to comply with the guidelines set out in IIROC Member Regulation Notice MR0377, *Guidelines for Confidential Information Containment* as well as OSC Rule 33-601, *Guidelines for Policies and Procedures Concerning Inside Information.* The dealer must ensure public side personnel are wall crossed before being provided with any information relating to the transaction that may be deemed material non-public.

3.5. Placement Fees

Placement fees are agreed upon between the issuer and lead and/or co-leads chosen by the issuer. The fee is payment / compensation paid to all dealers involved in the syndicate. The fee is expressed as a percentage of the face value (par value) of the transaction and collected as part of the distribution process.

3.6. Allocation and Order Book

Allocations are completed by the book runner and/or co-book runners in accordance with the allocation procedures of their firm(s). Investment dealers must have their own allocation policies and procedures.

3.6.1. CANIssue Syndication Sales Distribution System

CANIssue is an electronic allocation and booking system used by the largest and most active dealers in corporate debt in Canada.

Listed below are the steps taken in the new issuance process of the CANIssue system. These steps are performed by the book runner(s):

3.6.1.1. Setup & Preview

The investor "exempt list" comprises approximately 175 institutional investors "exempt accounts" which form the bulk of Canadian domestic corporate bond investors. Responsibility for sales coverage of exempt list investors generally resides with the book runner(s) who may assign responsibilities to other members of the syndicate by agreement or at the direction of the issuer. Where there is more than one book runner managing the offering, sales coverage responsibility is often divided between the book runner(s). Investors not on the exempt list are known as “No-name Investors”.

General information that is known such as name of the issuer, transaction size, maturity date, settlement date, coupon frequency, dealers involved (separate categories for book runner(s) and participating dealers), documents such as the shelf or preliminary prospectus, financial reports, indicative term-sheets, credit rating reports, and other reports as required, along with an exempt list by dealer coverage, are set up on CANIssue. Corporate debt issues are generally distributed on an agency basis utilizing an exempt list of institutional investors. The issue is distributed by dealers chosen by the issuer or lead(s) to cover exempt accounts. The range of dealers covering exempt accounts can vary from the book runner(s) only, to all dealers involved in the syndicate.

3.6.1.2. Pre-Announce

Once pricing parameters have been determined by the book runner(s) and issuer, a pricing spread indication related to a benchmark Canada bond or Canada curve (defined by two Canada bonds) or a coupon rate is added to the CANIssue page. A notification is then sent by email from the leads to all members of the syndicate announcing a syndicate conference call. The conference call is hosted by the book runner(s) and reviews the details of the issue as noted above. The pre-announce status allows the syndicate representative at each dealer to view the issue details. After agreement from the syndicate, CANIssue status is changed to “announce and book open”.

3.6.1.3. Announce & Book Open

Details of the new issue become available to all sales personnel at dealers. Concurrently, emails are immediately sent to all institutional accounts that are represented on the exempt list, and set up in CANIssue, announcing the issue and including all documentation as previously discussed. All offering documentation is also available on the CANIssue website. Each dealer covering exempt accounts can enter their own orders on CANissue and sees only the status of those orders. The book runner(s) are the only parties that can see the status of all orders.

3.6.1.4. Book Closed

Once the book runner(s) have determined that the book has been open long enough for all investors to have had sufficient time to review the transaction and place their orders, a warning is issued prior to the closing of the book. The official “book closed” announcement follows. In this phase, the book runner(s) recommend final size and spread to the debt issuer for final signoff by the issuer. Once these two factors are determined, the allocation process is then finalized.

3.6.1.5. Pre-Completed

In this phase, accounts are advised of the fill they have been allocated on their order along with the final spread pricing details and it is determined whether the account wants to keep the amount of bonds allocated. If the account declines the allocation, the book-runner(s) will attempt to re-allocate the bonds to other investors. Where such re-allocation efforts fail, those bonds may be placed in a secondary inventory to be sold in the secondary market once cleared for trading. When this occurs, the lead dealer(s) must document the transfer and note re-allocation efforts in the syndication file.

In the allocation process, Syndication takes into account many factors in determining a fair allocation. These factors include: the specific investor; the previous history of order sizes; the frequency of new issue participation and the likely holding period of the investor, as well as issuer preferences. Policies and procedures should outline the documenting of the allocation process for corporate debt.

Following deal allocation, a syndicate pricing call with all participating dealers is announced by email. On this call, the book runner(s) will determine the underlying benchmark Canada yield, which is confirmed by another senior member of the syndicate. The final offering spread will be added to the Canada yield to determine the final yield for the issue. A coupon will be agreed upon, which is typically equal to or just below the yield to maturity, and the price of the new issue will then be determined. Once agreed to by the issuer, the deal is considered priced, and investors are notified by Bloomberg, email, or by phone of pricing details. This information will also be posted to the CANIssue page. The issue will be moved to “completed” status within CANIssue.

3.6.1.6. Completed

The issue remains in this status for two weeks, after which the designation is automatically changed to “archived” and stored within CANIssue.

In situations where CANIssue is not used (usually if the lead book runner is not a CANissue user), the syndication desk will maintain detailed records which note the issuer, the issue details, the date of the issuance, and contains the name of the investors, the original order amount along with the allocation and any other comments. Procedures should be similar, whether the dealer is a member of CANIssue or not.

3.6.2. Ticketing the New Issue

Ticketing involves the recording of sales on the dealer’s book of record system which, in turn, generates the issuance of confirmations, transmission of settlement instructions and delivery of offering documents to investors. The book runner(s) will draw down the new issue from the issuer into its new issue inventory and ticket all sales to each exempt investor. Where there is more than one book runner managing the offering, responsibility for ticketing may be divided between them. The book runner(s) will ticket non- exempt list interest to the appropriate syndicate participant who will then ticket their client in turn.

3.6.3. Record Keeping

As a best practice, a dealer is required to keep files which reflect the activities in which they are engaged. These files should include investor presentations regarding potential financings and documentation of the syndication activities. Below is a list of the type of documents that may form part of these files. This list is not exhaustive and other records may be required to be kept to demonstrate decision points in the overall syndication function.

1. Syndications

The documents maintained on file depend upon whether the dealer was a book runner or simply a syndicate participant. The following documents should be kept in a syndication file irrespective of the position held by the dealer:

- The documents distributed to Investors (prospectus, offering memorandum, term sheet etc.).
- The allocation / order sheet needs to be maintained along with any unfilled requests received during the distribution process for orders received and processed that could not be added to CANIssue.
- Final list of buyers.

2. Origination and Investment Banking

Origination and Investment Banking are responsible for the marketing and completion of due diligence on Corporate Debt Issues. Dealers should ensure that they have appropriate “wall crossing” procedures and information barriers in place. Records should be maintained to demonstrate when marketing efforts began, the documents used to conduct the marketing, who was involved and any document that could serve to demonstrate the timing on a new issuance. The following documents are also maintained in the origination file:

- Underwriting committee certificate or equivalent
- Underwriting agreement/syndication agreement