THE GUARANTEE COMPANY
OF NORTH AMERICA

SUPPLEMENTAL APPLICATION - QUESTIONNAIRE FOR A FINANCIAL INSTITUTION BOND, FORM 14

ATTACH TO THIS APPLICATION:

1. MOST RECENT AUDITED FINANCIAL STATEMENT INCLUDING ANNUAL REPORT,
2. ORGANIZATIONAL CHART WITH PERCENTAGE OF OWNERSHIP AND NATURE OF BUSINESS OF EACH ENTITY AND THEIR ADDRESS
3. LATEST EXTERNAL AUDITOR'S LETTER TO MANAGEMENT ON INTERNAL CONTROLS WITH MANAGEMENT'S RESPONSE, OR
4. A LETTER DIRECTLY FROM YOUR AUDITOR STATING ONE WAS NOT ISSUED.

ALL QUESTIONS MUST BE ANSWERED, DO NOT LEAVE ANY BLANK OR ANSWER ANY AS N/A.

Insured: ____

____

____

____

(List ALL INSUREDS to be covered, including employee benefit plans and do not use general phrases as all subsidiary, or owned or managed or controlled, or affiliated, or associated, and so on...)

1. GENERAL

a. What is the percentage of business in Institutional Accounts? __________ ; Retail Stock Accounts? ____;
Retail Bond Accounts? __________; Underwriting? __________;
Money Market Transactions? __________; Hard Dollar Financial Analysis? __________.

b. Are you a member of the National Association of Securities Dealers? .... Yes ☐ No ☐

c. What is the percentage of business in Canada? ______, United States? __________,
Other? (Please list Country and percentage) ______________________________

2. AUDITS

a. Is there an internal audit department? .... Yes ☐ No ☐

b. Does the internal audit include periodic surprise examinations of cash, securities, all departments and accounts? ... Yes ☐ No ☐
How often? ______________________________

c. Is a Procedures Manual, on which the audit is based, provided to each department? .... Yes ☐ No ☐

d. What is the frequency of branch audits? ______________________________

3. INTERNAL CONTROLS (OTHER THAN AUDIT PROCEDURES)

a. Are records of receipts and disbursements fully detailed and are all journal entries and correcting vouchers approved? Yes ☐ No ☐
If yes, by whom? ______________________________

b. Is the mail opened by a responsible person whose normal duties do not involve accounting or sales? .... Yes ☐ No ☐
If yes, who supervises? ______________________________

c. Are computer programmers permitted to operate machines on which their programs are being used? .... Yes ☐ No ☐

d. Are the computerized cheque-writing operations segregated from the departments that authorize cheques? .... Yes ☐ No ☐

e. Are the supporting documents adequately cancelled by the cheque signer to prevent subsequent processing? .... Yes ☐ No ☐

f. How are cheques guarded to avoid loss or misplacement? ______________________________

g. Is the sequence of cheque numbers carefully observed to insure proper accountability? .... Yes ☐ No ☐

h. If cheque-signing machines are used, describe controls over signature plates ________

i. Do signing partners and persons with power-of-attorney rotate their duties in handling expense cheques, payroll cheques, brokers' cheques and other disbursements by cheque? .... Yes ☐ No ☐

j. Are all incoming cheques & drafts immediately endorsed "for deposit only"? .... Yes ☐ No ☐

k. Bank balances are reconciled on what frequency? ________

l. Are reconciliation dates ever varied for purpose of surprise verification? .... Yes ☐ No ☐

m. Are monthly bank statements and cancelled cheques examined and reconciled to general records by persons other than those who keep the cash records or make disbursements? .... Yes ☐ No ☐

n. Do verification requests and statements of account contain instructions to report discrepancies to a named person other than the account representative? .... Yes ☐ No ☐

o. Are verification requests kept under strict control before mailing and after replies are received? .... Yes ☐ No ☐

p. If customers do not acknowledge the original requests for verification, are second requests sent? .... Yes ☐ No ☐

4. **CUSTOMERS ACCOUNTS**

a. What prior investigation is made prior to opening an account for a new customer and prior to approval of the account by a partner or officer?

____

b. Are registered owners of stocks or bonds required to sign such instruments in the presence of a partner, officer or employee, or notary before the instruments are accepted for transfer? Yes ☐ No ☐

c. Does an officer or partner reconcile differences reported by customers? .... Yes ☐ No ☐

d. Is there a separate general ledger account for inactive accounts? .... Yes ☐ No ☐

Are the individual ledger sheets for inactive accounts segregated form active accounts? .... Yes ☐ No ☐

Are inactive accounts checked periodically by someone other than the customers' registered representatives? .... Yes ☐ No ☐

If yes, by whom and how frequently? ______________________________

e. Are customers required to pay their accounts directly to the cashier or someone other than employees directly involved with the customers in the purchase or sale of securities? .... Yes ☐ No ☐

f. Are transactions of a customer buying on margin registered in the account books independently of the handling of the order by a margin clerk? .... Yes ☐ No ☐

Is this system so designed that there is no sole dependence on the margin clerks' reports to discover cases of non-payment by customers? .... Yes ☐ No ☐

g. How frequently are accounts rotated among margin clerks? ________

h. Are margin department records reconciled to customer accounts? .... Yes ☐ No ☐

If yes, how frequently? ______________________________

Does an officer or partner approve in writing any extensions because of late payments? .... Yes ☐ No ☐

i. Are discretionary accounts carried? .... Yes ☐ No ☐

If yes, who services the accounts? ______________________________

Is prior approval required from an officer or partner before such an account is serviced by an employee? .... Yes ☐ No ☐

Are all orders on such accounts initialled by a partner or officer prior to being given to the order room? .... Yes ☐ No ☐

j. Does a partner, officer or other designated responsible employee who has no other duties in connection with the account review each account frequently, checking for excessive or improper activity? .... Yes ☐ No ☐

If yes, how frequently? ________

k. Are daily reports of under margined and deficit accounts given to an officer, partner or designated responsible employee and followed to a conclusion by that individual? .... Yes ☐ No ☐

5. **SECURITIES**

a. What is the total dollar-value of securities kept in the vault on your premises? $__________
   Of this dollar-value, how much is in negotiable form? Stocks? $__________ Bonds? __________

b. Are stock certificates in "street" name held in your vault in non-negotiable form until delivery is to be made? ...... Yes ☐ No ☐

c. Are executed stock powers of customers stored separately from securities and controlled by persons who do not have access to securities? ...... Yes ☐ No ☐
   If not, are the powers restrictively endorsed? ...... Yes ☐ No ☐

d. Has any one employee sole authority to withdraw or deposit securities in the vault on your premises? ...... Yes ☐ No ☐

e. Is access to the cage area limited strictly to persons regularly employed in the cage? ...... Yes ☐ No ☐
   Is the cage physically separated? ...... Yes ☐ No ☐

f. How often are securities in safekeeping and in segregation physically counted and verified with your stock record? __________

g. Do you microfilm any of the above counts? ...... Yes ☐ No ☐

h. How often are pledgable or active box securities physically counted and verified with your stock record? __________

i. Are such verifications made by personnel other than those who customarily handle securities? Yes ☐ No ☐

j. Are securities for shipment, delivery, substitution, transfer, etc., requisitioned from your cashier? Yes ☐ No ☐

k. Are securities received checked for negotiability? Yes ☐ No ☐

l. Where are bearer bonds (government bonds, treasury bills, municipal, corporate, etc.) held during business hours? __________
   (i) If held in a vault on your premises, are they within a locked metal container under dual control? ...... Yes ☐ No ☐
   (ii) If held in a bank, are they under a custody account or in a safe deposit box? __________
   (iii) If in a bank safe deposit box, are they under dual control? __________

m. What is the maximum exposure of securities at the main Depository? __________
   Depository's name and address __________
   ____

n. Does your firm use facsimile signatures to sign securities and/or stock powers? ...... Yes ☐ No ☐
   If yes, who has custody of the facsimile signature plates? __________
   How many employees are authorized to use the facsimile signature? __________
   Is such facsimile plate physically guarded, so it is accessible only to employees authorized to use it? __________

o. Are certificate numbers recorded or are certificates microfilmed for all securities received or delivered? __________

p. Is a log maintained showing the department having custody and responsibility of each certificate held? ...... Yes ☐ No ☐

q When certificates of stock are delivered to your by foreign banks and brokerage houses, do you check with the appropriate transfer agent for assurance that "stops" are not in effect? ...... Yes ☐ No ☐
   Do you check street name certificates to be sure that they contain all proper stamps and guarantees? ...... Yes ☐ No ☐

r. Are all security-out-of-balances resolved promptly? ...... Yes ☐ No ☐

s. 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 ☐

t. What is the maximum dollar exposure per messenger delivery? $__________

u. Is each messenger shipment logged out and delivery verified by examination of receipt? ...... Yes ☐ No ☐

6. **VAULTS, SAFES AND ALARMS**

i. VAULT

	Head Office	Main Branches	Other Locations
(a) Are there vaults on the premises?	Yes ☐ No ☐	Yes ☐ No ☐	Yes ☐ No ☐
(b) Are they equipped with:			
(I) a dual combination lock?	Yes ☐ No ☐	Yes ☐ No ☐	Yes ☐ No ☐
(II) a time lock?	Yes ☐ No ☐	Yes ☐ No ☐	Yes ☐ No ☐
(III) a lockable day gate?	Yes ☐ No ☐	Yes ☐ No ☐	Yes ☐ No ☐

(c) (I)	Are the walls, floors and ceilings of reinforced concrete and lined with steel?	Yes ☐ No ☐	Yes ☐ No ☐	Yes ☐ No ☐
(II)	State thickness of walls	____	____	____
(III)	What is the U.L. (Underwriters Laboratories) rating?	____	____	____
(d) (I)	State the name of the manufacturer of the vault door	____	____	____
(II)	State type, age and reference number of door	____	____	____
(III)	What is the U.L. (Underwriters Laboratories) rating?	____	____	____

ii. SAFES

Head Office Main Branches

Other Locations

(a)	Are there safes on the premises?	Yes ☐ No ☐	Yes ☐ No ☐	Yes ☐ No ☐
(b)	Are they equipped with a dual combination lock with a relocking device that will effectively lock the door if the safe is attacked?		Yes ☐ No ☐	Yes ☐ No ☐ Yes ☐ No ☐
(c) (I)	State the name of the manufacturer	____	____	____
(II)	State type, age and reference number	____	____	____
(III)	Are safes fitted with combination locks?	____	____	____
(IV)	What is the U.L. (Underwriters Laboratories) rating?	____	____	____
(d)	Are safes anchored to the floor or alternatively do they weigh not less than 680 kgs (1500 lbs) empty?	Yes ☐ No ☐	Yes ☐ No ☐	Yes ☐ No ☐

iii. ALARMS

(a)	Are there alarm systems against burglary?	Yes ☐ No ☐	Yes ☐ No ☐	Yes ☐ No ☐
	robbery?	Yes ☐ No ☐	Yes ☐ No ☐	Yes ☐ No ☐
(b)	Are they connected to:			
(I)	Central Station?	Yes ☐ No ☐	Yes ☐ No ☐	Yes ☐ No ☐
(II)	Police Station?	Yes ☐ No ☐	Yes ☐ No ☐	Yes ☐ No ☐
(III)	Elsewhere (describe)?	____	____	____
(c)	What is the U.L. (Underwriters Laboratories) rating?	____	____	____

iv. OTHER PROTECTION

(a) Please specify other protection devices such as:

(I)	Camera systems	____	____	____
(II)	Security service	____	____	____
(III)	Or any other security measures not mentioned herein	____	____	____

7. **ARMOURED MOTOR VEHICLE COMPANIES**

a. Name each armoured motor vehicle company used: ____

____

b. Under the terms of contract is the armoured motor vehicle company liable for all property in their custody? Yes ☐ No ☐

c. Does the contract with the armoured motor vehicle company contain conditions requiring that adequate insurance be maintained for property in their custody? .... Yes ☐ No ☐

d. In the event of a reduction in its insurance coverage is the armoured motor vehicle company required to give you notification? Yes ☐ No ☐

e. Describe your property and its anticipated maximum values, transported by the armoured motor vehicle co. (eg., cash, negotiable securities, payroll, etc.)

____

____

8. **PERSONNEL**

a. Do you verify the business history of each prospective employee for the last five years preceding his employment with your firm either before or after his employment? .... Yes ☐ No ☐

b. Do you obtain from each person at time of employment and keep on file a complete consecutive statement of all business connections for at least five years preceding employment with your firm? .... Yes ☐ No ☐

c. Does that statement include:

The employee's reason for leaving each prior employment? .... Yes ☐ No ☐

Whether each employment was part-time or full-time? .... Yes ☐ No ☐

Periods of unemployment (if any) and residence while unemployed? .... Yes ☐ No ☐

d. Who verifies and investigates the information received on each prospective employee?: _____

Officer ______________________________

Other ______________________________

e. Before an employee is transferred from a non-sensitive to a sensitive area in your office, is his employment record re-appraised for any indication he should not be assigned to a position of trust? .... Yes ☐ No ☐

f. Do you have registered representatives working part-time in the cashier's and/or margin departments? .... Yes ☐ No ☐

Do they handle the financial accounts of their own customers? .... Yes ☐ No ☐

Are "back office" personnel permitted to function also as registered representatives? .... Yes ☐ No ☐

If yes, describe your control procedures over their accounts and activities .... Yes ☐ No ☐

g. Are employee's account allowed? .... Yes ☐ No ☐

Are ledger cards of such accounts segregated and frequently reviewed by an officer? .... Yes ☐ No ☐

h. Has your firm or any partner or senior officer ever been suspended by any stock exchange or securities association? .... Yes ☐ No ☐

If so, please explain __________

____

i. Is your corporation or anyone in your corporation, expected to be, currently is, or within the past three years, been under any 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 ______________________________

____

j. Are the major shareholders working full-time in the firm? .... Yes ☐ No ☐

Have there been any major changes in the control group in the past three years? .... Yes ☐ No ☐

Dated at ____________________ this ____________ day of _____ , 20

____________________	____________________
(Witness Name - Please Print)	(Name - Please Print)
	____________________
	(Title - Please Print)
____________________	____________________
(Signature)	(Signature)

Appendix A

Please provide the following information:

(a)

List of Directors	Home Address

(b)

List of Officers	Position	Home Address

(c) List Shareholders holding more than 10%

Name	% Held	Home Address

Appendix B

Mail Coverage

1. Do you presently have in force a Registered Mail Policy? .... Yes ☐ No ☐
2. If yes, please provide:

	Policy Limits	Insurer	Rates/$1,000.00
Registered Mail			
First Class Mail			

3. Do you use priority post or certified mail? ____________________
4. Is a record maintained of all sendings showing the description, actual value and market value if any of each shipments of "Property"? Yes ☐ No ☐
5. Estimated number of lost document bonds issued annually by insurer of mail coverage? ____________________
6. Have there been any claims within the last five (5) years not resolved by the issuance of lost document bonds? .... Yes ☐ No ☐

Securities Coverage

1. Amount of Excess Securities Coverage presently in force $ ____________________
2. Location(s) of Depository(ies) ____________________

____

____

3. Type of Coverage - Broad From ______ or Burglary & Robbery only ______

Consideration should be given to combining the above with the same market as the Financial Institution Bond, Form 14 due to the overlapping of coverage and to maintain consistency of form.