

**ALBERTA SECURITIES COMMISSION  
NOTICE AND REQUEST FOR COMMENTS**

**Application for Approval of  
Mutual Fund Dealers Association Investor Protection Corporation**

**February 25, 2005**

**Request for Comment**

The Alberta Securities Commission (the “Commission”) is publishing for comment the revised application of the Mutual Fund Dealers Association of Canada (the “MFDA”) and the MFDA Investor Protection Corporation/Corporation de Protection des investisseurs de l’ACFM (the “MFDA IPC”) for the approval by the Commission of the MFDA IPC as a compensation fund, pursuant to section 28 of the Commission Rules (General) (the “Revised Application”). The Commission is also publishing for comment a proposed form of approval order of the MFDA IPC (the “Approval Order”).

**Background**

In a decision dated April 10, 2001, the Commission recognized the Mutual Fund Dealers Association of Canada (the “MFDA”) as a self-regulatory organization for mutual fund dealers, pursuant to section 64(1) (formerly, section 53.1) of the *Securities Act* (Alberta), subject to certain terms and conditions (the “Recognition Order”)<sup>1</sup>. The Recognition Order contemplated that a compensation fund would be established for customers of members of the MFDA.

On November 14, 2002, the MFDA and the MFDA IPC submitted an application (the “Initial Application”) to the Commission seeking approval of the MFDA IPC as a compensation fund for customers of members of the MFDA. The Initial Application was published for public comment on December 2, 2002. Eight comment letters were received. The MFDA and MFDA IPC’s summary of comments and responses is also being published at this time. As a result of making revisions to the Initial Application, the MFDA and MFDA IPC have now submitted the Revised Application.

Submitted with the Revised Application are the following supporting documents, which are also being published:

1. MFDA IPC Letters Patent Pursuant to Part II of the *Canada Corporations Act* (Exhibit “A” to the Revised Application);
2. By-law No. 1 of the MFDA IPC (Exhibit “B” to the Revised Application);
3. Draft MFDA IPC policy relating to customer coverage (Exhibit “C” to the Revised Application);

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<sup>1</sup> See ASC Recognition *In the Matter of Mutual Fund Dealers Association of Canada/Association Canadienne des Courtiers de Fonds Mutuels* dated April 10, 2001.

4. Proposed amended MFDA advertising rule with commentary regarding the proposed amendments (Exhibit “D” to the Revised Application);
5. Proposed MFDA advertising policy relating to MFDA IPC (Exhibit “E” to the Revised Application).

We are seeking comments on all aspects of the Revised Application and related documents.

### **Proposed Amended MFDA Rule and Proposed MFDA Policy Relating to Advertising and Comments on the Amended Rule and Proposed Policy**

In connection with the Revised Application, the MFDA proposes to amend MFDA Rule 2.7 *Advertising and Sales Communications* and to create related MFDA Policy Number 4. Exhibit “D” to the Revised Application contains an MFDA notice that requests comments on the Amended Rule and the related Proposed Policy (Exhibit “E” to the Revised Application).

### **Proposed Approval Order of the MFDA IPC**

We are also publishing for comment the proposed form of Approval Order.

In summary, the Approval Order establishes terms and conditions in the following areas:

1. Corporate Structure and Purpose of MFDA IPC;
2. Corporate Governance;
3. Funding and Maintenance of MFDA IPC;
4. Customer Protection;
5. Financial and Operational Viability;
6. Risk Management;
7. Reporting to the Commission;
8. Rules;
9. Agreement between the MFDA IPC and the MFDA; and
10. Establishment of a Working Group

### **Request for Comments**

Please deliver your comments in writing before **March 28, 2005**, addressed to the attention of the Secretary of the Ontario Securities Commission (the “OSC”), 20 Queen Street West, Toronto, Ontario, M5H 3S8 as the OSC will be receiving and compiling comments on behalf of the Commission.

We request that you submit a diskette containing an electronic copy of your comments. The confidentiality of submissions cannot be maintained as a summary of written comments received during the comment process will be published.

Questions may be referred to:

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