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PRESS RELEASE

Cooperative agreement between the Bureau des services financiers (BSF), the Chambre de la sécurité financière (Chamber), and the Mutual Fund Dealer Association of Canada (MFDA)

QUÉBEC, April 15, 2003 — The BSF, the Chamber and the MFDA have reached a cooperative agreement which sets out the general principles on which the three organizations will cooperate in the regulation of MFDA Members with operations and activities as mutual fund dealers (“firms”) in Québec. The cooperative agreement has been approved by the respective boards of directors of the BSF, the Chamber and the MFDA.

The role of the three organizations

The MFDA is a self-regulatory organization (SRO) which is recognized in certain Canadian provinces other than Québec. The MFDA is responsible for regulating and supervising mutual fund firms and their representatives in matters similar to those within the jurisdiction of the BSF.

The BSF issues rights to practice and ensures the inspection of mutual fund firms in Québec, while the Chamber is responsible for ensuring that the code of ethics of representatives in this same sector is respected.

Reason for the agreement between the BSF, the Chamber and the MFDA

The *Act respecting the distribution of financial products and services* is clear on the BSF's mandate regarding the activities of mutual fund firms operating in Québec. However, some mutual fund firms extend their operations to several Canadian provinces, including Québec, and as a result such firms are therefore subject to the *Act respecting the distribution of financial products and services* for their mutual fund distribution operations in Québec, and to the rules of the MFDA for their operations in other provinces. Accordingly, it was imperative to reach a cooperative arrangement for the regulation of these mutual fund firms.

Thirty-eight mutual fund firms registered by the BSF are affected by this situation, including thirteen that have their head offices in Québec. Approximately 18 000 certified representatives work for the thirty-eight mutual fund firms concerned.

The purpose of the agreement between the BSF, the Chamber and the MFDA is to cooperate in the regulation of these thirty-eight mutual fund firms operating in Québec, thus avoiding regulatory duplication and ensuring public protection.

As a result of this agreement, it will not therefore be necessary for mutual fund firms that operate both in Québec (under the jurisdiction of the BSF) and elsewhere in Canada (under the jurisdiction of the MFDA) to split their operations into two separate corporations, namely a corporation for their operations in Québec and another one for their operations elsewhere in Canada.

Key elements of the Cooperative Agreement

- (i) The sharing of information between the organizations.
- (ii) Joint BSF-MFDA inspections and the application of the MFDA prudential rules:
The agreement provides that MFDA inspectors can cooperate with those of the BSF for the inspection of the head offices located in Québec for those mutual fund firms that operate across Canada.
- (iii) The application of BSF rules in matters of business conduct and sales practices in Quebec:
The agreement provides that mutual fund firms that comply with the rules of the BSF relating to business conduct and sales practices in Quebec will be deemed to comply with the rules of the MFDA relating to the same subject matter.
- (iv) General procedures for complaint handling and enforcement:
The MFDA will refer complaints concerning the conduct of mutual fund firms and their representatives in Québec to the Chamber or BSF for investigation and enforcement. The Chamber or BSF will refer complaints concerning conduct of mutual fund firms and their representatives outside Québec to the MFDA for investigation and enforcement.
- (v) The goal of substantially similar rules and regulations.

Next steps

In order for this agreement to be effective, the MFDA must have it approved by the various recognizing Securities Commissions across Canada; and the BSF, after receiving the opinion of the Commission des valeurs mobilières du Québec (CVMQ), must have it approved by government authorities.

The thirty-eight mutual fund firms located in Québec to which the agreement reached between the BSF, the Chamber and the MFDA applies will be informed by the BSF and the MFDA in the next few months of the coming into force of the new agreement and the details thereof.

For further information:

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