



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels
121 King Street West, Suite 1600, Toronto, Ontario, M5H 3T9
TEL: 416-361-6332 FAX: 416-943-1218 WEBSITE: www.mfda.ca

Contact: Laurie Gillett
Membership Services Manager
Phone: 416-943-5827
E-mail : lgillett@mfda.ca

BULLETIN #0030- M
August 20, 2003

MFDA Bulletin

Membership Information

For Distribution to Relevant Parties within your Firm

Payment of Commissions to Non-Registered Entities in British Columbia

MFDA Rule 2.4.1 requires that any remuneration in respect of business conducted by an Approved Person on behalf of a Member be paid by the Member (or an affiliate) directly to and in the name of the Approved Person. Recognizing that the implementation of Rule 2.4.1 could result in significant disruption to the industry, the MFDA Board of Directors approved a 3-year transition period for Rule 2.4.1, commencing March 1, 2001, to provide provincial securities regulators time to work with the industry to consider this matter further.

As part of their terms and conditions for recognizing the MFDA as a self-regulatory organization, the Ontario and Saskatchewan Securities Commissions agreed to allow a transition period of 3 years before Members will have to comply with Rule 2.4.1. Accordingly, Members with Approved Persons registered in these jurisdictions are permitted to pay commissions on behalf of those Approved Persons to a corporation that is itself not registered as a dealer or a salesperson notwithstanding the provisions of Rule 2.4.1, provided the conditions prescribed by the MFDA in Member Regulation Notice MR-#0002 (Payment of Commissions to Non-Registered Entities) are met.

In light of recent queries, the MFDA would like to clarify that Members with Approved Persons registered in British Columbia may also now pay commissions to salespersons' corporations. British Columbia Instrument 32-503 (Registration Exemption for Salespersons' Corporations) made February 26, 2002 provides that a corporation is exempt from the registration requirement, in connection with receiving commissions and fees from a dealer that is a MFDA Member, provided the corporation and the dealer have a written contract under which the dealer is liable for the acts and omissions of the corporation that relate to securities business.

For further information please contact the British Columbia Securities Commission directly.