



Mutual Fund Dealers Association of Canada
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MFDA Bulletin

Policy

For Distribution to Relevant Parties within your Firm

MFDA Investor Protection Fund Update

Attached to this Bulletin is an investor protection fund update for your information.



NEWS RELEASE

For immediate release

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MFDA Investor Protection Corporation Application for Recognition

February 28, 2005 (Toronto, Ontario) – The Mutual Fund Dealers Association of Canada (MFDA) today announced that the Revised Investor Protection Corporation (IPC) Application filed by the MFDA and MFDA IPC with relevant securities commissions requesting approval or designation of IPC as a protection plan for customers of mutual fund dealers that are Members of the MFDA has been published for Public Comment by the Ontario Securities Commission (OSC). The Comment period expires on March 28, 2005.

A copy of the OSC Request for Comment is available on both the OSC web site: www.osc.gov.on.ca and on the MFDA web site: www.mfda.ca

The Revised IPC Application contains two significant investor protection enhancements from the original Application:

1. Additional coverage, increased from \$100,000 per customer account to \$1,000,000 per customer account, and
2. Wider range of products covered. The original IPC application filed with securities commissions contemplated coverage for mutual fund products and cash related to mutual fund sales and redemptions. The Revised IPC Application extends coverage to all products held by the Member.

The MFDA and MFDA IPC encourage all interested stakeholders to provide their comments, observations or concerns respecting the Revised IPC Application to the OSC.

Size of IPC Fund and Assessments

The initial size of the IPC Fund will be \$30 million. The MFDA will transfer to the IPC Fund \$2.5 million from the MFDA's discretionary fund, which is the account established by the MFDA to receive fine and penalty monies arising from MFDA disciplinary proceedings. In addition, there will be a line of credit for the IPC Fund in the aggregate amount of \$30 million with a Canadian bank so that upon formal approval or designation of the IPC by the Commissions full funding will be in place for the benefit of clients of Members.

Member assessments for the IPC Fund will commence after formal approval or designation of the IPC by the Commissions. Member assessments will be based on a calculation relating to Assets under Administration ("AUA"), averaged over the prior two years. At the outset, the aggregate Member assessments to be paid each quarter will be \$1.25 million, a figure which represents approximately \$22 – 24 per million of AUA.

The Mutual Fund Dealers Association of Canada is the self-regulatory organization for Canadian mutual fund dealers. The MFDA regulates the operations, standards of practice and business conduct of its 183 members and their approximately 70,000 representatives with a mandate to protect investors and the public interest.

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