



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels
121 King Street West, Suite 1000, Toronto, Ontario, M5H 3T9
TEL: 416-361-6332 FAX: 416-943-1218 WEBSITE: www.mfda.ca

Contact: Paige Ward

Director of Policy and Regulatory Affairs

Phone: 416-943-5838

E-mail: pward@mfda.ca

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MFDA Bulletin

Policy

For Distribution to Relevant Parties within your Firm

Argyle Funds SPC Inc.

Concerns have recently been raised that Argyle Funds SPC Inc. (“Argyle”) may be advising Approved Persons that securities issued by Argyle can be sold by the Approved Person outside of an MFDA Member. Approved Persons have informed the MFDA that they have been contacted by Argyle and encouraged to obtain individual limited market dealer licensing in Ontario in order to directly sell Argyle products.

One series of products that has been brought to our attention in particular are the “Argyle Principal Protected, High Yield Managed Receivable Funds.” The MFDA notes that these products are exempt securities and are not mutual funds qualified by prospectus.

Approved Persons that wish to trade and advise in any securities promoted or offered by Argyle are reminded that they must do so only through their Member firm in accordance with MFDA Rule 1.1.1. If the Member is not prepared to put these securities on its approved product list and allow them to be sold through the dealer, then Approved Persons cannot advise on, trade in or be compensated for the sale of these securities.

Members are also reminded that they have an obligation under MFDA Rules and securities legislation to perform an appropriate due diligence review of products proposed for sale, which includes reviewing the offering documents and any other documentation to be provided to clients, as well as any marketing materials that are used to promote the product. The product should not be approved for sale by the Member until it has been properly assessed and an examination of the relative risk and any suitability issues associated with the product has been completed. It should be kept in mind that the review and approval process of the securities commissions for securities sold by prospectus does not apply to exempt securities offered by way of an offering memorandum.

In addition, Members must establish procedures to manage conflicts of interest related to the sale of the products, including any conflict issues that may arise with respect to compensation levels paid for the sale of certain products as compared to others. Members must communicate the requirements of this Bulletin to their Approved Persons.

In the event that Members determine that Approved Persons have obtained registration as limited market dealers, the Member should immediately contact the Compliance Department of the MFDA.

Reference: MFDA Rules 1.1.1; 2.1.4; 2.2.1

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