



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: Laurie Gillett
Manager, Communications and Membership Services
Phone: (416) 943-5827
E-mail: lgillett@mfda.ca

BULLETIN #0175-M
December 1, 2005

MFDA Bulletin

Membership Information

For Distribution to Relevant Parties within your Firm

MFDA Investor Protection Plan Brochure

On June 17, 2005, the MFDA issued Bulletin #0144-P *Investor Protection Fund Update*, informing of the securities commissions' approval of the MFDA Investor Protection Corporation ("IPC") as a compensation fund for customers of mutual fund dealers that are Members of the MFDA. The coverage of customer accounts under the IPC commenced on July 1, 2005.

As noted in the Bulletin #0144-P, proposed amendments to MFDA Rule 2.7 ("Advertising and Sales Communications") and proposed MFDA Policy 4 ("Advertising Relating to MFDA IPC Participation") which were published for comment with the revised IPC Application on February 25, 2005, have not been approved and are not in effect. The IPC Working Group, which has been established to consider various aspects of the IPC, will be reviewing the matter of advertising of IPC coverage and the use by Members of references to the IPC.

In the meantime, the MFDA and MFDA IPC have prepared a brochure describing IPC coverage. Should a Member firm wish to provide information to clients with respect to IPC coverage, the Member must use this brochure as the sole manner of communication.

An electronic copy of the brochure is attached to this bulletin and is also available under the MFDA IPC section of the MFDA website (see the Quick Links on the home page) in PDF for convenience of downloading by MFDA Members.



MFDA INVESTOR PROTECTION CORPORATION

Sponsored by

Mutual Fund Dealers Association of Canada

INVESTOR PROTECTION FOR MUTUAL FUND DEALER BANKRUPTCY

The MFDA Investor Protection Corporation (IPC) exists to ensure that you are protected if your mutual fund dealer becomes bankrupt.

The following outlines what the IPC means to you. For more information, please visit our web site at www.mfda.ca or call us at 416-361-6332 or toll free at 1-888-466-6332.

About the MFDA Investor Protection Corporation (IPC)

The IPC is sponsored by the Mutual Fund Dealers Association of Canada (MFDA). Its purpose is to ensure, within defined limits, that your assets are protected if a MFDA Member becomes bankrupt. This protection extends to cash, securities, segregated funds and certain other property held in the account of a MFDA Member (other than in Quebec).

How to obtain coverage

Coverage is automatic when you become a customer of a MFDA Member. There are no fees to you, the investor.

Where this protection comes from

The IPC maintains a fund to which each MFDA Member contributes. The IPC assesses each Member according to certain criteria and in consultation with the MFDA. The principle is that MFDA Members are to be collectively

responsible for the payments of client losses arising as a result of the insolvency of a MFDA Member.

Limit on the amount of coverage

Coverage will be in the amount of up to \$1 million per customer account in respect of the loss of securities, cash and other property held by a MFDA Member. Most customers will have two accounts, a general account and a retirement account, that are each eligible for up to \$1 million coverage.

Covered accounts

Each of your accounts will be aggregated as one general account to the extent that the accounts are held in the same capacity and circumstances.

Some accounts are considered separate accounts. These include registered retirement plan accounts such as RRSPs, RRIFs, LIRAs, etc. which will be combined into one separate account for coverage purposes.

The general and separate accounts that you hold with one MFDA Member will not be combined with the general and separate accounts that you might hold with another Member.

Please review the information on our web site at www.mfda.ca to help you determine which of your accounts will be combined.

Losses not covered

The IPC covers losses arising as a result of the insolvency of a MFDA Member. **Losses caused by other reasons such as the change in the market value of mutual fund securities, unsuitable investments or default of an issuer of a mutual fund are not covered.**

Securities, cash, segregated funds or other property that is not held by the MFDA Member, or not recorded in a customer's account as being held by a MFDA Member (such as mutual fund securities that are registered directly in your name with the mutual fund company) are similarly not eligible for IPC coverage.

At this time, coverage does not extend to customers with accounts held in the province of Quebec.

Each customer claim is considered according to the policies adopted by the IPC. Please visit our web site at www.mfda.ca to view these policies or call us at 416-361-6332 or toll free at 1-888-466-6332.

Making a claim

Claims of a customer of an insolvent MFDA Member should be made directly to the trustee in bankruptcy or the receiver, if one has been appointed. The IPC may rely on the trustee in bankruptcy under the Bankruptcy and Insolvency Act (Canada) or on the receiver under applicable law in determining the amount and eligibility of your claim. You are requested to file a proof of claim promptly (and in any event within 180 days of the date of insolvency) upon receipt of information from the trustee or receiver in order to ensure that this process is completed as quickly as possible.

Recovery of assets

In some cases, your assets will be transferred or sold to another securities firm or MFDA Member. This permits continued access to your accounts and reduces losses.

Guarding against insolvencies

Mutual fund dealer bankruptcy is a rare occurrence. The IPC relies on the adequacy of the MFDA's prudential regulation. The IPC may carry out reviews of MFDA Members in certain circumstances. Both the IPC and MFDA have experience in identifying certain conditions or activities that may indicate financial difficulties. If a bankruptcy does occur, the IPC is able to protect you.

Additional information can be obtained by contacting the MFDA IPC at:

**MFDA Investor Protection Corporation
c/o Mutual Fund Dealers Association of
Canada**

121 King Street West
Suite 1000

Toronto, Ontario
M5H 3T9

Tel: 416-361-6332

Toll Free: 1-888-466-6332

Fax: 416-943-1218

Email: ipc@mfda.ca

Website: www.mfda.ca