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MFDA Bulletin

Policy

For Distribution to Relevant Parties within your Firm

Amendments to MFDA Rule 2.1.4 (Conflicts of Interest)

The MFDA Board of Directors and the recognizing securities commissions have approved amendments to MFDA Rule 2.1.4 (Conflicts of Interest). The amended Rule, as attached, is effective immediately.

The amendments clarify that the requirements of Rule 2.1.4 are intended to apply to any conflicts of interest that arise between the interests of the Member or the Approved Person and the interests of the client regardless of whether they relate specifically to Member business.

The amendments will also assist Members in meeting their obligations under the Rule with respect to conflicts of interest by expressly requiring Approved Persons to report conflicts or potential conflicts to the Member.

MFDA staff intends to issue a Member Regulation Notice to provide further clarification and guidance to Members and Approved Persons with respect to the scope and application of MFDA Rule 2.1.4.

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MUTUAL FUND DEALERS ASSOCIATION OF CANADA

MFDA Rule 2.1.4 (Conflicts of Interest)

On September 14, 2005, the Board of Directors of the Mutual Fund Dealers Association of Canada made and enacted the following amendment to Rule 2.1.4:

2.1.4 Conflicts of Interest

- (a) Each Member and Approved Person ~~and other employee and agent of a Member~~ shall be aware of the possibility of conflicts of interest arising ~~in connection with business conducted by them for a client, between the interests of the Member or Approved Person and the interests of the client.~~ Where an Approved Person becomes aware of any conflict or potential conflict of interest, the Approved Person shall immediately disclose such conflict or potential conflict of interest to the Member.
- (b) In the event that such a conflict or potential conflict of interest arises, the Member and the Approved Person shall ensure that it is addressed by the exercise of responsible business judgment influenced only by the best interests of the client and in compliance with Rules 2.1.4~~(b)~~(c) and ~~(e)~~(d).
- ~~(b)~~(c) Any conflict or potential conflict of interest that arises ~~or can reasonably be expected to arise~~ as referred to in Rule 2.1.4(a) shall be immediately disclosed in writing to the client by the Member, or by the Approved Person as the Member directs, prior to the Member or Approved Person ~~or any person acting on its behalf proceeding with the proposed transaction giving rise to the conflict or potential conflict of interest. in connection with its business, conducting business for the client.~~
- ~~(e)~~(d) Each Member shall develop and maintain written policies and procedures to ensure compliance with Rules 2.1.4(a), ~~and (b):~~ and (c).