



Mutual Fund Dealers Association of Canada
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MFDA Bulletin

Membership Information

For Distribution to Relevant Parties within your Firm

Rule 2.4.1 (Payment of Commissions to Non-Registered Entities)- Extension of Transition Period to December 31, 2008

The Securities Regulatory Authorities in British Columbia, Nova Scotia, Ontario and Saskatchewan have approved an extension of the suspension period for Rule 2.4.1 (Payment of Commissions to Non-Registered Entities) to December 31, 2008. MFDA staff will be seeking approval from the Board of Directors of the MFDA for a similar extension later this month.

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. The Securities Regulatory Authorities in British Columbia, Nova Scotia, Ontario and Saskatchewan approved a three year suspension period for Rule 2.4.1 as a term of recognition of the MFDA. The period of the suspension was subsequently extended and has been extended again for a further two years, to December 31, 2008. As a result, provided that certain conditions are satisfied, 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.

As condition of relying on this suspension period, Members and their Approved Persons are reminded that they must comply with all other MFDA Rules, including Rule 1 (Business Structures and Qualifications) and Rule 1.2.1(d) (Dual Occupations) and with the conditions prescribed by the MFDA in Member Regulation Notice MR-0002 (Payment of Commissions to Non-Registered Entities).

Securities Regulatory Authorities in Alberta have advised the MFDA that they will not allow Members operating in that province to rely on this transition period. Accordingly, Members must pay commissions directly to all salespersons registered in Alberta.

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