



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

Contact: Aamir Mirza
Senior Legal & Policy Counsel
Phone: 416-945-5128
E-mail: amirza@mfdca.ca

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MFDA Bulletin

Policy

For Distribution to Relevant Parties within your Firm

MFDA Rule 2.4.1 (Payment of Commissions to Non-Registered Entities) – Suspension in New Brunswick

The New Brunswick Securities Commission (“NBSC”) has made a Variation Order to the terms and conditions of MFDA Recognition as a self-regulatory organization in New Brunswick to suspend MFDA Rule 2.4.1. MFDA Rule 2.4.1 has been suspended in New Brunswick until such time as a decision or legislative amendments have been made with respect to the payment of commissions to non-registered entities.

On May 23, 2008, the NBSC also issued Blanket Order 32-501 which provides, upon complying with certain terms and conditions, a registration exemption to permit a corporation controlled by an individual registrant to receive commissions or fees from the registrant’s registered dealer.

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, Saskatchewan and Manitoba have suspended MFDA Rule 2.4.1 until 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.

Further Information

Blanket Order 32-501 can be accessed through the NBSC website at http://www.nbsc-cvmb.ca/nbsc/uploaded_topic_files/32-501-BO-23-May-08-e.pdf.

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