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MFDA Bulletin

Policy

For Distribution to Relevant Parties within your Firm

End of Transition Periods – December 3, 2011

On December 3, 2011, the following requirements become effective:

1. MFDA Rule 2.2.1 (“Know-Your-Client”)

Rule 2.2.1 has been amended to require that the suitability of the investments held in each client’s account be assessed when certain triggering events occur. Amendments to Rule 2.2.1 require that the suitability of investments in each client account be assessed whenever:

- the client transfers assets into an account at the Member; or
- the Member or Approved Person becomes aware of a material change to the client’s Know-Your-Client (“KYC”) information.

In addition, Approved Persons will be expected to review the suitability of investments in any account where the account has been re-assigned to the Approved Person from another registered salesperson within the Member firm.

2. MFDA Rule 2.2.4 (Updating Client Information)

Rule 2.2.4 has been amended in order to provide greater detail as to the client authorization, verification and approval requirements for changes to client information.

3. MFDA Policy No. 2 *Minimum Standards for Account Supervision*

Amendments to Policy No. 2 include the following:

- revisions to branch and head office trade review criteria/thresholds;

- amendments to the list of mandatory KYC information that must be collected on account opening; and
- the requirement, where any material changes have been made to the information contained in the New Account Application Form or KYC form(s), to promptly provide the client with a document or documents specifying the current risk tolerance, investment objectives, time horizon, income and net worth that apply to the client's account.

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