



Policies and Procedures Manual

Reference Guide

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

This guide is intended to assist Members in the development of adequate written policies and procedures.

MFDA Rule 2.10 requires each Member to establish and maintain written policies and procedures, approved by senior management, for dealing with clients and ensuring compliance with Rules, By-laws and Policies of the MFDA and applicable securities legislation. These policies and procedures must be set out in a Policies and Procedures Manual (“PPM”) or manuals. Members may maintain separate manuals specific to different departments such as compliance, operations and finance, and to different users, such as compliance officers, branch managers and salespersons.

During compliance examinations, MFDA staff continues to identify deficiencies in Members’ written policies and procedures. Often, written policies and procedures do not cover all topics necessary to evidence compliance with regulatory requirements, accurately reflect a Member’s actual processes, reflect new or amended regulatory requirements or describe a policy or procedure in sufficient detail. For example, the PPM may include only a reference to an MFDA Rule or a copy of a Member Regulation Notice without describing the Member’s specific procedures to comply with all aspects of the Rule or Notice.

Members should designate a person responsible for ensuring the PPM is updated whenever there is a change in regulatory requirements or operating practices. In particular, the PPM must be updated to reflect any changes undertaken to address issues identified during a MFDA compliance examination.

At a minimum, a Member’s PPM should include the topics described in this guide. The topics have been documented in reference chart format with specific Rule, Notice and Policy references provided. Members may use the reference chart to assess whether their PPM contains all the necessary content.

PPM Reference Chart

Content	MFDA Rule, Notice & Policy References	Page/Section Reference to Member's Manuals
Compliance Structure		
<ul style="list-style-type: none"> • Description and overview of the purpose and role of the ultimate designated person, chief compliance officer and the compliance department; • Process for communicating policies and procedures including timing of distributions of compliance-related information to various business units and sales and supervisory staff; • Process for compliance reporting to the Board of Directors when necessary, and, at a minimum, annually. Compliance reports to the Board should include significant and recurring issues arising from branch reviews, regulatory changes, status of any regulatory examination or enforcement case, Approved Persons terminated or disciplined, client complaints and lawsuits, adequacy of regulatory capital and insurance coverage, etc; 	Rule 2.5 MR-0037 MR-0057	
Head Office Supervision		
<ul style="list-style-type: none"> • Policies and procedures detailing the head office daily trade supervision responsibilities including: <ul style="list-style-type: none"> ▪ The requirement to review the previous day's trading activity in accordance with the criteria in MFDA Policy No. 2; ▪ Specific requirements on how the supervisory review is to be evidenced; ▪ Details of the supervisory reports to be used; ▪ Guidelines on how suitability is to be assessed. • Policies and procedures regarding the trade inquiry process including how inquiries and associated follow-up are to be documented, timelines to respond to inquiries, methods to resolve the inquiry and escalation procedures; • Procedures documenting other head office trade supervision, with reference to specific reports, frequency, sample selection criteria and the individual responsible for conducting the review including: <ul style="list-style-type: none"> ▪ Exception and trend reports to identify trends in trading activities in accordance with the criteria in MFDA Policy No. 2 (churning, commissions, frequent and excessive trading and Approved Person quarterly AUA reports); ▪ Review of trading activity in LTA accounts to ensure that there is adequate evidence of client authorization for the trade(s) on file;; ▪ Procedures to detect off-book trading and ensuring that non-wire and off-book trades are reviewed within one business day; ▪ Procedures to detect/prevent trading in out-of-province accounts; ▪ Procedures to detect/prevent trading in products without the required proficiency. • Policies regarding the supervision of conduct of Approved Persons operating under a joint code as outlined in MR-0045; • Policies and procedures requiring that transactions in client accounts of producing Branch Managers are subject to independent review by a qualified individual; • Policies and procedures to review the suitability of investments in accounts where clients have transferred assets into an account including sample size and selection, which should be based on the risk level associated with the 	Rule 2.2 MR-0065 MR-0069 Policy No. 2	

Content	MFDA Rule, Notice & Policy References	Page/Section Reference to Member's Manuals
account, focusing on accounts that hold higher risk investments, exempt securities or products not sold by the Member, accounts that are operated under a power of attorney in favour of a registered salesperson and accounts employing a leverage strategy.		
Product Due Diligence Process		
<ul style="list-style-type: none"> • Policies and procedures that describe in detail the steps to be followed in the due diligence process including: <ul style="list-style-type: none"> ▪ Prohibiting the sales of any investment product until adequate due diligence is performed; ▪ Procedures outlining who is responsible for the due diligence process; ▪ Procedures to document the analysis of relevant factors including risk, costs and commissions, conflicts of interest and financial position of the issuer as outlined in MR-0048; ▪ Process to communicate approvals to Approved Persons and supervisory staff including details of the client profile for which the product is suitable and any sales restriction and proficiency requirements. 	MR-0048	
Branch Reviews Requirements		
<ul style="list-style-type: none"> • Procedures for risk ranking of all branch and sub-branch locations (including a head office sales location); • Procedures to ensure the individuals responsible for performing the branch reviews have the training, skills and proficiency to perform the review; • Procedures to ensure the reviewer is independent of the branch and branch manager; • Procedures to perform planning prior to the on-site review including reviewing complaints, volume of leverage, Approved Person websites, outside business activities, past compliance examinations and concerns; • Developing a review program and standardized templates that includes branch interviews, review of trade blotters and other supervisory review documentation, review of client files, review of advertising, sales and client communications and complaints at the branch; • Procedures for issuing written reports, resolving issues and escalating matters with appropriate timelines; • Procedures for maintaining evidence of work performed including copies of source documents reviewed, completed program and templates, the report issued, responses received and resolution of issues. 	Policy No. 5	
Outside Business Activities		
<p>Approval of Outside Business Activities</p> <ul style="list-style-type: none"> • Policies and procedures to identify all outside business activities of Approved Persons; • Policies and procedures detailing the criteria to be used by the Member when approving outside business activities as outlined in MR-0040; • Policies and procedures to detect undisclosed outside business activities; • Policies and procedures to detect and prevent situations where Approved Persons may be facilitating unregistered trading activities. 	Rule 1.2.1(c) MR-0040	
<p>Trade and Business Names</p> <ul style="list-style-type: none"> • Policies and procedures for identifying all trade and business names in use; • Policies and procedures detailing the Member's approval criteria for trade and business names based on the guidelines outlined in MR-0032; 	Rule 1.1.7 MR-0032	

Content	MFDA Rule, Notice & Policy References	Page/Section Reference to Member's Manuals
<ul style="list-style-type: none"> • Policies and procedures for notifying the MFDA of all trade and business names in use. 		
Conflicts Of Interest		
<ul style="list-style-type: none"> • Definition of conflicts of interest; • Policies and procedures to identify, manage and resolve potential conflicts of interest; • Policies and procedures to deal with conflicts of interest related to an outside business activity; • Policies and procedures to disclose to clients any potential conflict of interest; • Policies and procedures regarding personal financial or business dealings between Approved Persons and clients and controls in place to monitor and supervise compliance with those procedures as outlined in MR-0047. 	Rule 2.1.4 MR-0040 MR-0047 MR-0054	
Registration		
<p>Branch Registration</p> <ul style="list-style-type: none"> • Definition of branch and sub-branch locations (including process for the designation of an on-site branch manager and alternates); • Policies and procedures for registration of branch and sub-branch locations; • Policies and procedures to reconcile branch registration information on the National Registration Database (“NRD”) to the Member’s records. 		
<p>Approved Person Registration and Related Requirements</p> <ul style="list-style-type: none"> • Policies and procedures for registration and renewal of registration for Approved Persons; • Policies and procedures to reconcile Approved Person registration information on NRD to the Member’s records; • Policies and procedures to obtain an Agreement of Approved Person (Schedule G of the MFDA Membership Application) from all Approved Persons; • Policies and procedures to obtain an Agent Agreement from all Approved Persons hired as agents as required by MFDA Rule 1.1.5; • Policies and procedures to maintain adequate evidence of registration information including proficiency; • Policies and procedures for requiring new registrants to complete a 90-day training program in accordance with MFDA Policy No. 1. 	Rule 1.2.1 Rule 1.1.5 MR-0077 Policy No. 1	
Advertising & Sales Communications		
<ul style="list-style-type: none"> • Definition of advertising and sales communications (including websites); • Policies on the general restrictions on the content of advertisements and sales communications and described in MFDA Rule 2.7.2; • Procedures specifying the approval process for all advertising and sales communications including specifying the individual(s) responsible for the approval; • Procedures requiring evidence of all review and approval, including the date of approval to be maintained; • Examples of the types of misleading statements that should be prohibited on all advertising and sales communications; • Policies and procedures regarding disclosure of rates of return included on account statements and client communications; • Policies to ensure compliance with the co-operative marketing requirements as set out in National Instrument 81-105 including: <ul style="list-style-type: none"> ▪ Ensuring the primary purpose of the marketing is to promote or 	Rule 2.7 Rule 2.8 MR-0032 MR-0033 MR-0070	

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<p>provide educational information concerning a specific mutual fund, a specific fund family or mutual funds in general;</p> <ul style="list-style-type: none"> ▪ Proper invoicing of mutual fund companies for reimbursements of direct costs to a maximum of 50% of total direct costs incurred; ▪ Ensuring co-operative payments are made directly to the Member, not the individual Approved Person. <ul style="list-style-type: none"> • Policies and procedures regarding the use of trade names as outlined in MR-0032; • Policies and procedures to ensure Approved Person websites are in compliance with MFDA Rules as outlined in MR-0033; • Policies and procedures to detect and prohibit the use of misleading statements in the marketing of leveraged strategies as outlined in MR-0070. 		
Complaints		
<ul style="list-style-type: none"> • Definition of a client complaint, including both written and verbal complaints; • Policies and procedures to acknowledge client complaints in writing in a timely manner; • Policies and procedures to provide a copy of the Client Complaint Information Form to clients; • Policies and procedures for the prompt acknowledgement, handling and response to all verbal and written client complaints in a fair and timely manner as outlined in Policy No. 3; • Policies and procedures to provide a written summary of the Member's complaint handling procedures at account opening to all new clients; • Policies and procedures to post on any website maintained by the Member a written summary of the Member's compliant handling procedures including a specific initial contact point at head office for clients to obtain further information about the compliant handling process; • Policies and procedures for conducting an investigation and analysis of client complaints and all other information that the Member receives regarding potential breaches of applicable regulatory requirements on the part of the Member and its Approved Persons that raises the possibility of risk to the Member's clients or other investors; • Policies and procedures requiring notification to compliance/supervisory staff within 2 days for all complaints; • Procedures regarding the information to be kept in the Member's consolidated complaint log at Head office; • Policies and procedures for complaints to be reviewed and investigated by qualified compliance staff; • Policies and procedures to review complaints with Approved Persons and supervisors; • Policies and procedures to ensure that breaches of MFDA By-laws, Rules and Policies are to be subject to internal disciplinary procedures and outlining the disciplinary process; • Policies and procedures prohibiting Approved Persons from entering into settlement with a client without prior written Member consent; • Policies and procedures prohibiting resolutions from imposing confidentiality restrictions on clients with respect to regulators. 	<p style="text-align: center;">Rule 2.11</p> <p style="text-align: center;">MR-0073</p> <p style="text-align: center;">Policy No. 3</p>	

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Discipline		
<ul style="list-style-type: none"> • Policies and procedures describing the Member's disciplinary process which would include: <ul style="list-style-type: none"> ▪ Situations that may warrant discipline such as a breach of the Member's internal policies and procedures as well as non-compliance with regulatory requirements; ▪ Details regarding the type of discipline that may be imposed including reimbursement of costs, fines, additional supervisory measures, restrictions, suspension or termination of employment. 	<p style="text-align: center;">Rule 2.9</p> <p style="text-align: center;">Policy No. 3</p>	
Member Reporting Requirements		
<ul style="list-style-type: none"> • Policies and procedures to notify the MFDA within 5 business days of updates or changes to the Member's registration or licensing, officers and directors, contact information, business activities and jurisdictions in which dealer business is conducted; • Policies and procedures to report settlement agreements or judgments in excess of \$15K; • Policies and procedures for Approved Persons to report the events listed in Policy No. 6 to the Member within 2 business days; • Policies and procedures to report the events outlined in Policy No. 6 to the MFDA, through the Member Event Tracking System ("METS") within 5 or 20 business days; • Policies and procedures to update event reports previously reported to reflect the resolution of any event reported through METS and other resolutions outlined in Policy No. 6; • Policies and procedures to report to the MFDA other events not reported through METS as outlined in Policy No. 6; • Policies and procedures to update changes to branch and sub-branch locations and branch manager information on the MFDA Members' Only site; • Policies and procedures for immediate reporting to the MFDA, in writing, of bankruptcy, insolvency and related events as outlined in Policy No. 6; • Policies and procedures to report to the MFDA, in writing, within 5 business days, any change with respect to: <ul style="list-style-type: none"> ▪ the legal name of the Member; ▪ the names under which the Member carries on business (trade or style names); ▪ Trade, business or style names, other than that of the Member, used by Approved Persons. The name of the Approved Person, the trade or business name the Approved Person is using, and the Approved Person's branch location must be provided. 	<p style="text-align: center;">Policy No. 6</p>	
Referral Arrangements		
<ul style="list-style-type: none"> • Policies and procedures requiring all referral arrangements of Approved Persons to be conducted through the Member in accordance with NI 31-103; • Policies and procedures requiring the prior approval by the Member of referral arrangements including the criteria for approval; • Policies and procedures regarding the content and delivery of required disclosures; • Policies and procedures regarding collection and remittance of fees; • Policies and procedures outlining Approved Person activities that are not 	<p style="text-align: center;">Rule 2.4.2</p> <p style="text-align: center;">MR-0030</p> <p style="text-align: center;">MR-0043</p> <p style="text-align: center;">MR-0071</p>	

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acceptable when referring a client to another registrant in accordance with MR-0071.		
Client Reporting		
Account Statements <ul style="list-style-type: none"> • Policies and procedures regarding the content of account statements; • Policies and procedures to include an explanation of rates of return included on account statements and portfolio summaries; • Policies and procedures outlining the production and distribution of account statements, including frequency of issuance; • Policies and procedures to review a sample of account statements for content, accuracy, completeness and compliance with MFDA requirements and to maintain evidence of this review. 	Rule 2.8.3 Rule 5.3.1 Rule 5.3.3 Rule 5.4 MR-0024 MR-0032	
Trade Confirmations <ul style="list-style-type: none"> • Policies and procedures regarding the preparation, content and delivery of trade confirmations. 		
Other Account Statements Prepared by Approved Persons <ul style="list-style-type: none"> • Policies and procedures regarding other approved formats for account statements; • Policies and procedures to include the disclaimers required under MR-0024 for portfolio summaries; • Policies and procedures requiring prior approval of Approved Person-generated statements that are not prepared from the Member's back office system; • Policies and procedures to include an explanation of rates of return included on account statements and portfolio summaries; • Policies and procedures regarding use of trade names on account statements as outlined in MR-0032. 		
Financial Requirements		
Capital <ul style="list-style-type: none"> • Definitions of Risk Adjusted Capital and other minimum capital requirements; • Guidelines regarding the preparation of financial statements; • Policies and procedures regarding the preparation and approval of the MFDA Financial Questionnaire and Report; • Policies and procedures regarding monitoring of the Member's capital position and required communication of situations where the Member is operating close to early warning levels or has triggered early warning. 	Rule 3 Rule 4 Policy No. 4 MR-0050 MR-0051 MR-0052 MR-0058 MR-0063	
Cash and Securities <ul style="list-style-type: none"> • Policies and procedures regarding the operation and maintenance of all bank accounts (e.g. safeguards in place); • Policies and procedures regarding the safeguarding and handling of client securities (e.g. acceptable securities locations); • Policies and procedures regarding the reconciliation of all bank accounts; • Policies and procedures regarding the reconciliation of all client assets held in nominee name; • Policies and procedures regarding the reporting of client income for tax purposes. 		
Trust Accounts <ul style="list-style-type: none"> • Policies and procedures regarding the operation and maintenance of trust accounts (e.g. segregation from the operating account, funding of 		

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deficiencies, notification to financial institution); <ul style="list-style-type: none"> • Policies and procedures regarding the interest rate earned and the distribution of interest from the trust accounts; • Policies and procedures regarding the reconciliation of trust accounts. 		
Bond & Insurance <ul style="list-style-type: none"> • Description of required coverage amounts and riders and related definitions; • Policies and procedures relating to monitoring the adequacy of insurance coverage and requirements; • Policies and procedures for the identification and claim of insurable losses and the notification to senior management of the Member; • Procedures to report claims to the MFDA. 		
Business Continuity Planning		
<ul style="list-style-type: none"> • Policies outlining the Member's business continuity plan including arrangements and procedures to review and test the plan on at least an annual basis. 	MR-0056	
Books & Records		
<ul style="list-style-type: none"> • Policies and procedures to ensure that adequate records are maintained and safeguarded at head office and branch office locations, including the length of time such records are to be maintained. 	Rule 5.1 Rule 5.2 Rule 5.6	
Branch Operations & Supervision		
Operations <ul style="list-style-type: none"> • Policies and procedures regarding the role and supervision requirements of a Licensed Assistant as outlined in MR-0014; • Policies and procedures regarding the general operations of branch locations including trade processing. 	Rule 2.9 MR-0014	
Branch Manager Supervision <ul style="list-style-type: none"> • Policies and procedures detailing the Branch Manager's daily trade supervision responsibilities including: <ul style="list-style-type: none"> ▪ The requirement to review the previous day's trading activity in accordance with the criteria in MFDA Policy No. 2; ▪ Specific requirements on how the supervisory review is to be evidenced; ▪ Details of the supervisory reports to be used; ▪ Guidelines on how suitability is to be assessed. • Policies and procedure to assess the suitability of investments in each client account where the Member becomes aware of a material change in the client's KYC information that results in a significant decrease in the client's risk tolerance, time horizon, income or net worth or more conservative investment objectives; • Policies and procedures regarding the trade inquiry process including how inquiries and associated follow-up are to be documented, timelines to respond to inquiries, methods to resolve the inquiry, and escalation procedures; • Policies and procedures documenting other branch supervision activities, with reference to specific reports, frequency and sample selection criteria including: <ul style="list-style-type: none"> ▪ Procedures to detect off-book trading and ensuring that non-wire and off-book trades are reviewed within one business day; ▪ Review of trading activity in LTA accounts to ensure that there is 	Rule 2.2 Rule 2.2.4 Rule 2.5.5(d) MR-0045 MR-0069 Policy No. 2	

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<ul style="list-style-type: none"> adequate evidence of client authorization for the trade(s) on file; <ul style="list-style-type: none"> ▪ Procedures to detect/prevent trading in out-of-province accounts; ▪ Procedures to detect/prevent trading in products without the required proficiency. • Procedures to ensure that branch managers are informed of client-related compliance matters such as complaints at their branch. 		
Client Accounts		
Account Types <ul style="list-style-type: none"> • Policies and procedures relating to the documentation and authorizations needed for different types of client accounts; • Include a sample of the Member's standard approved forms. 		
Account Opening Procedures, Know-Your-Client ("KYC") Information & Suitability Assessment <ul style="list-style-type: none"> • Policies for Approved Persons on how to collect and record KYC information when opening a new account, including definitions or explanations of the terms used, guidance on how to use the information in assessing suitability, and the fact that KYC information should be collected per account/registration type; • Policies and procedures to restrict trading in accounts where KYC information is missing or incomplete; • Policies and procedures to identify leveraged and LTA accounts; • Policies and procedures to evidence delivery of required disclosures with respect to conflicts of interest, referral arrangements, dual occupations, the client complaint information form, leveraging risk disclosure and other disclosure requirements contained in provincial securities legislation, including the obligation to deliver a prospectus; • Policies and procedures to ensure compliance with money laundering legislation. In particular, the policy should set out the specific records that must be obtained on account opening and maintained in accordance with the legislative requirements, and include procedures for verifying the identity of clients and handling and reporting suspicious activities and transactions; • Policies and procedures for preparing and completing KYC information within a reasonable time and no later than the time of the first trade for clients of a registered salesperson transferring to the Member; • Policies and procedures to ensure that the suitability of the investments within each client's account is assessed: <ul style="list-style-type: none"> ▪ whenever the client transfers assets into an account at the Member; ▪ whenever the Member or Approved Person becomes aware of a material change in client information, as defined in Rule 2.2.4; or ▪ by the Approved Person where there has been a change in the Approved Person responsible for the client's account at the Member. 	<p style="text-align: center;"> Rule 2.2 Rule 2.3 Rule 2.2.1 Rule 2.2.4 </p> <p style="text-align: center;"> MR-0017 MR-0035 MR-0064 MR-0069 </p> <p style="text-align: center;"> Policy No. 2 </p>	
Approval of New Accounts <ul style="list-style-type: none"> • Policies and procedures for the criteria to be used when approving new accounts including review for completeness, as well as reasonableness and consistency in KYC information, as outlined in MR-0069; • Policies and procedures to review and approve all new accounts no later than one business day after the initial transaction date. 		

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<p>Changes to KYC Information</p> <ul style="list-style-type: none"> • Policies and procedures requiring the approval of KYC changes by a qualified individual in a timely manner; • Policies and procedures requiring supervisory staff to assess the reasonability of any material KYC changes made to support the suitability of a trade or an account previously queried; • Policies and procedures to maintain evidence of client instructions regarding any material changes in client information; • Policies and procedures for documenting evidence of client authorization for changes to banking and address information; • Policies and procedures requiring that new accounts and KYC changes for client accounts of producing Branch Managers are subject to review by a qualified individual; • Procedures detailing controls and restrictions over the ability to input and amend client data including KYC information in the back office system. 		
<p>Transfers-Out</p> <ul style="list-style-type: none"> • Policies and procedures for processing a transfer request for nominee name accounts, including a time frame for processing and departments or individuals responsible; • Policies and procedures to ensure client accounts of former Approved Persons are properly serviced on a continuous basis. 	<p>Rule 2.12.2 MR-0068</p>	
<p>Powers of Attorney (“POA”)</p> <ul style="list-style-type: none"> • Policies and procedures regarding restrictions on Approved Persons having a POA over client accounts; • Policies and procedures requiring the account of a family member where an Approved Person has a POA to be serviced by a different Approved Person; • Policies and procedures regarding the identification of POA accounts or trades placed under a POA for family members of Approved Persons. 	<p>Rule 2.3.1 MR-0031</p>	
<p>Limited Trading Authorization</p> <ul style="list-style-type: none"> • Policies and procedures for accepting and documenting evidence of client instructions in accordance with MR-0035; • Developing a standardized format to record verbal trade instructions that includes documentation of the date and time of the discussion, particulars of the securities to be purchased, redeemed or switched, confirmation of any discussion on commissions to be earned and fees to be paid on the transactions, any discussion regarding the impact to the schedule of redemption fees and in the case of redemptions, details on where proceeds are to be sent or reinvested; • Procedures to ensure that, in situations where notes of client discussions are kept in Approved Persons’ files (either paper files or an electronic contact management system), records are readily retrievable for supervisors and regulators and a copy is maintained by the Member even after an Approved Person resigns or is terminated. 	<p>Rule 2.3.2 MR-0035 MR-0038 MR-0042</p>	
Trading		
<p>Trade Processing</p> <ul style="list-style-type: none"> • Samples of the required documentation for the processing of transactions; • Policies and procedures for documenting trades placed under an LTA and in intermediary accounts as outlined in MR-0042; • Policies and procedures regarding timely processing of trades including a 	<p>Rule 2.9 MR-0042</p>	

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description of trade processing procedures; <ul style="list-style-type: none"> • Policies and procedures to identify and address off-book trading. 		
Letters of Indemnity <ul style="list-style-type: none"> • Policies and procedures to track letters of indemnity and details of the criteria used to approve letters of indemnity, including a description of adequate supporting documentation; • Policies and procedures to ensure the approval of letters of indemnity by appropriate supervisory staff. 		
Trading Practices <ul style="list-style-type: none"> • Policies and procedures prohibiting market timing and late trading as outlined in MR-0023; • Policies and procedures for dealing with unsolicited client orders as outlined in MR-0025; • Policies and procedures requiring disclosure of direct fees and charges from either the proceeds to be received, or the amount to be invested by the client at the time of the transaction; • Policies and procedures to monitor compliance with the conditions of any mobility exemptions that may be available to the Member and Approved Persons under securities legislation; • Policies and procedures to comply with the client mobility provisions in NI 31-103 and to prevent the opening of new accounts in jurisdictions where the conditions of the exemption cannot be satisfied or where the exemption is not relied on; • Policies and procedures for situations where the mobility exemption is not applicable to restrict trading by Approved Persons in out-of-province client accounts and to notify out-of-province clients in writing that the accounts are restricted and the Member is not registered under applicable securities legislation to trade in mutual funds in the client's jurisdiction of residence; • Policies and procedures to prevent trading in products where the Approved Persons are not proficient and details proficiency requirements to trade in securities other than mutual funds (for example LSIFs, commodity pools and exempt securities); • Policies and procedures to ensure that Approved Persons provide appropriate disclosure and obtain client consent prior to engaging in an automatic conversion program as outlined in MR-0041; • Policies and procedures to detect and prohibit maintaining and the use of pre-signed forms and discretionary trading in accordance with MR-0066; • Policies and procedures to ensure Approved Persons provide adequate disclosure to clients for commission rebates in accordance with National Instrument 81-105. 	Rule 2.1.1 Rule 2.2.1 Rule 2.4.4 MR-0022 MR-0023 MR-0025 MR-0041 MR-0066 MR-0069 MR-0077 MR-0078	
Churning <ul style="list-style-type: none"> • Policies and procedures prohibiting churning or excessive trading as outlined in MR-0065; • Policies regarding DSC to DSC and similar transactions, including stating that these types of transactions should only be executed in limited instances and if there is a valid documented reason for the trade; • Policies and procedures to ensure that Approved Persons provide adequate disclosure to clients when executing DSC to DSC or similar transactions; • Policies and procedures to prohibit the movement of money between funds in the same fund family executed as redemption and re-purchase rather than a switch, generating a commission higher than a typical switch fee; 	Rule 2.1.1 Rule 2.1.4 MR-0065	

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<ul style="list-style-type: none"> • Policies and procedures to prohibit the redemption and subsequent re-purchase of the same fund, generating a commission on the transaction for the Approved Person. 		
Leveraging		
<ul style="list-style-type: none"> • Policies and procedures discussing the risks of leveraging; • Policies and procedures to require leveraging recommendations to be balanced and disclose both potential benefits and risks and where projections are used, be based on realistic assumptions and illustrate both potential gains and losses; • Policies and procedures on assessing the suitability of leveraging at head office and at the branch, including specifying red flags to be used in identifying recommendations that require further supervisory inquiry and specifying situations where leveraging recommendations would be clearly unsuitable for clients as outlined in MR-0069; • Policies and procedure to maintain evidence of supervisory inquiries and due diligence efforts including any supporting documentation or information obtained; • Policies and procedures to evidence delivery of the leveraging risk disclosure document; • Policies and procedures regarding the information required to be maintained in the client file to facilitate proper supervision, including lending documents; • Policies and procedures for supervisory staff to investigate and resolve any inconsistencies identified between the client's KYC information and the loan application form; • Policies and procedures to record and store client investment loan details (e.g. date(s) of the loan(s), lending institutions, type of loans, payment information and term of the loan); • Policies and procedures regarding referrals to lending institutions or from mortgage brokers relating to leveraging programs; • Policies and procedures to prohibit misleading communications regarding leveraging; • Policies and procedures to require Approved Persons to inform the Member of any arrangements with a lender to address any actual or potential conflict of interest. 	<p>Rule 2.2.1(c) Rule 2.6</p> <p>MR-0064 MR-0069 MR-0070 MR-0074</p> <p>Policy No. 2</p>	