



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels
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MR-0004

MARCH 16, 2001

MEMBER REGULATION NOTICE

MEMBER FEE GUIDELINES

Non-Refundable Application Deposit

A non-refundable application deposit must accompany the completed application package. Upon acceptance into membership, the deposit will be credited against the Member's annual membership fees. The amount of the non-refundable deposit that must be submitted with the application is:

- \$1,500 for a Level 1 Dealer
- \$3,000 for a Level 2 or 3 Dealer
- \$5,000 for a Level 4 Dealer

Annual Membership Fee

General

MFDA annual membership fees will be equal to the MFDA fee rates multiplied by the Member's average assets under administration ("AUA"). MFDA fee rates will be set annually by the MFDA Board of Directors. Members will be required to calculate their AUA on March 31st of each year and report the figure to the MFDA by April 15th. This figure will be used in determining the annual membership fee for the ensuing MFDA fiscal year commencing July 1st.

First Year of Membership

Membership fees will be pro-rated in the first year of membership based on the date of acceptance into membership. Upon acceptance into membership, the MFDA will calculate and invoice the pro-rated fee by multiplying the MFDA fee rate(s) by the AUA reported as of March 31st for the current year. The balance of fees for the first partial quarter, after deducting the application deposit, will be due upon acceptance into membership. Quarterly fees thereafter will be due fifteen days after the start of the quarter. Please refer to the examples that follow for an illustration of how membership fees are calculated upon acceptance into membership.

Subsequent Years of Membership

Members will be required to pay membership fees based on the average of their AUA balance at March 31st of the prior year and March 31st of the current year. Annual membership fees, for the period July 1st to June 30th, will be equal to the MFDA fee rates multiplied by the Member's average AUA. Upon receipt of the AUA filing by the Member, the MFDA will calculate the annual membership fee and invoice the first installment, for the quarter of July 1st to September 30th, which is due July 15th. Although fees will be calculated annually, they will be payable in quarterly installments within 15 days of the start of each quarter (i.e. July 15th, October 15th, January 15th and April 15th). Please refer to the examples that follow for an illustration of how annual fees will be calculated.

Minimum Fees

The minimum membership fees payable are \$10,000 for Level 4 dealers and \$3,000 for all other members.

Definition of AUA

AUA is defined as the market value of all mutual funds reflected in client accounts (nominee and client name) of a Member located in all of the provinces and territories of Canada except Quebec.

A “mutual fund” includes an issuer of securities that entitle the holder to receive on demand, or within a specified period after demand, an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets, including a separate fund or trust account, of the issuer of the securities.

AUA does *not* include:

- Cash
- GIC's
- Limited partnerships
- Segregated funds

Fee Rates

Fee rates will be established by the MFDA Board of Directors annually. For the 2001/2002 fiscal year, once all applications for membership are received, the MFDA will determine the total AUA of such applicants and set the fee rates for the current fiscal year. For illustration purposes, the fee rates outlined below have been used in the examples that follow:

Tier 1 = \$65 per million of AUA on the first \$500 million
Tier 2 = \$61 per million of AUA on the next \$500 million
Tier 3 = \$56 per million of AUA on the next \$4 billion
Tier 4 = \$52 per million of AUA on the next \$5 billion
Tier 5 = \$49 on amounts in excess of \$10 billion

Example 1 - First Year of Membership

An applicant that is a Level 2 Dealer, has \$200 million of AUA, and is accepted into membership on February 1st, would have to pay:

Annual fee (\$65 per million x \$200 million AUA)	\$13,000.0
Pro-rated for first year (fees are calculated to June 30 th)	<u>x 5/12</u>
Annual fee for first year of membership	<u>\$5,417.00</u>
Quarterly Installment Due February 1 st (for the months of February and March)	\$5,417.00
	<u>x 2/5</u>
	2,166.80
Less: Application deposit	<u>(3,000.00)</u>
Credit to be applied to following quarter	<u>(\$833.20)</u>
Quarterly Installment Due on April 15 th (for the months of April, May and June)	\$5,417.00
	<u>x 3/5</u>
	3,250.20
Less: Credit remaining	<u>(833.20)</u>
Installment payable on April 15 th	<u>\$2,417.00</u>

Assuming average AUA remains the same, the Member would be required to pay its next quarterly installment of \$3,250 (\$13,000/4) by July 15th for the period from July to September.

If a Member's pro-rated annual fee for the first year of membership is less than the application deposit (in this example \$3,000), the credit will be applied to the Member's annual fees for the following year.

Example 2 - Subsequent Years of Membership

Annual membership fees for a Member with an average of \$10 billion of AUA would be calculated as follows:

\$65 per million of AUA on the first \$500 million ($\65×500)	\$ 32,500
\$61 per million of AUA on the next \$500 million ($\61×500)	30,500
\$56 per million of AUA on the next \$4 billion ($\$56 \times 4,000$)	224,000
\$52 per million of AUA on the next \$5 billion ($\$52 \times 5,000$)	<u>260,000</u>

Total Annual Membership Fee	<u>\$547,000</u>
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Quarterly Installments Payable, due the 15 th day of July, September, December and April.	<u>\$136,750</u>
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