



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels
121 King Street West, Suite 1000, Toronto, Ontario, M5H 3T9
TEL: 416-361-6332 FAX: 416-943-1218 WEBSITE: www.mfda.ca

MR-0031

October 29, 2004

MEMBER REGULATION NOTICE

POWERS OF ATTORNEY – RULE 2.3.1 EXCEPTION FOR FAMILY MEMBERS OF APPROVED PERSONS

Members and their Approved Persons are prohibited under MFDA Rule 2.3.1(a) from accepting or acting upon a general power of attorney (“POA”) or similar authorization in favour of the Member or Approved Person. A limited exception from this general prohibition is contained in Rule 2.3.1(b), which permits Approved Persons to accept or act upon a general POA from immediate family members (spouse, parent or child).

Compliance Controls – Rule 2.3.1(b)

The limited exception provided under Rule 2.3.1(b) is subject to certain compliance controls designed to minimize the potential for conflicts of interest that may arise where an Approved Person exercises discretionary authority over a family member’s account.

1. Another Approved Person Servicing/Assigned to Account

Subparagraph (i) of Rule 2.3.1(b) requires that an Approved Person other than the Approved Person holding the general POA be the Approved Person of record on the account. This control requires that the client account be assigned to and serviced by an Approved Person other than the Approved Person holding the POA. Thus, the representative code on the account must be different than the representative code of the Approved Person holding the POA.

2. Trade Review

In light of the extent of authority that can be exercised under a general POA, it is expected that Members would have more stringent compliance controls than those required for trades placed pursuant to a limited trading authorization. In particular, each trade made pursuant to a general POA or similar authorization must be reviewed by the branch manager.

3. Identification of Trades/Accounts placed under a Power of Attorney

In order to properly supervise trades made pursuant to a general POA, Members must have some method for identifying on their books and records accounts for which an Approved Person holds a general POA. The means of identifying trades made pursuant to a POA may be determined by the Member and may, for example, involve the use of separate account ranges.

4. Policies and Procedures

Members are reminded of their obligations under Rule 2.1.4, requiring each Member to develop and maintain policies and procedures to ensure that conflicts of interest are addressed through the application of reasonable business judgment influenced only by the best interests of the client. Members must set out specific procedures relating to the acceptance and use of POAs by Approved Persons pursuant to Rule 2.3.1(b) in their Policy and Procedures Manual.

(doc # 44166)