



Mutual Fund Dealers Association of Canada
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MEMBER REGULATION NOTICE

LIMITED TRADING AUTHORIZATIONS AND INTERMEDIARY ACCOUNTS

On April 15, 2005, the MFDA issued Member Regulation Notice MR-0038 – “Revised Limited Trading Authorization Form and Guidelines for Individual and Joint Accounts” (the “Notice” – April 2005 version). The Guidelines to the April 2005 version of the Form specify that the new Form is intended for use in connection with individual and joint accounts held in client name and may not be used for intermediary, nominee name accounts, corporate held accounts, “in trust for” accounts or any other type of accounts. This Notice is intended to provide further clarification with respect to the use of the Form and explain why the Form does not apply to nominee name and intermediary accounts.

Nominee Name Accounts and Intermediary Accounts

The purpose of a Limited Trading Authorization (“LTA”) is to facilitate a trade where the assets are held at the mutual fund company in the name of the client. Normally, the client would have to sign all trade instructions before a mutual fund company would be able to complete the transaction. By signing the LTA, the client is authorizing the Member to execute a trade without the need to provide his or her signed written instructions to the mutual fund company.

A client signature is not required with respect to accounts where the assets are registered with the mutual fund company in the name of a nominee, such as the Member or an intermediary. A client signature is not required because the assets are not registered in the client’s name on the books and records of the mutual fund company. The mutual fund company will look for the authorization of the Member or intermediary for trades in assets held in their nominee name on behalf of the client. Accordingly, an LTA is not required or applicable where securities are registered in nominee name.

Disclosure at Account Opening

MFDA Members that use other Members as intermediaries (or carrying dealers) are required under MFDA Rule 1.1.6 to provide disclosure to the client on account opening of their relationship with the carrying dealer and of the relationship between the carrying dealer and the

client. This disclosure should set out how trade instructions are relayed from the client to the introducing dealer and carrying dealer.

Where MFDA Members have entered into relationships with intermediaries that are not MFDA Members, they must determine how the assets are registered at the fund company and whether a client signature is required. Members must also ensure that proper disclosure is made to the client of the relationship between the Member and the intermediary and the intermediary and the client on account opening. This disclosure should set out how trade instructions are relayed from the client to the Member and intermediary.

Evidence of Client Instructions

Members and Approved Persons are reminded of the requirement to record and maintain evidence of client instructions for all trades in accordance with MFDA Rule 5.1(b). The requirement to record and maintain evidence of client instructions includes trades made pursuant to a LTA and trades made for accounts in nominee name. (Members should refer to *Member Regulation Notice MR-0035 "Recording and Maintaining Evidence of Client Trade Instructions"* for more information on requirements respecting client trade instructions.)

Non-Individual Accounts (Corporate, In-Trust Accounts)

The MFDA has not to-date prescribed, in accordance with MFDA Rule 2.3.2 a form of LTA for corporate or in-trust accounts. In the absence of a prescribed form for these types of accounts, Members and Approved Persons who wish to accept a LTA from a client should obtain professional advice as to the nature and content of any such form of LTA.

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