



Contact: Paige Ward  
Director of Policy & Regulatory Affairs  
Phone: (416) 943-5838  
Email: [pward@mfd.ca](mailto:pward@mfd.ca)

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## **MEMBER REGULATION NOTICE**

### **SERVICING OF CLIENT ACCOUNTS IN TRANSITION**

This Notice has been issued to clarify the responsibilities of Members in servicing client accounts when certain transitions take place.

MFDA staff has become aware of a number of situations where client accounts have not been properly serviced as a result of Approved Person transfers or other transitions taking place at Member firms. For example,

- clients are not provided with statements when their accounts are transferred;
- client accounts are left without a servicing representative after an Approved Person transfers to another Member;
- client accounts are not properly serviced following a merger between Member firms.

#### **Client Account Statements for Transferred Accounts**

Where a client closes an account, either by cashing out or transferring to another dealer, the Member must send an account statement for each such account either at the time of the transfer or at the end of the next statement period.

#### **Approved Person Transfers**

Where an Approved Person transfers from one Member to another, client accounts of the Approved Person must be promptly transferred to the receiving dealer upon receipt of the client's authorization for the transfer. In the event that clients do not provide their authorization prior to the transfer, such accounts must be re-assigned to another Approved Person at the Member and clients must be promptly notified of the change in representative. Re-assignment to a particular Approved Person is not required in situations where the Member's business process is not to assign particular individual representatives to service client accounts. For example, the Member may service clients through a call centre or may assign clients to teams of representatives. However, Members must in all cases have policies and procedures to ensure that every account is properly serviced on a continuous basis.

## **Client Service Issues Arising from Other Transitions**

Other transitions may also occur on the initiative of the Member, such as acquisitions, mergers or resignations. Staff has observed cases where client accounts at Members involved in such transactions have not been properly transitioned. These accounts may be unintentionally omitted from firm records and excluded from the ongoing monitoring and reporting regime. Members remain responsible for all such accounts and must ensure that a valid representative and dealer code is assigned to each account throughout the re-organization process. With respect to resignations, Members are required to provide the following information to MFDA staff before they will be permitted to resign:

- details regarding where clients and salespersons will be transferred;
- details regarding the procedure to transfer client accounts including any documentation sent to clients relating to the transfer;
- upon completion of the account transfers, confirmation from management that all client accounts have been transferred to another dealer.

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