

## MUTUAL FUND DEALERS ASSOCIATION OF CANADA

### PROPOSED MFDA RULE 2.13 (DISCLOSURE OF MFDA MEMBERSHIP) AND PROPOSED MFDA POLICY NO. 10 *DISCLOSURE OF MFDA MEMBERSHIP*

#### I. OVERVIEW

##### A. Current Framework

MFDA Rule 5.3.2 (Content of Account Statement) prescribes requirements in respect of the account statement required to be sent by MFDA Members under Rule 5.3.1 (Delivery of Account Statement). Currently, under the Rule, there is no requirement for Members to provide account statement disclosure in respect of the fact that they are Members of, or regulated by, the MFDA.

Under MFDA By-Law No. 1, section 36.1 (Use of Name), Members are not permitted to use the name or logo of the Corporation on letterheads or in any circulars or other advertising or publicity matter, except to the extent and in such form as may be authorized by the Board of Directors.

##### B. Reasons for Proposed Rule and Policy

The proposed MFDA Rule and Policy would require Members to disclose to clients, on the account statement and on the Member's website, that they are regulated by the MFDA. The intent of the Rule and Policy is to promote client awareness of the regulatory oversight exercised by the MFDA in respect of MFDA Members and their Approved Persons.

##### C. Objectives

The objective of the proposed MFDA Rule and Policy is to promote client awareness of the regulatory oversight exercised by the MFDA in respect of MFDA Members and their Approved Persons.

##### D. Effect of Proposed Rule and Policy

The effect of the proposed MFDA Rule and Policy will be to promote greater client awareness of the regulatory oversight exercised by the MFDA in respect of MFDA Members and their Approved Persons.

#### II. DETAILED ANALYSIS

##### A. Proposed Rule and Policy

###### Background

In June 2015, the MFDA issued for comment proposed amendments to MFDA Rule 5.3.2 (Content of Account Statement) that would require Members to disclose to clients, on the

account statement, that they are Members of, and regulated by, the MFDA. Under the proposed amendments, Members would have been permitted to include the MFDA Logo on account statements in addition to, but not in place of, the prescribed text disclosure. Comments received expressed support for the objective of the proposed amendments however, recommended that the MFDA require use of the MFDA Logo on account statements, as opposed to making it voluntary. Commenters believed that this would increase the degree of client awareness that the MFDA is the regulator of the Member and that the Member is a regulated entity.

In addition, staff of the Recognizing Regulators asked MFDA staff to consider requiring the MFDA Logo on account statements. As this would involve a material change to the MFDA amendments proposed, in accordance with the MFDA's regular practice respecting policy development, the MFDA is engaging in another round of consultation and is proposing the Rule and Policy discussed in this notice.

### Summary of Proposed Rule and Policy

The proposed MFDA Rule 2.13 (attached as Schedule "A") will require the MFDA Logo to be included on the front of each account statement followed by the web address of the official website of the MFDA. The rule will also require Members to include the MFDA Logo on the Member's website followed by a link to the official website of the MFDA.

The proposed MFDA Policy No. 10 (attached as Schedule "B") will establish minimum requirements for disclosure and provides direction to Members on the use of the MFDA Logo.

### **B. Comparison with Similar Provisions**

During the development of the proposed Rule and Policy, consideration was given to similar requirements of the Investment Industry Regulatory Organization of Canada ("IIROC") rules and IIROC's Membership Disclosure Policy: Account statement - as of July 1, 2018, IIROC Dealers will be required to include the IIROC Logo on the front of each account statement that is sent to clients; Website - as of January 1, 2017, IIROC Dealers are required to include the IIROC Logo and a link to the IIROC website on the Dealer's homepage or on the main page of the Dealer.

### **C. Issues and Alternatives Considered**

In August 2016, MFDA staff presented to the MFDA Policy Advisory Committee ("PAC") two Rule alternatives for consideration: (i) MFDA Logo and Shorter Text Disclosure – would require Members to include the MFDA Logo together with text disclosure on account statements and on their website indicating that the Member is regulated by the MFDA. This disclosure would be followed by the web address of, or link to, the MFDA website; and (ii) No MFDA Logo and Longer Text Disclosure – would require Members to include text disclosure on account statements and on their website indicating that the Member is regulated by the MFDA which sets, and enforces, standards and addresses investor complaints. This disclosure would be followed by the web address of, or link to, the MFDA website.

The majority of PAC members supported the first alternative. PAC members noted that such disclosure would take up less room on the account statement, be more harmonized with similar requirements adopted by IIROC and allow for easier statement preparation for those firms with

both MFDA and IIROC dealers.

#### **D. Systems Impact of Proposed Rule and Policy**

It is not anticipated that the proposed Rule and Policy will have any additional material impact upon Members' systems, impose any material burden or constraint on competition or innovation, impose any material costs or restrictions on the activities of market participants, or result in any material increased costs of compliance.

#### **E. Best Interests of the Capital Markets**

The proposed Rule and Policy were approved by the MFDA Board of Directors at their June 6, 2017 meeting. The Board has determined that the proposed Rule and Policy are consistent with the best interests of the capital markets.

#### **F. Public Interest Objective**

The proposed Rule and Policy will promote better client awareness of the regulatory oversight exercised by the MFDA in respect of MFDA Members and their Approved Persons. The proposed Rule and Policy are consistent with the public interest.

#### **G. Classification**

The proposed Rule and Policy have been classified as Public Comment Rule proposals.

### **III. COMMENTARY**

#### **A. Filing in Other Jurisdictions**

The proposed Rule and Policy will be filed for approval with the Alberta, British Columbia, Manitoba, Nova Scotia and Ontario Securities Commissions, the New Brunswick Financial and Consumer Services Commission, the PEI Office of the Superintendent of Securities Office and the Saskatchewan Financial and Consumer Affairs Authority.

#### **B. Effectiveness**

The proposed Rule and Policy are simple and effective.

#### **C. Process**

The proposed Rule and Policy have been developed in consultation with the relevant departments within the MFDA and have been reviewed by the MFDA PAC, the Regulatory Issues Committee of the MFDA Board of Directors and, subsequently, approved by the full MFDA Board of Directors. The MFDA Board of Directors approved the proposed Rule and Policy on June 6, 2017. In approving the Rule and Policy, the MFDA has followed its established internal governance practices and has considered the need for consequential amendments.

#### **D. Effective Date**

The proposed Rule and Policy will be effective on a date to be subsequently determined by the MFDA. Appropriate transition periods for the proposed amendments are still under consideration. Members and other stakeholders are, accordingly, encouraged to provide input in respect of this matter.

#### **E. Exemption from Requirements under Securities Legislation**

The proposed Rule and Policy do not involve a Rule that the MFDA, its Members or Approved Persons must comply with in order to be exempted from a securities legislation requirement.

#### **F. Conflict with Applicable Laws or Terms and Conditions of Recognition Order**

The proposed Rule and Policy do not conflict with applicable laws or the Terms and Conditions of a Recognizing Regulator's Recognition Order.

#### **IV. SOURCES**

- MFDA Rule 5.3.2 (Content of Account Statement)
- MFDA By-law No. 1
- IIROC Rule 700 (Membership Disclosure Requirements in the Corporation for Dealer Members)
- IIROC Membership Disclosure Policy

#### **V. REQUIREMENT TO PUBLISH FOR COMMENT**

The MFDA is required to publish for comment the proposed Rule and Policy so that the issues referred to above may be considered by the Recognizing Regulators.

**The MFDA has determined that the entry into force of the proposed Rule and Policy would be in the public interest and is not detrimental to the capital markets. Comments are sought on the Rule and Policy.** Comments should be made in writing. One copy of each comment letter should be delivered within 90 days of the publication of this notice, addressed to the attention of:

Paige Ward  
General Counsel, Corporate Secretary and Vice-President, Policy  
Mutual Fund Dealers Association of Canada  
121 King St. West, Suite 1000  
Toronto, Ontario M5H 3T9  
[pward@mfd.ca](mailto:pward@mfd.ca)

and one copy addressed to the attention of:

Anne Hamilton  
Senior Legal Counsel  
British Columbia Securities Commission

701 West Georgia Street  
P.O. Box 10142, Pacific Centre  
Vancouver, British Columbia, V7Y 1L2  
[ahamilton@bcsc.bc.ca](mailto:ahamilton@bcsc.bc.ca)

Those submitting comment letters should be aware that a copy of their comment letter will be made publicly available on the MFDA website at [www.mfda.ca](http://www.mfda.ca).

Questions may be referred to:

Paige Ward  
General Counsel, Corporate Secretary and  
Vice-President, Policy  
Mutual Fund Dealers Association of Canada  
(416) 943-5838

DM#554105

## **SCHEDULE "A"**

### **Proposed MFDA Rule 2.13**

#### **2.13 DISCLOSURE OF MFDA MEMBERSHIP**

**2.13.1 Definition.** For the purposes of complying with the MFDA membership disclosure requirements under this Rule,

“MFDA Logo” means the Logo prescribed by the Corporation, from time to time, for use by MFDA Members.

**2.13.2 Account Statement.** Members must include the MFDA Logo on the front of each account statement followed by the web address of the official website of the MFDA.

**2.13.3 Member Website.** Members must include the MFDA Logo on the Member’s homepage followed by a link to the official website of the MFDA.

DM#515572v2

## **SCHEDULE “B”**

### **Proposed MFDA Policy No. 10**

#### **DISCLOSURE OF MFDA MEMBERSHIP**

##### **1. INTRODUCTION**

This Policy establishes minimum requirements for disclosure of MFDA Membership pursuant to MFDA Rule 2.13 (Disclosure of MFDA Membership). The Rule requires Members to include the MFDA Logo on account statements and on the Member’s website. MFDA Members must use the MFDA Logo prescribed in this Policy to satisfy the MFDA membership disclosure requirements set out in Rule 2.13.

The purpose of Rule 2.13 and this Policy is to promote client awareness of the regulatory oversight exercised by the MFDA in respect of MFDA Members and their Approved Persons.

##### **2. DEFINITION OF THE MFDA LOGO**

Pursuant to MFDA Rule 2.13, the MFDA Logo means the Logo prescribed by the Corporation, from time to time, for use by MFDA Members. For the purpose of the disclosure requirements prescribed in Rule 2.13, the MFDA Logo includes the image of the MFDA’s trademark design and the English words “Regulated by Mutual Fund Dealers Association of Canada” or the French words “Réglementée par Association canadienne des courtiers de fonds mutuels”.

##### **3. MFDA LOGO ON ACCOUNT STATEMENTS AND ON THE MEMBER’S WEBSITE**

Members must include the MFDA Logo on the front of each account statement that is sent to clients. Members must also include the MFDA Logo on the Member’s website homepage. Where the Member’s site or internet presence is part of a combined financial institution group website, the MFDA Logo must be included on the Member’s main page.

In addition, the MFDA Logo must be followed by the web address of the official website of the MFDA, which is [www.mfda.ca](http://www.mfda.ca), on both the account statement and on the Member’s website.

For the purposes of complying with Rule 2.13 and this Policy, Members may determine the size of the MFDA Logo depending on what would reasonably be considered to be an appropriate size for the individual layout of the account statement or website. However, Members must ensure

that the MFDA Logo is clearly visible and prominently included on the front of the account statement and on the Member's website.

Specifically, the MFDA Logo that Members are required to include on account statements and on their website is reproduced below:

Black and White (English and French)



Colour (English and French)



**4. PROHIBITIONS ON USE OF THE MFDA LOGO**

In accordance with MFDA By-Law No. 1, a MFDA Member will be prohibited from including the MFDA Logo on account statements and on its website upon suspension of the Member's membership in the MFDA or upon the termination of the Member's membership in the MFDA.