

**NOTICE AND REQUEST FOR COMMENT – REVISED APPLICATION FOR  
APPROVAL OF MFDA INVESTOR PROTECTION CORPORATION/CORPORATION  
DE PROTECTION DES INVESTISSEURS DE L'ACFM, PURSUANT TO SECTION 110  
OF REGULATION 1015 MADE UNDER THE SECURITIES ACT**

**A. Revised Application**

The Commission is publishing for comment the revised application (Revised Application) of the Mutual Fund Dealers Association of Canada (MFDA) and the MFDA Investor Protection Corporation/Corporation de Protection des investisseurs de l'ACFM (MFDA IPC) for the approval by the Ontario Securities Commission (Commission) of the MFDA IPC as a compensation fund, pursuant to subsection 110(1) of R.R.O. 1990, Regulation 1015, as amended (Regulation), made under the Securities Act R.S.O. 1990, c. S.5, as amended (Act). The Commission is also publishing for comment the proposed form of approval order (Proposed Approval Order).

In a decision (Recognition Order) dated February 16, 2001, the Commission recognized the MFDA as a self-regulatory organization for mutual fund dealers, pursuant to section 21.1 of the Act, subject to certain terms and conditions.<sup>1</sup> The Recognition Order contemplated that a compensation fund would be established for customers of members of the MFDA, which the Recognition Order described as the "Mutual Fund Dealers Investor Protection Plan". The Recognition Order stated that the Commission intended to publish for comment the plan, once received, and would consider it once it had reviewed any comments received. It also stated that members of the MFDA would continue to participate in the Ontario Contingency Trust Fund as required under section 110 of the Regulation until another compensation fund or contingency trust fund authorized by the Commission commenced its coverage.

The MFDA and the MFDA IPC submitted an application, dated November 14, 2002, (Initial Application) to the Commission seeking Commission approval of the MFDA IPC as a compensation fund for customers of members of the MFDA. The Initial Application was published for public comment in the Ontario Securities Commission Bulletin on November 29, 2002, at (2002) 25 OSCB 8095. Eight comment letters were received. The MFDA and MFDA IPC's summary of comments and responses is also being published at this time. As a result of making revisions to the Initial Application, the MFDA and MFDA IPC have now submitted the Revised Application.

Submitted with the Revised Application are the following supporting documents, which are also being published:

1. MFDA IPC Letters Patent Pursuant to Part II of the *Canada Corporations Act* (Exhibit A);
2. By-law No. 1 of the MFDA IPC (Exhibit B);

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<sup>1</sup> (2001) 24 O.S.C.B. (Supp) 7.

3. Draft policy relating to MFDA IPC customer coverage (Exhibit C);
4. Proposed amended MFDA advertising rule with commentary regarding the proposed amendments (Exhibit D);
5. Proposed MFDA advertising policy relating to MFDA IPC (Exhibit E).

Exhibits B through E have been revised from the versions published with the Initial Application. Marked copies, showing the revisions made to the Exhibits published on November 29, 2002, can be found on the OSC website.

We are seeking comments on all aspects of the Revised Application and related documents.

### **Proposed Amended MFDA Rule and Proposed MFDA Policy Relating to Advertising and Comments on the Amended Rule and Proposed Policy**

In connection with the Revised Application, the MFDA proposes to amend MFDA Rule 2.7 – Advertising and Sales Communications and to create related MFDA Policy Number 4. Exhibit D to the Application contains a MFDA notice that requests comments on the Amended Rule and the related Proposed Policy (Exhibit E).

#### **B. Proposed Approval Order**

The Proposed Approval Order establishes terms and conditions in the following areas:

1. Corporate Structure and Purpose of MFDA IPC
2. Corporate Governance
3. Funding and Maintenance of MFDA IPC
4. Customer Protection
5. Financial and Operational Viability
6. Risk Management
7. Reporting to the Commission
8. Rules
9. Agreement between the MFDA IPC and the MFDA
10. Establishment of a Working Group

### **C. Comment Process**

Please deliver your comments on the Revised Application in writing before March 28, 2005, addressed to the attention of the Secretary of the Commission, Ontario Securities Commission, 20 Queen Street West, Toronto, Ontario M5H 3S8.

We request that you submit a diskette containing an electronic copy of your comments. The confidentiality of submissions cannot be maintained as a summary of written comments received during the comment period will be published.

Questions may be referred to:

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