



March 17, 2016

MFDA POLICY NO. 1

NEW REGISTRANT TRAINING AND SUPERVISION

Introduction

This Policy provides guidance on how to comply with MFDA Rule 1.2.4 which requires all Members to develop and document a training and supervision program for their newly-registered salespersons. With respect to supervision, this Policy sets out standards for new registrants that are in addition to the supervision requirements set out in MFDA Policy No.2 entitled “Minimum Standards for Account Supervision”, that apply to all salespersons.

Training Program

MFDA Rule 1.2.4 requires all newly-registered salespersons to complete a training program within 90 days of being registered with the relevant provincial securities commission.

A Member's training program should cover, at a minimum, the following topics:

General Knowledge: provide an overview of the Member and the industry and cover the salesperson's role, including the range of permitted activities under the salesperson's license.

Product Knowledge: provide a detailed orientation of the product lines offered by the Member.

Advising the Client: review the practical skills required to obtain and interpret know-your-client information to ensure “suitability” obligations have been met and appropriate asset allocation is achieved for clients.

Administration: provide an understanding of internal systems and technology, processes and controls and record keeping.

Sales Process: review client communications, including sales skills and marketing. Review disclosure requirements, transaction documentation requirements, compensation policies and approval processes.

Ethics and Standards of Conduct: provide an understanding of acceptable and non-acceptable business practices, review compliance policies, procedures and regulatory requirements, including sales practice procedures required under securities legislation, including National Instrument 81-105.

For salespersons transferring from one Member to another, it will be incumbent upon the receiving Member to ensure that the training program was completed with the prior Member.

Supervision Policy

MFDA Rule 1.2.4 requires that all newly registered salespersons be subject to concurrent supervision by the Member for a period of 6 months, commencing on the date of initial registration. Such supervision should include at a minimum:

The first 90 day period:

- a) all new accounts must be pre-approved by the Branch Manager prior to any trade being processed in the account;
- b) all trading activity must be reviewed and signed off by the Branch Manager no later than one business day following the trade date; and
- c) all leveraged trades where leveraging was recommended by the Member's salesperson must be reviewed by the Branch Manager prior to trade execution.

The subsequent 90 day period:

- a) all new accounts must be pre-approved by the Branch Manager prior to or shortly after (within 1 business day) any trade being processed in the account;
- b) each month, the Branch Manager must review the greater of:
 - (i) 5 of the client files that were handled by the salesperson in the preceding one month, and
 - (ii) 10% of such client files,provided that if the number of such client files is less than 5, then the Branch Manager must review the actual number of such client files;
- c) on a daily basis, the Branch Manager must review the greater of: (i) 5 of the trades conducted by the salesperson, and
 - (ii) 10% of such trades,provided that if the number of such trades is less than 5, then the Branch Manager must review the actual number of such trades, (high-risk trades, are to be given particular attention); and
- d) all leveraged trades where leveraging was recommended by the Member's salesperson must be reviewed by the Branch Manager prior to trade execution.

In reviewing client files, the Branch Manager should ensure that: the proper documentation is contained in the files, including a New Account Application Form; all information is complete, such as the know-your-client information; and look for any unusual information, such as signed blank forms. If the New Account Application Form does not include know-your-client information, this must be documented on a separate form.

All supervisory activities with regard to newly-registered salespersons should be documented and kept on file at the branch location. Refer to the report attached to this Policy which is to be completed by the relevant supervisor at the end of the training and supervision program. Further, any compliance issues that required action on the part of the Branch Manager or other compliance staff must be documented and kept on file.

It is expected that when a salesperson is unsuccessful in meeting a Member's expectations, the supervision and training period will be extended accordingly until such time as the Member is satisfied that the salesperson no longer needs to be subject to internal supervision. Any extensions should be documented accordingly.

DM 457679v3

**CONFIRMATION OF COMPLETION OF NEW REGISTRANT
TRAINING AND SUPERVISION PROGRAM**

I _____ hereby certify that I have supervised _____
(branch manager) (salesperson's name)
from the period ____/____/____ to ____/____/____ in accordance with the requirements in
(dd /mm/yy) (dd /mm/yy)

MFDA Rule 1.2.4 and the MFDA New Registrant Training and Supervision Policy and confirm that the following information is true and correct to the best of my knowledge:

1. The salesperson designated above has completed the firm's training program within 90 days of being registered with the applicable provincial securities commission.
2. I (or an alternate) have approved all new accounts opened by the above salesperson prior to a first trade in such accounts within his/her first 90 days of registration.
3. I (or an alternate) have reviewed and approved all trading activity by the salesperson within his/her first 90 days of registration.
4. I have reviewed all leveraged trades executed through the above salesperson where leveraging was recommended by the above salesperson prior to completion of the transaction.
5. For each month for the 90 day period following the salesperson's first 90 days of registration I have reviewed the greater of (i) 5 of the salesperson's client files and (ii) 10 percent of the salesperson's client files; or if the number of the salesperson's client files is less than 5, I have reviewed the actual number of such client files.
6. On a daily basis for the 90 day period following the salesperson's first 90 days of registration I have reviewed the greater of (i) 5 of the salesperson's trades and (ii) 10 percent of the salesperson's trades; or if the number of the salesperson's trades is less than 5, I have reviewed the actual number of the salesperson's trades.
7. Any client complaints concerning the above salesperson have been reviewed and discussed with the above salesperson and written documentation has been maintained in the file for any compliance issues that required action.

IF ITEM 7 IS APPLICABLE, COMPLETE ITEM 8 BY CROSSING OUT THE PARAGRAPH THAT DOES NOT APPLY:

8. (i) As a result of the complaints received, the above salesperson's supervisory period has been extended by ____ months; or
(ii) The complaints were resolved to my satisfaction and it was not necessary to extend the above salesperson's supervisory period.

Date

Signature of Branch Manager

Name of Branch Manager

Name of Member