



Mutual Fund Dealers Association of Canada  
Association canadienne des courtiers de fonds mutuels



2 0 1 8  
A N N U A L  
R E P O R T



## CONTENTS

- 1 WHO WE ARE
- 2 MESSAGE FROM THE CHAIR
- 3 MESSAGE FROM THE  
PRESIDENT & CEO
- 4 2018-2022 STRATEGIC PLAN
- 6 MAJOR INITIATIVES IN FY 2018
- 8 CORPORATE GOVERNANCE
- 11 MANAGEMENT DISCUSSION  
AND ANALYSIS
- 20 FINANCIAL STATEMENTS

# WHO WE ARE

The Mutual Fund Dealers Association of Canada (the “MFDA”), is a self-regulatory organization that oversees Canadian mutual fund dealers, regulating the operations, standards of practice and business conduct of its Members and their over 80,000 Approved Persons. While the MFDA’s regulatory mandate is to protect investors, we also support a regulatory compliant and diverse membership. Diversity benefits investors as it provides choices in advisory services and increases investor access to quality advice. We contribute to the financial well-being of Canadian investors and uphold public confidence in Canada’s mutual fund distribution industry.

## MFDA VISION

We protect investors by:

- **Delivering responsible and effective regulation** – We use risk-based, balanced and transparent processes and employ our regulatory expertise in a proactive manner in addressing industry developments to be a responsible and effective regulator.
- **Strengthening collaboration, knowledge and expertise** – We engage our stakeholders to share our collective expertise to ensure a culture of compliance.
- **Promoting investor confidence** – We focus on providing access to information and improving the client relationship to better protect the investing public.

## MFDA VALUES

We believe that all our actions must be executed professionally and honestly.

We have **Integrity**.

We believe that the best result is one that includes meaningful engagement of all stakeholders.

We **Collaborate**.

We believe that all our actions should be fair, balanced, and practical while achieving appropriate outcomes.

We are **Reasonable**.

# MESSAGE FROM THE CHAIR



I am pleased to present the MFDA's 2018 Annual Report. This Report reviews many of the considerable accomplishments of the MFDA over the year ending June 30, 2018 (FY2018).

During FY2018, the Canadian Securities Administrators ("CSA") conducted its annual on-site risk-based oversight review of the MFDA. This year's review focused on the Corporate Governance, Sales Compliance, Finance and Administration and Membership Services areas of the MFDA. I am pleased to report that the Recognizing Regulators did not identify any issues or concerns with the MFDA meeting the relevant terms and conditions of the MFDA's Recognition Orders in any of the areas reviewed.

In June 2018, the MFDA unveiled its new 2018-2022 Strategic Plan entitled "Achieving Better Outcomes for Canadians". The five-year Plan establishes strategic objectives and priorities in furtherance of the MFDA's vision of protecting investors by delivering responsible and effective regulation, strengthening collaboration, knowledge and expertise and promoting investor confidence. With this vision in mind, the MFDA continues to reach out to Canadian investors to better understand their needs including holding regular meetings with investor advocates to discuss issues affecting Canadian investors. Going forward, the MFDA plans to broaden the scope of investor advocates with whom it consults in order to further understand investor concerns. The MFDA also continues to focus on investor education and knowledge, and will be enhancing its investor education resources with content that provides experiential learning with a view to assisting investors in applying the knowledge they receive to their investing decisions.

I would like to thank the members of our hard-working, engaged and committed board of directors for their work over the past year. I am very grateful to all of them for their service, leadership and guidance. In particular, I would like to express our gratitude to Rick Annaert, outgoing Industry Director. Rick first joined the board in 2012, and throughout his years of service as an MFDA Industry Director, we have greatly benefited from his intellect, passion, sound judgment and insight.

On behalf of the Board of Directors, I would also like to thank MFDA management for its effective and invaluable leadership and the MFDA staff for their outstanding efforts and achievements throughout the year in advancing the important work of the MFDA within Canada's securities regulatory system.

A handwritten signature in black ink, appearing to read "Chris Nicholls".

**Christopher Nicholls**, B.A., LL.B., LL.M., MPA  
Chair of the Board

# MESSAGE FROM THE PRESIDENT & CEO



In the past year, the MFDA engaged in extensive consultations with all its stakeholders to identify priorities and areas of focus for our new 2018-2022 Strategic Plan.

The issues, trends and challenges that evolved as themes are common to all regulators both here in Canada and globally. It is evident that keeping up with the rapid changes in technologies, investment options, business models, aging investor and advisor demographics and cybersecurity will provide both challenges and opportunities for our Members over the coming years. In particular, the increased focus on cybersecurity and the need for greater controls in this area will put new demands on our membership as they adapt to stay ahead and innovate in this complex and challenging digital age.

Under our new 2018-2022 Strategic Plan, we are committed to supporting Member innovation, strengthening collaboration with key stakeholders, enhancing Member and advisor education and assessing and updating regulatory standards and internal processes to ensure effective and efficient regulation that protects the investing public. The new Strategic Plan sets out our strategic priorities for the next five years and contains concrete and meaningful initiatives that focus on the goal of promoting and fostering a compliant and healthy industry that protects and serves the Canadian investor.

MFDA Members have been implementing new technology to offer new products such as exchange-traded funds and services such as electronic reporting, electronic signatures, onboarding and advisory services to clients and the MFDA has been active in assisting its Members in these areas. Also, the MFDA will continue to focus on cybersecurity and provide guidance and assistance to its Members to strengthen their cybersecurity practices. The MFDA is currently developing a Cybersecurity Plan that involves engaging the services of a consultant to perform and provide individualized assessments and recommendations, respectively, of each Member's cybersecurity risks and related controls, on a voluntary basis.

2018 marks the 20th anniversary of the establishment of the MFDA as Canada's national self-regulatory organization for the distribution side of the mutual fund industry. It is gratifying to see how the MFDA has contributed to the financial well-being of Canadian investors by upholding public confidence in Canada's mutual fund distribution industry. The MFDA and its Members have worked to raise the standard of regulation in key areas of investor protection such as suitability and Know-Your-Client, Know-Your-Product and due diligence, supervision and supervisory structures, complaint handling and outside business activities. We remain committed to maintaining, promoting and fostering a high level of compliance for the protection of investors.

In closing, I would like to acknowledge the Board of Directors for their continued stewardship and guidance throughout the past year. I would also like to thank our dedicated professional and hardworking staff for their continued support and look forward to working with you as we advance the initiatives set out in our new Strategic Plan.

A handwritten signature in black ink, appearing to read 'Mark T. Gordon'.

**Mark T. Gordon, LL.B.**  
President & Chief Executive Officer

# 2018-2022 STRATEGIC PLAN - OVERVIEW

The new 2018-2022 Strategic Plan builds upon the accomplishments of our previous 2015-2017 Strategic Plan and articulates the MFDA's vision, core strategic and operational goals, desired outcomes and key initiatives. Below is a brief overview of our three strategic goals. The 2018-2022 Strategic Plan can be accessed at [www.mfda.ca](http://www.mfda.ca).

## STRATEGIC GOAL #1

# 1

### INNOVATE

WE SUPPORT MEMBER INNOVATION THAT INCREASES EFFICIENCIES AND/OR EXPANDS INVESTOR CHOICE, WHILE AT THE SAME TIME, MEETS REGULATORY REQUIREMENTS.

## STRATEGIC GOAL #2

# 2

### COLLABORATE & EDUCATE

WE WILL COLLABORATE WITH ALL STAKEHOLDERS, SHARE VALUABLE INFORMATION AND ENGAGE IN EDUCATIONAL INITIATIVES TO ENHANCE PROFESSIONALISM, IMPROVE INVESTOR OUTCOMES AND CONTRIBUTE TO REGULATORY DEVELOPMENTS.

## STRATEGIC GOAL #3

# 3

### UPDATE

WE WILL EVALUATE OUR REGULATORY STANDARDS AND INTERNAL PROCESSES AND ENSURE A PROFESSIONAL AND QUALIFIED STAFF TO BE RECOGNIZED AS AN EFFECTIVE, PROGRESSIVE AND RESPONSIBLE REGULATOR.

**We will support innovation by:**

- Encouraging Members who intend to implement new technology to proactively collaborate with us
- Understanding the risks and benefits related to new products, services and technology
- Assessing our regulatory requirements to ensure they are relevant and applicable to new business models and emerging technologies

**Key initiatives include:**

- Engaging in an “Innovation Outreach” plan to encourage discussion and collaboration on the use of new products, services and technology
- Developing a Cybersecurity Plan to identify risks within the membership and provide information and guidance about threats, breaches and best practices
- Modernizing Rules to reflect technological innovations and changes to Members operations

**We will collaborate and educate by:**

- Strengthening advisor proficiencies and professionalism
- Working with Members to promote a culture of compliance
- Engaging with stakeholders and other regulators to promote greater harmonization and consistent standards to protect investors
- Providing tools and resources to promote informed decision making by investors

**Key initiatives include:**

- Establishing a Continuing Education requirement for all MFDA advisors
- Identifying opportunities to share information and coordinate activities with other regulatory bodies
- Developing new approaches to gather information on current issues impacting seniors and producing guidance, tools and materials for Members and investors

**We will be a responsible regulator by:**

- Assessing our regulatory requirements to ensure they continue to be relevant and appropriate
- Reviewing MFDA operations and processes to ensure cost effectiveness and improved efficiencies
- Maintaining and attracting expert staff and providing training on emerging risks and industry trends

**Key initiatives include:**

- Engaging in research to deliver data-driven regulation focusing on key risk areas
- Exploring alternatives to improve transparency of costs for mutual fund investors
- Reviewing the MFDA Rulebook to improve clarity, ease of use and relevance
- Enhancing core staff competencies
- Maintaining currency of MFDA internal technology, systems and processes to effectively and securely achieve our regulatory mandate

# MAJOR INITIATIVES IN FY 2018

## APPROVED PERSON EDUCATION AND PROFICIENCY

The development and implementation of Continuing Education ("CE") requirements is a significant undertaking which will materially impact Members, Approved Persons, the MFDA and other industry participants. In recognition of the scope of this project, staff engaged in a multi-stage advance consultation with stakeholders to ensure that any requirements ultimately adopted achieve the desired regulatory objectives in a manner that is as cost effective and efficient as possible. On March 22, 2018, the MFDA published for comment proposed MFDA Rules 1.2, 1.26 and proposed new MFDA Policy No. 9 (Continuing Education Requirements) to establish CE requirements for Members and Approved Persons and minimum standards for complying with such requirements. The CE proposal includes the development of a detailed tracking and reporting requirement for CE credits obtained by Approved Persons. Going forward, the MFDA will proceed with documenting system requirements, assessing potential vendors and developing and implementing a CE tracking and reporting system.

## MEMBER EDUCATION AND OUTREACH

In FY 2018, MFDA staff presented at 20 Member, industry association and other regulatory events on various topics including cybersecurity; senior investors; suitability; supervision; know-your-client (KYC) information; outside activities; branch review programs; the Deferred Sales Charge Sweep Report; CE; the Client Relationship Model - Phase 2 ("CRM2") implementation; and MFDA regulatory priorities.

The MFDA held a Risk Management Conference on October 27, 2017 at the Toronto Region Board of Trade. The Conference provided managers and senior compliance professionals with insights and information on various risk management areas most relevant to Members' operations. Risk management topics covered at the Conference included systemic risk, cybersecurity, new advisors and products, errors and omissions insurance and anti-money laundering.

MFDA Member Regulation Forums were held in person in spring 2018 in Vancouver, Calgary, Toronto and Montreal and provided updates on current compliance, enforcement and policy activities. In fall 2017, MFDA staff hosted a Member Regulation Forum via webcast.

## INVESTOR OUTREACH AND EDUCATION

In FY 2018, MFDA staff held meetings with investor advocates and organizations involved in investor engagement, outreach and the protection of vulnerable persons. These outreach meetings provide individuals and organizations an opportunity to dialogue with MFDA staff and share views on issues affecting Canadian investors.

During the year, MFDA staff presented to the OSC Investor Advisory Panel on the MFDA Client Research Project, the MFDA Suitability Research Paper, complaint handling issues and signature falsification. MFDA participated in an OSC Investor Office tele-town hall, along with staff from the Investment Industry Regulatory Organization of Canada and the Ombudsman for Banking Services and Investments for Financial Literacy Month. Topics discussed by the MFDA included the role of the MFDA, investor protection and working with an advisor.

MFDA published a number of Investor Bulletins that focused on:

- seniors' issues dealing with the importance of putting in place a power of attorney and the risks of borrowing to invest;
- investment fraud; and
- providing investors with key information to help them become a more informed investor including information on suitability and the importance of keeping KYC information up-to-date, as well as information on the complaints process.

## EXPANDING COST REPORTING PROJECT

In 2015, the MFDA issued a consultation paper in respect of expanding the requirements under Rule 5.3.3 (Report on Charges and other Compensation) and the implications of doing so. The majority of comments received were in support of expanding cost reporting to include total costs paid by clients, including ongoing costs of owning investment funds. However, commenters suggested the MFDA wait until Members issued Reports on Charges and Other Compensation to clients before considering whether further amendments were necessary. In light of these comments, in 2017, MFDA staff performed a review of certain Members' Report on Charges and Other Compensation (see Bulletin #740-C: CRM2 Report) and identified areas for potential policy development, such as expanding cost reporting.

In order to promote further discussion in respect of expanding cost reporting, MFDA staff issued another further Discussion Paper on Expanding Cost Reporting on April 19, 2018 (see Bulletin #748-P). The comment period expired on July 20, 2018.

## 2018 MFDA CLIENT RESEARCH PROJECT

The 2016 MFDA Client Research Project provided the MFDA with valuable information and insight into Members' business, their Approved Persons and their clients. In order to support our ongoing compliance efforts, the MFDA is conducting a second Client Research Project and in June 2018 issued a mandatory data request to its Members. The MFDA will be collaborating with the Autorité des marchés financiers to obtain data for all clients residing in the province of Québec.

## COLLABORATION WITH OTHER REGULATORS

Financial advice provided by MFDA Members and their Approved Persons spans multiple regulatory regimes, in particular, insurance. Collaborating and harmonizing with other regulators is crucial to ensuring consistent investor protection across financial sectors. In FY 2018, MFDA staff entered into Memoranda of Understanding ("MOU") with the Alberta and British Columbia Insurance Councils. Each MOU allows the organizations to cooperate by sharing information, as permitted by law, and when it is in the public's interest to do so. The types of information to be shared include information relating to the discipline of dually licensed individuals and licensing decisions made by the Insurance Councils regarding MFDA Approved Persons. In addition, the MOUs allows for joint investigations of the same person(s) by the Insurance Councils and the MFDA.

## POLICY INSTRUMENTS

Significant policy instruments issued in FY 2018 include the following:

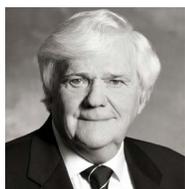
- **New MFDA Rule 2.13 (Disclosure of MFDA Membership) and Policy No. 10 Disclosure of MFDA Membership.** MFDA Rule 2.13 requires the MFDA logo to be included on the front of each account statement and on the Member's website followed by the web address of the official website of the MFDA. The Rule and Policy are subject to a transition period and will become effective on January 1, 2019.
- **New MFDA Policy No. 8 Proficiency Standard for Approved Persons Selling Exchange Traded Funds ("ETFs")** The Policy establishes minimum proficiency standards for Approved Persons trading in ETFs and is intended to satisfy requirements under MFDA Rule 1.2.3 (Education, Training and Experience). The Policy came into effect on July 20, 2017.
- **MFDA Staff Notice (MSN-0066) Signature Falsification** - The Notice reviews background information on signature falsification and outlines actions that should be taken by Members and Approved Persons to detect, address and prevent it. The Notice applies to situations where Approved Persons have created, possessed or used documents such as KYC forms, trade forms and cheques which have been pre-signed or on which client signatures have been falsified through other means.

# CORPORATE GOVERNANCE

## PUBLIC DIRECTORS



**Steven Glover**, MBA, FCPA, FCA  
Corporate Director  
[Canmore, Alberta]  
Joined December 2014



**Hugh McNabney**, CPA (Retired)  
Corporate Director  
(Orillia, Ontario)  
Joined December 2016



**Christopher Nicholls**, BA, LL.B.,  
LL.M., MPA (Chair of the Board)  
Professor of Business Law  
Western University  
(London, Ontario)  
Joined December 2014



**Les O'Brien**, Q.C.  
Former Chairman  
Nova Scotia Securities Commission  
(Halifax, Nova Scotia)  
Joined December 2015



**Barbara Shourounis**, LL.B.  
Former Director  
Saskatchewan Financial Services  
Commission  
(Regina, Saskatchewan)  
Joined December 2015



**Vince Valenti**, MBA  
President  
Valenti Holdings Inc.  
(Manotick, Ontario)  
Joined December 2016



**Mark T. Gordon**, LL.B.  
President & CEO  
Mutual Fund Dealers Association  
of Canada  
(Toronto, Ontario)

## INDUSTRY DIRECTORS



**Rick Annaert**, CPA, CMA  
President & CEO  
Manulife Securities Investment Services Inc.  
(Toronto, Ontario)  
Joined December 2012



**Patricia Callon**, LL.B., BA (Hons.)  
(Vice-Chair of the Board)  
Senior Vice-President & General Counsel  
Sun Life Financial Canada  
(Toronto, Ontario)  
Joined December 2016



**Kirk Dudtschak**, MBA  
Chairman & CEO  
Royal Mutual Funds Inc.  
(Toronto, Ontario)  
Joined December 2016



**Susan Dujmovic**, FICB, ICD.D  
Head of Corporate Sustainability  
HSBC Bank Canada  
(Vancouver, British Columbia)  
Joined November 2017



**Sonny Goldstein**, CFP  
President  
Goldstein Financial Investments Inc.  
(Toronto, Ontario)  
Joined December 2015



**Mark Kinzel**, BA  
Executive Vice-President, Financial Services  
Investors Group Inc.  
(Winnipeg, Manitoba)  
Joined December 2016

## COMPENSATION OF DIRECTORS

The retainers and fees payable to Public Directors are as follows:

Annual Retainer for Public Directors	\$15,000
Annual Retainer for Chair of the Board	\$15,000
Additional Retainer – Chair of the Audit & Finance Committee	\$ 6,000
Additional Retainer – Chair of the Governance Committee	\$ 4,000
Additional Retainer – Chair of the Regulatory Issues Committee	\$ 4,000
Attendance Fee – Board and Committee Meetings in excess of 2 hours	\$ 1,500
Attendance Fee – Committee Meetings less than 2 hours	\$ 1,000

Out-of-town Public Directors who attend meetings in person receive a supplementary travel fee of \$1,000 per meeting. The annual retainer for a Public Director who serves as Chair of the Board is set by the Board of Directors and is reviewed annually. Industry Directors are not compensated for their participation on the MFDA Board or its Committees, however, all Directors are reimbursed for related travel and out-of-pocket expenses.

## ATTENDANCE OF DIRECTORS

A total of 20 corporate meetings were held during FY2018 including one Annual General and Special Meeting of Members. The following is a breakdown of attendance and total compensation for FY2018 for the Board of Directors.

Director	Board	Audit & Finance	Governance	Regulatory Issues	Term Expires	Total Compensation
Rick Annaert <sup>(1) (2)</sup>	5 of 5	3 of 3	7 of 7	n/a	2018	n/a
Patricia Callon <sup>(1) (2)</sup>	5 of 5	3 of 3	7 of 7	n/a	2018	n/a
Kirk Dudtschak <sup>(3)</sup>	5 of 5	n/a	n/a	3 of 4	2018	n/a
Susan Dujmovic <sup>(3)</sup> (joined November 30, 2017)	3 of 3	n/a	n/a	2 of 2	2019	n/a
Steven Glover <sup>(1)</sup>	5 of 5	3 of 3	n/a	n/a	2020	\$39,500
Sonny Goldstein <sup>(3)</sup>	5 of 5	n/a/	n/a	4 of 4	2019	n/a
Mark Gordon	5 of 5	3 of 3	7 of 7	4 of 4	n/a	n/a
Mark Kinzel <sup>(3)</sup>	5 of 5	n/a	n/a	3 of 4	2018	n/a
David Losier <sup>(3)</sup> (stepped down November 30, 2017)	2 of 2	n/a/	n/a	2 of 2	n/a	n/a
Hugh McNabney <sup>(1)</sup>	5 of 5	3 of 3	n/a/	n/a	2019	\$33,500
Christopher Nicholls <sup>(2) (3)</sup>	5 of 5	n/a	7 of 7	4 of 4	2020	\$63,000
Les O'Brien <sup>(1) (3)</sup>	5 of 5	3 of 3	n/a/	4 of 4	2018	\$42,500
Barbara Shourounis <sup>(3)</sup>	5 of 5	n/a	n/a	4 of 4	2018	\$30,000
Vince Valenti <sup>(2)</sup>	5 of 5	n/a	7 of 7	n/a	2019	\$45,500

1. Member of Audit & Finance Committee
2. Member of Governance Committee
3. Member of Regulatory Issues Committee



## FINANCIAL INFORMATION

# MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (“MD&A”) is presented in order to assist in the assessment of the financial condition and results of operations of the Mutual Fund Dealers Association of Canada (the “MFDA”) for the year ended June 30, 2018. This MD&A is current to September 30, 2018 and should be read in conjunction with the audited financial statements and the accompanying notes for the fiscal year (“FY”) ended June 30, 2018.

The MFDA is recognized as a self-regulatory organization for mutual fund dealers in Canada regulating the operations, standards of practice and business conduct of its Members and their over 80,000 Approved Persons with a mandate to protect investors and the public interest. As a not-for-profit corporation, the MFDA is exempt from income taxes under the Income Tax Act (Canada). The MFDA regulates the activities of its 92 Members and the Approved Persons sponsored by them through regulatory activities which include developing rules and policies to govern the business conduct and operations of its Members and their Approved Persons, monitoring compliance with these requirements and applicable securities laws, and enforcement through disciplinary proceedings conducted before impartial and independent MFDA Hearing Panels.

The MFDA’s financial statements have been prepared in accordance with Part III of the *Chartered Professional Accountants (“CPA”) Canada Handbook – Accounting*, which sets out generally accepted accounting principles (“GAAP”) for not-for-profit organizations in Canada.

Certain statements in this MD&A are forward-looking and are therefore subject to risks and uncertainties. The financial performance or events forecast in these statements may differ materially from actual financial performance or events. The MFDA has based these forward-looking statements on its current views of future events and financial performance. Any assumptions, in our judgment, although reasonable at the time of publication, are not guarantees of future performance.

## Financial and Operating Summary (table in \$ 000's)

Particulars	FY2018	FY2017
	\$	\$
<b>Operating revenues</b>		
Membership fees	<b>\$31,555</b>	\$30,958
Fines	<b>2,817</b>	1,605
Other	<b>715</b>	596
<b>Total revenues</b>	<b>35,087</b>	33,159
<b>Expenses</b>		
Salaries and employee benefits	<b>26,137</b>	24,696
Rent and occupancy	<b>2,943</b>	2,766
Technology	<b>831</b>	1,033
Travel	<b>825</b>	797
Hearing panels	<b>666</b>	660
Other	<b>3,777</b>	3,190
<b>Total expenses</b>	<b>35,179</b>	33,142
<b>Excess (deficiency) of revenues over expenses</b>	<b>(92)</b>	17
<b>Assets</b>		
Current assets	<b>21,478</b>	20,742
Current assets - internally restricted	<b>9,004</b>	6,727
Non-current assets	<b>4,495</b>	3,828
<b>Total assets</b>	<b>34,977</b>	31,297
<b>Liabilities</b>		
Current liabilities	<b>12,799</b>	11,319
Non-current liabilities	<b>18,526</b>	20,252
<b>Total liabilities</b>	<b>31,325</b>	31,571
<b>Net assets / (liabilities)</b>	<b>\$3,652</b>	(\$274)
Full-time Employees ("FTEs")	<b>164</b>	162
Member Assets Under Administration ("AUA") - for fee purposes (excluding Quebec)	<b>\$551,000,000</b>	\$525,000,000
Number of Members	<b>92</b>	93
Number of Approved Persons	<b>80,457</b>	82,165

## REVENUES

The MFDA is a “cost-recovery” not-for-profit organization which assesses membership fees to its Members in order to provide sufficient funding to meet annual budgeted operating and capital costs and to maintain adequate net assets (refer to policy for managing unrestricted net assets on page 16).

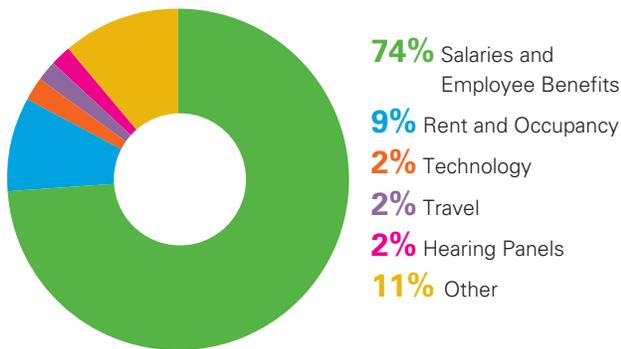
Fees charged to individual Member firms are calculated using a sliding scale formula that takes into account the amount of assets under administration (“AUA”) of each Member firm with a minimum fee amount applicable to all Members. Such Member fees are payable in quarterly installments.

The MFDA’s other sources of revenues typically include:

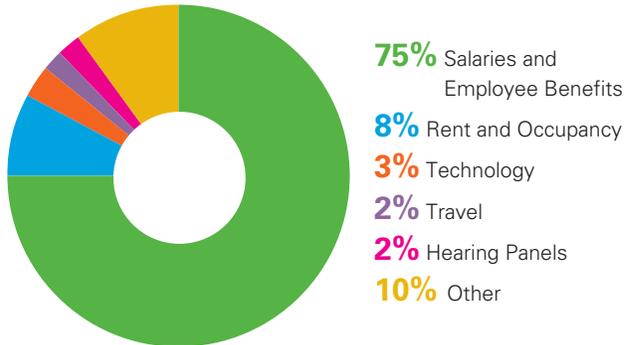
- Enforcement fines and cost recoveries imposed by order of the MFDA Regional Council Hearing Panels at the conclusion of the MFDA disciplinary hearings or settlements and which have been collected by the MFDA
- Fees charged for enforcement activity history requests
- Fines and late filing fees assessed against Members that have missed information filing deadlines
- Investment income derived from the investment of surplus cash in accordance with the MFDA’s Investment Policy Statements
- Recoveries from MFDA Investor Protection Corporation (“MFDA IPC”) for administrative services provided by the MFDA, and
- Other income, if any

## EXPENSES

### FY2018



### FY2017



Total expenses were higher in FY 2018 by \$2,037,069 primarily due to higher employee related costs and higher rent and amortization of capital assets, partially offset by lower costs in other categories, as explained in the following paragraphs.

## COMPENSATION

Salaries and employee benefits expense, excluding benefit plans remeasurements which are recorded directly against Fund balances, represent 74% of FY 2018 operating expenses. Headcount in FY 2018 was 164 FTEs, representing an increase of two FTEs (one each in the Litigation and Corporate Secretary departments). The heavy volume of enforcement cases continued in the 2018 fiscal year and these two positions were hired to address the additional caseload.

Salaries and employee benefits (other than post-retirement benefits expense) were higher in FY 2018 by \$908,063 (4.4%) due to merit increases, two additional FTEs and increased cost of medical and dental benefits.

Post-retirement benefits expense was higher in FY 2018 by \$533,751 (12.8%), primarily due to lower discount rates (3.50% vs. 3.75%) used in the calculation of post-retirement benefits expense. Post-retirement benefits represent benefits to be provided to employees in the future and are determined using the accrual basis of accounting based on employee service provided in the current year. The amounts recorded in the financial statements will vary significantly from the actual cash funding amounts which are determined based on periodic actuarial valuations. In calculating the liability and expense related to the post-retirement benefit plans, assumptions are made about the expected rate of return on plan assets, the discount rate, future salary increases, mortality, turnover, retirement ages and the medical expense trend rate.

## RENT AND OCCUPANCY

The MFDA has offices in Toronto, Calgary and Vancouver. Rent and occupancy costs were higher by \$177,027 (6.4%) in FY 2018, mainly due to a one-time property tax refund pertaining to prior years for the Toronto office received in FY 2017, partially offset by higher operating costs in FY 2018. The following is a breakdown of FY 2018 occupancy costs (including office lease expense, operating costs, property taxes, and facilities maintenance) by location:

Location	Annual Occupancy Cost
Toronto	\$2,420,243
Calgary	\$284,699
Vancouver	\$237,899

## TECHNOLOGY

Technology costs were lower in FY 2018 by \$202,148 (19.6%). A restructuring of the MFDA's computer network, backup and recovery facilities allowed for the realization of efficiencies leading to lower network costs. This restructuring also allowed for a number of vendor agreements to be renegotiated more favorably for the MFDA. Technology costs include costs for software licensing, telecommunications and internet services, managed hosting for the website and servers, data security related services and other miscellaneous computer related expenses.

## TRAVEL

Travel for the MFDA pertains mainly to conducting Compliance reviews and Enforcement investigations and hearings. Travel costs for FY 2018 were \$28,542 (3.6%) higher compared to the prior year, due to a change in the mix of Members scheduled for review during FY 2018 and their relative locations, as compared to FY 2017.

## HEARING PANEL AND REGIONAL COUNCILS

Hearing panel costs vary from year to year depending upon the number, location, and amount of contested hearings. Hearing panel costs incurred in FY 2018 were \$6,432 (1.0%) higher compared to FY 2017. These costs were reimbursed from the Discretionary Fund in order to mitigate the financial impact to the membership.

## OTHER

Other expenses include administrative services and expenses, professional and consulting fees, amortization of capital assets, Board of directors' fees and expenses, staff training and development, and meetings, seminars and communication. Professional and consulting fees were higher in FY 2018 by \$116,876 (14.9%). Professional and consulting fees include legal and other fees charged by external service providers, which may vary from year to year depending on what external expertise is required for special projects. Amortization expense was higher in FY 2018 by \$361,741 (81.5%), due to the full year impact of the amortization for IT related projects and leasehold improvements completed during FY 2017. Increases in other categories of expenses were in the normal course of business.

## EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES

The excess (deficiency) of revenues over expenses is added to unrestricted net assets, consistent with the MFDA unrestricted net assets policy as described on page 16. The deficiency of revenues over expenses for FY 2018 was \$92,045.

## FINANCIAL POSITION

### Investments

The MFDA's surplus cash is invested in accordance with the Board approved investment policies.

Investments totaled \$21,421,466 at June 30, 2018 (2017 - \$18,019,885) and consisted of money market funds, treasury bills, and balanced funds, which are managed by external fund managers. FY 2018 investments consist of \$12,417,931 (2017 - \$11,293,224) pertaining to the Unrestricted Fund, \$4,816,274 (2017 - \$2,532,412) pertaining to the Discretionary Fund and \$4,187,261 (2017 - \$4,194,249) pertaining to the Post-Retirement Benefits Fund.

### Capital Expenditures

Capital expenditures totaled \$1,181,200 in FY 2018 (2017 - \$2,012,053) and consisted of \$615,915 towards replacement of computer systems and software development, \$285,879 in office furniture and equipment, \$155,752 for leasehold improvements, and \$123,654 in equipment under capital leases.

### MFDA Discretionary Fund

The Discretionary Fund is an internally restricted fund, established and operated pursuant to policies approved by the MFDA Board of Directors. Revenues consist of monies from the collection of enforcement fines and the surrender of profits imposed by order of an MFDA Hearing Panel. During FY 2018, the Fund received fines of \$2,816,785 (2017 - \$1,605,405) and \$573,957 (2017 - \$456,586) was transferred to the Unrestricted Fund towards the costs related to MFDA Enforcement Hearings. As of June 30, 2018, the Discretionary Fund balance was \$4,816,274 (2017 - \$2,532,412) and was held in investments.

### Post-Retirement Benefits Fund

The Post-Retirement Benefits Fund is an internally restricted fund established by the MFDA Board of Directors to fund the employee post-retirement benefit ("PRB") obligations (e.g. health and dental care benefits to retired employees). This Fund may also be used for special disbursements relating to other employee future benefits (e.g. solvency payments for the MFDA's pension plans), as needed. During FY 2018, the PRB Fund investment was transferred from a short-term bond fund to a balanced fund in order to better match the duration of the PRB liability. As of June 30, 2018, the PRB Fund balance was \$4,187,261 (2017 - \$4,194,249).

### MFDA Investor Protection Corporation

The MFDA bills and collects assessments on behalf of the MFDA IPC. For the year ended June 30, 2018 the MFDA billed \$4,303,590 (2017 - \$4,293,306) to its Members on behalf of the MFDA IPC. As at June 30, 2018, \$39,242 of the MFDA IPC assessments remained due to the MFDA IPC (2017 - \$50,374). The MFDA also provides the MFDA IPC with office space, administrative services, and corporate secretarial and other support as part of a services agreement between the two entities. The administration costs charged to the MFDA IPC under this services agreement for FY 2018 amounted to \$60,000 (2017 - \$60,000) plus applicable taxes.

### Employee Future Benefits Plans Asset and Liability

The MFDA has an employee future benefits asset of \$1,209,600 (FY 2017 - \$918,100) pertaining to the Supplemental Executive Retirement Plan ("SERP") for eligible executives and an accrued employee benefit plans liability of \$18,425,200 (FY 2017 - \$20,220,700). The employee benefit plans liability comprises a \$10,771,200 liability (FY 2017 - \$13,105,500) pertaining to the RPP and a \$7,654,000 liability (FY 2017 - \$7,115,200) with respect to the Post-Retirement Benefits ("PRB") plan.

The \$1,795,500 (8.9%) year over year decrease in the employee future benefits liability is primarily related to the increase in interest rates used for valuation purposes, employer contributions net of benefit payments and improved performance of pension assets partially offset by the current year service costs.

The persistent low interest rate environment continues to make pension obligations a significant portion of liabilities on the MFDA's balance sheet. However, recent interest rate increases have aided in reducing stated pension obligations with actuarial gains on post-retirement benefit obligations totaling \$3,163,985 for FY 2018. Asset gains totaling \$854,000 further helped reduce pension obligations. In total, employee benefit plans remeasurements have increased the Unrestricted Fund by \$4,017,985 for FY 2018.

Over the past years, the MFDA actively took steps to mitigate the rising costs of pension obligations by implementing higher RPP contribution rates for employees effective October 2014 and by closing the plan to new hires as of January 1, 2014. These measures helped contain the normal cost of funding the RPP. New employees hired after January 1, 2014 are eligible for a 5% RRSP contribution program that provides for their retirement needs but limits the cost to the MFDA. Additionally, the PRB Fund was established as an internal restriction to back PRB obligations and provide a measure of financial stability in managing any pension funding shortfalls in the future. As at June 30, 2018, the PRB Fund had an asset balance of \$4,187,261. Accounting standards, however, do not allow for this funding to offset the PRB obligation on the face of the financial statements and so the full amount of the PRB liability is included in the employee benefit plans liability on the face of the Statement of Financial Position.

The triennial actuarial valuation of the RPP and the SERP was performed as at July 1, 2018 by the MFDA's actuarial consultant, Buck Consultants LLC. The valuation determined that the RPP is funded at 104% on a going concern basis and 93% on a solvency or wind-up basis. The SERP is funded at 107% on a going concern basis. In accordance with pension legislation, no solvency calculation is required for the SERP.

## UNRESTRICTED NET ASSETS AND LIQUIDITY

The MFDA's regulatory and administrative activities constitute the Unrestricted Fund.

Pursuant to Section 3463 of the *CPA Canada Handbook – "Reporting Employee Future Benefits by Not-for-Profit Organizations"* which took effect for the MFDA in FY 2015, the MFDA has cumulatively recognized net non-cash remeasurement charges of \$7,114,394 to the unrestricted net assets as of June 30, 2018, including a reversal of \$4,017,985 during FY 2018 (primarily due to higher discount rates and better than estimated returns on pension assets). These non-cash charges are reflected in the Statement of Changes in Fund Balances in the financial statements. As a result of these charges, the balance in unrestricted net assets is negative and reflects a net liability of \$5,351,208 as of June 30, 2018.

To ensure the MFDA's ability to continue as a going concern, the MFDA has an internal liquidity guideline in the unrestricted fund of three months of operating expenses. Based upon the FY 2019 operating budget this target is currently set at \$8.0 million.

The following table summarizes the MFDA's funding coverage and liquidity position as of June 30, 2018 (table in \$000's):

Annual funding requirement (per FY 2019 Budget)	\$31,656
Target Reserve of 3 months Operating Expenses	\$7,914
Operating Cash Account balance	\$1,123
Investments - Unrestricted Fund	12,418
Total liquid assets	13,541
Short-term obligations, net of pre-payments and receivables	(4,862)
Cash and Investments, net of short-term obligations	\$8,680
Number on months funding coverage	3.3

## USE OF ESTIMATES

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, and disclosure of contingencies. Significant areas requiring the use of management estimates relate to the assumptions used in the valuation of pension and other retirement benefit obligations and the recording of contingencies. Actual results could differ from those estimates.

## RISK

### Enterprise Risk Management program

Senior management manages the administration of the Enterprise Risk Management program with the Audit and Finance Committee receiving ongoing risk reporting.

### Litigation Risk

In the normal course of executing its regulatory mandate and in its capacity as an employer, the MFDA may face claims by employees, the public, its members or other third parties. The MFDA mitigates the risk of these claims arising by having appropriate policies, procedures and controls in place, ensuring strict compliance with these policies, procedures and controls, and seeking legal counsel accordingly. The MFDA also maintains insurance coverage through various policies to mitigate the financial impact of such claims should they arise.

### Funding Risk

Funding Risk relates to the MFDA's ability to anticipate and manage factors that may affect the level of the MFDA's revenue through Membership fees. The majority of funding for the MFDA operations is provided by its largest members representing a small percentage of its membership. This risk is mitigated by maintaining appropriate liquid cash reserves and available credit.

### Regulatory Compliance

Failure of the MFDA to comply with the terms and conditions of recognition set by the recognizing securities commissions of Canada would have serious consequences for the organization. The MFDA uses robust processes and controls to ensure compliance with these terms and conditions for recognition.

### Data Security

Data security and the preservation of confidential information is a key consideration for all organizations today and one that remains a priority for the MFDA. To date the MFDA has implemented enhanced employee training as well as robust processes and controls, including independent tests and assessments of its information technology security

infrastructure and application platforms, to safeguard the security and integrity of data to meet legal requirements and mitigate the risk of data loss. The creation of the Chief Technology Officer position in 2016 and a planned hire dedicated to data security in FY 2019 further underlines the MFDA's commitment to data security. The MFDA also maintains cyber insurance coverage to mitigate the financial impact of a data breach.

### Business Continuity

The MFDA maintains a Business Continuity Plan ("BCP") to ensure that the organization can recover from business disruptions and keep its critical regulatory activities functioning. The MFDA's BCP is tested periodically and updated on an ongoing basis.

### Credit Risk

Credit risk arises from other parties' inability to discharge their financial obligations to the MFDA. The MFDA's credit risk derives from cash, membership fees receivable and investments. The MFDA maintains cash balances with a major Canadian financial institution, although the amounts on deposit are in excess of Canada Deposit Insurance Corporation limits. Cash not required for current activities is invested in short term Canada Government treasury bills, a money market pooled fund. The Post-Retirement Benefits Fund assets are invested in a diversified Balanced Fund. The MFDA believes the credit risk associated with membership fees receivable is minimal as all fees billed are to Members whose registration is in good standing.

### Liquidity Risk

Liquidity risk is the risk of holding assets that cannot be readily converted into cash to meet liabilities. The financial instruments that are exposed to liquidity risk are membership fees receivable and investments. Liquidity risk is mitigated through effective cash management and by investing in highly liquid investments readily converted into cash. The Post-Retirement Benefits Fund assets are invested in a diversified Balanced Fund. Additionally, the MFDA maintains a line of credit available with a major Canadian financial institution.

### Interest Rate Risk

Interest rate risk is the risk of the change in the financial instrument's fair value due to fluctuations in the current interest rate. The MFDA mitigates interest rate risk by investing in short-term holdings that are not significantly impacted by current rate fluctuations. The Post-Retirement Benefits Fund assets are invested in a diversified Balanced Fund. Also, investment income is not a significant amount of the overall revenues of the MFDA.

### Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The MFDA minimizes exposure to market risk by investing in a portfolio of Canadian treasury bills with maturities of less than one year and a money market pooled fund. The Post-Retirement Benefits Fund assets and the Pension Fund assets are invested in a diversified Balanced Fund.

## FY 2019 BUDGET

### FY 2019 Budget vs. FY 2018 Actuals – GAAP Basis (table in \$000's)

Particulars	FY 2019	% of Total	FY 2018	% of Total
Salaries and employee benefits	\$26,463	73%	\$26,137	74%
Rent and occupancy	2,813	8%	2,943	8%
Technology	940	3%	831	2%
Travel	836	2%	825	2%
Hearing panels	629	2%	666	2%
Other	4,427	12%	3,777	12%
Total operating expenses	\$36,108	100%	\$35,179	100%
Additions to Capital Assets	\$1,347	n/a	\$1,181	n/a
2 year Average AUA (for fee determination)	\$532,052,000	n/a	\$493,217,000	n/a
Full-time Employees (FTEs)	165	n/a	164	n/a

The MFDA's revenue base remained stable as the 2 year average AUA (used for fee determination) grew by 7.9% as of March 31, 2018, compared to March 31, 2017.

The MFDA's new Strategic Plan, covering the period of 2018 to 2022, was approved by the MFDA Board of Directors in June 2018. Costs pertaining to key Strategic Plan initiatives slated for implementation during FY 2019 have been incorporated in the FY 2019 budget.

With respect to expenses for FY 2019, the anticipated increase in salaries and employee benefits is due to an additional investigator position to manage the increased volume of cases being investigated as well as an increase in contract employment to address temporary staff leaves and project work not requiring FTEs. The salary merit increase for FY 2019 is benchmarked to other regulatory industry peers. A new position, Director of IT Security, has been added for FY 2019 to address the ongoing and increasing cybersecurity threats faced by the MFDA. Efficiencies from the Electronic Working Papers ("EWP") system now operational in the Compliance Department has allowed for the release, through attrition, of an FTE to accommodate this new IT position with no resulting increase in headcount.

Toronto and Vancouver office lease rental costs will remain in line with FY 2018 levels, subject to normal changes in operating costs passed on by the landlord. The Calgary office lease, due for renewal in December 2018, was renewed during FY 2018 on favorable terms with an annual savings of \$86,000.

Technology expenses are expected to be \$109,000 (13%) higher in FY 2019 primarily related to planned cybersecurity initiatives. The MFDA will continue to seek new or further develop existing technologies that will lead to operational efficiencies and improved IT security and resiliency for the organization.

Travel costs are anticipated to remain largely flat in FY 2019.

The Bulk Track System implemented in FY 2016 continues to help contain Hearing Panel costs along with other cost saving measures in place. For funding purposes, the FY 2018 Hearing Panel costs will be recovered entirely from the Discretionary Fund, which had a balance of \$4,816,274 as at June 30, 2018, thereby lessening the financial impact to the membership.

Other expenses will be higher in FY 2019 due to the amortization of leasehold improvements for the Toronto, Vancouver and Calgary offices and increased consulting costs. Included in the consulting costs is \$350,000 pertaining to the Member Firm Cybersecurity Review Project, the cost of which will be recovered entirely from the Discretionary Fund along with \$75,000 towards the Client Research Project – Part 2.

Capital spending is anticipated to total \$1,347,000 in FY 2019. The MFDA will begin development of a comprehensive software solution for the tracking of Continuing Education for the MFDA membership, Electronic Case File System, scheduled technology hardware replacements, enhancements to the EWP system and the renovation costs pertaining to the Calgary office lease renewal which will be recoverable from the landlord.

# MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements and all other information contained in this Annual Report are the responsibility of the MFDA management. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and necessarily include some amounts based on the estimates and judgments of management.

In discharging its responsibilities for the integrity and reliability of the financial statements, management maintains and relies upon a system of internal controls. These internal controls are designed to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The MFDA also maintains formalized policies and procedures and an organizational structure that segregates duties. The MFDA employs standards and procedures for hiring employees who are required to abide by a business code of conduct and receive ongoing training regarding the proper execution of their duties. Mechanisms also exist that enable reporting to the Audit & Finance Committee of any perceived unethical behavior by employees.

In order to provide their opinion on the MFDA's financial statements, Ernst & Young LLP reviews the MFDA's system of internal controls and conducts such tests and other audit procedures that they consider appropriate. The auditors also meet in-camera with the Audit & Finance Committee, without management present, to discuss the results of their work. The independence of the auditors as well as the effectiveness of their work is assessed by the Audit & Finance Committee annually.

The Audit & Finance Committee reviews the effectiveness of the company's financial reporting and internal control systems, any significant financial reporting issues, the presentation and impact of significant risks, and key estimates and judgments of management that may be material for financial reporting purposes. Additionally, the Audit & Finance Committee meets periodically with the MFDA management and the auditors, and reports to the Board of Directors thereon. The Audit & Finance Committee also reviews the annual financial statements and recommends them for approval by the Board of Directors.

The accompanying financial statements have been audited by the auditors who are engaged by the Board of Directors on the recommendation of the Audit & Finance Committee. The appointment of the auditor is ratified at the Annual General Meeting of MFDA Members.



---

**Mark T. Gordon**  
President & Chief Executive Officer



---

**Paul Reid**  
Vice-President, Finance & Administration

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA

We have audited the accompanying financial statements of the **Mutual Fund Dealers Association of Canada**, which comprise the statement of financial position as at June 30, 2018, and the statements of revenues and expenses, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Mutual Fund Dealers Association of Canada** as at June 30, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten script font.

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
October 4, 2018

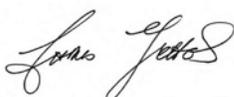
## STATEMENT OF FINANCIAL POSITION

As at June 30

	Notes	2018	2017
		\$	\$
<b>ASSETS</b>			
Current			
Cash		1,123,403	2,276,646
Investments, fair value	3	12,417,931	11,293,224
Internally restricted investments, fair value	3, 9	9,003,535	6,726,661
Membership fees receivable		7,451,848	6,682,706
Prepaid expenses and deposits		465,794	434,295
Membership fees receivable - MFDA Investor Protection Corporation	6	2,749	29,557
Administrative costs receivable	6	16,950	25,894
		<b>30,482,210</b>	27,468,983
Non-current			
Employee future benefits	5	1,209,600	918,100
Capital assets, net	4	3,285,602	2,910,136
		<b>34,977,412</b>	31,297,219
<b>LIABILITIES AND FUND BALANCES</b>			
Current			
Accounts payable and accrued liabilities		4,789,413	3,350,265
Deferred membership fee revenue		7,932,142	7,900,993
Due to MFDA Investor Protection Corporation	6	39,242	50,374
Capital lease obligations	8	38,094	17,409
		<b>12,798,891</b>	11,319,041
Non-current			
Employee future benefits	5	18,425,200	20,220,700
Capital lease obligations	8	100,994	31,091
		<b>31,325,085</b>	31,570,832
<i>Guarantee, commitments and contingencies (notes 6, 8 and 11)</i>			
<b>FUND BALANCES</b>			
Unrestricted fund		(5,351,208)	(7,000,274)
Internally restricted funds	9	9,003,535	6,726,661
		<b>3,652,327</b>	(273,613)
		<b>34,977,412</b>	31,297,219

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board



Director

**Christopher Nicholls,**  
Chair, Board of Directors



Director

**Mark T. Gordon,**  
President & Chief Executive Officer

## STATEMENT OF REVENUES AND EXPENSES

For the year ended June 30

		2018	2017
	Notes	\$	\$
<b>Revenues</b>			
Membership fees		<b>31,555,450</b>	30,957,574
Investment income	3	<b>243,279</b>	149,868
Cost recoveries and late filing fees		<b>411,458</b>	385,129
Fines	9	<b>2,816,785</b>	1,605,405
Administration recoveries	6	<b>60,000</b>	60,000
Other income		-	777
<b>Total revenues</b>		<b>35,086,972</b>	33,158,753
<b>Expenses</b>			
Salaries and employee benefits	5	<b>26,137,335</b>	24,695,521
Rent and occupancy		<b>2,942,841</b>	2,765,814
Administrative services and expenses		<b>1,160,766</b>	1,123,725
Technology		<b>831,311</b>	1,033,459
Professional and consulting fees		<b>902,078</b>	785,202
Hearing panels		<b>666,414</b>	659,982
Travel		<b>825,280</b>	796,738
Amortization of capital assets		<b>805,734</b>	443,993
Board of Directors' fees and expenses		<b>332,100</b>	332,293
Staff training and development		<b>318,441</b>	278,043
Meetings, seminars and communication		<b>256,717</b>	227,178
<b>Total expenses</b>		<b>35,179,017</b>	33,141,948
<b>Excess (deficiency) of revenues over expenses for the year</b>		<b>(92,045)</b>	16,805

The accompanying notes are an integral part of these financial statements.

## STATEMENT OF CHANGES IN FUND BALANCES

**For the year ended June 30**

	2018			2017
	Unrestricted Fund	Internally Restricted Funds	Total	Total
	\$	\$	\$	\$
<b>Fund balances, beginning of year</b>	<b>(7,000,274)</b>	<b>6,726,661</b>	<b>(273,613)</b>	(39,024)
Excess (deficiency) of revenues over expenses for the year	<b>(92,045)</b>	-	<b>(92,045)</b>	16,805
Employee benefit plans - remeasurements (note 5)	<b>4,017,985</b>	-	<b>4,017,985</b>	(251,394)
Interfund transfers (note 9)	<b>(2,276,874)</b>	<b>2,276,874</b>	-	-
<b>Fund balances, end of year</b>	<b>(5,351,208)</b>	<b>9,003,535</b>	<b>3,652,327</b>	(273,613)

The accompanying notes are an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

For the year ended June 30

	2018	2017
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses for the year	(92,045)	16,805
Add (deduct) non-cash items:		
Amortization of capital assets	805,734	443,993
Employee benefit plan expense	4,538,904	4,075,500
Net change in non-cash balances		
Prepaid expenses and deposits	(31,499)	237,273
Membership fees receivable	(769,142)	267,414
Administrative costs receivable	8,944	-
Membership fees receivable - MFDA Investor Protection Corporation	26,808	40,094
Accounts payable and accrued liabilities	1,590,175	361,378
Deferred membership fee revenue	31,149	160,089
Due to MFDA Investor Protection Corporation	(11,132)	(82,772)
Contributions to employee benefit plans	(2,607,919)	(1,869,794)
<b>Cash provided by operating activities</b>	<b>3,489,977</b>	<b>3,649,980</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments, net	(3,401,581)	(1,650,147)
Purchase of capital assets	(1,208,573)	(1,766,473)
Principal payments on capital leases	(33,066)	(34,031)
<b>Cash used in investing activities</b>	<b>(4,643,220)</b>	<b>(3,450,651)</b>
Increase (decrease) in cash during the year	(1,153,243)	199,329
Cash, beginning of year	2,276,646	2,077,317
<b>Cash, end of year</b>	<b>1,123,403</b>	<b>2,276,646</b>
<b>Supplemental cash flow information</b>		
Acquisition of assets under capital leases	(123,654)	-
Amounts in accounts payable and accrued liabilities related to purchase of capital assets	(177,540)	(328,567)

The accompanying notes are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

## 1. NATURE OF THE ORGANIZATION

The Mutual Fund Dealers Association of Canada (“MFDA”) is a not-for-profit corporation incorporated without share capital. The MFDA was incorporated on June 19, 1998 under the *Canada Corporations Act* and was continued under the *Canada Not-for-Profit Corporations Act* on July 24, 2014. As a not-for-profit organization, the MFDA is exempt from income taxes under Section 149(1) of the *Income Tax Act* (Canada).

The MFDA is the national self-regulatory organization for the distribution side of the Canadian mutual fund industry. The MFDA does not provide trade association activities for its Members (“Members”). Its Members are firms that have been registered by provincial securities commissions to carry on business as mutual fund dealers. The MFDA regulates the activities of its Members and the Approved Persons sponsored by them. The MFDA’s regulatory activities include developing rules and policies to govern the business conduct and operations of its Members and their Approved Persons, monitoring compliance with these requirements and applicable securities laws, and enforcing them through disciplinary proceedings conducted before impartial and independent MFDA hearing panels.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### **Basis of accounting**

These financial statements have been prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada (“GAAP”) and includes the significant accounting policies summarized below.

These financial statements do not include the assets, liabilities and operations of the MFDA Investor Protection Corporation (“MFDA IPC”), which is a separate, non-controlled corporate entity with separate financial statements (note 6).

### **Cash**

Cash includes balances with banks. Cash maintained in investment accounts for investment in short-term vehicles is included in investments.

### **Financial instruments**

The MFDA initially measures its financial assets and financial liabilities at fair value. The MFDA subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in pooled funds, which are measured at fair value at their reported net asset value per unit. Changes in fair value are recognized in the Statement of Revenues and Expenses. Investments in treasury bills are valued at cost plus accrued interest, which approximates fair value.

All transactions are recorded on a trade date basis.

Other financial instruments, including membership fees receivable, administrative costs receivable, accounts payable and accrued liabilities and due to MFDA Investor Protection Corporation, are initially recorded at their fair values and are subsequently measured at cost, net of any provisions for impairment.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Capital assets

Capital assets are recorded at cost. Amortization is charged to expenses on the straight-line basis over the estimated useful lives of the assets as follows:

Computers and software development	3 to 5 years
Office furniture and equipment	10 years
Leasehold improvements	Over lease term
Equipment under capital lease	Over lease term

### Employee future benefits

The MFDA maintains two defined benefit plans, a registered pension plan ("RPP") for eligible employees and a supplementary executive retirement plan ("SERP") for designated executive employees. The MFDA also provides other post-retirement benefits ("PRB") for eligible employees.

The MFDA accounts for these benefits using the immediate recognition approach. Under this approach, the MFDA recognizes the amount of the accrued obligation, net of the fair value of the assets, in the Statement of Financial Position. Current service and finance costs are expensed during the year. Remeasurements and other items, which represent the total of the difference between actual and expected return on plan assets, actuarial gains and losses, and past service costs, are recognized directly in the Statement of Changes in Fund Balances.

The accrued benefit obligation for the funded plans is determined using a roll-forward technique to estimate the accrued liability using accounting assumptions from the most recent actuarial valuation report prepared at least every three years. The accrued liability for unfunded plans is prepared on a basis consistent with the funded plans. The pension plan assets of the RPP and the SERP are measured at fair value as at the Statement of Financial Position date.

### Revenue recognition

The MFDA follows the deferral method of accounting for revenue recognition. Membership fees are calculated annually for the period from July 1 to June 30, using a defined formula that is based on the Member's assets under administration. Membership fees are billed quarterly and are reflected in the fiscal year due. The membership fee receivable amount represents invoices issued in June for the first quarter of the next fiscal year. The fees are deferred and are recognized as revenue in the next fiscal year.

Membership application deposits are a non-refundable deposit required to be submitted with an application for membership. The deposit is recognized as membership fees revenue when the applicant is accepted for membership.

Investment income, consisting of interest and income distributions from pooled funds and realized and unrealized gains and losses, is recorded as revenue in the Statement of Revenues and Expenses as earned.

Cost recoveries and late filing fees and administrative recoveries are recorded as revenues when the services are provided or as the amounts become due. Fines are recorded as revenue when collected.

### Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of estimates relate to the assumptions used in the determination of pension and other retirement benefit assets and obligations. Actual results may differ from those estimates.

### 3. INVESTMENTS AND INVESTMENT INCOME

The MFDA's investments are carried at fair value and consist of the following:

Investments at June 30 at fair value:

	<b>2018</b>	2017
	<b>\$</b>	\$
Cash	<b>165,490</b>	493,066
Canada Government Treasury Bills	<b>4,354,320</b>	4,159,200
CIBC Imperial Money Market Pooled Fund	<b>12,714,395</b>	9,173,370
CIBC Imperial Short Term Bond Fund	-	4,194,249
Beutel Goodman Balanced Fund	<b>4,187,261</b>	-
<b>Total investments</b>	<b>21,421,466</b>	18,019,885

The presentation of investments on the statement of financial position is as follows:

Investments, fair value	<b>12,417,931</b>	11,293,224
Internally restricted investments, fair value	<b>9,003,535</b>	6,726,661
<b>Total</b>	<b>21,421,466</b>	18,019,885

The amount classified as "Internally restricted investments" comprises the amounts set aside for purposes of the Discretionary Fund (note 9) and investments held for the Post-Retirement Benefits Fund (note 9).

Investment income recorded in the Statement of Revenues and Expenses is as follows:

	<b>2018</b>	2017
	<b>\$</b>	\$
Interest from Treasury Bills	<b>42,293</b>	27,901
Distributions from Money Market Pooled Fund	<b>144,603</b>	91,546
Distributions from Short Term Bond Fund	<b>32,546</b>	9,924
Distributions from Beutel Goodman Balanced Fund	<b>35,114</b>	-
Unrealized gains (losses) from Beutel Goodman Balanced Fund	<b>(59,029)</b>	-
	<b>195,527</b>	129,371
Bank interest	<b>47,752</b>	20,497
<b>Total investment income</b>	<b>243,279</b>	149,868

## 4. CAPITAL ASSETS

	2018		
	Cost	Accumulated Amortization	Net book value
	\$	\$	\$
Computers and software development	3,362,098	2,339,724	1,022,374
Office furniture and equipment	1,069,528	641,152	428,376
Leasehold improvements	2,120,041	422,403	1,697,638
Equipment under capital leases	177,496	40,282	137,214
	<b>6,729,163</b>	<b>3,443,561</b>	<b>3,285,602</b>

	2017		
	Cost	Accumulated Amortization	Net book value
	\$	\$	\$
Computers and software development	2,751,351	1,836,081	915,270
Office furniture and equipment	783,649	592,536	191,113
Leasehold improvements	1,964,289	210,098	1,754,191
Equipment under capital leases	146,886	97,324	49,562
	5,646,175	2,736,039	2,910,136

During the year, the MFDA wrote off fully amortized capital assets of \$98,212 (2017 – \$4,249,004).

## 5. EMPLOYEE BENEFIT PLANS

The MFDA provides retirement and post-employment benefits for its employees.

The MFDA maintains two defined benefit plans, a registered pension plan (“RPP”) for eligible employees and a supplementary executive retirement plan (“SERP”) for designated executive employees.

The RPP is a contributory defined benefit pension plan based on earnings and years of service for eligible employees hired or rehired prior to January 1, 2014. The RPP is closed to new or rehired employees commencing employment on or after January 1, 2014.

The SERP is a funded supplementary defined benefit pension plan for eligible executives, based on earnings and years of service.

The MFDA also has a non-pension Post-Retirement Benefits plan (“PRB”). The benefits provided under the plan to retired employees are medical, dental and health care insurance coverage to eligible retirees.

The most recent actuarial valuation of the RPP and the SERP plans for funding purposes was as of July 1, 2015. The next actuarial valuation for the RPP and the SERP is July 1, 2018. An actuarial valuation of the PRB plan was conducted as at July 1, 2016.

## 5. EMPLOYEE BENEFIT PLANS (CONTINUED)

The MFDA measures its accrued benefit obligation and the fair value of fund assets for accounting purposes as at June 30 of each year. The asset (liability) on the MFDA's Statement of Financial Position is as follows:

	June 30, 2018			June 30, 2017		
	RPP	SERP	PRB	RPP	SERP	PRB
	\$	\$	\$	\$	\$	\$
Accrued benefit obligation	40,615,600	6,450,000	7,654,000	39,227,400	6,395,900	7,115,200
Fair value of plan assets	29,844,400	7,659,600	-	26,121,900	7,314,000	-
Accrued benefit asset (liability)	(10,771,200)	1,209,600	(7,654,000)	(13,105,500)	918,100	(7,115,200)

The employee future benefit expense (component of salaries and employee benefits) is as follows:

	June 30, 2018			June 30, 2017		
	RPP	SERP	PRB	RPP	SERP	PRB
	\$	\$	\$	\$	\$	\$
Current service cost	2,889,300	227,000	633,504	2,552,000	208,400	575,500
Finance cost	545,700	(27,500)	270,900	517,200	(22,700)	245,100
Employee future benefit expense	3,435,000	199,500	904,404	3,069,200	185,700	820,600

The remeasurements and other items charged on the Statement of Changes in Fund Balances are as follows:

	June 30, 2018			June 30, 2017		
	RPP	SERP	PRB	RPP	SERP	PRB
	\$	\$	\$	\$	\$	\$
Actuarial gains (losses)	2,584,608	233,900	345,477	(2,239,143)	(107,700)	(346,851)
Asset gains	832,300	21,700	-	2,202,600	239,700	-
Total of remeasurement and other items	3,416,908	255,600	345,477	(36,543)	132,000	(346,851)

Reconciliation of fund status - plan surplus (deficit):

	June 30, 2018			June 30, 2017		
	RPP	SERP	PRB	RPP	SERP	PRB
	\$	\$	\$	\$	\$	\$
<b>Reconciliation of fair value of fund assets</b>						
Fair value of fund assets, beginning of year	26,121,900	7,314,000	-	22,209,100	6,768,600	-
Net contributions and benefits paid during the year	1,936,200	74,000	-	833,900	67,600	-
Actual return on fund assets	1,786,300	271,600	-	3,078,900	477,800	-
<b>Fair value of fund assets, end of year</b>	<b>29,844,400</b>	<b>7,659,600</b>	<b>-</b>	<b>26,121,900</b>	<b>7,314,000</b>	<b>-</b>

## 5. EMPLOYEE BENEFIT PLANS (CONTINUED)

	June 30, 2018			June 30, 2017		
	RPP	SERP	PRB	RPP	SERP	PRB
	\$	\$	\$	\$	\$	\$
<b>Reconciliation of the accrued benefit obligation</b>						
Accrued benefit obligation, beginning of year	39,227,400	6,395,900	7,115,200	33,825,300	6,025,800	5,972,100
Current service costs net of benefits paid during the year	2,473,108	65,600	613,377	1,769,457	47,000	551,149
Interest on accrued benefit obligation	1,499,700	222,400	270,900	1,393,500	215,400	245,100
Actuarial (gain) loss during the year	(2,584,608)	(233,900)	(345,477)	2,239,143	107,700	346,851
<b>Accrued benefit obligations, end of year</b>	<b>40,615,600</b>	<b>6,450,000</b>	<b>7,654,000</b>	39,227,400	6,395,900	7,115,200
Fund surplus (deficit)	(10,771,200)	1,209,600	(7,654,000)	(13,105,500)	918,100	(7,115,200)
<b>Accrued benefit asset (liability)</b>						
Balance at beginning of year	(13,105,500)	918,100	(7,115,200)	(11,616,200)	742,800	(5,972,100)
Net contributions, pension costs and remeasurement during the year	2,334,300	291,500	(538,800)	(1,489,300)	175,300	(1,143,100)
Balance at end of the year	(10,771,200)	1,209,600	(7,654,000)	(13,105,500)	918,100	(7,115,200)

### Plan assets

The plan assets are invested in the Beutel Goodman Balanced Fund.

In addition to the plan assets for the RPP and SERP, the MFDA has established an internally restricted fund named the Post-Retirement Benefits Fund to meet the PRB obligations as they arise (note 9).

### Significant actuarial assumptions

The following rates were used in the calculations:

	June 30, 2018			June 30, 2017		
	RPP	SERP	PRB	RPP	SERP	PRB
	%	%	%	%	%	%
Discount rate - obligation	3.70	3.60	3.70	3.50	3.40	3.50
Discount rate - expenses	3.50	3.40	3.50	3.75	3.50	3.75
Expected rate of return on plan assets	3.70	3.60	-	3.50	3.40	-
Rate of compensation increase	3.25	3.25	n/a	3.25	3.25	n/a

## 5. EMPLOYEE BENEFIT PLANS (CONTINUED)

The accrued benefit obligation for the PRB plan as at June 30, 2018 was measured on the basis of the medical trend rates set at 8% grading down to 5% over three years [2017 – 9% grading down to 5% over four years] and the drug trend rates set at 9% grading down to 5% over four years [2017 – 10% grading down to 5% over five years]. The dental benefit trend rates are assumed to increase at an annual rate of 3.5%.

## 6. MFDA INVESTOR PROTECTION CORPORATION

The MFDA IPC is an independent corporation without share capital and has its own Board of Directors. MFDA IPC administers an investor protection fund for the benefit of clients of mutual fund dealers that are Members of the MFDA. The MFDA assesses and collects fees from its Members on behalf of the MFDA IPC and subsequently transfers these funds to the MFDA IPC. The MFDA does not use these funds in its operations and the fees are not reflected in the Statement of Revenues and Expenses of the MFDA.

The MFDA provides the MFDA IPC administration, corporate secretarial and other support as part of a service agreement between the two entities. The administration costs charged to the MFDA IPC for the year amounted to \$60,000 (2017 – \$60,000) plus applicable taxes. As at June 30, 2018, an amount of \$16,950 (2017 – \$25,894) was due from the MFDA IPC and \$39,242 (2017 – \$50,374) was due to the MFDA IPC. All amounts due from or to the MFDA IPC are non-interest bearing. The MFDA provides a guarantee of a \$30 million line of credit granted to the MFDA IPC by its bank in the event of default. The credit facility is secured by a general security agreement charging all property of the MFDA excluding the RPP and SERP assets in trust. As at June 30, 2018, no obligation exists under the agreement.

## 7. CREDIT FACILITY

The MFDA has a demand credit facility in the amount of \$6,000,000 (2017 – \$6,000,000). The credit facility bears an interest rate of prime plus 0.75% per annum (2017 – prime plus 0.75%). The MFDA has granted a general security interest to the bank in connection with this facility. During the years ended June 30, 2018 and June 30, 2017, the credit facility was not utilized.

## 8. COMMITMENTS

### Capital leases

The MFDA has entered into three capital leases for office equipment. The capital leases expire in January 2021, January 2022 and January 2023, respectively. Interest expense incurred on the capital leases for the year amounted to \$5,547 (2017 – \$4,328) and is recorded in administrative services and expenses in the Statement of Revenues and Expenses.

### Operating leases

The MFDA has entered into operating leases for its office premises in Toronto, Calgary and Vancouver.

Operating lease obligations, excluding operating costs and sales taxes for future years, are as follows:

	\$
2019	1,302,112
2020	1,279,856
2021	1,281,941
2022	1,270,978
2023	1,235,062
Thereafter	3,935,996
Total	10,305,945

## 9. INTERNALLY RESTRICTED FUNDS

Internally restricted funds represent funds set aside by the Board of Directors for various purposes.

The funds consist of the following:

	2018	2017
	\$	\$
Discretionary Fund	<b>4,816,274</b>	2,532,412
Post-Retirement Benefits Fund	<b>4,187,261</b>	4,194,249
<b>Total</b>	<b>9,003,535</b>	6,726,661

### a) Discretionary Fund

The Discretionary Fund is an internally restricted fund established by the MFDA Board of Directors, which collects enforcement fines imposed by order of a MFDA hearing panel and related investment income. Disbursements and transfers from the Discretionary Fund must be approved by the MFDA Board of Directors and are currently restricted to the funding of third-party costs related to MFDA Enforcement Hearings, funding for the MFDA Investor Protection Corporation, and funding for special projects that are in the public interest and beneficial to the public or Canadian capital markets.

### b) Post-Retirement Benefits Fund

The Post-Retirement Benefits Fund is an internally restricted fund established by the MFDA Board of Directors to fund the employee PRB obligations (e.g. health and dental care benefits to retired employees). This Fund may also be used for special disbursements relating to other employee future benefits (e.g. solvency payments for MFDA's pension plans), as needed.

The following tables summarize the activity in the internally restricted funds:

	2018		
	Discretionary Fund	Post-Retirement Benefits Fund	Total
	\$	\$	\$
Balance at beginning of year	<b>2,532,412</b>	<b>4,194,249</b>	<b>6,726,661</b>
Fines collected	<b>2,816,785</b>	-	<b>2,816,785</b>
Investment income, net of fees	<b>41,034</b>	<b>(6,988)</b>	<b>34,046</b>
Transfers to unrestricted fund	<b>(573,957)</b>	-	<b>(573,957)</b>
Net activity during the year	<b>2,283,862</b>	<b>(6,988)</b>	<b>2,276,874</b>
Balance at end of year	<b>4,816,274</b>	<b>4,187,261</b>	<b>9,003,535</b>

## 9. INTERNALLY RESTRICTED FUNDS (CONTINUED)

	2017		
	Discretionary Fund	Post-Retirement Benefits Fund	Total
	\$	\$	\$
Balance at beginning of year	1,372,429	4,189,300	5,561,729
Fines collected	1,605,405	-	1,605,405
Investment income, net of fees	11,164	4,949	16,113
Transfers to unrestricted fund	(456,586)	-	(456,586)
Net activity during the year	1,159,983	4,949	1,164,932
Balance at end of year	2,532,412	4,194,249	6,726,661

Internally restricted funds are carried at fair value and are invested as follows:

	2018		
	Discretionary Fund	Post-Retirement Benefits Fund	Total
	\$	\$	\$
<b>Cash</b>	<b>137,617</b>	<b>-</b>	<b>137,617</b>
<b>CIBC Imperial Money Market Pooled Fund</b>	<b>4,678,657</b>	<b>-</b>	<b>4,678,657</b>
<b>Beutel Goodman Balanced Fund</b>	<b>-</b>	<b>4,187,261</b>	<b>4,187,261</b>
<b>Balance at end of year (note 3)</b>	<b>4,816,274</b>	<b>4,187,261</b>	<b>9,003,535</b>

	2017		
	Discretionary Fund	Post-Retirement Benefits Fund	Total
	\$	\$	\$
Cash	492,609	-	492,609
CIBC Imperial Money Market Pooled Fund	2,039,803	-	2,039,803
CIBC Imperial Short Term Bond Fund	-	4,194,249	4,194,249
Balance at end of year (note 3)	2,532,412	4,194,249	6,726,661

## 10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The MFDA is exposed to various financial risks through transactions in financial instruments.

### **Credit risk**

Credit risk is the risk of other parties' inability to discharge their financial obligations to the MFDA. The MFDA's credit risk derives from cash, membership fees receivable and investments.

The MFDA maintains cash balances with a major Canadian financial institution, although the amounts on deposit are in excess of Canada Deposit Insurance Corporation limits. Cash not required for current activities is invested directly in short-term Canada Government treasury bills or a money market pooled fund. The Post-Retirement Benefits Fund assets are invested in a diversified Balanced Fund.

The MFDA believes the credit risk associated with membership fees receivable is minimal as all fees billed are to Members whose registration is in good standing. As at June 30, 2018, there are no outstanding membership fees due from fiscal 2018 assessments.

### **Liquidity risk**

Liquidity risk is the risk of holding assets that cannot be readily converted into cash and also the risk of the MFDA's inability to meet its liabilities. The financial instruments that are exposed to liquidity risk are membership fees receivable, investments, and accounts payable and accrued liabilities.

The MFDA minimizes liquidity risk by investing only in highly liquid investments that can be readily converted into cash. The Post-Retirement Benefits Fund assets are invested in a diversified Balanced Fund.

The MFDA manages liquidity risk of liabilities by effective cash management to ensure there is sufficient cash available to meet its commitments.

In addition, the MFDA has a line of credit available with a major Canadian financial institution (note 7).

### **Interest rate risk**

Interest rate risk is the risk of the change in the financial instrument's fair value due to fluctuations in the current interest rate.

The MFDA mitigates interest rate risk by investment in short-term holdings that are not significantly impacted by current rate fluctuations. The Post-Retirement Benefits Fund assets are invested in a diversified Balanced Fund. Investment income is not a significant amount of the overall revenues of the MFDA.

### **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The MFDA minimizes exposure to market risk by investing in a portfolio of Canadian treasury bills with maturities of less than one year and a money market pooled fund. Pension Fund assets and the Post-Retirement Benefits Fund assets are invested in a diversified Balanced Fund.

## 11. CONTINGENCIES

In the normal course of operations, the MFDA is subject to claims or potential claims. Management records its best estimate of the potential liability related to these claims where potential liability is likely and able to be estimated. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims would be recorded in the year during which the amount of the liability is able to be estimated or adjustments to the amount recorded are determined to be required.

## 12. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from financial statements previously presented to conform to the presentation of the 2018 financial statements.

## EXECUTIVE OFFICERS

<b>Christopher Nicholls</b>	Chair of the Board
<b>Patricia Callon</b>	Vice-Chair of the Board
<b>Mark T. Gordon</b>	President & Chief Executive Officer

## OFFICERS

<b>Karen McGuinness</b>	Senior Vice-President, Member Regulation, Compliance
<b>Shaun Devlin</b>	Senior Vice-President, Member Regulation, Enforcement
<b>Paige Ward</b>	General Counsel, Corporate Secretary & Vice-President, Policy
<b>Jeff Mount</b>	Vice-President, Pacific Regional Office
<b>Mark Stott</b>	Vice-President, Prairie Regional Office
<b>Paul Reid</b>	Vice-President, Finance & Administration
<b>Mahesh Manikonda</b>	Controller
<b>Sarah Rickard</b>	Legal Counsel & Director of Regional Councils
<b>Bernadette Devine</b>	Assistant Corporate Secretary & Manager, Board Administration

## HOW TO CONTACT US

### **Toronto Office**

121 King Street West  
Suite 1000  
Toronto, ON M5H 3T9  
Phone: 416-361-6332  
or 1-888-466-6332  
Fax: 416-943-1218  
Email: MFDA@mfd.ca

### **Pacific Office**

650 West Georgia Street  
Suite 1220  
Vancouver, BC V6B 4N9  
Phone: 604-694-8840  
Fax: 604-683-6577  
Email: PacificOffice@mfd.ca

### **Prairie Office**

800 – 6th Avenue S.W.  
Suite 850  
Calgary, AB T2P 3G3  
Phone: 403-266-8826  
Fax: 403-266-8858  
Email: PrairieOffice@mfd.ca

To download this Annual Report  
please visit: [www.mfd.ca](http://www.mfd.ca)



