



MUTUAL FUND DEALERS ASSOCIATION OF CANADA

Audit and Finance Committee

Terms of Reference

A. OVERVIEW AND PURPOSE

1. The Audit and Finance Committee (the “Committee”) is appointed by, and responsible to the Board of Directors (the “Board”) of the Mutual Fund Dealers Association of Canada (the “Corporation”). The Committee approves, monitors, evaluates, advises and makes recommendations, in accordance with these terms of reference, on matters in respect of the annual budget, external audit, risk management, internal control functions, pension plans and the financial reporting and accounting control policies and practices of the Corporation, and is to perform such other duties as the Board may delegate or direct from time to time.

B. MEMBERSHIP & ATTENDANCE AT MEETINGS

1. The membership of the Committee shall be composed of three Public Directors and two Industry Directors (as those terms are defined in the By-laws of the Corporation), all as appointed by the Board.
2. The Chair of the Committee shall be one of the three Public Directors as selected by the Board.
3. Attendance by invitation at all or a portion of Committee meetings is determined by the Chair of the Committee or its members, and would normally include the appropriate officers of the Corporation, representatives of the external auditors and such support staff as may be deemed appropriate. In addition, any member of the Board of Directors is welcome to attend any meeting of the Committee and, in particular, the meeting where the annual budget is tabled. All matters dealt with by the Committee shall be treated as being confidential, subject to reporting to the Board or as the subject matter otherwise required.

C. DUTIES AND RESPONSIBILITIES

4. Financial Statements
 - a. Review, and recommend to the Board for approval, the annual audited financial statements of the Corporation.

- If the Corporation deems it appropriate to issue quarterly reports to its members, the Committee shall review and, if appropriate, recommend to the Board to authorize the release of such quarterly reports, the unaudited financial statements included therein, and any press release or notice to be issued in respect thereof.
- b. Review, and recommend to the Board for approval, the financial content of the annual report and all other reports of a financial nature which require approval by the Board prior to the release thereof.
 - c. Review and assess, in conjunction with management and the external auditor:
 - (i) the appropriateness of accounting policies and financial reporting practices used by the Corporation, including alternatives treatments that are available for consideration;
 - (ii) any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Corporation;
 - (iii) any new or pending developments in accounting and reporting standards that may affect or impact on the Corporation; and
 - (iv) the key estimates and judgments of management that may be material to the financial reporting of the Corporation.
 - d. Review any litigation, claim or other contingency that could have a material effect upon the financial position or operating results of the Corporation, and the manner in which these matters have been disclosed in the financial statements.
 - e. Review with management on an annual basis, the Corporation's obligations pursuant to guarantees that have been issued and material obligations that have been entered into, and the manner in which these guarantees and obligations have been, or should be, disclosed in the financial statements.
 - f. Monitor the financial reporting to the Board.

5. External Auditor

- a. Assess the performance and consider the annual appointment of external auditors, for recommendation to the Board for ultimate recommendation for appointment by the members of the Corporation.
- b. When there is to be a change in the external auditor, review all issues related to the change and assume the leadership in the selection process, for recommendation to the Board for ultimate recommendation for appointment by the members of the Corporation.
- c. Review, approve and execute the annual engagement letter with the external auditor, and ensure there is a clear understanding between the Board, the Committee, the external auditor and the management that the external auditor reports to the Board through the Committee and directly to the members of the Corporation in accordance with its legal and professional duties.

- d. Obtain and review a report from the external auditor at least annually regarding the auditor's independence and the profession's or audit firm requirements regarding audit partner rotation.
- e. Approve, before the fact, the engagement of the external auditor for all non-audit services and the fees for such services, and consider the impact on the independence of the external audit work of fees for such non-audit services.
- f. Review all fees paid to the external auditor for audit services and, if appropriate, recommend their approval to the Board.
- g. Receive an annual certification from the external auditor that they participate in the public oversight program established by the Canadian Public Accountability Board (CPAB) and that they are in good standing with the CPAB.
- h. Receive and resolve any disagreements between management and the external auditors regarding all aspects of the Corporation's financial reporting.
- i. Review with the external auditors the results of the annual audit examination including, but not limited to, the following:
 - (i) any difficulties encountered, or restrictions imposed by management, during the annual audit;
 - (ii) any significant accounting or financial reporting issues;
 - (iii) the auditors' evaluation of the Corporation's system of internal accounting controls, procedures and documentation, for financial reporting purposes;
 - (iv) the post-audit or management letter containing any findings or recommendations of the external auditor including management's response thereto and the subsequent follow-up to any identified internal accounting control weaknesses; and
 - (v) any other matters which the external auditors should bring to the attention of the Committee.
 - (vi) at least annually, request the external auditor to provide their views on the quality (not just the acceptability) of the Corporation's annual and interim financial reporting. Such quality assessment should encompass judgments about the appropriateness, aggressiveness or conservatism of estimates and elective accounting principles or methods and judgements about the clarity of disclosures.
- j. Meet with the external auditors, at least annually or as requested by the auditors, without management representatives present, and to meet with management, at least annually, without the external auditors present.

6. Internal Controls

- a. Obtain reasonable assurance, by discussions with and reports from management and the external auditors, that the accounting systems are reliable and that the system of internal controls is effectively designed and implemented.
- b. If the Corporation does not have an internal audit function, to:
 - (i) review every two years the need for an internal audit function; and
 - (ii) assess the control systems in place that mitigate the need for an internal audit function.
- c. Review with management and the auditors, the process and controls in place to mitigate the risk of fraud.
- d. The Chair of the Audit Committee to review and approve, on an after-the-fact basis, the expense accounts of the Board Chair.
- e. Review the internal control and approval policies and practices concerning the expenses of the officers of the Corporation.
- f. Review procedures for the confidential receipt, retention and treatment of complaints or concerns regarding accounting or auditing matters or internal controls and for the protection from retaliation of those who report such complaints or raise such concerns in good faith

7. Risk Management

- a. Review and assess, on an annual basis, the Corporation's risk management framework and policies as prepared by management.
- b. Review any claims of indemnification pursuant to the By-laws of the Corporation.
- c. On an annual basis, review the adequacy of the Corporation's insurance program, including, without limitation, the Corporation's directors and officers liability insurance coverage, and to make recommendations thereon to the Board.
- d. Discuss MFDA's major financial and other significant risk exposures or deficiencies, and the steps management has taken or proposes to take to monitor and control or mitigate such exposures and deficiencies.
- e. Periodically assess whether MFDA has implemented the appropriate risk management and internal control culture.
- f. Annually obtain reports from management confirming that all employees have signed the Code of Conduct which includes compliance with MFDA's risk management policies.
- g. Periodically review the adequacy of security of information, information systems and recovery plans.

8. Pension Plans and Investments

- a. With respect to the defined benefit pension plan and the supplementary executive retirement plan of the MFDA, as applicable, (jointly referred to below as the “Plans”), the Committee shall:
- (i) receive and review an annual report from management on the operation and financial performance of the Plans including a certificate of compliance that MFDA has (i) complied with the requirements of the Plans, (ii) complied with the requirements of applicable laws, including the Ontario Pension Benefits Act and (iii) made all required regulatory filings;
 - (ii) review and recommend to the Board of Directors for approval:
 - the annual audited financial statements;
 - the appointment of the investment manager(s), the custodian and the external auditor; and
 - the investment policies and procedures of the Plans;
 - (iii) periodically review the investment performance of the Plans’ investments; and
 - (iv) provide an annual summary report regarding the Plans to the Board of Directors.
- b. On an annual basis, review the adequacy of the Corporation’s Investment Policy Statements and make recommendations thereon to the Board.

9. Budgets

Review and provide a recommendation to the Board with respect to the annual operating and other budgets and major issues of policy related to budgets.

10. Other Duties and Responsibilities

- a. Engage independent counsel and other advisors as may be deemed or considered necessary, and determine the fees of such counsel and advisors.
- b. Conduct an assessment, no less than every two years, of the effectiveness of the Committee and provide a report thereon to the Board.
- c. Undertake such other budget or finance matters as requested by the Board or management.
- d. Request such information and explanations in regard to the accounts of the Corporation as the Committee may consider necessary and appropriate to carry out its duties and responsibilities.
- e. Consider any other matters which, in the opinion of the Committee or at the request of the Board, would assist the directors to meet their respective responsibilities.

- f. Review annually the Terms of Reference for the Committee and to recommend any required changes to the Board.
- g. Provide reports and minutes of meetings to the Board.

D. MEETINGS

1. Meetings of the Committee are held at least twice each year.
2. Meetings may be called by the Committee Chair, the Chief Executive Officer or by a majority of the Committee members, and usually in consultation with the management of the Corporation.
3. Meetings are chaired by the Committee Chair or, in the Chair's absence, by a member chosen by the Committee from among themselves.
4. A quorum for the transaction of business at any meeting of the Committee is two Public Directors and one Industry Director.
5. The Secretary of the Corporation shall provide for the delivery of notices to the Committee members at least seven (7) days, and agendas and supporting materials, at least five (5) days prior to the date of the meeting, except in unusual circumstances, and provided that notice or the time for notice or delivery of materials may be waived or abridged, as the case may be, at any time with the consent of the persons entitled thereto.
6. Meetings may be conducted with members present, or by telephone or other communications facilities which permit all persons participating in the meeting to hear or communicate with each other.
7. A written resolution signed by all Committee members entitled to vote on that resolution at a meeting of the Committee is as valid as one passed at a Committee meeting.
8. The Secretary of the Corporation shall be the secretary for the Committee and keep a record of minutes of all meetings of the Committee.
9. Draft minutes of the meetings of the Committee shall be distributed as soon as practicable following each meeting for review, comment and approval, following which copies shall be sent to the all members of the Board.

May 13, 2020