



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

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MFDA Bulletin

Policy

For Distribution to Relevant Parties within your Firm

Revised Limited Trading Authorization Form and Guidelines for Individual and Joint Accounts

The Investment Funds Institute of Canada (“IFIC”) has recently made revisions to its Limited Trading Authorization (“LTA”) Form and Guidelines for Individual and Joint Accounts. The changes clarify that the Form can be used for in-cash transfers and systematic switching plans (“SSPs”).

MFDA Members that have clients that would like to arrange for in-cash transfers or setup SSPs using an LTA should use the revised Form and have it signed by the client(s).

Copies of the revised Form and Guidelines are attached.

IFIC GUIDELINES FOR USE OF LIMITED AUTHORIZATION FORM (for client name mutual fund accounts only – Individual and Joint Accounts)

These guidelines are provided to assist Dealers in the completion and use of the Limited Authorization Form (“LAF”) and for the information of Fund Companies. Unless defined below, all capitalized terms used herein have the same meanings as described in the LAF.

Use of LAF

- 1. The LAF is only intended for use in connection with individual and joint accounts held in client name only.** It may not be used for intermediary accounts, nominee accounts, corporate held accounts, “in trust for” accounts or any other type of accounts.
- A LAF covers all existing and future accounts conducted by an Investor/s. A single LAF is required for purposes of providing trading instructions on all accounts held by a single Investor. In the case of joint accounts, a separate jointly signed LAF is required for all accounts conducted by the same joint Investors. Two or more Investors cannot operate their jointly held accounts under the authority of separately signed LAFs.
- A copy of the LAF must accompany the initial trade authorization conveyed to each Fund Company. Thereafter, [unless specifically required by a Fund Manager] the Instruction Confirmation Notice (see paragraph 9 below) must accompany each subsequent trade authorization for the purchase, redemption, in cash transfer, switch of mutual fund securities or setup and modification of Pre-Authorized Cheque (PAC) plans, Systematic Withdrawal Plan (SWP), Systematic Switching Plan (SSP) and Automatic Withdrawal (AWD) plans on all accounts in the name of the Investor/s where the Investor/s signature/s is/are normally required to execute those transactions by the Fund Company. A switch entails a change of investments between different mutual funds administered by the same Fund Company and does not include a transfer of investments between mutual funds administered by different Fund Companies.
- The LAF cannot be used to convey non-financial changes to the Fund Company in respect of the accounts of the Investor/s. For example, for an address change a written authority from the Investor/s must be provided to the Fund Company. Some Fund Companies may accept non-financial changes without requiring it to be confirmed in writing by the Investor/s.
- NO DISCRETIONARY TRADING MAY BE CARRIED OUT UNDER THE AUTHORITY OF THE LAF. A Dealer may only initiate a trade following receipt of prior specific instructions thereon from the Investor/s. The Dealer Representative should advise each Investor that by signing the LAF, the Investor is/are not granting discretionary trading authority and, accordingly, there will not be any trading on the accounts of the Investor/s without in each case the prior specific authorization of the Investor/s.**
- The LAF can be used for all purchases, switches, redemptions, in cash transfers and setup and modification of Pre-Authorized Cheque (PAC) plans, Systematic Withdrawal Plan (SWP), Systematic Switching Plans and Automatic Withdrawal (AWD) plans on all current and future accounts (once opened) held in the name of the Investor/s. However, a Dealer cannot instruct a Fund Company to open new accounts for an Investor under the authority of the LAF.
- The manner in which a Dealer will accept instructions from the Investor/s is subject to the Dealer’s own internal policies and may, for example, include an acceptance of instructions by telephone, facsimile or other electronic means. Dealers may also exclude specific transactions based on their own internal policies, but the LAF may not be altered in any manner to reflect such internal policies.

8. **For residents of all provinces and territories, firms and investors have the option of using the April 2005, December 2013, April 2017 or February 2019 version.** LAFs that are used for setup and modification of Pre-Authorized Cheque (PAC) plans, Systematic Withdrawal Plan (SWP), and Automatic Withdrawal (AWD) must use the December 2013, or any subsequent version.

Instruction Confirmation Notice (“ICN”)

9. As indicated in paragraph 3 above, a copy of the signed LAF must accompany the initial trade authorization conveyed to each Fund Company. To avoid the necessity of providing a copy of the LAF on all subsequent trades, a Dealer may elect (but is not obliged) to utilize a copy of the ICN. The ICN is only one page in length and can more easily be faxed to a Fund Company. Some Fund Companies may reject the use of the ICN.

Dealer Representative Code

10. The Dealer Representative code indicated on a trade authorization must be the same as the one reflected on the accounts of the Investor/s. For example, when the Dealer Representative is on vacation and another dealer representative is dealing with the Investor on his or her behalf, the code of the Dealer Representative named in the LAF must be included on any trade instructions, in addition to the name and dealer representative code of the substitute dealer representative who took the instructions from the Investor/s. Some Dealers may not permit a ‘substitute’ dealer representative to accept or implement trade instructions on behalf of the Dealer Representative named in the LAF.

Recording Instructions

11. It is important that the trade instructions of the Investor/s are retained for purposes of subsequent review by a Fund Company, the Investor/s or the appropriate securities regulatory authorities.
12. The records retained must include the date, time and manner under which the instructions were given, the account number/s of the Investor/s, the particulars of the securities to be purchased, redeemed or switched, confirmation as to any agreement reached on fees to be paid on the transaction/s and, in the case of redemptions, a notation of the instructions as to where the proceeds of redemption are to be sent or reinvested. In the case of setup and modification of Pre-Authorized Cheque (PAC) plans, Systematic Withdrawal Plan (SWP), Systematic Switching Plan (SSP) and Automatic Withdrawal (AWD) appropriate evidence must be maintained. It is recommended that these records be retained for a minimum period of seven (7) years from the date of each trade. This is not intended to be an exhaustive list and may be supplemented in accordance with the Dealer’s internal policies and the requirements of the applicable regulatory authority.
13. All instructions must be confirmed to the Investor/s through the normal trade confirmation process. Dealers should check trade confirmations to ensure that the transactions correspond to the instructions received from the Investor/s.

Witnesses

14. The LAF is not intended to be a power of attorney, but rather a form of limited agency. As such, it need not comply with the witness provisions of any legislation. A single witness should witness the signature of the Investor/s. While the Dealer Representative can act as a witness, he/she may not guarantee the signature/s of the Investor/s.
15. If the Fund Company requires a guarantee of the signature/s of the Investor/s, then a person duly authorized to do so on behalf of a bank, trust company or the Dealer, as the case may be, must sign the signature guarantee portion of the LAF. The Dealer Representative named on the LAF cannot act as guarantor to the signature/s of the Investor/s.

16. As an alternative to a signature guarantee, the Dealer may choose to use the Securities Transfer Agents Medallion Program (“STAMP”) which has been endorsed by the Securities and Exchange Commission in the United States. The STAMP Program allows a dealer to purchase insurance, which entitles the dealer to use a special stamp as a signature guarantee. The insurance will operate to cover any losses resulting from the stamp being applied incorrectly, or if fraud or other losses occur.

Bankruptcy and Insolvency Information

17. Under the Additional Information, which is part of the LAF, there is important information provided regarding the status of accounts administered under the authority of the LAF in the event of the Dealer’s bankruptcy.
18. The securities regulatory authorities requested inclusion of this information in the LAF and it is important that Investor/s be made aware of the possible consequences to the assets in their accounts in the event of the bankruptcy of the Dealer.

Retention of LAF and ICN

19. Dealers should retain the original LAF and ICN for a period of at least seven (7) years from the date of the last trade completed in reliance upon the LAF. However, Dealers may be required to retain these documents for such longer periods as may be prudent given the applicable provisions of the proceeds of crime and money laundering legislation or the statutes of limitations legislation in the jurisdictions in which the Investors and Dealers are resident.
20. The securities regulatory authorities, Fund Companies, and other authorized third parties may request access to, or require copies of, the original or imaged versions of the LAF and ICN.

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Limited Authorization

(for client name mutual fund accounts only – Individual and Joint Accounts)

A. Investor/s Information

1. Name of Investor _____

S.I.N. (optional/for identification) _____

2. Name of Investor _____

S.I.N. (optional/for identification) _____

Address (Single address for all joint account holders or for an individual account holder) _____

B. Investor/s Authorization

1. I/We authorize _____
(Name of the Dealer)

(the "Dealer") to give instructions on my/our behalf to the fund company or companies that I/we have selected (each a "Fund Company") and to sign any relevant documents associated with (a) purchases; (b) switches; (c) redemptions; (d) in cash transfers; and (e) setup and modification of Pre-Authorized Cheque (PAC) plans, Systematic Withdrawal Plan (SWP), Systematic Switching Plan (SSP) and Automatic Withdrawal (AWD) plans for me/us in accordance with my/our specific instructions for each transaction. This Limited Authorization is intended to create a simple form of limited agency. It does not give the Dealer unlimited authority or the right to conduct discretionary trading on my behalf. In the case of joint account holders we acknowledge that the Dealer will only execute transactions on our behalf in accordance with the standing authorization instructions in place on our joint account at the time of each trade which will be binding on all joint account holders.

2. Until revoked pursuant to the provisions of Section C below, this Limited Authorization is authorized for use with respect to all current and future accounts serviced through the Dealer with a Fund Company: (a) conducted in my name (if this limited authorization is granted by an individual only), or (b) conducted in our joint names (if this limited authorization is granted by joint account holders).
3. I/We authorize the Dealer to provide copies of this Limited Authorization and/or the Instruction Confirmation Notice ("ICN") which relates to this Limited Authorization to a Fund Company for the purpose of executing authorized transactions on my/our behalf with the Fund Company.
4. The instructions provided to my/our Dealer under the authority of this Limited Authorization shall have the same validity as if I/we had provided signed written instructions to my/our Dealer through the registered representative of the Dealer ("Dealer Representative" referred to in Section E below or an alternate designated by the Dealer) or the Fund Company.
5. I/We acknowledge that I/we am/are liable to the Dealer and the Fund Company for all fees and commissions applicable to any transactions executed on my/our behalf as set out in the current prospectus of the mutual fund concerned. For joint accounts each of the joint account holders is jointly and severally liable for such fees and commissions.

6. Under my/our authority my/our Dealer can give instructions to a Fund Company to pay the proceeds of a redemption to ANY of:
 - me/us at my/our address currently on file with the Fund Company unless otherwise advised in writing;
 - my/our financial institution using account information provided to my/our Dealer (name, branch, account #);
 - the trustee of my/our registered plan/s (e.g. RRSP, RRIF, etc.);
 - the trustee of my/our spousal or common law partner registered plan/s (e.g. RRSP);
 - my/our Dealer in trust;
 - another dealer in trust;
 - another Fund Company in trust.
7. This Limited Authorization does not revoke any other Limited Authorization or power of attorney that I/we may have granted to another dealer or person/s, whether signed individually or jointly with any other person/s and whether executed prior to or subsequent to the date of this Limited Authorization, unless it specifically revokes it.
8. I/We agree that this Limited Authorization and all documents relating thereto be drawn up in the English language only. J'accepte/nous acceptons que la présente autorisation limitée et tous les documents s'y rapportant soient rédigés en anglais seulement.

C. Expiration of Limited Authorization

This Limited Authorization, and the ability to utilize the ICN, will continue indefinitely and will expire immediately upon the occurrence of any of the following events:

- receipt by the Dealer of written notice of revocation from me/us of this Limited Authorization (in the case of a joint account, notice of revocation can be given by any of the joint account holders);
- the signature by me/us of another Limited Authorization in favour of the same Dealer;
- the Dealer Representative leaving the Dealer;
- a change in my/our Dealer or Dealer Representative for my/our account/s;
- the Dealer or Dealer Representative ceasing to be authorized to engage in business by their respective governing regulatory authorities;
- bankruptcy of the Dealer, the Dealer Representative, or any account holder;
- the death of an account holder (whether of an individual account or any one of the joint account holders) or the death of the Dealer Representative;
- written notice to, or receipt of, evidence by the Dealer of the mental incapacity of an account holder (whether of an individual account or any one of the joint account holders) or the mental incapacity of the Dealer Representative.

The Dealer Representative referred to in this section is the individual referred to in Section E below.

D. Investor/s Acknowledgement and Consent

I/We acknowledge that I/we have read and understand the provisions of this Limited Authorization and the Additional Information which is part of this form. I/We consent to the use of my/our personal information for administrative and processing purposes.

Investor Signature

Date

Witness

Signature guarantee (if applicable)

Investor Signature

Date

Witness

Signature guarantee (if applicable)

Note: The Dealer Representative may witness the signature/s of the Investor/s, but he/she may not guarantee the signature/s of the Investor/s.

E. Dealer Representative Confirmation and Acknowledgement

I, the undersigned, _____
(Dealer Representative)

confirm: (a) that I am the Dealer Representative on record for the Investor/s named in section A above; (b) that I have reviewed the provisions of this Limited Authorization and the Additional Information at the end hereof with the Investor/s and acknowledge that I am bound by its terms. In the case of a joint account I will only implement instructions given to me in accordance with the standing authorization instructions applicable to the joint account at the time of each trade.

Dealer Representative Signature

Date

Dealer Representative Code



F. Dealer Acknowledgement and Indemnity

We, the undersigned _____

(the Dealer appointed under Section B above)

hereby acknowledge and accept the authority given under this Limited Authorization to take instructions from the Investor/s named in Section A above and to implement and convey such instructions to the Fund Company concerned on behalf of the Investor/s. We agree to indemnify the Fund Company and the mutual funds concerned against any and all claims, liabilities, damages or costs, including legal fees, that may arise as a result of the Fund Company acting on instructions provided under the authority of this Limited Authorization. We also agree to indemnify the Investor/s, the Fund Company and the mutual funds concerned against any and all claims, liabilities, damages or costs, including legal fees, that may arise as a result of us or any of our dealer representatives providing any instructions which are not authorized by, or in accordance with, the Investor/s instructions. We agree that delivery of a copy of this Limited Authorization or the ICN to a Fund Company, shall be binding on us and shall constitute a warranty by us to the Fund Company and the mutual funds concerned that this Limited Authorization is current and enforceable at the time of such delivery. We also undertake to retain a record of all instructions received by us from the Investor/s for subsequent review by a Fund Company, the Investor/s or the appropriate securities regulatory authorities. This agreement is binding on us and on our successors. **Through the use of the logo and reference of The Investment Funds Institute of Canada (“IFIC”) at the foot of each page of this Limited Authorization we warrant that it is identical to the Limited Authorization form approved for use by IFIC.**

Signature of authorized Officer of Dealer

Dealer Name

Dealer Code

Dealer Address

Name

Title

Date



Additional Information

1. By signing this Limited Authorization, you are authorizing the Dealer to arrange for the execution on your behalf, on all current and future accounts that you conduct with the Dealer (either as individual or by the same joint account holders) of orders for: (a) purchases; (b) switches; (c) redemptions; (d) in cash transfers; and (e) setup and modification of Pre-Authorized Cheque (PAC) plans, Systematic Withdrawal Plan (SWP), Systematic Switching Plan (SSP) and Automatic Withdrawal (AWD) plans of mutual fund securities as set out in the current prospectus of the mutual fund concerned.
2. This Limited Authorization allows your Dealer to relay your instructions to a Fund Company. Your Dealer and its representatives may not authorize any transactions on your behalf without your prior specific instructions in each case.
3. Your Dealer is required to keep a record of your instructions for each transaction in your file. We recommend that you also keep a record of all instructions you give to your Dealer.
4. You should ensure that the trade confirmations that you receive correspond to your instructions.
5. When you provide instructions to your Dealer for the purchase of securities you must clearly indicate the purchase option you have selected as set out in the current prospectus of the mutual fund concerned.
6. When you give your Dealer instructions for the redemption of any mutual fund securities, you must also include details of how the proceeds should be dealt with. The options for payment are set out in paragraph 6 of section B of the Limited Authorization.
7. A Fund Company or your Dealer may, in its sole discretion, refuse to process trade instructions given under the authority of this Limited Authorization.
8. For information on the privacy policies and procedures of the Fund Company and Dealer please contact them directly.

Bankruptcy of Dealer:

1. In the event that your Dealer becomes bankrupt, you may experience significant delays in accessing your securities and you may not receive their full value.
2. Should your Dealer go bankrupt, a trustee in bankruptcy (the “trustee”) will determine whether your securities are “customer name securities” under the Bankruptcy and Insolvency Act (the “Act”). If your securities are determined to be customer name securities, the trustee will so advise you and, provided you are not indebted to your Dealer, the trustee is obliged to deliver your securities to you.
3. If your securities are not considered to be customer name securities under the Act, the securities will be placed in a pool together with those of other similar investors and shared proportionately among all of you.
4. Under the Act, “customer name securities” refers to securities held in your name by the Dealer, or in the Dealer’s name held on your behalf and registered in your name, or which are in the process of being registered in your name. This does not include securities that are registered in your name which, by endorsement or otherwise, are in negotiable form. It is currently unclear whether by signing this Limited Authorization you will render your securities “negotiable” or “endorsed”, thereby causing them to lose their status as “customer name securities”.

Fees and Commissions:

1. You may have to pay a commission to your Dealer for any orders for purchase/s or switch/es. This commission may be negotiable.
2. Charges may also apply to redemptions depending on the purchase option you originally selected.



