

**CUSTODIAL AGREEMENT (NCI)**

**Re: Non-Certificated Debt Instruments**

made the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ .

**B E T W E E N:**

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

("Member")

OF THE FIRST PART

- and -

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

("Issuer")

OF THE SECOND PART

**[Note to Members: This sample Custodial Agreement contains the minimum terms that are required by the Mutual Fund Dealers Association of Canada for external segregation location arrangements for non-certificated debt instruments such as GICs. Additional terms may be necessary or desirable to protect your interests and you should consult your own advisors in that regard. The MFDA and its employees and representatives are not responsible to the Members or their customers or any other person who relies on the provisions of this draft Agreement.]**

**WHEREAS:**

- A. the Member is a member of the Mutual Fund Dealers Association of Canada (the "MFDA"), a self-regulatory organization;
- B. the Issuer sells and redeems securities of its own issue to the Member and the customers of the Member from time to time, which securities may be available in non-certificated form and represented by book entry by the Issuer ("NCI Securities");
- C. the Issuer meets the criteria as an acceptable securities location set out in the by-laws, rules and regulations of the MFDA ("Rules");
- D. the Rules require that the terms upon which any NCI Securities are issued and held by the Issuer for the Member or its customers include certain written provisions to the effect of subparagraphs 1 (a), (b) and (c) hereof in connection with the segregation obligations of Members of the MFDA; and
- E. the parties hereto desire to comply with the Rules;

**IN CONSIDERATION** of these premises and other good and valuable consideration received and acknowledged by each of the parties hereto, the parties agree as follows:

**1. Terms of Segregation**

The Issuer shall ensure in respect of any NCI Securities registered in the name of the Member and held by it for the Member in accordance with the Rules that:

- (a) no use or disposition of NCI Securities shall be made without the prior written consent of the Member (which consent may be given by electronic communication which is capable of being retrieved and confirmed);
- (b) certificates representing NCI Securities shall be delivered to the Member promptly on demand or, when certificates are not available and the securities are represented by book entry only by the Issuer, the NCI Securities shall be able promptly on demand to be either (i) transferred from the Issuer or to the account of any other person maintaining an account at the Issuer or (ii) redeemed by the Issuer; and
- (c) NCI Securities shall be held in segregation for the Member or its customers free and clear of any charge, lien, claim or encumbrance of any kind in favour of the Issuer including, without limitation, such of the same as may otherwise arise in respect of margin account dealings.

**2. Records**

The Issuer shall maintain records in readily accessible form sufficient to identify the NCI Securities and other property held by it for the Member and its customers pursuant to this agreement separate and distinct from any other securities or property of or held by the Issuer.

Accounts for NCI Securities and property held hereunder shall be in the name of the Member. The Issuer shall permit access to such records or provide confirmation of their contents to the auditors of the Member within seven business days of written request. The Member shall be entitled to receive a report from the Issuer not less frequently than monthly disclosing the state of any account of the Member held by the Issuer including the amount, value and identification of NCI Securities held for such account, any deficiencies, and accrued and unpaid fees or charges.

**3. Indemnity**

The Issuer shall indemnify and save harmless the Member against and from any and all losses of the Member as a result of the failure of the Issuer to return or credit to the Member or its customers any NCI Securities or property held by it in accordance with this agreement, provided that the liability of the Issuer under this paragraph shall be limited to the market value of the NCI Securities and property as at the time which it was required to deliver to the Member the NCI Securities and property.

**4. Terms**

This agreement shall remain in full force and effect as long as the Issuer holds any NCI Securities on behalf of the Member or its customers.

**5. Binding Effect**

This agreement shall extend to and enure to the benefit of and be binding upon the successors and assigns of the parties hereto but shall not be assigned by the Issuer without the prior written consent of the Member.

**6. English Language**

This agreement has been drawn up in the English language at the request of the parties. Les parties ont requis que la présente convention soit rédigée en anglais.

The parties have executed this agreement under the hands of their authorized officers as of the date set out above.

**[ISSUER]**

By: \_\_\_\_\_

Position: \_\_\_\_\_

**[MEMBER]**

By: \_\_\_\_\_

Position: \_\_\_\_\_