



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

# **MEMBERSHIP APPLICATION PACKAGE**

**APRIL 2004**

# INDEX

	Contents	Purpose
1	<b>Application Guide</b>	Sets out eligibility and membership requirements. To be used in conjunction with MFDA Rule Book which is available on the MFDA website at <a href="http://www.mfda.ca">www.mfda.ca</a> .
2	<b>Schedules A-K to the Application Guide</b>	Provides more detailed information on certain topics within the Application Guide.
3	<b>Application Checklist</b>	List of all documents and forms required to accompany an application for membership. To be submitted with the application.
4	<b>Application Form</b>	To be completed by the corporate or partnership entity applying for membership.



# **MEMBERSHIP APPLICATION GUIDE**

Mutual Fund Dealers Association of Canada  
Association canadienne des courtiers de fonds mutuels  
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[Updated April 2004]

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## **1.0 Introduction**

This Application Guide (the "Guide") contains information on various aspects of membership in the Mutual Fund Dealers Association of Canada (the "MFDA"), such as eligibility, fees, minimum requirements for membership, the membership process and ongoing obligations of Members.

The following schedules are attached at Section 2 and provide more detailed information on specific application requirements:

**Schedule A** – Member Fee Guidelines

**Schedule B** – Registration Information

**Schedule C** – Capital Requirements

**Schedule D** – Branch and Sub-branch Locations

**Schedule E** – Qualification of Individuals

**Schedule F** – Trade Names of Approved Persons

**Schedule G** – Agreement of Approved Person

**Schedule H** – Auditor Requirements

**Schedule I** – Subordinated Loan Agreement

**Schedule J** - Undertaking Regarding Retractable Preferred Shares

**Schedule K** – Policies and Procedures Manual requirements

The MFDA By-laws, Rules, Policies, Notices, Bulletins and Forms referred to in the Application Guide are located in the MFDA Rule Book ([www.mfda.ca](http://www.mfda.ca)).

Applicants must submit a fully completed and signed application form along with all required supporting documents, the application checklist, and an application deposit.

## **2.0 Eligibility for Membership**

A corporation or partnership is eligible for membership in the MFDA if:

- it is formed under Canadian federal, provincial or territorial law;
- it proposes to carry on business in Canada as a mutual fund dealer;
- it is registered or licensed in each jurisdiction in Canada where the nature of its business requires registration or licensing;

- it is in compliance with applicable securities legislation and the requirements of any securities regulatory authority having jurisdiction over it; and
- it will comply with the By-laws, Rules, Policies and Forms of the MFDA, as will its related Members, directors, partners, officers, employees and agents.

### **3.0 Membership**

All Members are required to adhere to the MFDA By-laws, Rules, Policies and Forms. Members may elect to contract securities related business, duties or responsibilities to another Member of the MFDA. This arrangement is known as an Introducing/Carrying Dealer arrangement. For more information on the Introducing/Carrying Dealer arrangement, please refer to Rule 1.1.6. and MFDA Member Regulation Notice MR-0003 *Introducing/Carrying Dealer Arrangements*.

### **4.0 Fees**

#### **Application Fee**

A non-refundable application deposit must be submitted with your application and will be applied to the annual membership fee upon acceptance into membership. The amount of the non-refundable deposit is:

- \$1,500 for a Level 1 Dealer
- \$3,000 for a Level 2 or 3 Dealer
- \$5,000 for a Level 4 Dealer

Please refer to Rule 3.1.1 for a description of the above categories of dealer.

#### **Annual Membership Fee**

An annual membership fee is required and is based on the assets under administration (“AUA”) of the Member. The annual membership fee is calculated annually but paid in quarterly installments.

An explanation as to how annual membership fees are calculated, including examples, can be found at **Schedule A**.

## 5.0 Requirements for Membership

In order to qualify for membership, an applicant must satisfy the MFDA's registration, financial compliance and sales compliance requirements. These are described briefly below:

### Registration Requirements

Registration or licensing under applicable securities legislation as a mutual fund dealer is a prerequisite for membership in the MFDA. The applicant should obtain a mutual fund dealer license from the securities commission in each province or territory in which the applicant intends to do business. Applications for registration should be made directly to the applicable securities commission(s).

**The applicant should submit a mutual fund dealer registration application to the relevant securities commission(s) at the same time it submits an application for membership in the MFDA.** Note that the applicant will not be admitted to membership in the MFDA until the application for mutual fund dealer registration has been approved by the applicable securities commission(s).

Please refer to **Schedule B** for a list of the addresses and telephone numbers of the various provincial and territorial securities commissions.

### Minimum Capital Requirements

An applicant must provide

- an audited MFDA Form 1 Financial Questionnaire and Report as at a date not more than 90 days prior to the date of application as well as its audited financial statements for the preceding three years, if applicable; and
- unaudited Financial Questionnaire and Report(s) for any month end(s) subsequent to the date of the audited FQR.

To be eligible for membership, the applicant must have minimum capital in the amount outlined in **Schedule C** sufficient risk adjusted capital and must not trigger any Early Warning Tests. At the time of MFDA staff's review of the application, staff will contact the applicant and may request that the applicant complete and submit an unaudited financial questionnaire and report for subsequent month end(s). The unaudited financial questionnaire should evidence the fact that the applicant maintains the required amount of capital.

An application that remains outstanding for greater than six months may require re-application by the applicant and/or another audited FQR as at a current period end.

An applicant's total financial statement capital can take the form of share capital or subordinated debt. If subordinated debt forms part of the applicant's total financial statement capital, an agreement in writing, in a form satisfactory to the MFDA must be provided in triplicate.



A sample form is attached as **Schedule I**. If the applicant's financial statement capital includes retractable preferred shares, an undertaking must be signed by the shareholder in a form satisfactory to the MFDA in order for it to be considered as capital for the purposes of the calculation of risk adjusted capital. A sample form of undertaking is attached at **Schedule J**. Please refer to Member Regulation Notice MR-0013 *Undertaking Regarding Retractable Preferred Shares* for guidance.

### **Related Member Guarantees**

Each Member shall be responsible for and shall guarantee (in an amount equal to its total financial statement capital as determined in accordance with Form 1 *Financial Questionnaire and Report*) the obligations to clients incurred by each of its related Members (as defined in By-law 1) on the basis set out in Rule 3.2.4. However, Rule 3.2.4 is subject to a transition period until such time as the MFDA Investor Protection Corporation ("IPC") begins to provide coverage to clients of MFDA Members. Prior to Rule 3.2.4 becoming operative, the MFDA will publish a standard Related Member Guarantee form for use by Members.

### **Branch and Sub-branch Locations**

An applicant must provide a list of all branches and sub-branches from which *any* dealer business of the Member is conducted in the form prescribed in **Schedule D**. A branch is defined as any location where 4 or more Approved Persons conduct dealer business, and a sub-branch is defined as any location with less than 4 Approved Persons. Member Regulation Notice MR-0014 *Supervision Requirements for Licensed Assistants at Branch Offices* provides additional guidance for determining the status of a location as a branch or sub-branch. If Approved Persons are supervised at the head office location, the head office location must also be listed as a branch location. If Approved Persons conduct dealer business from a home office location, the home office must be included on the list.

### **Approved Persons**

#### ***Proficiency***

Approved Persons must satisfy the proficiency standards identified in **Schedule E**.

#### ***Acknowledgement to abide by MFDA Rules***

An applicant must acknowledge to the MFDA that it has received signed agreements from each of its Approved Persons in a form set out in **Schedule G** and will be required to produce such agreements if requested by the MFDA. Refer to Question 6(a) in the Membership Application. Applicants need not submit copies of the signed Schedule G with the Membership Application.

### ***Use of Trade Names***

In accordance with Rule 1.1.7, no Approved Person may carry on business on behalf of an applicant in a business or trade or style name that is not owned by the applicant or an affiliate of the applicant unless: (i) the applicant consents; and (ii) the Approved Person's name is used with the applicant's name in at least equal size in all materials communicated to clients or the public.

An applicant must provide a list of Approved Persons using a trade or business name other than the name of the applicant (refer to **Schedule F**).

Applicants are reminded that, subsequent to acceptance into membership, there is an on-going requirement to update Schedule F for additions and deletions of trade names used by Approved Persons. It is the responsibility of the Member to ensure the information filed with the MFDA remains current. Refer to Section 7 of the Application Guide "On-going Obligations of Membership".

### ***Agent Agreements***

If the applicant employs Approved Persons as agents, rather than employees, a sample copy of the agency agreement must be provided with the application. The applicant should ensure that the agency agreement complies with all of the requirements of Rule 1.1.5 prior to submitting it to the MFDA. Refer to Member Regulation Notice MR-0011 *Agency Agreements* for further guidance

If the applicant employs Approved Persons as employees, and has an employee agreement, the applicant must ensure that the agreement is not inconsistent with the requirements set out in Rule 1.1.4

### ***Dual Occupations***

An applicant's Approved Persons may be dually employed, provided the other gainful employment of the Approved Person meets all of the criteria outlined in Rule 1.2.1 (d). For example, the Approved Person may hold an insurance license, may be dually employed by a financial institution, or may conduct financial planning activities through an entity other than the applicant. It is essential that the applicant establish and maintain adequate written policies and procedures regarding the requirement for Approved Persons to obtain the approval of the applicant to conduct any outside business, and to ensure clear disclosure is provided to clients that the other employment is not the business of the applicant. Refer to Member Regulation Notice MR-0009 *Dual Occupations-Selling Deposit Instruments and Providing Non-Securities-related Financial Planning Services* for further guidance.

### **Books and Records**

An applicant is required to have a system of books and records in order to properly identify its business transactions and financial information. The minimum requirements are set out in Rule 5. MFDA By-law No. 1 Section 11.2.3 requires that the application be accompanied by a report from the applicant's auditor to the effect that, based upon an

examination of the affairs of the applicant, the applicant keeps a proper system of books and records.

### ***Daily Blotter***

Prior to acceptance into membership, the applicant will be expected to produce a daily blotter. The applicant may be required to submit a sample printout of the daily blotter during the review of the application, and the blotter system may be tested during an on-site visit prior to membership acceptance. Refer to Rule 5.1(a) for minimum blotter requirements and MFDA Policy No.2 for daily supervision requirements that should be facilitated by the blotter.

### ***Client Account Statements***

The applicant must be able to produce a client account statement in accordance with the requirements set out in Rule 5.3. Applicants should also be familiar with Rule 2.8 (client communications) and Member Regulation Notice MR-0024 *Portfolio Summaries*. A sample client statement may be requested during the application review and the system used to produce client statements may be tested during the on-site visit prior to membership acceptance.

### ***Trust Accounts***

Level 3 and 4 applicants must submit a copy of their trust bank account statement evidencing that the account has been designated “in trust”. Prior to completing the application, the applicant must advise its financial institution in writing of the requirements of the trust account outlined in Rule 3.3.2(d). A copy of this written notice must be submitted with the application.

### ***Other Books and Records***

Some of the records that must be maintained by an applicant and that may be required to be produced during the membership application review include:

- accounting, trading and sales compliance records;
- data entry and output systems; and
- client complaint log.

## **Auditor**

### ***Letter of Acknowledgement***

The applicant's audit engagement partner must complete and sign a Letter of Acknowledgement in the form attached as Schedule H.1. The applicant's auditor must review the Financial Questionnaire and Report, including notes, and the relevant sections of the MFDA Rules, By-laws, Policies and Forms and must acknowledge that he/she understands them as they apply to the applicant and that he/she will report in accordance with the relevant sections that apply to the auditor.

### ***Report on Books and Records***

In accordance with By-law No. 1 Section 11.2.3, the auditor must prepare a report to the effect that, based on the auditor's examination of the affairs of the applicant, the applicant keeps a proper system of books and records. This report must be submitted with the application. There is no on-going requirement for the auditor to report on the system of books and records after the applicant has been accepted into membership.

### **Insurance**

An applicant is required to obtain a financial institution bond. Specific insurance requirements and minimum amounts are set out in MFDA Rule 4 and include the following:

- *requirement to obtain a "Notice of Termination to SRO" rider*
- *requirement to obtain an "Agent's Rider" if applicant conducts business through Approved Persons retained as agents, rather than employees*
- *requirement to obtain a "global" rider and comply with the requirements of Rule 4.7 if the bond covers other entities in addition to the applicant.*

Adequate insurance *must be in place prior to* an applicant being accepted into membership.

### **Internal Controls**

An applicant is required to establish, implement and maintain adequate internal controls. Internal control policies are contained in the Rule Book.

### **Policies and Procedures**

An applicant is required to establish supervisory procedures for dealing with clients that conform to prudent business practices. An applicant's policies and procedures manual must be submitted as part of the application package. Applicants should ensure the policies and procedures manual submitted with the application is complete and encompasses, at minimum, the topics outlined in Member Regulation Notice MR-0008 *Policies and Procedures Manual*. **Schedule K** must be completed and submitted with the application.

In order to demonstrate effective compliance with MFDA Rules, the applicant must show it has a system in place to monitor on-going compliance with the Rules.

## ***Complaint Handling Procedures***

Applicants must ensure they have adequately documented written policies and procedures for handling client complaints in accordance with MFDA Policy No. 3. Applicants must ensure they have established adequate written policies and procedures to ensure prompt reporting to the MFDA whenever the applicant or a partner, director, officer, salesperson, employee or agent of a Member is the subject of any client complaint involving allegations of theft or misappropriation of funds or securities, or of forgery. Refer to Bulletin #0050-M *Amendments to MFDA Rules and Policy No. 3 (Handling Client Complaints)* for further guidance.

## **Account Opening Documents and Disclosures**

The following account opening documents and disclosures must be submitted with the application:

- ❑ New Account Application Form (if the New Account Application Form does not include know-your client (“KYC”) information, the KYC Form must also be submitted)
- ❑ Disclosure and Acknowledgement form with respect to Introducing/Carrying Dealer Relationship, if applicable. (Reference: Rule 1.1.6(b)(viii))
- ❑ Limited Trading Authorization form. (Reference: Rule 2.3.2, Member Regulation Notice MR-0012 *Revised Limited Trading Authorization Form and Guidelines*)
- ❑ Risks of Leveraging Disclosure Document. (Reference: Rule 2.6, Member Regulation Notice MR-0006 *Borrowing Money to Buy Securities*)
- ❑ Client Complaint Information disclosure (Reference: Member Regulation Notice MR-0020 *Client Complaint Information*)
- ❑ Dual Occupation disclosure for dually employed Approved Persons, if applicable (Reference: Rule 1.2.1(d)(vi), Member Regulation Notice MR-0009 *Dual Occupations- Selling Deposit Instruments and Providing Non-Securities-Related Financial Planning Services*).
- ❑ Written disclosure of Referral Arrangement(s), if applicable (Reference: Rule 2.4.2(b)(iv)).

## **Other Agreements/Arrangements**

Copies of fully executed agreements or arrangements entered into by the applicant must be submitted, including the following:

- ❑ Introducing/Carrying Dealer agreement(s). If the applicant introduces accounts to another Member, it must enter into an Introducing/Carrying Dealer agreement with another MFDA Member in accordance with Rule 1.1.6.

- ❑ **Trust Agreement.** If the applicant acts or plans to act as an agent for a trustee in administering accounts of client self-directed plans, a copy of the fully executed agreement must be submitted.
- ❑ **Service Arrangements.** If the applicant engages another person or entity to provide services (for example the applicant may have a management agreement with a parent company), the arrangement must be evidenced in writing and must meet the requirements of Rule 1.1.3 (e). Note that this requirement does not apply to all service arrangements, only those that relate to MFDA Rules and requirements.
- ❑ **Referral Arrangements.** Referral Arrangements must be between the dealer and the other entity, and must be in writing. Referral Arrangements may not be entered into by Approved Persons and certain referral arrangements are not permitted. If the applicant is planning to enter into a referral arrangement, the applicant must ensure that the arrangement meets the requirements of MFDA Rule 2.4.2.

## **Trading Partners, Directors, and Officers and Compliance Officers**

### ***Proficiency***

Trading partners, directors and officers and compliance officers must satisfy the proficiency standards identified in **Schedule E** in accordance with Rule 1.2.3.

### ***Compliance Officer***

A Member must designate a compliance officer (and one or more alternates) who reports to a member of senior management such as the CEO, CFO or COO, in accordance with Rule 2.5.2

The Compliance Officer, among other duties, must report on the status of compliance at the Member to the Board of Directors or Partners at least on an annual basis in accordance with Rule 2.5.2(b).

The alternate Compliance Officer(s) must meet the qualifications of compliance officer outlined in Rule 1.2.3.

## **Qualification of Branch Managers and Alternate Branch Managers**

Branch managers (as well as alternate branch managers) must have completed the appropriate proficiency requirements identified in **Schedule E** at the time of application, in accordance with Rule 1.2.2

## **Business Plan**

The applicant must prepare and submit a business plan with the application. The plan should address product, market, risks, growth and all other areas related to ensuring the success of the business.

## **6.0 Membership Application Review and Approval Process**

Before a membership application is recommended by MFDA staff for approval by the MFDA Board of Directors (the "Board"), it will undergo an extensive review by MFDA staff. This will include a review and analysis of the information and documents submitted, discussions with the applicant's management and other personnel and may include an on-site visit to examine the applicant's premises, test key systems, interview key personnel and review any issues.

Factors that may impact or delay the review and processing of a membership application include:

- failure to provide complete answers to all questions on the Membership Application;
- failure to submit all required information and documents; or
- failure to respond to identified deficiencies in a timely manner.

When MFDA staff is satisfied that the application meets membership requirements, the application will be submitted to the Board for consideration. The Board will decide whether to

- approve the membership application
- approve the membership application, with terms and conditions or
- reject the application.

The applicant will be notified of the Board's decision in a Membership Letter shortly after the decision is made. Upon approval by the Board, the applicant will be admitted to membership when administrative matters, such as the payment of any remaining fees, have been finalized.

## **7.0 Ongoing Obligations of Membership**

Once accepted into membership, the Member will be subject to on-going requirements. These requirements are outlined in the Membership Guide, which will be mailed to the applicant with the Membership Letter. The Membership Guide is also available on the MFDA website. Some of the on-going obligations are summarized below.

### **Regulatory Filings**

#### ***Monthly and Annual Filings***

Once accepted into MFDA membership, each Member is required to submit, in accordance with MFDA Rule 3.5.1, the following:

- an unaudited Monthly Financial Report (“MFR”) within 20 business days of each month end and
- an annual, audited Financial Questionnaire and Report (“FQR”) (MFDA Form 1) within 90 days of its fiscal year end.

The Monthly Financial Report is comprised of all components of the annual Financial Questionnaire and Report, namely Statements A through F, the Certificate of Partners or Directors, and Schedules 1-4.

#### ***Late Filing Penalties***

The MFDA can levy fines for the failure of a Member or auditor to file any report, form or financial statements required under Rule 3. The penalties are described in Member Regulation Notice MR-0021 *Late Filing Fees*.

#### ***Electronic Filing of Financial Reports***

The MFDA has a web-based system to permit Members to file the FQR and MFR electronically. Access to the Electronic Filing System will be granted and instructions provided once the applicant has been accepted into membership. Refer to MFDA Bulletin #0054-C *Electronic Filing System*.

### **Reporting of Material Changes**

It is a Member’s obligation to ensure that the MFDA is promptly informed, on an ongoing basis, of any material changes to information that was originally submitted with the application. Members should refer to the MFDA Membership Guide (available on the MFDA website) for guidance on the changes that must be reported. Examples of material changes with respect to the Member include:

- change of name or address for service;
- addition or deletion of trade names used by the Member;
- change in registration or licensing with the relevant securities commission;
- changes in ownership and control (20% or more)\*\*;
- change of auditor;
- change of partners/directors/officers and compliance officer(s);



- change to Chief Financial Officer and/or accounting personnel responsible for preparation of monthly and annual financial reports;
- reorganizations, mergers, amalgamations\*\*;
- change in dealer level\*;
- a charge or an indictment pursuant to criminal laws or securities legislation;
- civil proceedings;
- bankruptcy;
- judgment or garnishment; and
- change in, or refusal of, insurance bond.

*\* requires prior approval of MFDA*

*\*\* requires 30-day notification to, and prior approval of, MFDA*

MFDA staff should be consulted if there is any question as to whether a change is material.

Members should refer to the MFDA By-laws and Rules to determine specific approval and reporting requirements.

### **Training and Supervision**

Members of the MFDA are required to create, implement and maintain a training and supervision program for newly licensed salespersons.

Please refer to Rule 1.2.1(c) and MFDA Policy No.1 - *New Salesperson Training and Supervision* - for further information on new salesperson training and supervision requirements.

# SECTION 2

## SCHEDULES A – K TO THE APPLICATION GUIDE





# SCHEDULE A: MEMBER FEE GUIDELINES



## MEMBER FEE GUIDELINES

### Non-Refundable Application Deposit

A non-refundable application deposit must accompany the completed application package. Upon acceptance into membership, the deposit will be credited against the Member's annual membership fees. The amount of the non-refundable deposit that must be submitted with the application is:

- \$1,500 for a Level 1 Dealer
- \$3,000 for a Level 2 or 3 Dealer
- \$5,000 for a Level 4 Dealer

### Annual Membership Fee

#### General

MFDA annual membership fees will be equal to the MFDA fee rates multiplied by the Member's average assets under administration ("AUA"). MFDA fee rates will be set annually by the MFDA Board of Directors. Members will be required to calculate their AUA on March 31st of each year and report the figure to the MFDA by April 15th. This figure will be used in determining the annual membership fee for the ensuing MFDA fiscal year commencing July 1st.

#### First Year of Membership

Membership fees will be pro-rated in the first year of membership based on the date of acceptance into membership. Upon acceptance into membership, the MFDA will calculate and invoice the pro-rated fee by multiplying the MFDA fee rate(s) by the AUA reported as of March 31st for the current year. The balance of fees for the first partial quarter, after deducting the application deposit, will be due upon acceptance into membership. Quarterly fees thereafter will be due fifteen days after the start of the quarter.

#### Subsequent Years of Membership

Members will be required to pay membership fees based on the average of their AUA balance at March 31st of the prior year and March 31st of the current year. Annual membership fees, for the period July 1st to June 30th, will be equal to the MFDA fee rates multiplied by the Member's average AUA. Upon receipt of the AUA filing by the member, the MFDA will calculate the annual membership fee and invoice the first installment for the quarter of July 1st to September 30th, which is due July 15th. Although fees will be calculated annually, they will be payable in quarterly installments within 15 days of the start of each quarter (i.e. July 15th, October 15th, January 15th and April 15th).

## Minimum Fees

The minimum membership fees payable are \$10,000 for Level 4 dealers and \$3,000 for all other members.

## Definition of AUA

AUA is defined as the market value of all mutual funds reflected in client accounts (nominee and client name) of a Member located in all of the provinces and territories in Canada except Quebec.

A “mutual fund” includes an issuer of securities that entitle the holder to receive on demand, or within a specified period after demand, an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets, including a separate fund or trust account, of the issuer of the securities.

AUA does *not* include:

- Cash
- GIC's
- Limited partnerships
- Segregated funds

## Fee Rates

Fee rates will be established by the MFDA Board of Directors annually. For the current year's fee rates, please visit the [Membership Fees](#) page of the MFDA website in the [For Members](#) section.

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# SCHEDULE B: REGISTRATION INFORMATION



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## **Schedule "B"**

### **REGISTRATION INFORMATION**

An organization seeking MFDA membership must be registered as a mutual fund dealer with the applicable provincial or territorial securities regulatory authority in the province or territory in which they intend to do business. The securities commissions issue the mutual fund dealer registration. Applications for registration as a mutual fund dealer should be made directly with the registration department of the applicable securities regulatory authorities outlined below.

An application for mutual fund dealer registration can be filed at the same time as an application for membership in the MFDA, but the applicant will not be admitted to membership in the MFDA until the application for mutual fund dealer registration has been approved by the applicable securities regulatory authority.

#### **ALBERTA**

Alberta Securities Commission  
Suite 600, 250–5th St. SW  
Calgary, Alberta, T2P 0R4  
Telephone: (403) 297-6454  
Website: [www.albertasecurities.com](http://www.albertasecurities.com)

#### **BRITISH COLUMBIA**

British Columbia Securities Commission  
P.O. Box 10142 Pacific Centre  
701 West Georgia Street  
Vancouver, BC, Canada V7Y 1L2  
Telephone: (604) 899-6854 or  
1-800-373-6393 (toll free across Canada)  
Website: [www.bcsc.bc.ca](http://www.bcsc.bc.ca)

#### **MANITOBA**

The Manitoba Securities Commission  
500-400 St. Mary Avenue  
Winnipeg MB R3C 4K5  
Telephone: (204) 945-2548  
Website: [www.mbsecurities.ca](http://www.mbsecurities.ca)

#### **NEW BRUNSWICK**

Financial and Consumer Services  
Commission  
85 Charlotte Street, Suite 300  
Saint John, NB E2L 2J2  
Telephone: 1-866-933-2222  
Website: [www.fcnb.ca](http://www.fcnb.ca)

#### **NEWFOUNDLAND & LABRADOR**

Office of the Superintendent of Securities  
Service Newfoundland and Labrador  
2nd Floor, West Block, Confederation  
Building  
1 Prince Philip Drive, P.O. Box 8700  
St. John's, NL, Canada A1B 4J6  
Telephone: (709) 729-4189  
Website: [www.gov.nl.ca/snl/snl/](http://www.gov.nl.ca/snl/snl/)

#### **NORTHWEST TERRITORIES**

Office of the Superintendent of Securities  
Legal Registries, Department of Justice  
Government of the Northwest Territories  
1<sup>st</sup> Floor, Stuart Hodgson Building  
5009-49th Street, PO Box 1320  
Yellowknife, NT X1A 2L9  
Telephone: (867) 767-9305  
Website: [www.justice.gov.nt.ca](http://www.justice.gov.nt.ca)



**NOVA SCOTIA**

Nova Scotia Securities Commission  
Ste. 400, Duke Tower,  
5251 Duke St., PO Box 458  
Halifax, NS B3J 2P8  
Telephone: (902) 424-7768  
Website: [www.nssc.novascotia.ca](http://www.nssc.novascotia.ca)

**NUNAVUT**

Office of the Superintendent of Securities  
Department of Justice  
Government of Nunavut  
1<sup>st</sup> Floor, Brown Building  
PO Box 1000, Station 570  
Iqaluit, NU X0A 0H0  
Telephone: (867) 975-6590  
Website: [www.nunavutlegalregistries.ca](http://www.nunavutlegalregistries.ca)

**ONTARIO**

Ontario Securities Commission  
20 Queen Street West, 20<sup>th</sup> Floor  
Toronto, ON, Canada M5H 3S8  
Telephone: (416) 593-8314 or  
Toll Free: 1-877-785-1555  
Website: [www.osc.gov.on.ca](http://www.osc.gov.on.ca)

**PRINCE EDWARD ISLAND**

Office of the Superintendent of Securities  
Consumer, Corporate and Financial Services  
Division  
Office of the Attorney General  
95 Rochford Street, PO Box 2000  
Charlottetown, PEI, C1A 7N8  
Telephone: (902) 620-3870  
Website: [www.princeedwardisland.ca](http://www.princeedwardisland.ca)

**QUEBEC**

Autorité des marchés financiers  
800, square Victoria, 4<sup>e</sup> étage  
C.P. 246, Place Victoria  
Montréal (Québec) H4Z 1G3  
Telephone: (514) 395-0337 (Montreal)  
(418) 525-0337 (Québec)  
Website: [www.lautorite.qc.ca](http://www.lautorite.qc.ca)

**SASKATCHEWAN**

Financial and Consumer Affairs Authority  
of Saskatchewan  
Suite 601, 1919 Saskatchewan Drive  
Regina, SK S4P 4H2  
Telephone: (306) 787-5645  
Website: [www.fcaa.gov.sk.ca](http://www.fcaa.gov.sk.ca)

**YUKON**

Office of the Superintendent of Securities  
Community Services, Yukon Government  
Box 2703, 307 Black Street  
Whitehorse, YK Y1A 2C6  
Telephone: (867) 667-5466  
Website: [www.yukon.ca](http://www.yukon.ca)

# SCHEDULE C: CAPITAL REQUIREMENTS

## CAPITAL REQUIREMENTS

### *Minimum Capital*

Rule 3.1.1 requires Members to maintain minimum capital in the following amounts:

- Level 1 - \$25,000
- Level 2 - \$50,000
- Level 3 - \$75,000
- Level 4 - \$200,000

### *Financial Filings*

Prior to being accepted into membership, applicants must submit an audited MFDA Form 1 Financial Questionnaire and Report (“FQR”) evidencing minimum capital in the amounts outlined above and sufficient risk adjusted capital, calculated in accordance with the FQR, as at a date not more than 90 days prior to the date of the application for membership. The FQR can be found on the MFDA website at [www.mfda.ca](http://www.mfda.ca).

The applicant must also submit unaudited, monthly FQR’s for any month end(s) subsequent to the date of the audited FQR evidencing sufficient risk adjusted capital.

At the time of MFDA staff’s review of the application, staff may request that the applicant complete and submit an additional unaudited FQR. This additional FQR should be prepared as at the applicant’s most recent month end and should evidence the fact that the applicant continues to maintain sufficient risk adjusted capital.

### *Assistance in Completing the Financial Questionnaire and Report*

Please refer to MFDA Bulletin #0057 on the MFDA website. The Bulletin addresses common errors when completing the FQR and provides a list of Frequently Asked Questions. The applicant and the applicant’s auditor should review the complete FQR, including the notes, and this Bulletin *prior to* completing the FQR, as well as after completing the FQR to ensure none of the common errors are contained in the FQR that is to be submitted with the membership application.

**SCHEDULE D:  
BRANCH AND SUB-BRANCH**

## BRANCH AND SUB-BRANCH LOCATIONS

Applicants are required to provide the following information for each branch and sub-branch office.

All locations where an applicant conducts Member business must be listed, including Approved Person’s home offices. If Approved Persons are supervised at Head Office, include Head Office location as a branch.

A Branch is a location with 4 or more Approved Persons, and a sub-branch is a location with less than 4 Approved Persons.

Refer to MFDA Member Regulation MR-0014 for further guidance.

	Is the location a branch or sub-branch?		Complete Address	Designated Branch Manager	Telephone Number & Fax Number	Web-Site Address (For the branch or the Approved Persons working from the branch, if applicable)	Number of Approved Persons Assigned to the Branch Location
	Branch	Sub-branch					
1.							
2.							

<b>Is the location a branch or sub-branch?</b>		<b>Address</b>	<b>Designated Branch Manager</b>	<b>Telephone Number &amp; Fax Number</b>	<b>Web-Site Address</b> ((For the branch or the Approved Persons working from the branch, if applicable))	<b>Number of Approved Persons Assigned to the Branch Location</b>
<b>Branch</b>	<b>Sub-branch</b>					

SCHEDULE E:  
QUALIFICATION OF  
INDIVIDUALS

## QUALIFICATION OF INDIVIDUALS

The courses offered by the Canadian Securities Institute (CSI), Investment Funds Institute of Canada (IFIC) and the Institute of Canadian Bankers (ICB) identified below (including predecessor and successor courses) are acceptable.

Refer to Rule 1.2.4 “Currency of Courses” for further guidance.

Type of Registration/Approval	Proficiency
Salesperson/Approved Person	<p>In accordance with Rule 1.2.1, successful completion of <u>one</u> of the following:            Canadian Securities Course (CSI),            Canadian Investment Funds Course (IFIC),            Investment Funds in Canada Course (ICB), or            The Principles of Mutual Funds Course formerly offered by the Trust Companies Institute.</p> <p>For salespersons licensed only in Quebec, the following courses are also acceptable:</p> <p>Placements des particuliers (CEGP), and            Cours sur les fonds distincts et fonds communs de placement (CSI).</p>
Branch Manager/Alternate Branch Manager*	<p>In accordance with Rule 1.2.2, prior license or registration under applicable securities legislation as a trading partner, director, officer or compliance officer of a mutual fund dealer</p> <p>OR</p> <p>Successful completion of the salesperson’s proficiency courses listed above, AND any one of            Branch Managers' Course (CSI),            Mutual Fund Branch Managers’ Course (IFIC), or            Branch Compliance Officers Course (ICB).</p>
Trading Partners, Directors, Officers and Compliance Officers	<p>In accordance with Rule 1.2.3, successful completion of any one of the salesperson’s proficiency courses listed above,            AND            either one of the following:            Partners', Directors' and Senior Officers' Qualifying Examination (CSI) or            Mutual Fund Officers', Partners' and Directors' Course (IFIC)</p>

\* Refer to MFDA Rule 1.2.2(b) for additional experience requirements



**SCHEDULE F:  
TRADE NAMES OF  
APPROVED PERSONS**

## TRADE NAMES OF APPROVED PERSONS

Applicants are required to provide the following information for every Approved Person using a business or trade or style name other than the applicant's (Refer to Rule 1.1.7).

<b>Name of Approved Person</b>	<b>Trade, Style or Business Name</b>	<b>Complete Branch Address Including Telephone and Fax Numbers</b>

**SCHEDULE G:  
AGREEMENT OF  
APPROVED PERSON**



**AGREEMENT OF APPROVED PERSON**

I \_\_\_\_\_ acknowledge that I am an Approved Person in  
*(print or type full name)*

respect of an applicant for membership in the Mutual Fund Dealers Association of Canada (the “MFDA”) or a member of the MFDA, (“Member Firm”, which term includes any other member of the MFDA in respect of which I am approved from time to time), and hereby agree:

1. to notify the Member Firm of which I am an Approved Person in writing of any change in information relating to me as an Approved Person as prescribed by any applicable law or any By-law, rule or policy of the MFDA (herein referred to as the “MFDA Rules”);
2. to be bound by, observe and comply with the MFDA Rules as they are from time to time amended or supplemented;
3. that I am conversant with the MFDA Rules, and to keep myself fully informed about the MFDA Rules as they are amended or supplemented from time to time; and
4. to submit to the jurisdiction of the MFDA and, wherever applicable, the Board of Directors, officers, committees and councils thereof.

In the event of my termination or suspension as an Approved Person in respect of a Member Firm, I agree forthwith to terminate my association with the Member Firm and thereafter not to accept employment with or perform services of any kind for any other Member Firm unless registered and approved in accordance with applicable laws and the MFDA Rules.

I acknowledge and consent that the MFDA may obtain any information whatsoever from any source, as permitted by law in any jurisdiction in Canada or elsewhere.

DATED at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_.

\_\_\_\_\_  
Signature of Approved Person

# SCHEDULE H: AUDITOR REQUIREMENTS

## AUDITOR REQUIREMENTS

### QUALIFICATION

Pursuant to Rule 3.6.8, a Member's reports and audit opinions referred to in Rule 3.6 must be signed by an engagement partner who has acknowledged in writing to the MFDA and the Member that it is familiar with the By-laws, Rules, Policies and Forms as they relate to matters required to be reported upon.

To satisfy Rule 3.6.8, the audit engagement partner of a Member must submit a signed Letter of Acknowledgement (a copy of which is attached as Schedule H.1).

Photocopy Schedule H.1 onto audit firm letterhead providing the MFDA with the mailing address, phone number, fax number and e-mail address of the Engagement Partner or re-type the Schedule on a separate sheet of letterhead.

## LETTER OF ACKNOWLEDGEMENT

To: The MFDA

I, \_\_\_\_\_, a partner at \_\_\_\_\_  
(Name of Engagement Partner) (Name of Firm)

acknowledge that I have read and understood the following MFDA Rules, By-laws, Policies and Form which relate to the procedures required to be performed or items to be reported on by an auditor of an MFDA Member:

1. Rule 2.9 – Internal Controls;
2. Rule 3 – Financial and Operations Requirements;
3. Rule 4 – Insurance;
4. Rule 5.1 – Requirement for Records;
5. By-law 11.2 – Submission of Financial Information
6. MFDA Policy No 4 – Internal Controls;
7. Form 1 – MFDA Financial Questionnaire and Report;

I agree to observe and report in accordance with the aforementioned Rules, By-laws, Policies and Form as they are from time to time amended or supplemented.

\_\_\_\_\_  
(Name of Engagement Partner - Please Print)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Signature of Engagement Partner)

**SCHEDULE I:  
SUBORDINATED  
LOAN AGREEMENT**





**SUBORDINATED LOAN AGREEMENT**

Attached to this schedule is a copy of the Subordinated Loan Agreement which must be submitted to the MFDA in triplicate if subordinated debt forms part of the applicant's total financial statement capital.

If the debt is secured by the Creditor, the applicant must complete Schedule B "Override Acknowledgement for MFDA Uniform Subordinated Loan Agreement"

March, 2001

**MUTUAL FUND DEALERS ASSOCIATION OF CANADA /  
ASSOCIATION CANADIENNE DES COURTIERS DE FONDS MUTUELS**

**UNIFORM SUBORDINATED LOAN AGREEMENT**

**MUTUAL FUND DEALERS ASSOCIATION OF CANADA /  
ASSOCIATION CANADIENNE DES COURTIERES DE FONDS MUTUELS  
UNIFORM SUBORDINATED LOAN AGREEMENT**

\_\_\_\_\_ AGREEMENT made this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_

B E T W E E N:

of the City of  
in the Province of  
(hereinafter called the "Creditor")

OF THE FIRST PART

- and -

carrying on business in the City of  
in the Province of  
(hereinafter called the "Member")

OF THE SECOND PART

- and -

**MUTUAL FUND DEALERS ASSOCIATION OF CANADA /  
ASSOCIATION CANADIENNE DES COURTIERES DE FONDS  
MUTUELS**  
(hereinafter called the "MFDA")

OF THE THIRD PART

**WHEREAS** the Member is indebted to the Creditor as of the date of this agreement in the principal amount of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) as set out in Schedule A hereto; and

**WHEREAS** the Member is a member of the MFDA and is subject to the Rules of the MFDA; and

**WHEREAS** the Creditor is directly interested in the successful carrying on by the Member of the Member's business, including the ability of the Member to meet the requirements of the MFDA as set out in the MFDA's Rules and to this end is prepared to subordinate and postpone the Debt; and

**WHEREAS** it is the intent of the parties hereto that any moneys or property received by the MFDA hereunder, whether received by the MFDA as its absolute property or otherwise, shall be used for the benefit of the General Creditors to the extent necessary to pay their Claims; and

**WHEREAS** it is the intent of the parties hereto that the valid claims of the creditors of the Member shall be paid in priority of payment as follows:

1. all Claims of General Creditors;
2. all claims of persons including the Creditor whose claims are, or are required by the MFDA Rules to be, subordinated in favour of the General Creditors.

**NOW THEREFORE THIS AGREEMENT WITNESSETH** that for the purposes aforesaid and in consideration of the premises and of the sum of One Dollar (\$1.00) now paid by the MFDA to the Creditor (the receipt whereof is hereby acknowledged) and of the sum of One Dollar (\$1.00) now paid by the Member to the Creditor (the receipt whereof is hereby acknowledged) it is agreed by and between the parties hereto as follows:

1. In this agreement, in the recitals hereto and in any schedule hereto:

"General Creditors" means the persons for the time being and from time to time having claims against the Member to the extent that such claims are not at any such time subordinated, or are not required by the MFDA Rules to be subordinated, in favour of other creditors of the Member;

"Claims" means all debts, liabilities and obligations incurred or assumed by the Member both before and during the period in which the Member shall be a member of the MFDA and which are now due and owing or which may become due and owing by the Member to one or more of the General Creditors during or after the period in which the Member shall be a member of the MFDA;

"Debt" means that amount of the indebtedness of the Member to the Creditor set forth in Schedule A hereto and includes any interest from time to time due and payable by the Member in respect of the said amount of indebtedness;

"persons" includes corporations, partnerships, trusts, associations and other legal or commercial entities;

"Rules" means the by-laws, rules, policies and forms of the MFDA;

"Schedule A" means the schedule marked "Schedule A" attached hereto bearing the most recent date and signed by all the parties hereto.

2. (a) The Creditor hereby postpones the payment and satisfaction of the Debt in favour of the General Creditors and subordinates the Debt to all Claims to the intent that the General Creditors shall, in the event of the dissolution, winding-up, liquidation, insolvency or bankruptcy of the Member, be paid their Claims in full in priority to and before the Creditor shall have any claims upon any property, assets, rights or benefits of the Member or upon any assets comprising or included in the Debt.
- (b) In the event of dissolution, winding-up, liquidation, insolvency or bankruptcy of the Member, the Creditor hereby agrees that the Debt herein subordinated and postponed shall rank *pari passu* with and not prior to any valid claim of another creditor against the Member which is then similarly subordinated and postponed in favour of the General Creditors.
3. (a) Except as provided in paragraphs 3(b) and 3(c) hereof the Creditor shall not demand or accept repayment of, and the Member shall not repay to the Creditor, the Debt or any part thereof.

- (b) Where the MFDA has given its prior consent in writing, a part or all of the moneys set forth in Schedule A may be repaid and upon such consent being delivered to the Member or the Creditor, Schedule A, if it antedates the date of such consent, shall be deemed to have been amended by the parties hereto in accordance with the terms of such consent. Any moneys so repaid shall cease to form any part of the Debt.
  - (c) Nothing contained in paragraph 3(a) hereof shall be deemed to prevent the payment of interest to the Creditor which is now or hereafter due and payable on the moneys set out in Schedule A if such payment is permitted in Schedule A and the MFDA has not notified the Creditor and Member that such payment shall cease.
- 4.
- (a) Any payment or repayment of any part or all of the Debt received by the Creditor otherwise than in accordance with the provisions of paragraph 3 hereof (any such payment or repayment so received by the Creditor being hereinafter in this paragraph 4 referred to as an "Unauthorized Repayment") shall be held by the Creditor in trust for the General Creditors and for the ratable distribution of the Unauthorized Repayment among the General Creditors to the extent necessary to pay all Claims in full, and the Creditor shall and hereby agrees to do all things and execute all documents which may be necessary or desirable for effecting such ratable distribution to the extent aforesaid among the General Creditors.
  - (b) The Creditor shall pay to the General Creditors entitled pursuant to paragraph 4(a), or in lieu thereof shall pay to the MFDA for the benefit of the General Creditors so entitled, the equivalent value of any Unauthorized Repayment, but only to the extent that the operation of the provision of paragraph 4(a) hereof did not result in any Unauthorized Repayment being realized by the General Creditors to the extent of their entitlement thereto in accordance with the provisions of paragraph 4(a).
  - (c) The Creditor hereby assigns to the MFDA on behalf of and for the benefit of the General Creditors, for the purposes and to the extent set out herein, all its right, title and interest in and to any payment or distribution of assets of the Member of any kind or character which the Creditor would, except for the provisions of this agreement, be entitled to receive on account of the Debt upon any dissolution, winding-up, liquidation, insolvency or bankruptcy of the Member, and the Creditor hereby authorizes and directs the MFDA in such capacity to make application for payment, such application to be made to the liquidating trustee or agent or other person entrusted with the responsibility of distributing the assets of the Member, whether a trustee in bankruptcy, a receiver or otherwise, and the MFDA shall receive and hold any such payment or distribution made by any such party in trust for the General Creditors and for the ratable distribution among the General Creditors, all to the extent necessary to provide for the payment of all Claims in full, in accordance with the General Creditor's respective interests, prior to the making of any payment or delivery on account of or in respect of the Debt; provided that if this agreement shall have been terminated by the Creditor in the manner provided in paragraph 7 hereof any such payment or distribution so received by the MFDA shall be held in trust for the General Creditors in accordance with this paragraph 4(c) to the extent necessary to pay only the Claims, if any, which have arisen up to the earlier of the time of suspension or the effective time, both as hereinafter defined in said paragraph 7.
5. It is understood and agreed that so long only as this agreement shall continue with the approval of the MFDA, the MFDA hereby declares that it is acting hereunder as trustee on

behalf of and for the benefit of all General Creditors for the time being, with the consent and approval of the Creditor and the Member.

6. The MFDA shall be under no obligation or responsibility of any kind or character to any of the General Creditors or creditors of the Member, and the MFDA shall have no obligation, responsibility or duty to see that the covenants herein contained are carried out and fulfilled or to take any action for the enforcement of this agreement unless and until (i) the MFDA is so requested in writing by one or more of the General Creditors, (ii) the MFDA is furnished with security or indemnity satisfactory to it in respect of any such proceedings and (iii) the MFDA, in its uncontrolled discretion, deems the action requested to be taken to be to the advantage of the General Creditors.
7. This agreement shall remain in full force and effect until it is terminated in accordance with this paragraph 7. This agreement may be terminated by the MFDA in its absolute discretion by notice in writing given to the Creditor and to the Member. This Agreement may not be terminated by either the Creditor or the Member without the prior written consent of the MFDA.
8. Any notice or communication hereunder or pursuant hereto which is given in writing may be effectively given by delivering the same or mailing the same by prepaid registered post addressed to the Creditor as follows:

and to the Member as follows:

and to the MFDA as follows:

Mutual Fund Dealers Association of Canada  
 121 King Street West  
 Suite 1600  
 Toronto, Ontario  
 M5H 3T9

Attention: Membership Services

or to such address as any of these parties shall have previously specified by notice given to the other parties. Any notice or communication that is mailed by prepaid registered post shall be deemed to have been received on the business day following the day upon which it was mailed unless there is a disruption in the regular mail delivery due to postal strikes or other causes of which public notice has been given, in which case any such notice or communication that is mailed by prepaid registered post shall be deemed not to have been given until it has actually come to the attention of the addressee.

9. Any instrument issued or made by the Member evidencing the Debt shall be clearly marked so as to indicate the subordinated nature thereof and shall have marked conspicuously on its face, with the blanks properly completed, the following legend:

**"THE INDEBTEDNESS REPRESENTED  
HEREBY IS POSTPONED**

The indebtedness herein evidenced is subject

to a subordination agreement dated

between \_\_\_\_\_  
(name of Creditor)

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

and \_\_\_\_\_  
(name of Member)

copies of which may inspected at 121 King Street West, Suite 1600,  
Toronto, Ontario, M5H 3T9

- 10. Any right or remedy hereby granted, conferred upon or reserved to the MFDA on behalf of and for the benefit of the General Creditors is intended to be exclusive of any other right or remedy and each and every right or remedy shall be in addition to every other right or remedy given hereunder or now existing or hereafter existing by law or by statute or under the terms of this agreement and any one or more of such rights or remedies may from time to time be exercised independently or in combination.
- 11. This agreement shall extend to and enure to the benefit of and be binding upon the heirs, executors, administrators, successors (which term shall include, without limitation, any firm or corporation which succeeds to all or part of the business of the Member) and assigns of the parties hereto and shall enure to the benefit of the MFDA in trust for the General Creditors.
- 12. Whenever the singular or the masculine are used in this agreement, they shall be construed as meaning the plural, feminine or neuter, where the context or the parties hereto so require.
- 13. This agreement has been drawn up in the English language at the request of the parties. Les parties ont requis que la presente convention soit redigee en anglais.

SIGNED, SEALED AND DELIVERED \_\_\_\_\_  
(name of Creditor)

Per: \_\_\_\_\_  
(signature of authorized signing  
officer of Creditor)

Per: \_\_\_\_\_  
(signature of authorized signing  
officer of Creditor)

---

(name of Member)

Per: \_\_\_\_\_  
(signature of authorized signing  
officer of Member)

Per: \_\_\_\_\_  
(signature of authorized signing  
officer of Member)

MUTUAL FUND DEALERS ASSOCIATION  
OF CANADA

Per: \_\_\_\_\_  
(signature of authorized signing  
officer of MFDA)

Per: \_\_\_\_\_  
(signature of authorized signing  
officer of MFDA)



**SCHEDULE A**

The following are referred to as the "Debt" in the foregoing agreement: (Set out amount of indebtedness, details of any security for the Debt, terms of repayment and the payment of interest which shall be permitted):

The foregoing is a full and accurate statement of amounts included in the Debt mentioned in the foregoing agreement dated the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
(name of Member)

\_\_\_\_\_  
(name of Creditor)

Per: \_\_\_\_\_  
(signature of authorized signing officer of Member)

Per: \_\_\_\_\_  
(signature of authorized signing officer of Creditor)

Per: \_\_\_\_\_  
(signature of authorized signing officer of Member)

Per: \_\_\_\_\_  
(signature of authorized signing officer of Creditor)

**MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

Per: \_\_\_\_\_  
(signature of authorized signing officer of MFDA)

Per: \_\_\_\_\_  
(signature of authorized signing officer of MFDA)

**Schedule B**

**MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

**Override Acknowledgement for**

**MFDA Uniform Subordinated Loan Agreement**

The parties referred to below have entered into the MFDA Uniform Subordinated Loan Agreement (the "Agreement") along with the MFDA dated \_\_\_\_\_.

In the event of any inconsistency between the terms or effect of this Schedule, the Agreement or any agreements, security for the Debt, documents or understandings between the Member and the Creditor relating to the Debt, the terms of the Agreement (as construed without reference to this Schedule) shall prevail and, for greater certainty, the enforcement, realization and application of any proceeds in respect of any security for the Debt shall be subject to the postponement and subordination of the Debt provided in the Agreement.

Dated: \_\_\_\_\_

MFDA Member: \_\_\_\_\_  
(Name)

Authorized Signature: \_\_\_\_\_

Authorized Signature: \_\_\_\_\_

Lender: \_\_\_\_\_  
(Name)

Authorized Signature: \_\_\_\_\_

Authorized Signature: \_\_\_\_\_

**SCHEDULE J:  
UNDERTAKING REGARDING  
RETRACTABLE PREFERRED  
SHARES**



**UNDERTAKING REGARDING RETRACTABLE PREFERRED  
SHARES**

Attached to this schedule is a copy of a standard undertaking that the MFDA requires in order to have retractable preferred shares considered equity rather than debt. The undertaking should be signed by a partner, director or officer of the applicant.

Member Regulation Notice MR-0013 *Undertaking Regarding Retractable Preferred Shares* provides further guidance.

**SCHEDULE A**

**UNDERTAKING**

TO: **MUTUAL FUND DEALERS ASSOCIATION OF CANADA ("MFDA")**

RE: \_\_\_\_\_  
[Complete name of corporation ("Member")]

The undersigned shareholder is the owner of the following shares in the capital of the Member:

Class	Number	Paid in Value
-------	--------	---------------

The shares described above and any other shares of the same class or series owned or held by the undersigned shall be considered "Shares" for the purposes of this Undertaking.

The undersigned undertakes that he/she/it shall not, without the prior written consent of the MFDA:

- (a) exercise any right to redeem, retract or require the repurchase of all or any of the Shares;
- (b) accept any redemption, retraction, repurchase or other proceeds or return of capital in any manner in respect of all or any of the Shares; or
- (c) transfer all or any of the Shares to any other person.

This Undertaking shall be binding on the heirs, personal representatives, successors and assigns of the undersigned.

DATED:

\_\_\_\_\_  
[Name in Full]

\_\_\_\_\_  
[Signed]

\_\_\_\_\_  
[Position, if applicable]

The undersigned Member acknowledges this Undertaking and its terms and agrees that it shall not redeem, retract, repurchase or return any capital in respect of the Shares without the prior written consent of the MFDA.

DATED:

\_\_\_\_\_  
[Name of Member]

\_\_\_\_\_  
[Signed]

\_\_\_\_\_  
[Position, if applicable]

SCHEDULE K:  
POLICIES AND  
PROCEDURES  
MANUAL



## POLICIES AND PROCEDURES MANUAL MINIMUM REQUIREMENTS

Pursuant to Rule 2.10, every Member must establish and maintain written policies and procedures (that have been approved by senior management) for dealing with clients and ensuring compliance with the Rules, By-laws, Policies and applicable securities legislation.

The Applicant's Policies and Procedures Manual ("PPM") should address, at minimum, the following areas outlined in Member Regulation Notice *MR-0008 – Policies and Procedures Manual*. The applicant should check each section as addressed in the PPM, include the page reference where the topic is addressed and submit this schedule with the membership application:

- Compliance Function and Process (page reference: \_\_\_\_\_)
- Branches and Sub-branches (page reference: \_\_\_\_\_)
- Registration Requirements (page reference: \_\_\_\_\_)
- Dual Occupations (page reference: \_\_\_\_\_)
- Trade Names (page reference: \_\_\_\_\_)
- Client Accounts (page reference: \_\_\_\_\_)
  - ✓ New Accounts – including annual written request for updates per Rule 2.2.4 and procedures regarding transfers of account per Rule 2.12
  - ✓ Account Types
  - ✓ Account Supervision
  - ✓ Account Transfers
  - ✓ Money Laundering – refer also to Member Regulation Notice #0029
  - ✓ Transaction Processing
- Business Conduct (page reference: \_\_\_\_\_)
  - ✓ Advertising, Sales Communications and Other Client Communications
  - ✓ Complaints – including complaints reporting per MFDA Policy No. 3 and Bulletin #0050
  - ✓ Referral Arrangements
  - ✓ Limited Trading Authorizations
  - ✓ Borrowing for Securities Purchases
  - ✓ Conflicts of Interest
- Capital Requirements (page reference: \_\_\_\_\_)
- Bonding and Insurance (page reference: \_\_\_\_\_)
- Dealer Trust Accounts (page reference: \_\_\_\_\_)
- Books and Records (page reference: \_\_\_\_\_)

## Schedule K

Other topics not specifically addressed in MR-0008 that should also be addressed include, *but are not limited to*, the following:

- Requirement for all existing and new Approved Persons to sign a Schedule G (page reference:\_\_\_\_\_)
- Requirement to submit Notification of Termination (for cause) to the MFDA within required timeframe, pursuant to Rule 1.2.6 (for further guidance refer to MFDA Bulletin #0058 – *Rule 1.2.6 –Notification of Termination of Approved Persons*) (page reference:\_\_\_\_\_)
- Compliance Officer report, at least on an annual basis, on status of compliance to the Board of Directors or partners; format of report, policies and procedures for acting on the annual report and rectifying compliance deficiencies noted in the report, pursuant to Rule 2.5.2(b). (page reference:\_\_\_\_\_)
- 90-Day Training Program pursuant to MFDA Policy No. 1 and Rule 1.2.1(c) (page reference:\_\_\_\_\_)
- Client Reporting (refer to Rule 5.3, Member Regulation Notice *MR-0024*) (page reference:\_\_\_\_\_)



## **SUMMARY OF REQUIREMENTS**

The following documents must be submitted with the application for membership. All of the following documents must be received by MFDA staff before the application will be considered complete.

### **PLEASE INDICATE THE ITEMS BEING SUBMITTED AND INCLUDE THIS CHECKLIST WITH YOUR MEMBERSHIP APPLICATION.**

- Fully Completed Application Form
- Non-refundable application deposit
- Articles of Amendment evidencing change in legal name, if applicable
- Copy of trust bank statement and Notice to Financial Institution, if applicable
- Agreement with the trustee if the applicant acts as an agent in administering self-directed registered plans
- Introducing/Carrying Dealer Agreement(s), if applicable
- Service Agreement(s), if applicable
- Referral Agreement(s), if applicable
- List of branch and sub-branch locations (Schedule D in the Application Guide)
- List of trade names of Approved Persons, if applicable (Schedule F in the Application Guide)
- Sample Principal/Agent Agreement, if applicable
- Articles of Incorporation (or other applicable documents). The Certificate of Incorporation should accompany the Articles.
- Subordinated Loan Agreements, if applicable (Schedule I in the Application Guide)
- Undertaking Regarding Retractable Preferred Shares, if applicable (Schedule J in the Application Guide)
- Corporate organization chart- including all related entities and affiliates
- Business Plan
- Policies and Procedures Manual and completed Schedule K Checklist in the Application Guide
- Account opening documents
- Disclosure and Acknowledgement form re: Introducing/Carrying Dealer relationship, if applicable
- Limited Trading Authorization Form
- Risks of Leveraging Disclosure document
- Client Complaint information disclosure
- Dual Occupation disclosure for dually employed Approved Persons, if applicable
- Disclosure of referral arrangements, if applicable
- Audited MFDA Financial Questionnaire and Report, not more than 90 days old
- Unaudited monthly Financial Questionnaire and Report (s) for month end(s) subsequent to the date of the audited FQR
- Letter of Acknowledgement from the applicant's auditor (see Schedule H.1 in the Application Guide)
- Auditor's Report regarding system of books and records

- ❑ Evidence of insurance coverage
- ❑ Complete copy of Financial Institution Bond policy
- ❑ Certificate of Agreement signed by partner or senior officer
- ❑ Statutory Declaration, appropriately signed and notarized

# SECTION 4

## MFDA MEMBERSHIP APPLICATION FORM



## General Instructions

1. This form is to be used by a corporation or partnership seeking admission to membership in the Mutual Fund Dealers Association of Canada.
2. Answers to the questions on this application are to be provided on a separate response sheet.
3. The response sheet, application checklist, Certificate and Agreement, and Statutory Declaration comprise the application for membership ("the Application"). The Application must be submitted in its entirety. An Application will not be considered by the MFDA as filed or submitted until it is complete and properly executed.
4. All questions must be answered: "Yes", "No" or "N/A".
5. Attachments pertaining to any question must be made exhibits to the Application and must be so marked.
6. All signatures must be original.
7. For Question 28, Offences Under the Law, disclosure is not required for any offence for which a pardon has been granted under the Criminal Records Act (Canada) and such pardon has not been revoked. Under such circumstances, the appropriate response is "No". If there is any question as to the appropriate response to any question in the Application, a legal adviser should be consulted.
8. For eligibility, fees and other requirements for membership, refer to the Membership Application Guide and the MFDA's By-laws, Rules, Policies and Forms.

***Answers to the questions on this Application are to be provided on a separate response sheet.***

\_\_\_\_\_ (the "applicant") hereby applies for membership in the Mutual Fund Dealers Association of Canada ("the MFDA") and provides the following information:

1.
  - (a) Legal name of applicant.
  - (b) Name(s) under which applicant will carry on business.
  - (c) Former names of applicant, if applicable (attach Articles of Amendment).
  
2.
  - (a) Head office address.
  - (b) Head office telephone number(s).
  - (c) Head office fax number(s).
  - (d) Web site address, if applicable.
  - (e) Name of individual to contact regarding this application, including telephone and fax numbers and e-mail address.
  
3.
  - (a) Will the applicant hold client cash in a trust account? If so, please provide name and address of the financial institution where the account will be located, a copy of the trust bank account evidencing it as a "trust account" and a copy of the Notification to Financial Institution sent in accordance with Rule 3.3.2 hold client cash in a trust account.
  - (b) Will the applicant hold client securities or other investment products in nominee name accounts or in physical storage?
  - (c) In accordance with Rule 3.1.1, what level of dealer is the applicant applying for membership?
    - Level 1
    - Level 2
    - Level 3
    - Level 4

4.
  - (a) Will the applicant offer clients self-directed plans registered for income tax purposes?
  - (b) If the response to (a) was yes, please indicate whether the plans will be administered in-house or by a third party.
  - (c) Will the applicant act as an agent for the trustee in administering accounts of client self-directed plans? If so please provide the name(s) of the trustee(s) and the agreement(s) signed with the trustee(s) for the plans.
  - (d) Will the applicant introduce client self-directed accounts that are registered for income tax purposes to another organization? Note: **Pursuant to MFDA Rule 1.1.6(ii), Members may only introduce such accounts to another MFDA Member.** If so, please provide the name(s) of the Carrying Dealer(s) and the signed Introducing/Carrying Dealer Agreement(s).
5. If the applicant intends to be an Introducing Dealer, provide the name(s) of the Carrying Dealer(s) and the signed Introducing/Carrying Dealer Agreement(s).
6. If the applicant outsources services in accordance with Rule 1.1.3, please provide the name(s) of the Service Provider(s) and the signed Service Agreement(s).
7. If the applicant intends to enter into any referral arrangements (as defined in Rule 2.4.2) provide the signed referral agreement(s).
8. Branch and sub-branch offices. For each location, including home offices, provide complete address, telephone number, designated branch manager, web-site address if applicable and number of Approved Persons assigned to the Branch. (Please complete and attach Schedule D in the Application Guide).
9.
  - (a) Has the applicant received a signed agreement from every Approved Person in a form set out in Schedule G to the Application Guide? If not, please provide particulars.
  - (b) In accordance with Rule 1.2.1(b), for each Approved Person using a trade or business name other than that of the applicant, provide the name of the Approved Person, the trade or business name the Approved Person is using, and the Approved Person's branch location. (Please complete and attach Schedule F in the Application Guide.)
10.
  - (a) If the applicant intends to conduct its business through Approved Persons retained or contracted by it as agents, rather than employees, provide a sample copy of its agency contract.

- (b) If the applicant is providing an agency contract per 10(a), please confirm whether the contract complies with all of the requirements of Rule 1.1.5.
- 11.
- (a) Legal status of applicant (indicate whether corporation or partnership).
  - (b) Date of incorporation or formation.
  - (c) Jurisdiction of incorporation or governing statute.
  - (d) Attach articles or other constating documents evidencing formation.
12. If the applicant is a corporation,
- (a) Indicate full names of all directors.
  - (b) Indicate full names of all officers and office held.
  - (c) Describe capitalization (classes of shares and other securities, number authorized, number issued and outstanding, and their dollar value).
  - (d) Describe subordinated debt (amounts authorized or advanced, terms, holders) and attach Subordinated Loan Agreements in triplicate. (Refer to Schedule I in the Application Guide).
  - (e) Indicate all persons, alone or together with associates or affiliates, having a significant equity interest in the applicant as defined in By-law 1.
13. If the applicant is a partnership,
- (a) Indicate the type of partnership (general or limited).
  - (b) Indicate full names of all partners.
  - (c) Indicate full names of all officers and office held.
  - (d) Describe partnership interest of each partner.
14. Provide the names of all associates and affiliates (as defined in By-law 1) of the applicant and details of the nature of the business. Identify those that meet the definition of "related Member" as set out in By-law No. 1. Attach a corporate organization chart.

15. (a) Provide particulars of persons or companies acting as guarantors in relation to the financial or other undertakings of the applicant.
- (b) Provide particulars of persons or companies for which the applicant has undertaken to act as guarantor with respect to financial or other undertakings.
16. Date applicant commenced business.
17. (a) Indicate the investment products or services the applicant will trade, deal in, or offer:
- Mutual Funds
  - Segregated Funds
  - Labour Sponsored Investment Funds
  - Hedge Funds
  - GIC's
  - Limited Partnerships
  - Financial Planning
  - Other (specify)\_\_\_\_\_
- (b) Total mutual fund assets under administration. (Please refer to Schedule A in the Membership Application Guide)
- \$\_\_\_\_\_
- (c) Total assets under administration, not including mutual funds.
- \$\_\_\_\_\_
18. Indicate any business, other than the sale of investment products or services described in question 17 above, that the applicant also engages in or proposes to engage in.
19. Provide the name, telephone number and e-mail address of the designated compliance officer and the alternate compliance officer.
20. Attach applicant's business plan.



21. Attach applicant's Policies and Procedures Manual. Please complete and attach Schedule K in the Application Guide.
22. Attach applicant's Account Opening Documents and disclosures as follows:
- New Account Application Form (and Know Your Client Form if separate)
  - Disclosure and Acknowledgement form re: Introducing/Carrying dealer arrangement, if applicable
  - Limited Trading Authorization Form
  - Risks of Leveraging Disclosure document
  - Client Complaint information disclosure
  - Dual Occupation disclosure for dually employed Approved Persons, if applicable
  - Disclosure of referral arrangements, if applicable
  - Any other account opening documents/disclosures.
23. (a) Name and address of applicant's auditors.
- (b) Name of audit partner.
- (c) Name of applicant's Chief Financial Officer, or equivalent, responsible for the preparation of financial reports. Include title if different from above, telephone number and e-mail address.
- (d) Fiscal year end.
- (e) Attach an audited MFDA Financial Questionnaire and Report (the audited financial questionnaire should be as at a date not more than 90 days prior to the date of application for membership) and unaudited Monthly Financial Questionnaire and Report(s) for any month end subsequent to the date of the audited FQR. At the time of MFDA staff review of the application, MFDA staff will contact the applicant and may request that the applicant complete and submit an unaudited financial questionnaire and report for subsequent month end(s). The audited and unaudited questionnaires should evidence the fact that the applicant is in compliance with the MFDA's capital requirements.

- (f) Attach most recent audited financial statements and financial statements for the three preceding years, if applicable.
- (g) Attach a report from the applicant's auditor indicating that the applicant maintains a proper system of books and records
- (h) Attach Letter of Acknowledgement from the audit engagement partner (see Schedule H and H.1 in the Application Guide).
- (i) Provide the name of the carrier providing financial institution bond coverage. Attach a complete copy of the financial institution bond, including riders, evidencing coverage provided, limits of liability and deductible amounts.
- (j) Provide information regarding errors and omissions insurance or surety bonding insurance maintained by the applicant including type, limits of liability and deductible amounts.

24. Current and prior registration or licensing - applicant

- (a) Is the applicant currently registered or licensed, or has it ever applied for registration or licensing in any capacity under any legislation governing trading or advising in securities in any province, territory, state or country?

List all authorities with which the applicant is registered or has applied for registration, the dates of registration and state whether the registration is currently in effect.

- (b) Is the applicant currently registered or licensed or has it applied for registration or licensing in any capacity **other than** for securities related activities in any province, territory, state or country?

State the name of the legislation, the nature of the registration or license and whether it is currently in effect.

25. Current and prior registration or licensing – partners, directors and officers of the applicant

- (a) Has any partner, director or officer of the applicant ever been registered or licensed, or ever applied for registration or licensing in any capacity under any legislation governing trading or advising in securities in any province, territory, state or country?

26. Refusal, suspension, cancellation or disciplinary measure

- (a) Has the applicant, or any partner, director or officer or shareholder owning a significant equity interest in the applicant, ever been refused registration or licensing, or has its registration or license ever been suspended, restricted, cancelled or had terms and conditions imposed on it by any securities regulatory authority in any province, territory, state or country? If yes, provide full particulars, including details of any decision, terms and conditions or settlement agreement with the securities regulatory authority.
- (b) Has the applicant, or any partner, director or officer or shareholder owning a significant equity interest in the applicant, ever been refused registration or licensing, or has its registration or license ever been suspended or cancelled under any legislation which requires registration or licensing in any capacity **other than** as a mutual fund dealer in any province, territory, state or country? If yes, provide full particulars.
- (c) Has the applicant, or any partner, director or officer or shareholder owning a significant equity interest in the applicant, ever been denied the benefit of any exemption from registration or licensing provided by any act or regulation governing trading in securities in any province, territory, state or country? If yes, provide full particulars.
- (d) Has the applicant, or any partner director or officer or shareholder owning a significant equity interest in the applicant, ever been the subject of any securities regulatory authority proceedings whatsoever including a breach or alleged breach under any legislation governing trading or advising in securities in any province, territory, state or country? If yes, provide full particulars, including details of any decision or settlement agreement with the securities regulatory authority.

27. Self-regulatory organizations

- (a) Is the applicant now or has it ever been a member of any stock exchange, commodities exchange, commodity futures exchange, association of investment dealers, investment bankers, brokers, broker-dealers, mutual fund dealers, commodity futures dealers, investment counsel, other professional association or any similar organization in any province, territory, state or country? If yes, or if an application with any of the above-named organizations is pending, provide full particulars.
- (b) Has the applicant, or any partner, director or officer or shareholder owning a significant equity interest in the applicant, ever been refused registration, licensing, approval for membership or any other approval by any authority described in 27(a)? If yes, provide full particulars.
- (c) Has the applicant, or any partner, director, or officer or shareholder owning a significant equity interest in the applicant, ever been the subject of discipline undertaken by any authority as described in 27(a)? If yes, provide full particulars.

28. Offences under the law

- (a) Has the applicant, or any partner, director or officer or shareholder owning a significant equity interest in the applicant, ever been convicted of any offence relating to trading or advising in securities, the theft or fraud of securities or been a party to any proceedings taken on account of fraud arising out of any trade in or advice respecting securities under any law of any province, territory, state or country? If yes, provide full particulars.
- (b) Has the applicant, or any partner, director or officer or shareholder owning a significant equity interest in the applicant, ever been convicted under any law of any province, territory, state or country for criminal offences not noted in 28(a), whether summary conviction or indictable, or in other jurisdictions whether misdemeanour or felony? If yes, provide full particulars.
- (c) Is the applicant, or any partner, director or officer or shareholder owning a significant equity interest in the applicant, currently the subject of any charge or indictment under any law of any province, territory, state or country for criminal offences or other conduct of the type described in 28(a) or (b)? If yes, provide full particulars.

29. Civil proceedings

- (a) Has the applicant, or any partner, director or officer or shareholder owning a significant equity interest in the applicant, ever been found to have committed misrepresentation, fraud or similar conduct? If yes, provide full particulars.

30. Bankruptcy

- (a) Has the applicant, or any partner, director or officer or shareholder owning a significant equity interest in the applicant ever:
  - i) been declared bankrupt or made a voluntary assignment in bankruptcy;
  - ii) made a proposal under any legislation relating to bankruptcy or insolvency;
  - iii) been subject to or instituted any proceedings, arrangement or compromise with creditors including, without limitation, produced a declaration under the Quebec Voluntary Deposit of Salary Wages Law or had a receiver and/or manager appointed to hold or control assets;
  - iv) gone out of business leaving debts outstanding?

If yes, and if applicable, attach a copy of any discharge, release or document with similar effect.

- (b) Has any partner, director or officer or shareholder owning a significant equity interest in the Member ever been employed by, or associated with, a company or other organization that has ever:
  - (i) been declared bankrupt or made a voluntary assignment in bankruptcy;
  - (ii) made a proposal under any legislation relating to bankruptcy or insolvency;
  - (iii) been subject to proceedings under any legislation relating to the winding-up, dissolution or companies creditors arrangements;
  - (iv) been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver and/or manager appointed to hold or control assets; or
  - (v) gone out of business leaving debts outstanding?

If yes, and if applicable, attach a copy of the discharge, release or document with similar effect.

31. Judgment or Garnishment

- (a) Has any judgment or garnishment ever been rendered against the applicant or any partner, director, officer or shareholder owning a significant equity interest or is any judgment or garnishment outstanding in any civil court in any province, state, territory or country for damages or other relief in respect of fraud or for any reason whatsoever? If yes, provide full particulars.

32. Fidelity Bond

- (a) Has the applicant ever applied for a surety or fidelity bond and been refused? If yes, provide name and address of bonding company and the date and particulars of refusal.

## CERTIFICATE AND AGREEMENT

The applicant hereby certifies that the foregoing statements are true and correct and hereby undertakes to notify the Mutual Fund Dealers Association of Canada (the "MFDA"), in writing, of any material changes herein as prescribed in the By-laws, Rules, Policies and Forms (collectively the "Rules") of the MFDA.

The applicant acknowledges that it has received a copy of the Rules.

The applicant agrees that it is conversant with the Rules and agrees that, if admitted to membership, it will keep fully informed about them as they are from time to time amended or supplemented and will comply with them as so amended and supplemented.

The applicant agrees to submit to the jurisdiction of the MFDA and, wherever applicable, the Board of Directors, Regional Councils and committees thereof.

The applicant agrees that it will conduct its securities related business only through the Approved Persons who are its employees or agents, duly licensed or registered under, and in compliance with, applicable securities legislation and the Rules of the MFDA. The applicant agrees that it is responsible for and will supervise the conduct of such Approved Persons in respect of its business, including compliance with all applicable legislation and the Rules of the MFDA.

The applicant agrees that so long as it remains a member of the MFDA, it will be and remain licensed or registered as a mutual fund dealer under the applicable law of the province(s) and/or territories where the applicant carries on business.

DATED at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_

BY

\_\_\_\_\_  
Name of Applicant

\_\_\_\_\_  
Name of Partner or Senior Officer

\_\_\_\_\_  
Title

\_\_\_\_\_  
Signature

**STATUTORY DECLARATION**  
(by a partner or senior officer of the applicant)

CITY OF \_\_\_\_\_, PROVINCE OF \_\_\_\_\_

IN THE MATTER OF THE APPLICATION OF

\_\_\_\_\_  
FOR MEMBERSHIP IN THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA.

I, \_\_\_\_\_, of the \_\_\_\_\_ of \_\_\_\_\_  
in the province of \_\_\_\_\_

**SOLEMNLY DECLARE AND UNDERTAKE THAT:**

1. I am \_\_\_\_\_ of the applicant named in the foregoing Application for Membership and thereby have the authority and knowledge to make the foregoing application.
2. I have read and understood the Application for Membership.
3. The statements contained in the Application for Membership and the attachments thereto are true.

AND I make this solemn declaration conscientiously believing it to be true and knowing that it is the same force and effect as if made under oath and by virtue of the Canada Evidence Act.

\_\_\_\_\_  
Signature of Partner or Officer

DECLARED before me at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
A Commissioner for Oaths or Notary Public

# SECTION 3

## MFDA APPLICATION CHECKLIST





## **SUMMARY OF REQUIREMENTS**

The following documents must be submitted with the application for membership. All of the following documents must be received by MFDA staff before the application will be considered complete.

### **PLEASE INDICATE THE ITEMS BEING SUBMITTED AND INCLUDE THIS CHECKLIST WITH YOUR MEMBERSHIP APPLICATION.**

- Fully Completed Application Form
- Non-refundable application deposit
- Articles of Amendment evidencing change in legal name, if applicable
- Copy of trust bank statement and Notice to Financial Institution, if applicable
- Agreement with the trustee if the applicant acts as an agent in administering self-directed registered plans
- Introducing/Carrying Dealer Agreement(s), if applicable
- Service Agreement(s), if applicable
- Referral Agreement(s), if applicable
- List of branch and sub-branch locations (Schedule D in the Application Guide)
- List of trade names of Approved Persons, if applicable (Schedule F in the Application Guide)
- Sample Principal/Agent Agreement, if applicable
- Articles of Incorporation (or other applicable documents). The Certificate of Incorporation should accompany the Articles.
- Subordinated Loan Agreements, if applicable (Schedule I in the Application Guide)
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- Risks of Leveraging Disclosure document
- Client Complaint information disclosure
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- Unaudited monthly Financial Questionnaire and Report (s) for month end(s) subsequent to the date of the audited FQR
- Letter of Acknowledgement from the applicant's auditor (see Schedule H.1 in the Application Guide)
- Auditor's Report regarding system of books and records

- ❑ Evidence of insurance coverage
- ❑ Complete copy of Financial Institution Bond policy
- ❑ Certificate of Agreement signed by partner or senior officer
- ❑ Statutory Declaration, appropriately signed and notarized

# SECTION 4

## MFDA MEMBERSHIP APPLICATION FORM



## General Instructions

1. This form is to be used by a corporation or partnership seeking admission to membership in the Mutual Fund Dealers Association of Canada.
2. Answers to the questions on this application are to be provided on a separate response sheet.
3. The response sheet, application checklist, Certificate and Agreement, and Statutory Declaration comprise the application for membership ("the Application"). The Application must be submitted in its entirety. An Application will not be considered by the MFDA as filed or submitted until it is complete and properly executed.
4. All questions must be answered: "Yes", "No" or "N/A".
5. Attachments pertaining to any question must be made exhibits to the Application and must be so marked.
6. All signatures must be original.
7. For Question 28, Offences Under the Law, disclosure is not required for any offence for which a pardon has been granted under the Criminal Records Act (Canada) and such pardon has not been revoked. Under such circumstances, the appropriate response is "No". If there is any question as to the appropriate response to any question in the Application, a legal adviser should be consulted.
8. For eligibility, fees and other requirements for membership, refer to the Membership Application Guide and the MFDA's By-laws, Rules, Policies and Forms.

***Answers to the questions on this Application are to be provided on a separate response sheet.***

\_\_\_\_\_ (the "applicant") hereby applies for membership in the Mutual Fund Dealers Association of Canada ("the MFDA") and provides the following information:

1.
  - (a) Legal name of applicant.
  - (b) Name(s) under which applicant will carry on business.
  - (c) Former names of applicant, if applicable (attach Articles of Amendment).
  
2.
  - (a) Head office address.
  - (b) Head office telephone number(s).
  - (c) Head office fax number(s).
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3.
  - (a) Will the applicant hold client cash in a trust account? If so, please provide name and address of the financial institution where the account will be located, a copy of the trust bank account evidencing it as a "trust account" and a copy of the Notification to Financial Institution sent in accordance with Rule 3.3.2 hold client cash in a trust account.
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    - Level 1
    - Level 2
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4.
  - (a) Will the applicant offer clients self-directed plans registered for income tax purposes?
  - (b) If the response to (a) was yes, please indicate whether the plans will be administered in-house or by a third party.
  - (c) Will the applicant act as an agent for the trustee in administering accounts of client self-directed plans? If so please provide the name(s) of the trustee(s) and the agreement(s) signed with the trustee(s) for the plans.
  - (d) Will the applicant introduce client self-directed accounts that are registered for income tax purposes to another organization? Note: **Pursuant to MFDA Rule 1.1.6(ii), Members may only introduce such accounts to another MFDA Member.** If so, please provide the name(s) of the Carrying Dealer(s) and the signed Introducing/Carrying Dealer Agreement(s).
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  - (a) Has the applicant received a signed agreement from every Approved Person in a form set out in Schedule G to the Application Guide? If not, please provide particulars.
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  - (a) If the applicant intends to conduct its business through Approved Persons retained or contracted by it as agents, rather than employees, provide a sample copy of its agency contract.

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  - (d) Describe subordinated debt (amounts authorized or advanced, terms, holders) and attach Subordinated Loan Agreements in triplicate. (Refer to Schedule I in the Application Guide).
  - (e) Indicate all persons, alone or together with associates or affiliates, having a significant equity interest in the applicant as defined in By-law 1.
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- (a) Indicate the type of partnership (general or limited).
  - (b) Indicate full names of all partners.
  - (c) Indicate full names of all officers and office held.
  - (d) Describe partnership interest of each partner.
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  - Other (specify)\_\_\_\_\_
- (b) Total mutual fund assets under administration. (Please refer to Schedule A in the Membership Application Guide)
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  - Client Complaint information disclosure
  - Dual Occupation disclosure for dually employed Approved Persons, if applicable
  - Disclosure of referral arrangements, if applicable
  - Any other account opening documents/disclosures.
  
23.
  - (a) Name and address of applicant's auditors.
  - (b) Name of audit partner.
  - (c) Name of applicant's Chief Financial Officer, or equivalent, responsible for the preparation of financial reports. Include title if different from above, telephone number and e-mail address.
  - (d) Fiscal year end.
  - (e) Attach an audited MFDA Financial Questionnaire and Report (the audited financial questionnaire should be as at a date not more than 90 days prior to the date of application for membership) and unaudited Monthly Financial Questionnaire and Report(s) for any month end subsequent to the date of the audited FQR. At the time of MFDA staff review of the application, MFDA staff will contact the applicant and may request that the applicant complete and submit an unaudited financial questionnaire and report for subsequent month end(s). The audited and unaudited questionnaires should evidence the fact that the applicant is in compliance with the MFDA's capital requirements.

- (f) Attach most recent audited financial statements and financial statements for the three preceding years, if applicable.
- (g) Attach a report from the applicant's auditor indicating that the applicant maintains a proper system of books and records
- (h) Attach Letter of Acknowledgement from the audit engagement partner (see Schedule H and H.1 in the Application Guide).
- (i) Provide the name of the carrier providing financial institution bond coverage. Attach a complete copy of the financial institution bond, including riders, evidencing coverage provided, limits of liability and deductible amounts.
- (j) Provide information regarding errors and omissions insurance or surety bonding insurance maintained by the applicant including type, limits of liability and deductible amounts.

24. Current and prior registration or licensing - applicant

- (a) Is the applicant currently registered or licensed, or has it ever applied for registration or licensing in any capacity under any legislation governing trading or advising in securities in any province, territory, state or country?

List all authorities with which the applicant is registered or has applied for registration, the dates of registration and state whether the registration is currently in effect.

- (b) Is the applicant currently registered or licensed or has it applied for registration or licensing in any capacity **other than** for securities related activities in any province, territory, state or country?

State the name of the legislation, the nature of the registration or license and whether it is currently in effect.

25. Current and prior registration or licensing – partners, directors and officers of the applicant

- (a) Has any partner, director or officer of the applicant ever been registered or licensed, or ever applied for registration or licensing in any capacity under any legislation governing trading or advising in securities in any province, territory, state or country?

26. Refusal, suspension, cancellation or disciplinary measure

- (a) Has the applicant, or any partner, director or officer or shareholder owning a significant equity interest in the applicant, ever been refused registration or licensing, or has its registration or license ever been suspended, restricted, cancelled or had terms and conditions imposed on it by any securities regulatory authority in any province, territory, state or country? If yes, provide full particulars, including details of any decision, terms and conditions or settlement agreement with the securities regulatory authority.
- (b) Has the applicant, or any partner, director or officer or shareholder owning a significant equity interest in the applicant, ever been refused registration or licensing, or has its registration or license ever been suspended or cancelled under any legislation which requires registration or licensing in any capacity **other than** as a mutual fund dealer in any province, territory, state or country? If yes, provide full particulars.
- (c) Has the applicant, or any partner, director or officer or shareholder owning a significant equity interest in the applicant, ever been denied the benefit of any exemption from registration or licensing provided by any act or regulation governing trading in securities in any province, territory, state or country? If yes, provide full particulars.
- (d) Has the applicant, or any partner director or officer or shareholder owning a significant equity interest in the applicant, ever been the subject of any securities regulatory authority proceedings whatsoever including a breach or alleged breach under any legislation governing trading or advising in securities in any province, territory, state or country? If yes, provide full particulars, including details of any decision or settlement agreement with the securities regulatory authority.

27. Self-regulatory organizations

- (a) Is the applicant now or has it ever been a member of any stock exchange, commodities exchange, commodity futures exchange, association of investment dealers, investment bankers, brokers, broker-dealers, mutual fund dealers, commodity futures dealers, investment counsel, other professional association or any similar organization in any province, territory, state or country? If yes, or if an application with any of the above-named organizations is pending, provide full particulars.
- (b) Has the applicant, or any partner, director or officer or shareholder owning a significant equity interest in the applicant, ever been refused registration, licensing, approval for membership or any other approval by any authority described in 27(a)? If yes, provide full particulars.
- (c) Has the applicant, or any partner, director, or officer or shareholder owning a significant equity interest in the applicant, ever been the subject of discipline undertaken by any authority as described in 27(a)? If yes, provide full particulars.

28. Offences under the law

- (a) Has the applicant, or any partner, director or officer or shareholder owning a significant equity interest in the applicant, ever been convicted of any offence relating to trading or advising in securities, the theft or fraud of securities or been a party to any proceedings taken on account of fraud arising out of any trade in or advice respecting securities under any law of any province, territory, state or country? If yes, provide full particulars.
- (b) Has the applicant, or any partner, director or officer or shareholder owning a significant equity interest in the applicant, ever been convicted under any law of any province, territory, state or country for criminal offences not noted in 28(a), whether summary conviction or indictable, or in other jurisdictions whether misdemeanour or felony? If yes, provide full particulars.
- (c) Is the applicant, or any partner, director or officer or shareholder owning a significant equity interest in the applicant, currently the subject of any charge or indictment under any law of any province, territory, state or country for criminal offences or other conduct of the type described in 28(a) or (b)? If yes, provide full particulars.

29. Civil proceedings

- (a) Has the applicant, or any partner, director or officer or shareholder owning a significant equity interest in the applicant, ever been found to have committed misrepresentation, fraud or similar conduct? If yes, provide full particulars.

30. Bankruptcy

- (a) Has the applicant, or any partner, director or officer or shareholder owning a significant equity interest in the applicant ever:
  - i) been declared bankrupt or made a voluntary assignment in bankruptcy;
  - ii) made a proposal under any legislation relating to bankruptcy or insolvency;
  - iii) been subject to or instituted any proceedings, arrangement or compromise with creditors including, without limitation, produced a declaration under the Quebec Voluntary Deposit of Salary Wages Law or had a receiver and/or manager appointed to hold or control assets;
  - iv) gone out of business leaving debts outstanding?

If yes, and if applicable, attach a copy of any discharge, release or document with similar effect.

- (b) Has any partner, director or officer or shareholder owning a significant equity interest in the Member ever been employed by, or associated with, a company or other organization that has ever:
- (i) been declared bankrupt or made a voluntary assignment in bankruptcy;
  - (ii) made a proposal under any legislation relating to bankruptcy or insolvency;
  - (iii) been subject to proceedings under any legislation relating to the winding-up, dissolution or companies creditors arrangements;
  - (iv) been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver and/or manager appointed to hold or control assets; or
  - (v) gone out of business leaving debts outstanding?

If yes, and if applicable, attach a copy of the discharge, release or document with similar effect.

31. Judgment or Garnishment

- (a) Has any judgment or garnishment ever been rendered against the applicant or any partner, director, officer or shareholder owning a significant equity interest or is any judgment or garnishment outstanding in any civil court in any province, state, territory or country for damages or other relief in respect of fraud or for any reason whatsoever? If yes, provide full particulars.

32. Fidelity Bond

- (a) Has the applicant ever applied for a surety or fidelity bond and been refused? If yes, provide name and address of bonding company and the date and particulars of refusal.

## CERTIFICATE AND AGREEMENT

The applicant hereby certifies that the foregoing statements are true and correct and hereby undertakes to notify the Mutual Fund Dealers Association of Canada (the "MFDA"), in writing, of any material changes herein as prescribed in the By-laws, Rules, Policies and Forms (collectively the "Rules") of the MFDA.

The applicant acknowledges that it has received a copy of the Rules.

The applicant agrees that it is conversant with the Rules and agrees that, if admitted to membership, it will keep fully informed about them as they are from time to time amended or supplemented and will comply with them as so amended and supplemented.

The applicant agrees to submit to the jurisdiction of the MFDA and, wherever applicable, the Board of Directors, Regional Councils and committees thereof.

The applicant agrees that it will conduct its securities related business only through the Approved Persons who are its employees or agents, duly licensed or registered under, and in compliance with, applicable securities legislation and the Rules of the MFDA. The applicant agrees that it is responsible for and will supervise the conduct of such Approved Persons in respect of its business, including compliance with all applicable legislation and the Rules of the MFDA.

The applicant agrees that so long as it remains a member of the MFDA, it will be and remain licensed or registered as a mutual fund dealer under the applicable law of the province(s) and/or territories where the applicant carries on business.

DATED at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

BY

\_\_\_\_\_  
Name of Applicant

\_\_\_\_\_  
Name of Partner or Senior Officer

\_\_\_\_\_  
Title

\_\_\_\_\_  
Signature

**STATUTORY DECLARATION**  
(by a partner or senior officer of the applicant)

CITY OF \_\_\_\_\_, PROVINCE OF \_\_\_\_\_

IN THE MATTER OF THE APPLICATION OF

\_\_\_\_\_  
FOR MEMBERSHIP IN THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA.

I, \_\_\_\_\_, of the \_\_\_\_\_ of \_\_\_\_\_  
in the province of \_\_\_\_\_

**SOLEMNLY DECLARE AND UNDERTAKE THAT:**

1. I am \_\_\_\_\_ of the applicant named in the foregoing Application for Membership and thereby have the authority and knowledge to make the foregoing application.
2. I have read and understood the Application for Membership.
3. The statements contained in the Application for Membership and the attachments thereto are true.

AND I make this solemn declaration conscientiously believing it to be true and knowing that it is the same force and effect as if made under oath and by virtue of the Canada Evidence Act.

\_\_\_\_\_  
Signature of Partner or Officer

DECLARED before me at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
A Commissioner for Oaths or Notary Public