

**The Mutual Fund Dealers Association of Canada**

**Housekeeping Amendments to**  
**MFDA Rule 2.3 Power of Attorney/Limited Trading Authorization**

**Current Rules**

Rule 2.3.1(a) currently prohibits Members and their Approved Persons from accepting or acting upon a general power of attorney or other similar authorization from a client in favour of the Member or Approved Person.

Rule 2.3.4 currently prohibits Members and their Approved Persons from using a limited trading authorization to engage in discretionary trading.

**Reason for Amendment**

Under securities legislation and MFDA Rules, Members and their Approved Persons are not permitted to accept discretionary trading authority from a client. Rule 2.3.4 currently links the prohibition on discretionary trading to having a limited trading authorization. However, the regulatory intent is to prohibit discretionary trading on the part of Members and their Approved Persons irrespective of whether they have a limited trading authorization.

**Description of Amendment**

Rule 2.3.4 will be deleted and the words “Discretionary Trading” will be added to the heading of Rule 2.3, following the words “Limited Trading Authorization”. The words “or engage in any discretionary trading” will be added to the end of Rule 2.3.1(a).

The proposed amendments are housekeeping in nature in that they are intended to clarify existing requirements and the current language of the Rule.

**Effective Date**

The amended Rule will be effective on a date to be subsequently determined by the MFDA.

## The Mutual Fund Dealers Association of Canada

### Power of Attorney/Limited Trading Authorization (Rule 2.3)

On September 24, 2008, the Board of Directors of Mutual Fund Dealers Association of Canada made the following housekeeping amendments to MFDA Rule 2.3:

#### 2.3 POWER OF ATTORNEY/LIMITED TRADING AUTHORIZATION/DISCRETIONARY TRADING

- 2.3.1 (a) **Prohibition.** No Member or Approved Person shall accept or act upon a general power of attorney or other similar authorization from a client in favour of the Member or Approved Person or engage in any discretionary trading.
- (b) **Exception.** Notwithstanding the provisions of paragraph (a), an Approved Person may accept or act upon a general power of attorney or similar authorization from a client in favour of the Approved Person where such client is a spouse, parent or child of the Approved Person and provided that:
- (i) an Approved Person other than the Approved Person holding the general power of attorney must be the Approved Person of record on the account;
  - and
  - (ii) such other conditions as prescribed by the Corporation are met.
- 2.3.2 **Limited Trading Authorization.** A Member or Approved Person may accept a limited trading authorization from a client for the express purpose of facilitating trade execution. In such circumstances a form of limited trading authorization as prescribed by the Corporation must be completed and approved by the compliance officer or branch manager, and retained in the client's file.
- 2.3.3 **Designation.** Each trade made pursuant to a limited trading authorization and its corresponding account must be identified as such in the books and records of the Member and on any order documentation.
- 2.3.4 ~~No Discretionary Trading. A limited trading authorization shall not in any way confer general discretionary trading authority upon a Member, an Approved Person or any person acting on behalf of the Member.~~