

Summary of Public Comments Respecting Proposed Amendments to MFDA Rule 5.3 (Client Reporting) and Responses of the MFDA

On October 28, 2011, the British Columbia Securities Commission published proposed amendments to MFDA Rule 5.3 (Client Reporting) (the “**Proposed Amendments**”) for a 30-day public comment period that expired on November 28, 2011.

One submission was received during the public comment period:

Advocis

A copy of the comment submission may be viewed on the MFDA website at: <http://www.mfda.ca/regulation/comments.html#5-3>.

The following is a summary of the comments received, together with the MFDA's responses.

Quarterly Reporting Requirement for Nominee Name Accounts

Advocis noted that the Proposed Amendments will result in clients with nominee name accounts, who currently receive a statement for any month when there is activity in their account, receiving reports only quarterly, and expressed the view that this reduction in the frequency of reporting may not be appropriate. The commenter suggested that certain clients with nominee name accounts rely on the receipt of monthly statements, and if the Rule is amended as proposed, they may wonder why they no longer are receiving statements for months when they have activity and instead are only receiving quarterly statements.

Advocis recommended that the MFDA conform its Rule to the minimum requirements in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (“NI 31-103”) without eliminating monthly reporting for nominee name accounts for months when there has been activity. The commenter suggested revising the Proposed Amendments so that the Rule continues to provide for reporting at least once every month for a nominee name account for months when there is activity in the account, but in any event no less frequently than once every quarter.

MFDA Response

As described in the Notice of Request for Comments, the Proposed Amendments are intended to ensure that requirements under MFDA Rules are consistent with those under NI 31-103. Staff is of the view that quarterly reporting is appropriate given the nature of mutual funds, which are not intended to be frequently traded securities. In addition, where there is a transaction in the month, clients will receive a trade confirmation for that transaction. Further, there is no reason to distinguish between client name and nominee name accounts with respect to frequency of reporting. The Proposed Amendments

constitute minimum standards and Members may choose to provide more frequent reporting to clients where Members feel it is appropriate.

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