

APPENDIX C

Summary of Public Comments Respecting Request for Comment on Proposed Amendments to MFDA Rule 3.1.1 and MFDA Form 1

On August 13, 2010 the British Columbia Securities Commission published proposed amendments to MFDA Rule 3.1.1 (Capital- Minimum Levels) and MFDA Form 1- Financial Questionnaire and Report (the “**Proposed Amendments**”) for a 60-day public comment period that expired on October 12, 2010.

One submission was received during the public comment period:

Mouvement des caisses Desjardins (“MCD”)

A copy of the comment submission may be viewed on the MFDA website at: www.mfda.ca.

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

Deposit Certificates

MCD suggested including deposit certificates issued by caisses in the Notes and Instructions of Form 1. The commenter expressed the view that deposit certificates issued by caisses should be given the same treatment as those issued by banks.

MFDA Response

The purpose of the proposed amendments to the margin rates in Form 1 was to align the rates with those required under National Instrument 31-103 (“NI 31-103”) to ensure the MFDA’s minimum capital requirements at least met the minimum capital requirements of other registrants subject to the requirements of NI 31-103. Currently, the margin rates specified for bank paper under NI 31-103 relate only to those products issued by a Canadian chartered bank (and of Canadian chartered bank acceptances) and do not extend to deposit certificates issued by credit unions or caisses. A thorough review and analysis of all margin rates outlined in the Notes and Instructions to Schedule 1 of the Form would need to be undertaken to consider the appropriateness of extending these rates to paper issued by credit unions and caisses. MFDA staff will consider whether such a review should be undertaken in the future.

Amount of Receivables and Regulatory Capital Requirements

The commenter noted that the total of receivables is currently included on Line 7 of Form 1 in the “Other Allowable Assets” section. MCD expressed the view that as a result of the proposed amendments, MCD will be penalized by the inclusion of “due from related parties” in line 18 of Statement A. MCD noted that the nature of the subsidiary relationship between Desjardins Cabinet de services financiers inc. and the network of

caisses exists in the normal course of business and is related to how it offers investment fund and money market services.

MCD expressed the view that the addition of this proposed amount will have an impact on its regulatory capital.

MFDA Response

The primary objective of the proposed amendments was to change the basis of presentation of the Form 1 from Canadian Generally Accepted Accounting Principles to International Financial Reporting Standards, except as modified by the MFDA. Consequently, with the exception of specific changes to the capital formula to ensure the MFDA's minimum capital requirements at least met those prescribed under NI 31-103, no other changes to the capital formula were intended. Therefore, given current MFDA requirements permit receivable balances generated from trading activity with a related company that meets the definition of an "Acceptable Entity", as defined in the General Notes and Definitions to the Form 1, to be reported as "Other Allowable Assets", this classification will continue. To clarify, the following addition to the Notes and Instructions to Statement A, line 18 in the Form 1 has been made: *"Inter-company receivables generated from trading activity may be reported as allowable assets if the criteria for such reporting are otherwise satisfied."*

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