

Joint Notice of Approval

Mutual Fund Dealers Association of Canada Application to Amend Recognition Order

The Mutual Fund Dealers Association of Canada (MFDA) applied to the securities regulatory authority in each of British Columbia, Ontario, Saskatchewan and Nova Scotia (the Applicable Jurisdictions) to amend the order of each of the Applicable Jurisdictions recognizing the MFDA as a self-regulatory organization (Recognition Order). The MFDA requested the amendments in order to extend the suspension period for its Rule 2.4.1, which currently expires on December 31, 2008.

MFDA Rule 2.4.1 requires MFDA Members to pay any remuneration for business conducted by their Approved Persons on the Members' behalf directly to and in the name of the Approved Persons. The MFDA requested the extension to give it time to develop proposed amendments to Rule 2.4.1 to allow Approved Persons to direct such remuneration to a non-registered corporation, subject to conditions (a directed commissions approach).

A. Extension of the Suspension of MFDA Rule 2.4.1

The Applicable Jurisdictions have approved extending the suspension period for MFDA Rule 2.4.1 to March 31, 2010, with a requirement for the MFDA to submit its proposed amendments to Rule 2.4.1 by May 31, 2009. The Applicable Jurisdictions are of the view that a March 31, 2010 expiry date would provide sufficient time for the recognizing regulators to consider the regulatory impact of the proposal and for the MFDA to implement the resulting approved amendments. If the MFDA does not meet the May 31, 2009 deadline to submit a rule proposal, the Applicable Jurisdictions will provide a status update on the suspension of Rule 2.4.1 and will inform the industry which jurisdictions will be bringing Rule 2.4.1 into force on April 1, 2010.

A copy of each Applicable Jurisdiction's Recognition Order of the MFDA can be found on their websites or in their bulletin.

B. Public Comments on the MFDA's Application

On August 29, 2008, the Applicable Jurisdictions published for comment the MFDA's application and related documents. Seven comment letters were received. The MFDA's summary of comments and response is attached.

C. CSA's Response to Public Comments

The majority of the commenters advocate that any rule proposal should allow salespersons to conduct registerable activities on behalf of their dealers through the salespersons' personal corporations, rather than allow a directed commissions approach. They also recommend the establishment of a joint initiative of the CSA, SROs and industry to address the incorporated salesperson issue.

We would like to note that the CSA's objective is to ensure that any proposal the SROs submit allowing for salespersons' corporations addresses our regulatory concerns, primarily the protection of investors.

The CSA has communicated to the Investment Dealers Association of Canada (now the Investment Industry Regulatory Organization of Canada) and the Investment Industry Association of Canada our concerns with any proposal that includes a non-registered corporation performing registerable activities. We think the registration regime is an important component to ensure that investors are protected.

The CSA supports the notion of industry and the SROs working together to collectively propose a solution that would be applicable to all registrants subject to SRO oversight. The CSA expects industry and their SROs to work together and take the lead in developing a solution that does not diminish investor protection. We look forward to considering such a solution and to discussing how industry might obtain government approval for any required legislative changes.

December 19, 2008