

**NOTICE OF RULE  
UNDER THE SECURITIES ACT  
MSC RULE 2001-\***

**LOCAL RULE 31-506  
MFDA MEMBERSHIP – MUTUAL FUND DEALERS**

**Notice of Proposed Rule**

The Manitoba Securities Commission (the "Commission") intends to make Rule 31-506 MFDA Membership – Mutual Fund Dealers ("Rule") a Rule under section 149.1 of The Securities Act (the "Act"). In accordance with the Rule-Making Procedure Regulation, Regulation 246/97, the Commission is publishing a proposed Rule for a 60 day comment period.

**Background**

Since 1997, the Commission, together with other members of the Canadian Securities Administrators has encouraged and supported the establishment of The Mutual Fund Dealers Association (the "MFDA"). The MFDA was created in 1998 for the purpose of becoming the self-regulatory organization ("SRO") for the distribution side of the mutual fund industry. When fully operational, the MFDA will be responsible for regulating all sales of mutual funds by its members in Canada.

The MFDA applied for, and has received recognition as a SRO from the Securities Commissions of British Columbia, Alberta, Saskatchewan and Ontario. These Securities Commissions have also made, or are in the process of making, a Rule which requires mutual fund dealers to be a member of a SRO.

Further information relating to the MFDA and the requirements to become a member can be obtained from the MFDA at [www.mfda.ca](http://www.mfda.ca).

**Substance and Purpose of the Proposed Rule**

The purpose of the proposed Rule is to address certain regulatory issues that arise in connection with regulatory oversight of a Broker-Dealer restricted to the distribution of prospectus qualified mutual funds ("mutual fund dealers"). The proposed Rule will require that all mutual fund dealers be members of the MFDA, within the time limits set out in the proposed Rule.

**Summary of Rule**

The proposed Rule will require all mutual fund dealers registered with the Commission to:

- prepare and submit to the MFDA an application for membership in the form prescribed by the MFDA, together with the MFDA's prescribed fees within specified time periods, and
- from and after July 2, 2002, be a member of the MFDA.

### **Comment Period**

The comment period ends on May 15, 2001. Comments should be submitted to:

The Manitoba Securities Commission  
1130 – 405 Broadway Avenue  
Winnipeg, MB R3K 1X6

Attention: R. B. Bouchard  
Director Capital Markets

March 16, 2001