

MSC Notice 2001-16

NOTICE OF RULE UNDER THE SECURITIES ACT MSC RULE 2001-14

RULE 31-506 MFDA MEMBERSHIP – MUTUAL FUND DEALERS

Notice of Rule

The Commission has, under the Rule-Making Procedure Regulation, Regulation 246/97, under The Securities Act (the “Act”), made Local Rule 31-506 MFDA Membership – Mutual Fund Dealers (the “Local Rule”) as a Rule under the Act effective June 1, 2001.

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 Rules which require mutual fund dealers to be members 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.

Substance and Purpose of the Rule

The substance and purpose of the 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 (a “mutual fund dealer”). The Rule will require that all mutual fund dealers be members of the MFDA, within the time limits set out in the Rule.

Summary of Rule

The 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.

Prior Publication and Public Comment

The Commission published the Local Rule for comment on March 16, 2001 for a 60 day comment period.

No submissions or comments were received. Therefore, no material changes have been made to the Local Rule.

Text of Local Rule

The text of the Local Rule follows.

Date of Notice

May 24, 2001

Questions may be referred to:

The Manitoba Securities Commission
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Attention: R. B. Bouchard
Director Capital Markets