



MSC Notice 2001-11

NOTICE TO BROKER-DEALERS RESTRICTED TO THE SALE OF MUTUAL FUNDS

SALE OF LABOUR SPONSORED INVESTMENT FUNDS SPECIAL REQUIREMENTS

The purpose of this Notice is to clarify the special requirements that exist when a broker-dealer restricted to the sale of mutual funds intends to sell Labour Sponsored Investment Funds (“LSIFs”) in general, or when the broker-dealer intends to restrict the sale of LSIFs, by some or all of its salespersons, to the Crocus Investment Fund and/or the ENSIS Growth Fund Inc.

Broker-Dealer Registration Requirements

A broker-dealer restricted to mutual funds who wishes to sell shares or units in LSIFs must apply, pursuant to Local Policy No. 3.06 – Range of Trading Permitted Registrants Holding Restricted Registrations, for an appropriate amendment to its registration. To obtain approval of such an amendment, the broker-dealer must submit:

1. A Form 2 and requisite fee of \$100 requesting its conditions of registration be amended to either permit the sale of LSIFs in general, or only the sale of the Crocus Investment Fund and/or the ENSIS Growth Fund Inc.; and
2. A written undertaking from the broker-dealer (signed by a trading official) stating that each sale will be reviewed for suitability by a senior officer, director, partner or branch manager who, at a minimum, has successfully completed the Canadian Securities Course offered by the Canadian Securities Institute (the “CSC”) or by such a person employed by the broker-dealer who is otherwise acceptable to the Director – Capital Markets of the Commission. (A sample form of undertaking is attached)

If the CSC requirement cannot be satisfied, a letter, addressed to the Director, is required. The letter, signed by the person designated to sign the undertaking in #2, must set out in some detail the reasons (education, experience) why the person should be otherwise acceptable.

The Commission would also remind those broker-dealers of the requirement of Local Policy No. 3.04 – Mutual Fund Distributors Supporting Staff and “Know Your Purchaser”.

Salesperson Proficiency Requirements

The following conditions must be met by a salesperson of a broker-dealer restricted to mutual funds before he/she can sell shares or units in a prospectus qualified LSIF.

1. For the sale of **all** prospectus qualified LSIFs, each salesperson must complete:
 - a) the Labour Sponsored Investment Funds Course offered by the Investment Funds Institute of Canada (the “LSIF Course”), and the Canadian Investment Funds Course (or equivalent); or
 - b) the CSC.
2. For the sale of **only** the Crocus Investment Fund, each salesperson must complete the Canadian Investment Funds Course (or equivalent) and the Crocus Course¹.
3. For the sale of **only** the ENSIS Growth Fund Inc., each salesperson must complete the Canadian Investment Funds Course (or equivalent) and the ENSIS Course².
4. For the sale of **both** the Crocus Investment Fund and the ENSIS Growth Fund Inc. **only**, each salesperson must complete the Canadian Investments Fund Course (or equivalent), and;
 - a) The Crocus Course and the ENSIS Course,
or;
 - b) The Crocus Course and the ENSIS Product Knowledge Course³,
or;
 - c) The ENSIS Course and the Crocus Product Knowledge Course³.

Please note that a proof of course completion for the salesperson must be filed as soon as an individual has completed the applicable course or courses.

This Notice cancels and replaces the Commission Notice of the same title dated December 17, 1997.

April 25, 2001

R. B. Bouchard
Director – Capital Markets

¹ The Crocus Course is the Crocus Investment Fund in-house course approved by the Commission.

² The ENSIS Course is the ENSIS Growth Fund Inc. in-house course approved by the Commission.

³ The Crocus Product Knowledge Course and the ENSIS Product Knowledge Course are in-house product knowledge courses approved by the Commission.

SAMPLE LSIF LETTER OF UNDERTAKING

(BROKER-DEALER'S LETTERHEAD)

I, (name of trading official), a trading official with (name of company), a broker-dealer licensed to sell mutual funds, do hereby undertake that all sales of Labour Sponsored Investment Funds ("LSIFs") will be conducted in accordance with the following conditions:

1. Each sale will be reviewed for suitability by a senior officer, director, partner or branch manager of the broker-dealer restricted to mutual funds who, at a minimum, has successfully completed the Canadian Securities Course or by such person employed by the broker-dealer who is otherwise acceptable to the Director - Capital Markets of the Commission.
2. The salesperson conducting the trade in a LSIF meets the proficiency requirements as set out in the Commission Notice to Broker-Dealers Restricted to the Sale of Mutual Funds, Sale of Labour Sponsored Investment Funds Special Requirements dated April 18, 2001.

Dated at _____ this _____ day of _____, 200 ____.

(Signature of Trading Official)