

THE SECURITIES ACT) **Order No. 4322**
)
Section 20(1)) **November 14, 2003**

Trades of Certain Deposit Note Securities by Mutual Fund Dealers

WHEREAS:

(A) The Manitoba Securities Commission (the "Commission") has received a number of applications under subsection 20(1) of *The Securities Act*, R.S.M. 1988, c. S50 (the "Act") to permit the sale of Deposit Notes (defined below) by broker-dealers under the Act whose registration is restricted to the sale of prospectus qualified mutual funds and certain specified securities ("Mutual Fund Dealers").

(B) The Deposit Notes are bonds, debentures or other evidences of indebtedness

1. of, or the payment of the principal and interest of which is guaranteed by, the Government of Canada, the government of any province of Canada, any municipal corporation in any province of Canada, the Government of the United Kingdom or the Government of the United States of America, or

2. of or guaranteed by a bank to which the *Bank Act* (Canada) applies, a trust company or a loan company registered under Part XVI of *The Corporations Act*, a credit union or caisse populaire incorporated under *The Credit Unions and Caisses Populaires Act* or an insurance company licensed under *The Insurance Act*.

(C) Sales of the Deposit Notes are exempt from the dealer registration requirement under subsections 19(2)(a)(i) and 19(2)(a)(iii) of the Act.

(D) Sales of the Deposit Notes are exempt from the prospectus requirement under subsection 58(3)(a) of the Act.

(E) Under Local Policy No. 3.06 a Mutual Fund Dealer would not be permitted to sell Deposit Notes unless its registration was amended to include such products.

(F) The Commission is prepared to permit the sale of Deposit Notes by Mutual Fund Dealers for a limited period of time.

(G) The Commission is of the opinion that it would not be prejudicial to the public interest to grant the order requested.

IT IS ORDERED:

1. THAT, pursuant to subsection 20(1) of the Act, trading by Mutual Fund Dealers in Deposit Notes shall be exempt from section 6 of the Act, subject to the following conditions:

(a) trading in Deposit Notes on behalf of a Mutual Fund Dealer shall be effected only by an individual employed by a Mutual Fund Dealer who is registered as a salesperson under the Act;

(b) each trade of Deposit Notes through a Mutual Fund Dealer must be reviewed for suitability by a senior officer, director or branch manager of the Mutual Fund Dealer who, at a minimum, has successfully completed the Canadian Securities Course or by a person employed by the Mutual Fund Dealer who is otherwise acceptable to the Director, Registrations of the Commission; and

(c) all obligations of the Mutual Fund Dealer and salesperson to a client under the Act, regulations to the Act and Commission rules, and under the rules and requirements of the MFDA apply to trades of Deposit Notes.

2. THAT this order shall remain in effect until December 31, 2004.

BY ORDER OF THE COMMISSION

Deputy Director