

13.1.5 Housekeeping Amendments to MFDA Policy No. 1 – New Registrant Training and Supervision

MUTUAL FUND DEALERS ASSOCIATION OF CANADA
HOUSEKEEPING AMENDMENTS TO MFDA POLICY NO. 1
NEW REGISTRANT TRAINING AND SUPERVISION

Current Policy

Policy No. 1 currently provides guidance on how to comply with MFDA Rule 1.2.1(c) which requires all Members to develop and document a training and supervision program for their newly-registered salespersons.

Reasons for Amendment

Policy No. 1 requires that all new accounts opened by a newly registered salesperson be pre-approved by the branch manager “prior to any trading activity taking place in the account” during the first 90 day period and “prior to or shortly after (within 1 business day) any trading activity in the account” during the subsequent 90 day supervision period.

Under Policy No. 1, account opening and the recording of trade instructions, which may be interpreted as trading activity, are treated as two separate events. However, clients typically open a new account and request an initial trade on the account at the same time. The proposed amendments to Policy No. 1 will clarify that all new accounts must be pre-approved by the branch manager prior to any trade being processed in the account.

Description of Amendment

The words “trading activity in the account”, under “Supervision Policy”, subsections (a) under the headings “The first 90 day period” and “The second 90 day period”, will be deleted and replaced with the words “trade being processed in the account”.

The proposed amendments are housekeeping in nature in that they are intended to eliminate confusion arising from the current language of the Policy.

Effective Date

The amended Rule will be effective on a date to be subsequently determined by the MFDA.

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

MFDA POLICY NO. 1

NEW REGISTRANT TRAINING AND SUPERVISION

On May 22, 2008, the Board of Directors of the Mutual Fund Dealers Association of Canada made the following housekeeping amendments to the "Supervision Policy" section of Policy No. 1:

Policy No. 1 New Registrant Training and Supervision

Supervision Policy

MFDA Rule 1.2.1(c) requires that all newly registered salespersons be subject to concurrent supervision by the Member for a period of 6 months, commencing on the date of initial registration. Such supervision should include at a minimum:

The first 90 day period:

- a) all new accounts must be pre-approved by the Branch Manager prior to any trade being processed in the account ~~trading activity in the account~~;
- b) all trading activity must be reviewed and signed off by the Branch Manager no later than one business day following the trade date; and
- c) all leveraged trades where leveraging was recommended by the Member's salesperson must be reviewed by the Branch Manager prior to trade execution.

The subsequent 90 day period:

- a) all new accounts must be pre-approved by the Branch Manager prior to or shortly after (within 1 business day) any trade being processed in the account ~~trading activity in the account~~;
- b) each month, the Branch Manager must review the greater of:
 - (i) 5 of the client files that were handled by the salesperson in the preceding one month, and
 - (ii) 10% of such client files,provided that if the number of such client files is less than 5, then the Branch Manager must review the actual number of such client files;
- c) on a daily basis, the Branch Manager must review the greater of:
 - (i) 5 of the trades conducted by the salesperson, and
 - (ii) 10% of such trades,provided that if the number of such trades is less than 5, then the Branch Manager must review the actual number of such trades, (high-risk trades, are to be given particular attention); and
- d) all leveraged trades where leveraging was recommended by the Member's salesperson must be reviewed by the Branch Manager prior to trade execution.