

13.1.7 Housekeeping Amendments to MFDA Rule 2.3 – Power of Attorney / Limited Trading Authorization

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

HOUSEKEEPING AMENDMENTS TO MFDA RULE 2.3

(POWER OF ATTORNEY / LIMITED TRADING AUTHORIZATION)

Current Rule

Rule 2.3.1(a) currently prohibits Members and their Approved Persons from accepting or acting upon a general power of attorney or other similar authorization from a client in favour of the Member or Approved Person. Subsection (b) of the Rule allows an Approved Person to accept or act upon a general power of attorney or similar authorization from a client in favour of the Approved Person where such client is a spouse, parent or child of the Approved Person. This limited exception is subject to certain compliance controls designed to minimize the potential for conflicts of interest that may arise where an Approved Person exercises discretionary authority over a family member's account.

Reasons for Amendment

Rule 2.3.1(b) currently does not require that an Approved Person accepting a general power of attorney or similar authorization from a spouse, parent or child of the Approved Person notify the Member of such acceptance. In order to assist Members in meeting their supervisory obligations, the proposed amendments to Rule 2.3.1(b) will expressly require that the Approved Person notify the Member of the acceptance of a power of attorney or similar authorization from a client that is a family member.

Description of Amendment

The words "the Approved Person notifies the Member of the acceptance of the general power of attorney or similar authorization" will be added as subsection (i) under 2.3.1(b). Subsections (i) and (ii) under the current will be renumbered as subsections (ii) and (iii).

The proposed amendments are housekeeping in nature in that they are intended to clarify existing requirements and the current language of the Rule.

Effective Date

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

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

POWER OF ATTORNEY/LIMITED TRADING AUTHORIZATION (Rule 2.3)

On May 22, 2008, the Board of Directors of the Mutual Fund Dealers Association of Canada made the following housekeeping amendments to subsection (b) of Rule 2.3.1:

2.3 POWER OF ATTORNEY/LIMITED TRADING AUTHORIZATION

- 2.3.1 (a) **Prohibition.** No Member or Approved Person shall accept or act upon a general power of attorney or other similar authorization from a client in favour of the Member or Approved Person.
- (b) **Exception.** Notwithstanding the provisions of paragraph (a), an Approved Person may accept or act upon a general power of attorney or similar authorization from a client in favour of the Approved Person where such client is a spouse, parent or child of the Approved Person and provided that:
- (i) the Approved Person notifies the Member of the acceptance of the general power of attorney or similar authorization;
 - (ii) an Approved Person other than the Approved Person holding the general power of attorney must be the Approved Person of record on the account; and
 - (iii) such other conditions as prescribed by the Corporation are met.
- 2.3.2 **Limited Trading Authorization.** A Member or Approved Person may accept a limited trading authorization from a client for the express purpose of facilitating trade execution. In such circumstances a form of limited trading authorization as prescribed by the Corporation must be completed and approved by the compliance officer or branch manager, and retained in the client's file.
- 2.3.3 **Designation.** Each trade made pursuant to a limited trading authorization and its corresponding account must be identified as such in the books and records of the Member and on any order documentation.