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Department of Justice
Maligaliqiyikkut
Ministère de la Justice

IN THE MATTER OF THE *SECURITIES ACT*
(S.NU 2008, c. 10, AS AMENDED) ("*Act*")

AND

THE MFDA INVESTOR PROTECTION CORPORATION

SUPERINTENDENT ORDER

APPROVAL ORDER
(section (1) of *Local Rule 31-518*)

WHEREAS pursuant to section 2 of the *Local Rule 31-518* every dealer, other than an exempt market dealer or scholarship plan dealer as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, must participate in and contribute to a compensation fund, or a contingency trust fund, approved by the Superintendent and established by a self-regulatory organization, an exchange, or a trust company;

AND WHEREAS the MFDA Investor Protection Corporation ("MFDA IPC") is established by the Mutual Fund dealers Association of Canada (MFDA);

AND WHEREAS the Superintendent has recognized the MFDA as a self-regulatory organization under section 71 and 72 of the *Act* effective May 1, 2021 (Recognition Order);

AND WHEREAS the terms and conditions of the Recognition Order refer to the establishment of the MFDA IPC;

AND WHEREAS members of the MFDA must contribute to the MFDA IPC by way of assessments pursuant to MFDA by-laws;

AND WHEREAS the MFDA IPC provides protection to eligible customers (Customers) of MFDA members (MFDA Member Firms) on a discretionary basis to prescribed limits if securities, cash and other property held by any such member are unavailable as a result of the member's insolvency (the MFDA IPC Mandate);



AND WHEREAS the MFDA IPC commenced coverage of customer accounts on July 1, 2005
(Coverage Date);

AND WHEREAS the MFDA IPC entered into an agreement with the MFDA pursuant to which the MFDA IPC will receive all information it deems necessary to ensure that the MFDA IPC can fulfil its mandate and manage risks to the public and MFDA IPC assets on a reasonable basis;

AND WHEREAS the MFDA IPC and the MFDA have consulted on the terms and conditions set out in Schedule "A";

AND WHEREAS the terms and conditions set out in Schedule "A" may be varied or waived by the Superintendent;

AND WHEREAS, based on the application of the MFDA IPC and the MFDA and the representations and undertakings the MFDA IPC and the MFDA have made to the Superintendent, the Superintendent has determined that it is not prejudicial to the public interest to approve the MFDA IPC as a compensation fund;

AND WHEREAS the members of the Canadian Securities Administrators (CSA) who approve the MFDA IPC as a compensation fund or contingency trust fund have concluded a Memorandum of Understanding (MOU) concerning their oversight of the MFDA IPC.



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IT IS ORDERED THAT:

1. The Superintendent hereby grants the approval of the MFDA IPC as a compensation fund pursuant to section 1 of the Local Rule 31-518, on the following terms and conditions:
 - a. The terms and conditions set out in Schedule "A" , and
 - b. The applicable provisions of the MOU between the MFDA IPC's regulators (Regulators), as amended from time to time.

This Order retroactively takes effect on April 1, 2021.

Dated at the city of Iqaluit this 23rd day of June 2021.

X

Jeff Mason
 Superintendent of Securities



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Schedule A - Terms and Conditions

1 Authority and Purpose

The MFDA IPC has, and must continue to have, the appropriate authority and capacity to carry out the MFDA IPC Mandate.

2 Approval of Amendments

- (a) Prior Superintendent approval is required for any amendment to the following:
- (i) the MFDA IPC's Coverage Policies; or
 - (ii) the MFDA IPC's by-laws.
- (b) Prior Superintendent approval is required for any material change to the MFDA IPC's Services Agreement with the MFDA (Services Agreement). A material change is one that directly affects the MFDA IPC Mandate.
- (c) When seeking approval of amendments pursuant to (a) and (b) above, the MFDA IPC must comply with the processes for filing outlined in Schedule B of the MOU, as amended from time to time.

3 Corporate Governance

- (a) The board of directors for the MFDA IPC (Board) must be selected in a fair and reasonable manner and must fairly represent the interests of all MFDA Member Firms and their Customers and properly balance the interests of MFDA Member Firms and their Customers.
- (b) The Board must be composed of an odd number of directors, the majority of which must be Public Directors, as defined in the MFDA IPC's By-law Number 1.
- (c) The MFDA IPC's governance structure must provide for:



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- (i) fair and meaningful representation on the Board and any committees of the Board, having regard to the differing interests between MFDA Member Firms and their Customers;
- (ii) appropriate representation of Public Directors on the MFDA IPC committees and on any executive committee or similar body;
- (iii) appropriate qualification, remuneration and conflict of interest provisions, and limitation of liability and indemnification protections for directors, officers and employees of the MFDA IPC generally; and
- (iv) an audit committee, the majority of which must be made of Public Directors.

4 Funding and Maintenance of the MFDA IPC

- (a) The MFDA IPC must institute a fair, transparent, and reasonable method of establishing assessments for each MFDA Member Firm's contribution (Assessment Policies). The assessments must:
 - (i) be allocated on an equitable basis among MFDA Member Firms and may be based on the amount of risk an MFDA Member Firm exposes the MFDA IPC's fund (Fund) to; and
 - (ii) balance the need for the MFDA IPC to have sufficient revenues to satisfy claims in the event of an insolvency of an MFDA Member Firm and to have sufficient financial resources to satisfy its operations costs against the goal that there be no unreasonable financial barriers to becoming a member of the MFDA.
- (b) The MFDA IPC must make all necessary arrangements for the notification to MFDA Member Firms of the MFDA IPC's assessments and the collection of such assessments, either directly or indirectly through the MFDA.



amounts, and assessment methodology and will ensure that the level of assets of the Fund remains, in its opinion, adequate to cover potential claims.

- (d) Any increases in the Fund size or changes to assessments or assessment methodology must be determined by the Board after consultation with the MFDA. If the MFDA does not agree with the MFDA IPC's proposed changes, the MFDA IPC must immediately report such disagreement to the Superintendent. However, this will not prevent the MFDA IPC from imposing assessments in order to permit the MFDA IPC to meet its obligations to its lenders or to satisfy claims incurred from Customers of MFDA members that exceed the assets available to the MFDA IPC.
- (e) Moneys in the Fund must be invested in accordance with policies, guidelines or other instruments (Investment Policies) approved by the Board, who will be responsible for regular monitoring of the investments. The Investment Policies must require safety of principal and a reasonable income while at the same time ensuring that sufficient liquid funds are available at any time to pay potential claims. All moneys and securities must be held by a qualified custodian, which are those entities considered suitable to hold securities on behalf of an MFDA Member Firm, for both inventory and client positions, without capital penalty, pursuant to the bylaws, rules or regulations of the MFDA.
- (t) The MFDA IPC must implement an appropriate accounting system, including a system of internal controls for maintaining MFDA IPC assets.

5 Customer Protection

- {a) The MFDA IPC must establish and maintain policies and procedures (Coverage Policies) which:
 - (i) provide for fair and adequate coverage, on a discretionary basis, for all Customers of MFDA Member Firms, for losses of property comprising securities, cash, and other property held by MFDA Member Firms resulting from the insolvency of an MFDA Member Finn, including criteria for who is an eligible Customer;



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The MFDA IPC must, subject to applicable legislation, collect, use and disclose personal information only to the extent reasonably necessary to carry out the MFDA IPC Mandate

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