

**13.1.3 Notice of Commission Approval – Housekeeping Amendment to MFDA Rule 2.2.1 Regarding “Know-Your-Client”**

**MUTUAL FUND DEALERS ASSOCIATION (MFDA) NOTICE –  
HOUSEKEEPING AMENDMENT TO  
MFDA RULE 2.2.1 – (“KNOW-YOUR-CLIENT”)**

**Current Rule**

Rule 2.2.1 currently requires that each Member must use due diligence: to learn the essential facts relevant to every client and to each order or account accepted; to ensure that the acceptance of any order for any account is within the bounds of good business practice; and to ensure that each order accepted or recommendation made for any account of a client is suitable for the client and in keeping with the client’s investment objectives.

**Reasons for Amendment**

Rule 2.2.1, as currently drafted, does not expressly reference Approved Persons. The proposed amendment to MFDA Rule 2.2.1 is intended to clarify that the “Know-Your-Client” (“KYC”) and suitability obligations of MFDA Rule 2.2.1 apply to both Members and Approved Persons. Approved Persons are currently required to comply with the requirements of Rule 2.2.1 by virtue of Rule 1.1.2, which provides that each Approved Person shall comply with the by-laws and rules “...as they relate to the Member and Approved Person.”

The reference to Members only in Rule 2.2.1 was a drafting oversight.

**Description of Amendment**

The amendment will add the phrase “and Approved Person” to the preamble section of Rule 2.2.1.

The amendment is housekeeping in nature in that it involves the correction of a drafting error.

**Effective Date**

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

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**ATTACHMENT**

On September 14, 2005, the Board of Directors of the Mutual Fund Dealers Association of Canada made and enacted the following housekeeping amendment to Rule 2.2.1:

**2.2.1 “Know-Your-Client”.** Each Member and Approved Person shall use due diligence:

- (a) to learn the essential facts relative to each client and to each order or account accepted;
- (b) to ensure that the acceptance of any order for any account is within the bounds of good business practice;
- (c) to ensure that each order accepted or recommendation made for any account of a client is suitable for the client and in keeping with the client's investment objectives; and
- (d) to ensure that, notwithstanding the provisions of paragraph (c), where a transaction proposed by a client is not suitable for the client and in keeping with the client's investment objectives, the Member has so advised the client before execution thereof.