

13.1.2 Notice of Commission Approval – Housekeeping Amendment to MFDA Financial Questionnaire and Report

**MUTUAL FUND DEALERS ASSOCIATION (MFDA) NOTICE –
HOUSEKEEPING AMENDMENT TO
MFDA FINANCIAL QUESTIONNAIRE AND REPORT**

Current Requirement

In accordance with MFDA Rule 3.5.1(b), Members are required to submit audited financial statements to the MFDA on an annual basis in a prescribed form. Currently, the prescribed form includes a standard Part I Auditors' Report in a version dated June 13, 2003.

Reason for Amendment

In September 2003 the Canadian Institute of Chartered Accountants ("CICA") issued a new CICA Handbook section, "Section 5600 Auditor's Report on Financial Statements Prepared Using a Basis of Accounting Other than Generally Accepted Accounting Principles". Auditor Reports dated on or after October 1, 2003 are required to comply with the standards outlined in section 5600.

Section 5600 requires auditors engaged to report on financial statements prepared using a basis of accounting other than Generally Accepted Accounting Principles ("GAAP") to modify their standard Auditor's Report to disclose this fact to the financial statement users. This section applies when the financial statements are prepared in accordance with regulatory or legislative requirements to meet the specific needs of a regulator or a legislator (s. 5600.04(a)). Consequently, the MFDA's Part I Auditors' Report must be amended to reflect the requirements of this CICA Handbook section.

Description of Amendments

The Part I Auditors' Report has been amended to incorporate the required changes to comply with section 5600 of the CICA Handbook. In summary, the changes to the Part I Auditors' Report are as follows:

- Adding a sentence to state that the financial statements have been prepared for the purpose of complying with MFDA requirements.
- Changing the opinion statement from indicating the basis of accounting is generally accepted accounting principles, except as modified by the MFDA, to stating that the basis of accounting is as described in the Notes to the financial statements. In this way, the auditor is required to disclose the areas in which the basis of presentation of the financial statements differ from GAAP.
- A statement indicating that the financial statements are not intended to be, and should not be, used by anyone other than the specified users or for any other purpose.

The proposed amendments are housekeeping in nature in that they reflect changes in administrative practices of the MFDA and do not impose any significant burden or any barrier to competition that is not appropriate.

Comparison with Similar Provisions

The proposed amendments to the MFDA Part I Auditors' Report are consistent with amendments made and approved by the Investment Dealers Association of Canada to address the CICA Handbook changes.

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 amendments to the MFDA Financial Questionnaire and Report (Part 1 Auditors' Report):

MFDA FINANCIAL QUESTIONNAIRE AND REPORT

PART I - AUDITORS' REPORT

TO: The MFDA and the MFDA Investor Protection Corporation.

We have audited the following Part I financial statements of _____:
(firm)

- Statement A — Statements of assets and of liabilities and shareholder/partner capital;
- Statement B — Statement of risk adjusted capital,
as at _____ 20__ and _____ 20__;
(date) (date)
- Statement C — Statement of early warning excess and early warning tests;
- Statement D — Summary statement of income for the years ended _____ 20__
(date)
and _____ 20__;
(date)
- Statement E — Statement of changes in capital and retained earnings (corporations) or undivided profits
(partnerships); and
- Statement F — Statement of changes in subordinated loans for the year ended _____ 20__.
(date)

These financial statements have been prepared for the purpose of complying with the By-laws, Rules and Policies of the MFDA. These financial statements are the responsibility of the firm's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. ~~Our audits also included the audit procedures prescribed by the By-laws, Rules and Policies of the MFDA.~~

In our opinion,

- (a) the statements of assets and of liabilities and shareholder/partner capital and the summary statement of income present fairly, in all material respects, the financial position of the firm as at _____ 20__ &
(date)
_____ 20__ and the results of its operations for the years then ended in the form required by the MFDA
(date)
in accordance with ~~generally accepted accounting principles, except as modified by the requirements of the MFDA.~~ the basis of accounting described in the Notes to the Financial Questionnaire and Report.
- (b) the statement of risk adjusted capital, as at _____ 20__ & _____ 20__ and the statements of
(date) (date)
early warning excess and early warning tests, changes in capital and retained earnings (corporations) or undivided profits (partnerships), and changes in subordinated loans, either as at or for the year ended
_____ 20__ are presented fairly, in all material respects, in accordance with the applicable
(date)
instructions of the MFDA.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the firm, the MFDA and the MFDA

SRO Notices and Disciplinary Proceedings

Investor Protection Corporation, to comply with the By-laws, Rules and Policies of the MFDA. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

[auditing firm name]

[date]

[signature]

[place of issue]