

Chapter 13

SROs, Marketplaces and Clearing Agencies

13.1.1 SROs

13.1.1 OSC Staff Notice of Approval – MFDA Housekeeping Amendments to Form 1 – Financial Questionnaire and Report (IFRS)

OSC STAFF NOTICE OF COMMISSION APPROVAL

MUTUAL FUNDS DEALERS ASSOCIATION OF CANADA

HOUSEKEEPING AMENDMENTS TO FORM 1 – FINANCIAL QUESTIONNAIRE AND REPORT (IFRS)

The Ontario Securities Commission approved the MFDA's housekeeping amendments to Form 1 in order to update the Independent Auditor's Reports within the Form 1. The Alberta Securities Commission, Saskatchewan Financial Services Commission, Manitoba Securities Commission, Nova Scotia Securities Commission and New Brunswick Securities Commission have approved the proposed amendments, and the British Columbia Securities Commission did not object to the MFDA's proposal.

The objective of the amendments is to amend both of the auditors' reports that are used in the filing of the Form 1 to make reference to the date of comparative balances as required by the General Notes and Definitions to the Form 1. This change is a result of the expiration of the MFDA IFRS transitional provision allowing comparative balances to be excluded from the statements in the audited Form 1. As such, the two prescribed auditor's reports within the Form 1 did not contain references to comparative balances.

A copy of the MFDA Notice is attached, including the amended Forms.

THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA

HOUSEKEEPING AMENDMENTS TO MFDA FORM 1

Current Form 1

In accordance with MFDA Rule 3.5.1, each Member is required to file a monthly and annual financial report with the MFDA in the prescribed form (i.e. MFDA Form 1). As a consequence of the Canadian Accounting Standards Board requiring that International Financial Reporting Standards ("IFRS") replace Canadian Generally Accepted Accounting Principles for all entities that meet the definition of a publicly accountable enterprise for fiscal years beginning on or after January 1, 2011, the MFDA amended its financial report to align with the IFRS. The new Form 1, based upon IFRS except as prescribed by the MFDA, became effective on January 21, 2011.

The General Notes and Definitions to the MFDA Form 1 state that comparative figures on all statements are required at the audit date. However, for the first fiscal year that Members were required to provide audited financial reports using the new Form 1, a transitional provision was granted allowing comparative balances to be excluded from the statements in the audited Form 1. As such, the two prescribed Independent Auditor's Reports within the Form 1 do not contain reference to comparative balances.

Summary of the Nature and Purpose of Amendments

The objective of the proposed amendments is to update the two Independent Auditor's Reports contained within the Form 1 to comply with MFDA reporting requirements, which are based upon IFRS.

Since, as described above, the two prescribed Independent Auditor's Reports within the Form 1 do not contain reference to comparative balances, Form 1 is to be amended in order to update: (i) the Independent Auditor's Report for Statements A, D and E; and (ii) the Independent Auditor's Report for Statements B, C and F so that auditors can refer to the date of comparative balances as required by the General Notes and Definitions to the Form 1.

The proposed amendments are housekeeping as they have no material impact on investors, issuers, registrants, other market participants, the MFDA, the MFDA Investor Protection Corporation or the Canadian capital markets and they are necessary to conform the MFDA Form 1 to the applicable accounting and auditing standards.

The MFDA followed its established internal governance practices in approving the proposed amendments and considered the need for consequential amendments. On October 3, 2012, the MFDA Board of Directors approved the proposed amendments. The Board has determined that the proposed amendments are in the public interest.

The proposed amendments do not involve a Rule that the MFDA, its Members or Approved Persons must comply with in order to be exempted from a securities legislation requirement.

The proposed amendments do not conflict with applicable laws or the terms and conditions of the MFDA's Recognition Orders.

Effective Date

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

Schedule "A"

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

On October 3, 2012, the Board of Directors of the Mutual Fund Dealers Association of Canada made the following amendments to the MFDA Form 1:

FORM 1 – TABLE OF CONTENTS

 (Member Name)

 (Date)

	Updated
GENERAL NOTES AND DEFINITIONS	Dec-2011
CERTIFICATE OF PARTNERS OR DIRECTORS	Jan-2011
INDEPENDENT AUDITOR'S REPORT FOR STATEMENTS A, D AND E <i>[at audit date only]</i>	March-2011
INDEPENDENT AUDITOR'S REPORT FOR STATEMENTS B, C AND F <i>[at audit date only]</i>	March-2011
 PART I	
STATEMENT	
A Statement of financial position	Jan-2011
B Statement of risk adjusted capital	Jan-2011
C Statement of early warning excess	Jan-2011
D Statement of income and comprehensive income	Jan-2011
E Statement of changes in capital and retained earnings (corporations) or undivided profits (partnerships)	Jan-2011
F Statement of changes in subordinated loans	Jan-2011
Notes to the Form 1 financial statements	
 PART II	
REPORT ON COMPLIANCE FOR INSURANCE AND SEGREGATION OF CASH AND SECURITIES <i>[at audit date only]</i>	
SCHEDULE	
1 Analysis of securities owned and sold short at market value	Jan-2011
2 Analysis of clients' debit balances	Jan-2011
3 Current Income taxes	Jan-2011
4 Insurance	Jan-2011
5 Early warning tests	Jan-2011
6 Other supplementary information <i>[not required at audit date]</i>	Jan-2011

FORM 1 – INDEPENDENT AUDITOR’S REPORT FOR STATEMENTS A, D AND E

To: The Mutual Fund Dealers Association of Canada and MFDA Investor Protection Corporation

We have audited the accompanying Statements of _____ which comprise
the statement of financial position as at _____ (Member)
_____ (date) (Statement A) and the statement of income
and comprehensive income (Statement D) and statement of changes in capital and retained earnings (Statement E)
for the year then ended _____ and a summary of significant accounting policies and other
_____ (date)
explanatory information. These Statements have been prepared by management based on the financial reporting
provisions of the Notes and Instructions to Form 1 prescribed by the Mutual Fund Dealers Association of Canada.

We have audited the accompanying Statements of _____, which comprise:

_____ (Member)

Statement A == Statement of financial position as at _____ and _____
_____ (date) _____ (date)

Statement D == Statement of income and comprehensive income for the years ended _____
_____ (date)
and _____
_____ (date)

Statement E == Statement of changes in capital for the year ended _____ and changes
_____ (date)
in retained earnings (corporations) or undivided profits (partnerships) for the years ended
_____ and _____
_____ (date) _____ (date)

and a summary of significant accounting policies and other explanatory information. These Statements have been prepared
by management based upon the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the
Mutual Fund Dealers Association of Canada.

Management’s responsibility for the Statements

Management is responsible for the preparation and fair presentation of these Statements in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Mutual Fund Dealers Association of Canada and for such internal control as management determines is necessary to enable the preparation of Statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these Statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Member’s preparation and fair presentation of the Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Member’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Statements present fairly, in all material respects, the financial position of _____ as at _____ and the results of its operations for the year _____ as at _____ and _____ and _____

(Member)
(Member)

(date)
(date)

(date)

_____ the results of its operations for the years then ended in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Mutual Fund Dealers Association of Canada. _____ prescribed by the Mutual Fund Dealers Association of Canada.

Going Concern [Note: EFS to allow for auditor to include emphasis of matter paragraph for Going Concern – this is an option for auditors but not part of the standard report]

Without modifying our opinion, we draw attention to Note _____ in the Statements which indicates that _____ (note) _____ incurred a net loss of _____ (\$ amount) during the year ended _____ (Member) _____ and, as of that date, _____ (date) _____ (Member's) 's current liabilities exceeded its total assets by _____ (\$ amount). These conditions, along with other matters as set forth in _____ in Note _____ indicate the existence of a material uncertainty that may cast significant doubt about _____ (note) _____ 's ability to continue as a going concern. _____ (Member's)

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note _____ to the Statements which describes the basis of accounting. The Statements are prepared to assist _____ (note) _____ (Member) to meet the requirements of the Mutual Fund Dealers Association of Canada. As a result, the Statements may not be suitable for another purpose. Our report is intended solely for _____ (Member), the Mutual Fund Dealers Association of Canada and the MFDA Investor Protection Corporation and should not be used by parties other than _____ (Member), the Mutual Fund Dealers Association of Canada and the MFDA Investor Protection Corporation.

(Note: EFS to allow for auditor to include other potential Emphasis of Matter and Other Matter paragraphs should one be required under the CASs or determined appropriate by the auditor to be included in the auditor's report. Such wording would be agreed upon with MFDA prior to the filing of Form 1).

Unaudited Information

We have not audited the information in Schedule 5 of Part II of Form 1 and accordingly do not express an opinion on this schedule.

[Audit Firm]

[Signature]

[Date]

[Address]

FORM 1 – INDEPENDENT AUDITOR’S REPORT FOR STATEMENTS B, C AND F

To: The Mutual Fund Dealers Association and MFDA Investor Protection Corporation

We have audited the accompanying Statements of Form 1 (the “Statements”) of _____, (Member)

which comprise:

Statement B – Statement of Risk Adjusted Capital as at _____ (date)
Statement B – Statement of risk adjusted capital as at _____ (date) and _____ (date)
Statement C – Statement of Early Warning Excess as at _____ (date)
Statement F – Statement of Changes in Subordinated Loans for the year ended _____ (date)

These Statements have been prepared by management based on the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Mutual Fund Dealers Association of Canada.

Management’s responsibility for the Statements

Management is responsible for the preparation of the Statements of Form 1 in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Mutual Fund Dealers Association of Canada, and for such internal control as management determines is necessary to enable the preparation of Statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on the Statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Member’s preparation of the Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Member’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial information in Statements B and C of Form 1 as at _____ (date) and in Statement F for the year ended _____ (date) is prepared, in all material respects, in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Mutual Fund Dealers Association of Canada.
In our opinion, the financial information in Statements B as at _____ (date) and _____ (date) and in Statement F for the year ended _____ (date) is prepared, in all material respects, in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Mutual Fund Dealers Association of Canada.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note _____ to the Statements which describes the
basis of accounting. The Statements are prepared to assist _____ to
meet the requirements of the Mutual Fund Dealers Association of Canada. As a result, the Statements may not be
suitable for another purpose. Our report is intended solely for _____,
the Mutual Fund Dealers Association of Canada and the MFDA Investor Protection Corporation and should not
be used by parties other than _____, the Mutual Fund Dealers
Association of Canada and the MFDA Investor Protection Corporation.

[Audit Firm]

[Signature]

[Date]

[Address]

**FORM 1 – INDEPENDENT AUDITOR’S REPORTS
NOTES AND INSTRUCTIONS**

A measure of uniformity in the form of the auditor’s reports is desirable in order to facilitate identification of circumstances where the underlying conditions are different. Therefore, when auditors are able to express an unqualified opinion, their reports should take the form of the auditor’s reports shown above.

Any limitations in the scope of the audit must be discussed in advance with the Corporation. Discretionary scope limitations will not be accepted. Any emphasis of matter in the auditor’s reports must be discussed in advance with the Corporation.

Two copies with original signatures must be provided to the Corporation.