

**To CCOs and CFOs of Investment Dealers and Mutual Fund Dealers member firms,**

Re: Amendments to the CIPF Investment Dealer Assessment Policy (Policy) and CIPF Investment Dealer Assessment Appeal Procedures (Procedures) for Arrangements between Carrying Investment Dealers and Introducing Mutual Fund Dealers.

Effective January 1, 2023, Canadian Investment Regulatory Organization (CIRO) introduced rule amendments permitting an introducing/carrying broker arrangement whereby an Investment Dealer (ID or Carrying ID) can carry accounts for a Mutual Fund Dealer (MFD or MFD Introducer). These arrangements impact CIPF coverage and assessments. This notice is to inform you of the new CIPF assessment fees for Carrying IDs that enter into such arrangements in order to enable the Investment Dealer Fund (IDF) to provide coverage for carried assets of a MFD. These amendments were approved by the CIPF Board of Directors.

**Reason for the Amendments**

CIPF maintains two segregated funds. The IDF is available to satisfy potential claims for coverage by customers of Investment Dealer member firms and the Mutual Fund Dealer Fund (MFDF) is available to satisfy potential claims for coverage by customers of Mutual Fund Dealer member firms (other than customers served by the office of a CIRO Member located in Québec who will not be afforded coverage by the MFDF) (collectively, the Funds). The Approval Orders and the CIPF Coverage Policy explicitly prohibit CIPF's segregated Funds from providing coverage to customers of the other Fund.

This new arrangement highlighted a potential issue in how the CIPF Funds would respond to an insolvency of the Carrying ID. Specifically, CIPF ID assessments do not contemplate potential losses resulting from a shortfall in respect of assets of MFD Introducers. This is because, in the IDF model, introducers pay the assessment, and in the case of a MFD Introducer, the assessment is paid to the Mutual Fund Dealer Fund (MFDF). Should an ID Carrier become insolvent, the IDF would have to cover the losses, even though no assessment has been allocated to the IDF for the MFD Introducer's assets. As well, the assets of the MFD Introducer are not considered in the determination of liquidity resources for the IDF under the current methodology.

To address this, a Mutual Fund Dealer Introduced Asset Assessment (MFD IAA) Fee is being introduced. This assessment will be levied on the Carrying ID on the assets under administration (AUA) it carries for the MFD Introducer and paid into the IDF. The calculation is set out in the amendments to the Policy and the Procedures were amended to include the new MFD IAA. The fee will be calculated consistent with the methodology used in calculating the regular quarterly ID assessment fee, applied to MFD carried assets.

As the Carrying ID is introducing new assets to the IDF, this new assessment captures the additional exposure the new arrangement poses to the IDF and thereby aligns risks to assessments.

The MFD Introducer would also continue to pay its regular assessment into the MFDF as the risks have not been eliminated to the MFDF. In effect, such an arrangement results in coverage by the two Funds – one covering the potential insolvency of a MFD and one covering the potential insolvency of the ID. This new assessment, as well as the resulting inclusion of the MFD Introducer's AUA in the determination of liquidity resources of the IDF, achieves the objective of not commingling the Funds while providing investors adequate coverage.

The Carrying ID will be required to provide quarterly updated data on the MFDIA. This will be reported quarterly through SIRFF (Securities Industry Regulatory Financial Filing system) on the "Determination of Client Assets for CIPF Assessment Purposes". The MFD IAA will be billed in the same manner as quarterly assessments and collected through the normal process.

Clean and blacklined versions of the amended Policy and Procedures at the links below:

[POLICY - CLEAN](#)

[POLICY - BLACKLINED](#)

[PROCEDURES - CLEAN](#)

[PROCEDURES - BLACKLINED](#)

These changes are effective April 1, 2024.  
Should you have any questions regarding the above, please do not hesitate to contact us.

Yours very truly,

CANADIAN INVESTOR PROTECTION FUND

**Odarka Decyk**

Senior Vice-President, Membership

