

## ASSESSMENTS

The Canadian Investor Protection Fund (CIPF) is authorized to assess Mutual Fund Dealer member firms<sup>1</sup> of the New Self-Regulatory Organization of Canada, as it is currently named or as it may be renamed from time to time (New SRO), in order to provide liquidity resources for the Mutual Fund Dealer Fund (MFDF) of CIPF that it maintains to pay losses to eligible customers of insolvent Mutual Fund Dealer member firms, to repay any of its obligations under credit facilities relating to the MFDF, and to pay operating expenses allocated to the MFDF.

All Mutual Fund Dealer member firms are required to pay an assessment to the MFDF. The assessment is collected by the New SRO and remitted to CIPF under the terms of a services agreement between CIPF and the New SRO dated July 1, 2005, as amended from time to time and modified by a transition agreement between CIPF and the New SRO dated January 1, 2023.

New SRO member firms that are duly registered under Canadian securities legislation in the categories of both “investment dealer” and “mutual fund dealer” (Dually Registered Investment Dealer member firms) will be assessed to contribute to CIPF’s Investment Dealer Fund, and not to the MFDF (other than to the extent of Mutual Fund Dealer Allocated Merger Expenses,<sup>2</sup> which will be the subject of special assessments, levied on Dually Registered Investment Dealer member firms and Affiliated Investment Dealer and Mutual Fund Dealer member firms<sup>3</sup>, at the rate of assessment determined by the CIPF Board, for the account of, and contribution to, the MFDF).

While the New SRO is recognized as a self-regulatory organization of which Mutual Fund Dealers operating in the Province of Québec are required to be members, those Mutual Fund Dealers are not required to contribute to the MFDF in respect of customer accounts located in Québec for the purposes of CIPF’s Coverage Policy.

## POLICY

This MFDF Assessment Policy has been adopted by the CIPF Board to describe the basis on which, and rate at which, it intends to assess Mutual Fund Dealer member firms or certain classes or groups of Mutual Fund Dealer members or individual Mutual Fund Dealer members. Assessments are levied according to a methodology which is determined by the CIPF Board in its discretion.

In the case of any question or dispute, the interpretation of this Policy by the CIPF Board shall be final and conclusive. This Policy and any matters determined by the CIPF Board in respect of

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<sup>1</sup> All references to Mutual Fund Dealer member firms in this MFDF Assessment Policy mean New SRO member firms duly registered under Canadian securities legislation in the category of “mutual fund dealer” only.

<sup>2</sup> All references to Mutual Fund Dealer Allocated Merger Expenses in this MFDF Assessment Policy mean pre and post-amalgamation merger and integration expenses incurred by, or otherwise allocated to, CIPF’s predecessor (the MFDA Investor Protection Corporation) or the MFDF.

<sup>3</sup> All references to Affiliated Investment Dealer and Mutual Fund Dealer member firms in this MFDF Assessment Policy mean New SRO member firms duly registered under Canadian securities legislation in the category of “investment dealer” or in the category of “mutual fund dealer” that are affiliated, by reason of the same controlling ownership interest, with New SRO member firms duly registered under Canadian securities legislation in the category of “mutual fund dealer” or in the category of “investment dealer”, respectively.

Mutual Fund Dealer member firm assessments may be amended from time to time in the sole discretion of the CIPF Board.

#### **BASIS OF ASSESSMENT**

CIPF annually assesses Mutual Fund Dealer member firm amounts based on the MFDF target amount approved by the CIPF Board. The New SRO is required to invoice the Mutual Fund Dealer member firms on behalf of CIPF and to collect and remit to CIPF the full amount of the assessments as received from Mutual Fund Dealer member firms.

The MFDF assessment rate is calculated annually on the basis of the total assessment amount prescribed by the CIPF Board. MFDF assessments are calculated as a percentage of the average Assets Under Administration (AUA) of the year in which the assessment is calculated and for the prior year based on AUA data reported by Mutual Fund Dealer member firms.

Replenishment assessments can be levied by the CIPF Board to replenish the MFDF to its target amount in the event of an insolvency where payments were made to claimants and for the purpose of furthering the objects of the MFDF. Replenishment assessments may be invoiced to Mutual Fund Dealer member firms in conjunction with the regular assessments and employ the same methodology as regular assessments using an average AUA based on a replenishment amount as determined by the CIPF Board. Separate annual minimums are set for replenishment assessments.

The regular and replenishment assessment rates are calculated subject to specified annual minimums depending on type of dealer level (i.e., Level 2, 3, or 4).

Where a special assessment is required to cover operational expenses not otherwise covered by other assessments or required to permit CIPF in any calendar year to meet its obligations, when due, under any credit facilities provided to CIPF to meet the liquidity requirements of the MFDF, the rate of assessment will be determined by the CIPF Board after considering all relevant facts and will be assessed to Mutual Fund Dealer member firms or certain classes or groups of Mutual Fund Dealer member firms or individual Mutual Fund Dealer member firms.

#### **RESIGNATIONS, SUSPENSIONS AND TERMINATIONS**

A resigning, suspended or terminated Mutual Fund Dealer member firm will continue to be assessed annually until such time as the Mutual Fund Dealer member firm has transferred all customer accounts to another Mutual Fund Dealer member firm.