

IN THE MATTER OF THE SECURITIES ACT,
R.S.N.S. 1989, CHAPTER 418, AS AMENDED

- AND -

IN THE MATTER OF
MFDA RULE 2.4.1

NOTICE

WHEREAS:

1. In this Notice,

“Approved Person” has the meaning ascribed to that term in MFDA By-law No. 1;

“Commission” means the Nova Scotia Securities Commission;

“corporation” means a company or corporation incorporated under the laws of Canada or a province or territory of Canada, all of whose directors, officers and shareholders are Approved Persons of the same Member or family members of those Approved Persons;

“Member” has the meaning ascribed to that term in MFDA By-law No. 1 for a dealer that is registered in the category of a mutual fund dealer under the Securities Act, R.S.N.S. 1989, chapter 418, as amended;

“MFDA” means the Mutual Fund Dealers Association of Canada/Association Canadienne des Courtiers de Fonds Mutuels;

“Rule 2.4.1” means Rule 2.4.1 of the MFDA Rules; and

“transition period” means the period of time between the date of this Notice and December 31, 2006, during which the MFDA board of directors has suspended the application of Rule 2.4.1.

2. In 2001, the MFDA applied to the Commission pursuant to section 30 of the Act for recognition as a self regulatory organization for mutual fund dealers.

3. On November 26, 2001, the Commission recognized the MFDA as a self-regulatory organization for mutual fund dealers pursuant to section 30 of the Act on the terms and

conditions set forth in Schedule "A" attached to the recognition order of the same date.

4. Rule 2.4.1 requires that a mutual fund dealer accepted as a Member pay commissions owed to Approved Persons of the Member directly to and in the name of the Approved Persons.
5. On February 6, 2004, the MFDA board of directors approved a further suspension of Rule 2.4.1 so that the application of Rule 2.4.1 is suspended for the transition period.
6. The Commission recognizes that changes to the framework applicable to the relationships amongst mutual fund dealers and their salespersons are necessary to address the issues raised by the mutual fund industry regarding business structures.
7. The Commission acknowledges that staff of the various securities commissions together with the MFDA and industry representatives are working to develop proposed solutions.

NOTICE IS HEREBY GIVEN THAT the Commission accepts the MFDA's suspension of Rule 2.4.1 for the transition period and during the transition period, a Member (or an affiliate of the Member) may pay any remuneration in respect of business conducted by an Approved Person on behalf of the Member directly to a corporation provided that the corporation does not trade or advise in securities.

Dated at Halifax, Nova Scotia, this 18th day of February, 2004.

Nova Scotia Securities Commission

"R. Daren Baxter"

R. Daren Baxter

"H. Leslie O'Brien"

H. Leslie O'Brien

"James D. Nicoll"

James D. Nicoll