MFDA Investor Protection Corporation
Corporation de protection des investisseurs e l'ACFM
121 King Street West, Suite 1000, Toronto, Ontario M5H 3T9 Telephone: 416-361-6332 Fax: 416-361-9781

Contact: Odarka Decyk
President
Phone: 416-943-4606
E-mail: odecyk@ipc.mfda.ca

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MFDA IPC Bulletin

Membership Information

For Distribution to Relevant Parties within your Firm

Integration Cost Recovery Assessment Model Guidelines

Overview of Integration Costs

The costs and expenses incurred relating to the formation (by amalgamation) of the new Canadian Investor Protection Fund (CIPF) will be borne by its predecessor corporations, the MFDA Investor Protection Corporation (MFDA IPC) and the former Canadian Investor Protection Fund (Former CIPF). These integration costs will include costs incurred until December 31, 2023 related to integration activities, at which point the majority of integration costs are expected to have been incurred. Costs will include but are not limited to:

- resource costs for incremental staffing to support the integration;
- legal and other professional fees;
- communication costs including branding, website and translation;
- governance costs to support the Special Joint Committee (SJC) and executive search firm fees for the new CEO; and
- run-off insurance premiums.

The integration costs will be recovered through the Integration Cost Recovery Model – integration cost recovery assessments.

Application to Dealer Member Firms

This Integration Cost Recovery Model is applicable to existing MFDA and IIROC Members who are affiliated with the same controlling ownership interest, and any Member of the New Self-Regulatory Organization (New SRO) that becomes dually registered before the cost recovery period ends. Single platform firms operating as an investment dealer member or mutual fund dealer member that are not affiliated will not be charged for the costs of integration.

Annual Integration Cost Recovery Assessments

CIPF will maintain two segregated funds designed to provide coverage to eligible customers of New SRO Members: an Investment Dealer Fund and a Mutual Fund Dealer Fund.

Integration costs incurred by and relating to MFDA IPC will be recovered from affiliated mutual fund dealers and allocated to the Mutual Fund Dealer Fund. Similarly, integration costs incurred by and relating to Former CIPF will be recovered from affiliated investment dealers and allocated to the Investment Dealer Fund. Recovery of integration costs from any New SRO Member that becomes dually registered before the cost recovery period ends, will be allocated to both of CIPF's Funds, based on the firm's client assets relating to its respective registration categories.

Recovery of integration costs incurred by the respective Funds and their predecessors, will be recovered from affiliated and dually registered Members on a proportional basis using MFDA Member's Assets Under Administration (AUA) and IIROC Member's Client Net Equity (CNE). AUA and CNE reported as at December 31, 2022 on Members' Form 1 filings will be used as a base for calculating integration cost assessments.

Integration cost assessments will be set annually and charged quarterly over a period of five years commencing January 1, 2024.

Fees for New Members

If an applicant for membership to New SRO with registration as both an investment dealer and mutual fund dealer (dual-registration) is approved by the Board during the fiscal year the new Member will be charged a special recovery cost assessment for the recovery of integration costs incurred by the respective Funds and their predecessors, based upon the firm's AUA and CNE balances initially at the time of membership acceptance and annually from thereon.

Billing and Payment

Integration Cost Recovery Assessments will be communicated in conjunction with the annual regular quarterly assessments and follow the same quarterly payment timelines.

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