



MFDA Investor Protection Corporation

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MFDA IPC STAFF NOTICE:

Frequently Asked Questions and Answers on the MFDA Investor Protection Corporation Coverage

To further assist MFDA Members and their customers in understanding the coverage provided by the MFDA Investor Protection Corporation (MFDA IPC), this notice summarizes common questions and answers about coverage¹:

1. When does the MFDA IPC compensate customers of a MFDA Member?

The MFDA IPC will provide compensation to eligible customers of an insolvent MFDA Member when the MFDA Member fails to return to the customer property held in the customer's account **and** the loss of property is caused by the insolvency of the Member, to a maximum of \$1 million per customer. *The MFDA IPC does not provide compensation for any other loss.*

Compensation is not available for all property: securities, cash, segregated funds are examples of the types of property that may be eligible for MFDA IPC coverage.

The MFDA IPC cannot help to recover losses arising from loans to entities that become insolvent even if an investor has a promissory note that purports to guarantee principal and interest.

2. Does the MFDA IPC guarantee the value of your investment?

No, the MFDA IPC does not guarantee the value of your investment. Investing is a risk and assets can, and do, go up and down in value. The MFDA IPC does not protect against a decline in the value of investments.

¹ The questions and answers herein are not intended to be exhaustive and are provided for illustrative purposes only. This notice does not represent a commitment or policy of the MFDA IPC and is qualified in its entirety by the Coverage Policy available at www.mfda.ca/mfda-investor-protection-corporation/mfda-ipc-coverage

If a customer bought units of a mutual fund through a MFDA Member that becomes insolvent, and the Member held the units in an account for the customer, our objective would be to return those units to the customer or to provide compensation for their value on the date of insolvency. For example, if the customer bought one hundred units of Mutual Fund ABC at \$10 per unit (for a total cost of \$1,000) through a MFDA Member, and the unit value on the day of the MFDA Member's insolvency was \$5 per unit, and the one hundred units are missing from the account, the MFDA IPC would provide compensation based on the value of the missing units on the date of the MFDA Member's insolvency, which in this example would be \$5 per unit or \$500.

3. Does the MFDA IPC provide compensation if a related party of a MFDA Member has failed?

The MFDA IPC does not cover any drop in the value of an investment after the purchase, even if the investment is in an entity related to the MFDA Member. If a customer of a MFDA Member has purchased securities of a fund or other issuer which is under common management or ownership with the MFDA Member, the MFDA IPC will only provide compensation if the securities were held by the MFDA Member and are missing from the customer's account. Losses from misrepresentations that may have been made about the investments and losses from investments that were not suitable are not covered by the MFDA IPC.

4. Does the MFDA IPC guarantee the value of GICs sold by MFDA Members?

No, the MFDA IPC does not protect the value of GICs. If you have an account with a MFDA Member and the MFDA Member becomes insolvent, the MFDA IPC works to ensure that any property (which includes GICs) held for you by the MFDA Member at that time is given back to you, within certain limits. However, the MFDA IPC does not guarantee what the GIC will be worth.

MFDA Member customers seeking additional information about deposit insurance offered by the CDIC (Canadian Deposit Insurance Corporation) on GICs should consult www.cdic.ca which sets out the limits of coverage in respect of GICs issued by CDIC member institutions. MFDA Member firms are not the same as CDIC member institutions. CDIC and the MFDA IPC are not related.