

**NATIONAL POLICY No. 19**  
**MUTUAL FUND SALES COMPANIES: COMMINGLING**  
**OF FUNDS AND SECURITIES**

The registrations of all mutual fund contractual plan distributors or underwriters holding provincial registration, excepting members of a stock exchange recognized in the particular province or of the Investment Dealers' Association of Canada, must comply with the following requirements:

1. All monies received by a contractual distributor or underwriter of a mutual fund
  - a) for investment in the shares of the mutual fund either directly or through the medium of the plan; or
  - b) upon redemption of shares of the mutual fund either directly or through the distributor or underwriter;shall, when received by the distributor or underwriter be separately accounted for and be deposited in a trust account out of which may be paid the sales charges, charges, service fees and monies received for purposes other than investment in shares of the mutual fund to which the distributor or underwriter, may be entitled, but which monies shall not be otherwise commingled with the assets of the distributor or underwriter or used in any way to finance its operations;
  - c) any interest earned on monies deposited in the trust account less bank charges on the account should be turned over to the mutual fund as received for the benefit of all shareholders or unitholders. In the case of a trust account used for more than one fund a pro rata application shall be made based on cash flow;
  - d) monies received for the purchase of shares or units shall be transferred to the mutual fund within two business days following the determination of the price of the shares or units purchased.
2. Contractual distributors or underwriters of a mutual fund are prohibited from transferring, pledging, encumbering or dealing with in any way, shares of a mutual fund held for investors for safekeeping, under plans or otherwise, except to the extent specifically provided for in any written agreement between such distributors or underwriters and the investor setting out the terms under which such mutual fund shares are being held.
3. To ensure compliance with these provisions each contractual distributor or underwriter of a mutual fund is required to file with the administrator (Commission) annually the auditor's report that in the opinion of such auditor the company has complied with the provisions of this policy statement regarding commingling of funds or shares.
4. The failure to comply with these provisions shall be deemed conduct making a registrant subject to discipline by the administrator (Commission).
5. A contractual distributor or underwriter of a mutual fund shall be deemed to comply with paragraph 1 of the foregoing provisions,
  - a) if all the monies received from investors are placed in the same trust account with the monies received from the fund for redemption of shares and the netting of proceeds from sales against proceeds from

- redemptions and the furnishing of one money settlement for both types of transactions is within the intent of the foregoing provisions, or
- b) if all the monies received from investors are separately accounted for and the net amount to be invested in the shares of the mutual fund is paid to the mutual fund by certified cheque simultaneously with the deposit in the distributor's or underwriter's general bank account of the monies received from the investor provided the said deposit is made within the time limits provided by paragraph 1(d).