



INVESTMENT
DEALERS
ASSOCIATION
OF CANADA

bulletin



ASSOCIATION
CANADIENNE
DES COURTIER
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Contact:

Wesley Henry
Director, Finance & Administration
(416) 943-5871

For distribution to relevant parties within your firm

BULLETIN # 2955

January 29, 2002

By-Laws and Regulations

Amendments to By-laws 3.1 and 3.2 – Entrance and Annual Fees

General

The Board of Directors of the Association has approved the attached amendments to By-laws 3.1 and 3.2, to be effective for the fiscal year ending March 31, 2002.

Over the past several years, IDA fees committees have reconvened regularly to study the formula used in determining association entrance and annual fees. In each instance, the main objective of the committees has been to make revisions to the fee formula to ensure that it continues to accurately reflect the costs of regulation incurred by, and the services received by, each Member.

Despite these revisions, there remained concerns that the formula still did not adequately cover costs of regulation for many firms, which resulted in a few Member firms subsidizing the regulatory costs of a number of others. As a result, a Members' Fees Review Committee (the "Committee") was formed once again in the spring of 2001 to review the fee formula. To assist in the Committee's review of the entrance and annual fee formulas, a study of the regulatory costs incurred by each Member firm was completed by Association staff. This review confirmed that for certain firms, the regulatory costs incurred were well in excess of the fees currently being paid. As a result, the Committee recommended further modifications to the entrance and annual fee formulas. The attached amendments to By-laws 3.1 and 3.2 codify these modifications.

Entrance Fees

In the case of the entrance fees, studies have shown that this current fixed entrance fee is generally not adequate to cover the costs associated with reviewing a membership application. The entrance fee has therefore been increased from \$5,000 to \$25,000.

Annual Fees

As with entrance fees, the studies of annual fees have shown that the current minimum fee is not adequate to cover the annual costs associated with regulating and providing other IDA services to a Member firm. In fact, even for the smallest dealer category, it is estimated that costs of regulation average in excess of \$34,000 annually. The overall minimum fee has therefore been increased from \$10,000 to \$25,000 per year, subject to an exception. The exception is, where a

Member firm has total Association costs of less than \$20,000 for the immediately preceding fiscal year, the Member's annual fee will be \$15,000.

Through the making of these amendments, it is believed that by the minimum entrance and annual fee levels will be more closely aligned with the cost of regulating, and the provision of services to, each Member firm, even though a significant amount subsidization by a few Member firms still exists under the new fee formula.

Kenneth A. Nason
Association Secretary

INVESTMENT DEALERS ASSOCIATION OF CANADA
BY-LAW NO. 3

ENTRANCE, ANNUAL AND OTHER FEES

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

By-law No. 3 is amended as follows:

1. By replacing in paragraph 3.1 the amount \$5,000 with the amount \$25,000.
2. By replacing in the first line of paragraph 3.2 the amount \$10,000 with the amount \$25,000.
3. By adding the following wording at the end of paragraph 3.2:

“In addition, where the Association has determined for a particular Member that its total Association costs for the immediately preceding fiscal year are less than \$20,000, the Annual Fee for the Member shall be \$15,000.”

PASSED AND ENACTED BY THE Board of Directors this 17th day of October 2001, to be effective on a date to be determined by Association staff.

BY-LAW NO. 3

ENTRANCE, ANNUAL AND OTHER FEES

- 3.1. The Entrance Fee shall be \$25,000.
- 3.2. The Annual Fee for each Member shall be the greater of ~~\$10,000~~\$25,000 and the sum of:
- (a) such amount, not less than \$1,000 nor more than \$15,000 in accordance with a formula which is based upon the capital employed in the business of the Member as at the end of the immediately preceding calendar year, which formula the Board of Directors in its discretion may determine from time to time;
 - (b) the additional amount, not less than \$4,000, that the Board of Directors in its discretion determines from time to time based upon a prescribed percentage of the amount of the gross revenues (as hereinafter defined) of a Member earned during the immediately preceding calendar year. "Gross revenues" means any fee, commission, profit, interest, dividend, concession, discount, allowance or other income derived through carrying on the business of an investment dealer and includes the gross revenues of related companies provided that the related company is a subsidiary of the Member. The gross revenues shall be computed on a consolidated basis; and
 - (c) the additional amount, that the Board of Directors in its discretion determines from time to time based upon the number of registered individuals of a Member as at the end of the immediately preceding fiscal year.

The Board of Directors may from time to time re-determine the Annual Fee to be payable by any Member, provided that any such re-determination shall not take effect before the fiscal year of the Association next following the fiscal year of the Association in which such re-determination has been made. Before any such determination or re-determination is made, the Board of Directors shall obtain, but shall not be obliged to act upon, the recommendation of the Chair of the applicable District Council. In addition, where the Association has determined for a particular Member that its total Association costs for the immediately preceding fiscal year are less than \$20,000, the Annual Fee for the Member shall be \$15,000.