



MEMBER REGULATION



notice

ATTENTION:
Ultimate Designated Persons
Chief Financial Officers
Panel Auditors

Please distribute internally to:
Regulatory Accounting
Senior Management

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CIPF – Differential Assessments

The IDA will no longer issue MR Notices advising Members of the CIPF assessment rate applicable for each quarter-end.

CIPF will now communicate directly with each Member firm and advise them of their individual calculated assessment amount. This amount is based on a new differential assessment approach that will be phased in over a two-year “working implementation” period. During this period, beginning July 1, 2007, Members will be notified to pay a quarterly assessment of the lesser of 0.1875% of the quarter’s revenue, or an amount as determined by CIPF using a differential assessment rate.

The differential assessment rate will be based on the following formula:

Differential Assessment = Member’s share of industry risk (x) Assessments to be collected

Where Member’s “*share of the industry risk*” is determined as follows:

$$\frac{DAR \{Member\} X CNE \{Member\}}{Sum \text{ for industry } (DAR \{Each Member\} X CNE \{Each Member\})}$$

Legend:

DAR = Differential Assessment Rate

CNE = Client Net Equity

The Differential Assessment Rate (“DAR”) is a measure of the member’s risk of default relative to the industry. It uses information derived from financial regulatory report filings of the Member, exam reports issued by the IDA, correspondence relating to early warning occurrences, and certain components of the IDA Financial and Sales Compliance risk assessment models that the IDA uses to evaluate the adequacy of the Member’s

operations and supervisory infrastructure in determining the net residual risk score of each of its Members.

CIPF differential assessment payments by Member firms will continue to be remitted by Members to the IDA for collection until further notice.

For more information regarding the new CIPF differential assessment approach, please contact Barbara Love, CIPF at (416) 643-7106 or bllove@cipf.ca.