

CSA Notice of

Amendments to

National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations,*
National Instrument 81-101 *Mutual Fund Prospectus Disclosure,*
National Instrument 81-102 *Investment Funds*
and
National Instrument 81-105 *Mutual Fund Sales Practices*

and

Changes to

Companion Policy 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations,*
Companion Policy 81-102 *Investment Funds*
and
Companion Policy 81-105 *Mutual Fund Sales Practices*

The Principal Distributor Model

June 11, 2026

Introduction

The Canadian Securities Administrators (the **CSA** or **we**) are adopting the following amendments (the **Amendments**) to the principal distributor model in the distribution of mutual fund securities:

- National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**),
- National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (**NI 81-101**),
- National Instrument 81-102 *Investment Funds* (**NI 81-102**),
- National Instrument 81-105 *Mutual Fund Sales Practices* (**NI 81-105**)

and the following changes (the **Changes**) to:

- Companion Policy 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations (31-103CP)*,
- Companion Policy 81-102 *Investment Funds (81-102CP)*, and
- Companion Policy 81-105 *Mutual Fund Sales Practices (81-105CP)*.

In some jurisdictions, ministerial approvals are required for the implementation of the Amendments. Provided all ministerial approvals are obtained, the Amendments to NI 31-103 will come into force on January 1, 2027, and the Amendments to NI 81-101, NI 81-102, and NI 81-105 will come into force on October 1, 2026. The Changes to 31-103CP will take effect on January 1, 2027 and the Changes to 81-102CP and 81-105CP will take effect on October 1, 2026. However, there are transition periods provided for the Amendments to NI 31-103, NI 81-101 and NI 81-105. Please see the discussion under the heading “Transition” below.

The text of the Amendments and of the Changes is contained in Annexes B through H of this notice and will also be available on websites of the following CSA jurisdictions:

www.besc.bc.ca

www.asc.ca

www.fcaa.gov.sk.ca

www.mbsecurities.ca

www.osc.ca

www.lautorite.qc.ca

www.fcnb.ca

<https://nssc.novascotia.ca>

Substance and Purpose

The Amendments address the principal distributor model for mutual funds and seek to improve investor protection and maintain investor confidence in our capital markets.

Principal distributors have an exclusive right in the distribution of, or benefit from a feature that gives the principal distributor a material competitive advantage over others in the distribution of, mutual fund securities of an investment fund manager (**manager**) that is an affiliate, or in some cases, an unaffiliated manager. The Amendments reflect the premise that principal distributors are carved out of the NI 81-105 provisions that apply to participating dealers because the conflicts of interest raised by participating dealers distributing mutual fund securities of multiple managers are less acute for principal distributors distributing only mutual fund securities of the same mutual fund family.

The Amendments and Changes

- clarify that a dealer may only act as a principal distributor for mutual funds in the same mutual fund family,
- require disclosure of principal distributor arrangements and compensation, and

- ensure that the deferred sales charge option¹ (**DSC option**) is not available to investors purchasing mutual fund securities distributed by principal distributors.

The Amendments are consistent with the general purpose of NI 81-105, as set out in 81-105CP, to “ensure that the interest of investors remain uppermost in the actions of participants in the mutual fund industry by setting minimum standards of conduct to be followed by industry participants in their activities in distributing mutual fund securities.”

Background

Proposed Amendments

On November 28, 2024, the CSA published proposed amendments (the **Proposed Amendments**) and proposed changes (the **Proposed Changes**) to the principal distributor model in the distribution of mutual fund securities. The comment period was extended from February 27, 2025 to April 28, 2025.

2022 – 2025 CSA Business Plan

One of the strategic goals of the 2022-2025 CSA Business Plan² is to improve investor protection by enhancing investors’ ability to obtain redress and strengthening the advisor-client relationship. In furtherance of this goal, the CSA has stated its commitment to the modernization of mutual fund sales practices as follows:

- “Review and modernize NI 81-105 *Mutual Fund Sales Practices* and contemplate whether amendments are necessary in light of the Client Focused Reforms - including reviewing principal distributors’ practices, considering whether amendments are needed to clarify the circumstances in which a principal distributor model should be available and whether such a model remains appropriate in light of the Reforms”.³

CSA 2018 Consultation

The CSA published proposed amendments (the **2018 Consultation**) on September 13, 2018 to:

¹ Previously, under the DSC option, the investor did not pay an initial sales charge for purchased fund securities but paid a redemption fee to the manager (i.e., a deferred sales charge) if the securities were redeemed before a predetermined period from the date of purchase. Redemption fees decline according to a redemption fee schedule that is based on the length of time the investor holds the securities. While the investor did not pay a sales charge to the dealer, the manager paid the dealer an upfront commission.

As of June 1, 2022, the CSA adopted amendments to NI 81-105 to prohibit managers from paying upfront sales commissions to participating dealers in respect of mutual fund securities, which were intended to result in the discontinuation of all forms of the DSC option. These amendments did not technically apply to principal distributors since they are carved out of the NI 81-105 provisions that apply to participating dealers, and therefore these Amendments close the loop on this.

² See page 7: 2022-2025 CSA Business Plan, https://www.securities-administrators.ca/wp-content/uploads/2022/10/2022_2025CSA_BusinessPlan.pdf.

³ See footnote 2 above.

- (a) prohibit fund organizations from paying upfront commissions to dealers, resulting in the discontinuation of all forms of the DSC option, including low-load options (**DSC Ban**), and
- (b) prohibit the payment of trailing commissions to dealers who were not subject to a suitability requirement, such as dealers who were not required to provide investment recommendations in connection with the distribution of prospectus qualified mutual fund securities (**OEO Trailer Ban**).

Subsequent to the 2018 Consultation, the CSA published final amendments^{4,5} to adopt both the DSC Ban and the OEO Trailer Ban, which took effect on June 1, 2022.

In the 2018 Consultation, the CSA indicated that we may consider future amendments to modernize NI 81-105. The 2018 Consultation included questions to stakeholders which were intended to inform the CSA's initiative to modernize NI 81-105.

Summary of Written Comments Received by the CSA

The CSA received 20 comment letters on the Proposed Amendments and the Proposed Changes. We have considered the comments received and thank everyone who provided comments. A summary of the comments together with our responses are set out in Annex A. The names of the commenters are also set out in Annex A.

Copies of the comment letters are posted on the websites of the Alberta Securities Commission at www.asc.ca, the Ontario Securities Commission at www.osc.ca, and the Autorité des marchés financiers at www.lautorite.qc.ca.

Summary of Changes to the Proposed Amendments

After considering the comments received, we have made some non-material changes to the Proposed Amendments. These changes are reflected in the Amendments that we are publishing as Annexes B through H to this notice. As these changes are not material, we are not republishing the Amendments for a further comment period.

The following is the only key change made to the Proposed Amendments:

- (a) **Disclosure of principal distributor arrangements and compensation in the ARCC**

⁴ Multilateral CSA Notice of Amendments to National Instrument 81-105 *Mutual Fund Sales Practices*, Changes to Companion Policy 81-105CP to National Instrument 81-105 *Mutual Fund Sales Practices* and Changes to Companion Policy 81-101CP to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* relating to Prohibition of Deferred Sales Charges for Investment Funds published on February 20, 2020 and OSC Notice of Local Amendments to National Instrument 81-105 *Mutual Fund Sales Practices*, Local Changes to Companion Policy 81-105 *Mutual Fund Sales Practices* and Related Consequential Local Amendments and Changes – Prohibition of Deferred Sales Charges for Mutual Funds published on June 3, 2021.

⁵ CSA Notice of Amendments to National Instrument 81-105 *Mutual Fund Sales Practices* and Related Consequential Amendments Prohibition of Mutual Fund Trailing Commissions Where No Suitability Determination Was Required published on September 17, 2020.

Paragraph 14.17(1)(v) of NI 31-103

We received drafting comments from stakeholders on the requirement in paragraph 14.17(1)(v) of NI 31-103 to disclose the principal distributor arrangement and compensation in the annual report on charges and other compensation (**ARCC**). In response to comments, the disclosure requirement was changed to clarify the disclosure being provided is based on the arrangement between the principal distributor and the manager.

Transition

(a) Amendments to NI 31-103 and Changes to 31-103CP

The Amendments to NI 31-103 will come into force on January 1, 2027. However, there is a 24 month transition period to provide principal distributors with sufficient time to implement the Amendments to NI 31-103. We received comments from stakeholders that principal distributors needed more time given the January 1, 2026 effective date of the final amendments and changes published on April 20, 2023 by the CSA and the Canadian Council of Insurance Regulators (**CCIR**) relating to Total Cost Reporting for Investment Funds and Segregated Funds.⁶

The Changes to 31-103CP will also take effect on January 1, 2027.

(b) Amendments to NI 81-101

The Amendments to NI 81-101 will come into force on October 1, 2026. There is a 24-month transition period since prospectus renewals for mutual funds are filed every 24 months.

(c) Amendments to NI 81-102 and Changes to 81-102CP

The Amendments to NI 81-102 will come into force on October 1, 2026 and the Changes to 81-102CP will also take effect on October 1, 2026. There is no transition period, however, section 10.2.1 of NI 81-102 does not apply to a fee referred to in that section if the fee is charged under a fee arrangement that existed before June 1, 2022, and the fee arrangement is still in effect.

(d) Amendments to NI 81-105 and Changes to 81-105CP

The Amendments to NI 81-105 will come into force on October 1, 2026. There is a 24-

⁶ CSA and CCIR Notice of Publication – *CCIR Individual Variable Insurance Contract Ongoing Disclosure Guidance* and Amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and to Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations* – Total Cost Reporting (TCR) for Investment Funds and Segregated Funds published on April 20, 2023.

month transition period. We anticipate that the transition period will provide sufficient time for principal distributors who act as a principal distributor for more than one unaffiliated manager to transition their practice, operational model and compensation arrangements. Any impacted managers will need to make alternate distribution arrangements for their mutual fund securities prior to the end of the transition period.

The Changes to 81-105CP will also take effect on October 1, 2026.

Local Matters

Annex I is being published in any local jurisdiction that is making related changes to local securities laws, including local notices or other policy instruments in that jurisdiction. It also includes any additional information that is relevant to that jurisdiction only.

Content of Annexes

The text of the Amendments and the Changes, as well as the Summary of Comments on the Proposed Amendments and the CSA's Responses is contained in the following annexes to this notice and is available on the websites of members of the CSA:

- Annex A: Summary of Comments on the Proposed Amendments and CSA Responses
- Annex B: Amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*
- Annex C: Changes to Companion Policy 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*
- Annex D: Amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure*
- Annex E: Amendments to National Instrument 81-102 *Investment Funds*
- Annex F: Changes to Companion Policy 81-102 *Investment Funds*
- Annex G: Amendments to National Instrument 81-105 *Mutual Fund Sales Practices*
- Annex H: Changes to Companion Policy 81-105 *Mutual Fund Sales Practices*
- Annex I: Local Matters

Questions

Please refer your questions to any of the following:

British Columbia Securities Commission

Kathryn Anthistle
Senior Legal Counsel, Legal Services
Capital Markets Regulation Division
British Columbia Securities Commission
Tel: 604-899-6536
Email: kanthistle@bcsc.bc.ca

Noreen Bent
Chief, Corporate Finance Legal Services
British Columbia Securities Commission
Tel: 604-899-6741
Email: nbent@bcsc.bc.ca

Alberta Securities Commission

Chad Conrad
Senior Legal Counsel, Investment Funds
Corporate Finance
Alberta Securities Commission
Tel: 403-297-4295
Email: chad.conrad@asc.ca

Financial and Consumer Affairs Authority of Saskatchewan

Heather Kuchuran
Director, Corporate Finance
Financial and Consumer Affairs Authority of Saskatchewan
Tel: 306-787-1009
Email: heather.kuchuran@gov.sk.ca

Financial and Consumer Services Commission of New Brunswick

Clayton Mitchell
Registration and Compliance Manager
Financial and Consumer Services Commission of New Brunswick
Tel: 866-933-2222
Email: clayton.mitchell@fcnbc.ca

Manitoba Securities Commission

Patrick Weeks
Deputy Director, Corporate Finance
Manitoba Financial Services Agency
Manitoba Securities Commission
Tel: 204-945-3326
Email: patrick.weeks@gov.mb.ca

Nova Scotia Securities Commission

Peter Lamey
Legal Analyst, Corporate Finance
Nova Scotia Securities Commission
Tel: 902-424-7630
Email: peter.lamey@novascotia.ca

Jack Jiang
Securities Analyst, Corporate Finance
Nova Scotia Securities Commission
Tel: 902-424-7059
Email: jack.jiang@novascotia.ca

Ontario Securities Commission

Irene Lee
Senior Legal Counsel,
Investment Management Division
Ontario Securities Commission
Tel: 416-593-3668
Email: ilee@osc.ca

Stephen Paglia
Vice-President,
Investment Management Division
Ontario Securities Commission
Tel: 416-593-2393
Email: spaglia@osc.ca

Autorité des marchés financiers

Ata Kassaian
Senior Policy Analyst, Asset Management
Policy and Technological Innovation
Autorité des marchés financiers
Tel: 514-395-0337 ext. 4457
Email: ata.kassaian@lautorite.qc.ca

Philippe Lessard
Analyst, Asset Management Policy and
Technological Innovation
Autorité des marchés financiers
Tel: 514-395-0337 ext. 4364
Email: philippe.lessard@lautorite.qc.ca

Gabriel Vachon
Analyst, Asset Management Policy and
Technological Innovation
Autorité des marchés financiers
Tel: 514-395-0337 ext. 2689
Email: gabriel.vachon@lautorite.qc.ca