

**Multilateral CSA Notice of Amendments to
National Instrument 81-105 *Mutual Fund Sales Practices*
and
Related Consequential Amendments
relating to Prohibition of Deferred Sales Charges for
Investment Funds**

January 20, 2022

Introduction

The Canadian Securities Administrators (**CSA**) except the Ontario Securities Commission (the **Participating Jurisdictions** or **we**), are adopting local amendments to:

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

and local changes to:

- Companion Policy 81-105 *Mutual Fund Sales Practices*,
- Companion Policy 81-101 *Mutual Fund Prospectus Disclosure (81-101CP)*, and
- Companion Policy 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations (31-103CP)*

(collectively, the **Local Amendments and Changes**).

Background

On February 20, 2020, the CSA, with the exception of Ontario, published 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 Funds¹

¹ https://www.bcsc.bc.ca/-/media/PWS/Resources/Securities_Law/Policies/Policy8/81105-CSA-Notice-February-20-2020.pdf.

(the **Multilateral CSA Notice**). The amendments published in the Multilateral CSA Notice prohibit the payment by fund organizations of upfront sales commissions to dealers, which results in the discontinuation of all forms of the deferred sales charge option, including low-load options² (collectively, the **DSC option**) (the **Multilateral DSC Ban**). The Multilateral DSC Ban comes into force on June 1, 2022 (the **Effective Date**) in all CSA jurisdictions, except in Ontario.

On June 3, 2021, the Ontario Securities Commission published 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 Changes³ (the **OSC Notice**). The amendments published in the OSC Notice also prohibit the payment by fund organizations of upfront sales commissions to dealers, which results in the discontinuation of all forms of the DSC option, including low-load options (the **OSC DSC Ban**). The OSC DSC Ban comes into force on June 1, 2022, to coincide with the Effective Date of the Multilateral DSC Ban.

Local Amendments and Changes

As the Multilateral DSC Ban did not include Ontario, the amendments published in the Multilateral CSA Notice included certain provisions relating to Ontario (the **Ontario references**) in NI 31-103 and 31-103CP. Further to amendments published in the OSC Notice, the Ontario References are no longer applicable.

Once the Multilateral DSC Ban and the OSC DSC Ban come into effect on the Effective Date, the provisions requiring disclosure of the DSC option in the simplified prospectus, the fund facts document and pre-trade disclosure will no longer be applicable as the DSC option will no longer be offered (the **DSC references**). The OSC Notice published related consequential local amendments and changes in Ontario to remove DSC References from NI 81-101, 81-101CP, NI 31-103 and 31-103CP as of the Effective Date.

The Participating Jurisdictions are adopting the Local Amendments and Changes to remove the Ontario references and the DSC references as shown in Annexes A to F of this notice as of the Effective Date:

² Under the traditional deferred sales charge option, the investor does not pay an initial sales charge for fund securities purchased, but may have to pay a redemption fee to the investment fund manager (i.e. a deferred sales charge) if the securities are sold before a predetermined period of typically 5 to 7 years 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 does not pay a sales charge to the dealer, the investment fund manager pays the dealer an upfront commission (typically equivalent to 5% of the purchase amount). The investment fund manager may finance the payment of the upfront commission and accordingly incur financing costs that are included in the ongoing management fees charged to the fund. The low-load purchase option is a type of deferred sales charge option but has a shorter redemption fee schedule (usually 2 to 4 years). The upfront commission paid by the investment fund manager and redemption fees paid by investors are correspondingly lower than the traditional deferred sales charge option.

³ https://www.osc.ca/sites/default/files/2021-06/ni_20210603_81-105_mutual-fund-sales-practices.pdf

- **Annex A** – Local Amendments to National Instrument 81-105 *Mutual Fund Sales Practices*
- **Annex B** – Local Changes to Companion Policy 81-105 *Mutual Fund Sales Practices*
- **Annex C** – Local Amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure*
- **Annex D** – Local Changes to Companion Policy 81-101 *Mutual Fund Prospectus Disclosure*
- **Annex E** – Local Amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*
- **Annex F** – Local Changes to Companion Policy 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*

The Local Amendments and Changes are considered to be non-material changes.

The Local Amendments and Changes in the annexes to this Notice differ from jurisdiction to jurisdiction because of differences in the process and timing involved in implementing the Multilateral DSC Ban. Notwithstanding this, and subject to ministerial approval where required, the end result will be that on June 1, 2022, the affected national instruments and companion policies will be harmonized with respect to the DSC ban across all CSA jurisdictions.

The text of rule and policy consolidations on the websites of CSA members will be updated, as necessary, to reflect these Local Amendments and Changes.

Questions

Please refer your questions to any of the following:

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

Melody Chen
Senior Legal Counsel
Legal Services, Corporate Finance
British Columbia Securities Commission
Tel: 604-899-6530
mchen@bcsc.bc.ca

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

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

Wayne Bridgeman
Deputy Director, Corporate Finance
Manitoba Securities Commission
Tel: 204-945-4905
wayne.bridgeman@gov.mb.ca

Louis-Philippe Nadeau
Analyst, Investment Funds Oversight
Autorité des marchés financiers
Tel: 514-395-0337 ext. 2479
louis-philippe.nadeau@lautorite.qc.ca

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

Gabriel Chénard
Senior Policy Analyst, Supervision of
Intermediaries
Autorité des marchés financiers
Tel: 514 395-0337, ext. 4482
Toll-free: 1-800-525-0337, ext. 4482
gabriel.chenard@lautorite.qc.ca

Ella-Jane Loomis
Senior Legal Counsel
Financial and Consumer Services Commission
of New Brunswick
Tel: 506-453-6591
Email: ella-jane.loomis@fcnb.ca