

**PROVINCE OF BRITISH COLUMBIA**  
**RULE OF THE BRITISH COLUMBIA SECURITIES COMMISSION**

*Securities Act*

The British Columbia Securities Commission orders that,

- (a) *effective June 1, 2022, National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, B.C. Reg. 226A/2009, is amended as set out in the attached Schedule A,*
- (b) *effective December 31, 2021, National Instrument 41-101 General Prospectus Requirements, B.C. Reg. 59/2008, is amended as set out in the attached Schedule B,*
- (c) *effective December 31, 2021, National Instrument 81-101 Mutual Fund Prospectus Disclosure, B.C. Reg. 1/2000, is amended as set out in the attached Schedule C,*
- (d) *effective June 1, 2022, National Instrument 81-101 Mutual Fund Prospectus Disclosure, B.C. Reg. 1/2000, is amended as set out in the attached Schedule D,*
- (e) *effective December 31, 2021, National Instrument 81-105 Mutual Fund Sales Practices, B.C. Reg. 131/98, is amended as set out in the attached Schedule E, and*
- (f) *effective June 1, 2022, National Instrument 81-105 Mutual Fund Sales Practices, B.C. Reg. 131/98, is amended as set out in the attached Schedule F.*

**DEPOSITED**

December 23, 2021

B.C. REG. 343/2021

December 23, 2021

Date



British Columbia Securities Commission

*(This part is for administrative purposes only and is not part of the Order.)*

Authority under which Order is made:

Act and section: Securities Act, R.S.B.C. 1996, c. 418, s. 184

Other: \_\_\_\_\_

## SCHEDULE A

- 1 *Paragraph 8.7 (4) (a) of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, B.C. Reg. 226A/2009, is amended by striking out “deferred or contingent sales charge or”.*
- 2 *Paragraph 14.2.1 (1) (b) is repealed.*

## SCHEDULE B

- 1 *Part 3C of National Instrument 41-101 General Prospectus Requirements, B.C. Reg. 59/2008, is amended by adding the following section:*

### **Delivery of ETF facts documents for no-trailing-commission ETF switches**

3C.2.1 (1) In this section,

**“no-trailing-commission ETF switch”** means, in respect of a client of a participating dealer, a purchase of securities of a class or series of an ETF in respect of which an investment fund manager does not pay the participating dealer a trailing commission immediately following a redemption of securities of another class or series of the ETF in respect of which the investment fund manager pays the participating dealer a trailing commission, if all of the following apply:

- (a) the aggregate value of the securities purchased is the same as the aggregate value of the securities redeemed;
- (b) there are no material differences between the class or series of securities purchased and the class or series of securities redeemed other than the rate of management fees charged in respect of the two classes or series;
- (c) the participating dealer, who executed the purchase and redemption of the securities, was not required by securities legislation or the rules of an SRO applicable to the dealer to make a suitability determination in respect of the client in connection with those securities;

**“suitability determination”** has the same meaning as in section 1.1 of National Instrument 81-105 *Mutual Fund Sales Practices*.

- (2) Despite subsection 3C.2 (2), a dealer is not required to deliver or send to the purchaser of a security of an ETF the most recently filed ETF facts document for the applicable class or series of securities of the ETF in connection with a no-trailing-commission ETF switch.

## SCHEDULE C

- 1 *Section 3.2.01 (4) of National Instrument 81-101 Mutual Fund Prospectus Disclosure, B.C. Reg. 1/2000, is amended*
  - (a) *in paragraph (a) by striking out “or” at the end of subparagraph (ii),*

*(b) by adding “or” at the end of paragraph (b), and*

*(c) by adding the following paragraph:*

(c) section 3.2.04.1 applies.

**2** *The following section is added:*

**Delivery of Fund Facts Documents for No-Trailing-Commission Switches**

**3.2.04.1** (1) In this section,

**“no-trailing-commission switch”** means, in respect of a client of a participating dealer, a purchase of securities of a class or series of a mutual fund in respect of which an investment fund manager does not pay the participating dealer a trailing commission immediately following a redemption of securities of another class or series of the mutual fund in respect of which the investment fund manager pays the participating dealer a trailing commission, if all of the following apply:

- (a) the aggregate value of the securities purchased is the same as the aggregate value of the securities redeemed;
- (b) there are no material differences between the class or series of securities purchased and the class or series of securities redeemed other than the rate of management fees charged in respect of the two classes or series;
- (c) the participating dealer, who executed the purchase and redemption of the securities, was not required by securities legislation or the rules of an SRO applicable to the dealer to make a suitability determination in respect of the client in connection with those securities;

**“suitability determination”** has the same meaning as in section 1.1 of National Instrument 81-105 *Mutual Fund Sales Practices*.

- (2) Despite subsection 3.2.01 (1), a dealer is not required to deliver to the purchaser of a security of a mutual fund the most recently filed fund facts document for the applicable class or series of securities of the mutual fund in connection with a no-trailing-commission switch.

**SCHEDULE D**

**1** *The Instructions under Item 1.2 of Part II of Form 81-101F3 Contents of Fund Facts Document of National Instrument 81-101 Mutual Fund Prospectus Disclosure, B.C. Reg. 1/2000, are amended*

*(a) in subsection (1) by striking out “, deferred sales charge”,*

*(b) in subsection (2) by striking out “For a deferred sales charge, provide the full sales charge schedule.”,*

*(c) in subsection (3) by striking out “For a deferred sales charge, include a range for the amount that can be charged on every \$1,000 redemption.”, and*

*(d) in subsection (4) by striking out the following:*

In the case of a deferred sales charge, the disclosure must also briefly state:

- any amount payable as an upfront sales commission;

- who pays and who receives the amount payable as the upfront sales commission;
- any free redemption amount and key details about how it works;
- whether switches can be made without incurring a sales charge; and
- how the amount paid by an investor at the time of a redemption of securities is calculated, for example, whether it is based on the net asset value of those securities at the time of redemption or another time.

## SCHEDULE E

**1 Section 1.1 of National Instrument 81-105 Mutual Fund Sales Practices, B.C. Reg. 131/98, is amended by adding the following definition:**

“**suitability determination**” means a determination or other assessment required to be made under any of the following:

- (a) section 13.3 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*;
- (b) the rules of the Investment Industry Regulatory Organization of Canada named in Appendix G of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* that are in effect, as amended from time to time, and that correspond to section 13.3 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*;
- (c) a rule or policy of the Mutual Fund Dealers Association of Canada named in Appendix H of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* that are in effect, as amended from time to time, and that correspond to section 13.3 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

## SCHEDULE F

**1 Section 1.1 of National Instrument 81-105 Mutual Fund Sales Practices, B.C. Reg. 131/98, is amended in paragraph (d) of the definition of “member of the organization” by adding “associate or” before “affiliate”.**

**2 Section 2.2 is amended by adding the following subsection:**

- (3) Despite subsection (2), a participating dealer may not solicit or accept a payment of a trailing commission from a member of the organization of the mutual fund, in connection with securities of the mutual fund held in an account of a client of the participating dealer, if the participating dealer was not required to make a suitability determination in respect of the client in connection with those securities.

**3 Section 3.1 is repealed.**

**4 Section 3.2 is amended**

- (a) ***in subsection (1) by striking out*** “in money that is based upon the aggregate value of securities of the mutual fund held in accounts of clients of the participating dealer as at a particular time or during a particular period,”
- (b) ***in paragraph (1) (a) by striking out “the trade” and substituting*** “a trade in securities of the mutual fund by a client of the participating dealer”,
- (c) ***in subsection (1) by adding the following paragraph:***
  - (a.1) the amount of the trailing commission is based on the value of securities of the mutual fund held in an account of the client as at a particular time or during a particular period; , ***and***
- (d) ***by adding the following subsection:***
  - (4) Despite subsection (1), no member of the organization of a mutual fund may pay a trailing commission to a participating dealer in connection with securities of the mutual fund held in an account of a client of the participating dealer if the member knows or ought reasonably to know that the participating dealer was not required to make a suitability determination in respect of the client in connection with those securities.