CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA Notice and Request for Comment

Proposed Amendments to National Instrument 81-105 *Mutual Fund Sales Practices* and Related Consequential Amendments

September 13, 2018

Introduction

The Canadian Securities Administrators (the **CSA** or **we**) are publishing for a **90-day** comment period

- proposed amendments to National Instrument 81-105 *Mutual Fund Sales Practices* (**NI 81-105**),

- proposed changes to Companion Policy 81-105CP to National Instrument 81-105 *Mutual Fund Sales Practices* (**81-105CP**), and

- proposed consequential amendments to:

  - National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (**NI 81-101**), including Form 81-101F1 *Contents of Simplified Prospectus* (**Form 81-101F1**) and Form 81-101F3 *Contents of Fund Facts Document* (**Form 81-101F3**), and

  - National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**),

(collectively, the **Proposed Amendments**).

The text of the Proposed Amendments is contained in Annexes B through E of this notice and will also be available on websites of CSA jurisdictions, including:

www.bcsc.bc.ca
www.albertasecurities.com
www.fcaa.gov.sk.ca
www.mbsecurities.ca
www.osc.gov.on.ca
www.lautorite.qc.ca
www.fcnb.ca
https://nssc.novascotia.ca

Substance and Purpose

The purpose of the Proposed Amendments is to implement the CSA's policy response to the investor protection and market efficiency issues arising from the prevailing practice of investment fund managers remunerating dealers and their representatives for mutual fund sales through commissions, including sales and trailing commissions (**embedded commissions**).

The Proposed Amendments, together with the enhanced conflict of interest mitigation framework for dealers and representatives proposed under detailed reforms to NI 31-103 (the **Client Focused Reforms**) on June 21, 2018[1], comprise the CSA's policy response to each of the investor protection and market efficiency issues we have identified. The Proposed Amendments, if adopted, would restrict the compensation that members of the organization of publicly-offered mutual funds (**fund organizations**) may currently pay to participating dealers, and that participating dealers may currently solicit and accept, under NI 81-105 in connection with the distribution of mutual fund securities.

Specifically, the objectives of the Proposed Amendments are to prohibit:

- the payment of upfront sales commissions by fund organizations to dealers, and in so doing, discontinue sales charge options that involve such payments, such as all forms of the deferred sales charge option[2], including low-load options[3] (collectively, the **DSC option**), and

[1] On June 21, 2018, we published a CSA Notice and Request for Comment seeking feedback on detailed reforms to registrant obligations that focus on the client's interests in the client-registrant relationship. These reforms, referred to as the Client Focused Reforms, propose changes to NI 31-103 that would, among other things, require registrants to:

- address conflicts of interest in the best interest of the client;
- put the client's interests first when making a suitability determination; and
- provide clients with greater clarity on what they should expect from their registrants.

The 120-day comment period on the Client Focused Reforms ends October 19, 2018.

[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 sales commission (typically equivalent to 5% of the purchase amount). The investment fund manager may finance the payment of the upfront sales commission and accordingly incur financing costs that are included in the ongoing management fees charged to the fund.

[3] 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 sales commission paid by the investment fund manager and the redemption fees paid by investors are correspondingly lower than those of the traditional deferred sales charge option.

- trailing commission payments by fund organizations to dealers who do not make a suitability determination, such as order-execution-only (**OEO**) dealers.

The discontinuation of the DSC option would render obsolete certain disclosure requirements specific to that sales charge option under Form 81-101F1, Form 81-101F3 and NI 31-103. The consequential amendments propose to eliminate those disclosure requirements.

Background

On January 10, 2017, we published for comment CSA Consultation Paper 81-408 *Consultation on the Option of Discontinuing Embedded Commissions* (the **Consultation Paper**), in which we identified and discussed key investor protection and market efficiency issues arising from mutual fund embedded commissions.[4] The Consultation Paper sought specific feedback, including evidence-based and data-driven analysis and perspectives, on the option of discontinuing embedded commissions as a regulatory response to the identified issues and on the potential impacts to both market participants and investors of such a change, to enable the CSA to make an informed policy decision on whether to pursue this option or consider alternative policy changes.

Further to our evaluation of all the feedback received throughout the consultation process, including written submissions and in-person consultations, the CSA decided on a policy response which we announced in CSA Staff Notice 81-330 *Status report on Consultation on Embedded Commissions and Next Steps* (**CSN 81-330**) published on June 21, 2018. The CSA proposed the following policy changes:

1. to implement enhanced conflict of interest mitigation rules and guidance for dealers and representatives requiring that all existing and reasonably foreseeable conflicts of interest, including conflicts arising from the payment of embedded commissions, be addressed in the best interests of clients or avoided;

2. to prohibit all forms of the DSC option and their associated upfront commissions in respect of the purchase of securities of a prospectus qualified mutual fund; and

3. to prohibit the payment of trailing commissions to, and the solicitation and acceptance of trailing commissions by, dealers who do not make a suitability determination in connection with the distribution of securities of a prospectus qualified mutual fund.

In addition to announcing the CSA's policy decision and providing a summary of the consultation process and the feedback received, CSN 81-330 provided an overview of the

---

[4] The Consultation Paper followed the CSA's initial consultation on mutual fund fees under CSA Discussion Paper and Request for Comment 81-407 *Mutual Fund Fees* published on December 13, 2012, which was followed by in-person consultations in several CSA jurisdictions in 2013. We published an overview of the key themes that emerged from this consultation process in CSA Staff Notice 81-323 *Status Report on Consultation under CSA Discussion Paper and Request for Comment 81-407 Mutual Fund fees*.

regulatory concerns that our proposed policy changes aim to address, and also discussed why we are not banning all forms of embedded commissions.

Concurrently with CSN 81-330, we published a CSA Notice and Request for Comment[5] seeking comment on the Client Focused Reforms proposing to implement the enhanced conflict of interest mitigation framework for dealers and representatives contemplated in component #1 of our policy response, together with other important changes aimed at better aligning the interests of registrants with the interests of their clients and improving investor outcomes. The Proposed Amendments are focused on the specific prohibitions proposed in components #2 and #3 of our policy response, thus completing the implementation of a package of reforms that we expect will respond to the issues arising from mutual fund embedded commissions.

Summary of the Proposed Amendments

1. Substantive amendments:

As discussed above, the Proposed Amendments are intended to prohibit the following payments by fund organizations in connection with the distribution of prospectus qualified mutual fund securities:

- upfront sales commissions to dealers – which prohibition we expect will eliminate the DSC option, and
- trailing commissions to dealers who are not subject to a suitability requirement, such as OEO dealers.

The Proposed Amendments include the following amendments to NI 81-105, which is the instrument that sets minimum standards of conduct to be followed by industry participants in their activities in distributing prospectus qualified mutual fund securities:

a. Definition of "member of the organization"

We propose to expand the definition of "member of the organization" in section 1.1 of NI 81-105 to include an "associate"[6] of the investment fund manager, of the principal distributor or of the portfolio adviser of the mutual fund. This would expand the group of persons or companies that are prohibited from making payments or providing benefits to participating dealers under NI 81-105 to also include any partners of the investment fund manager, principal distributor or

[5] See note 1.

[6] Under securities legislation, the term "associate", where used to indicate a relationship with any person or company, includes among others,

(a) any company of which such person or company beneficially owns, directly or indirectly, voting securities carrying more than 10 per cent of the voting rights attached to all outstanding voting securities of the company,

(b) any partner of that person or company, and

(c) any trust or estate in which such person or company has a substantial beneficial interest or as to which such person or company serves as trustee or in a similar capacity.

portfolio adviser of the mutual fund, as well as any companies in which the investment fund manager, principal distributor or portfolio adviser of the mutual fund may have a 10% voting interest.

b. Definition of "trailing commission"

While section 3.2 of NI 81-105 currently permits a fund organization to pay a "trailing commission" to a participating dealer, the instrument currently does not define what comprises such payment. We accordingly propose to include a definition of "trailing commission" in section 1.1 in order to lend greater clarity to the existing permissive provision in subsection 3.2(1) and our new proposed rule regarding the payment of trailing commissions to dealers who do not make a suitability determination in subsection 3.2(4), discussed further below.

Consistent with the definition of "trailing commission" in NI 31-103, we broadly define "trailing commission" to mean any payment that is part of a continuing series of payments related to the ownership of securities of a mutual fund by a client of a participating dealer. This definition is accordingly not restricted to payments intended to compensate dealers and their representatives for advice afforded to clients, but rather captures payments for all services of any kind to the client in connection with their ownership of mutual fund securities.

c. Prohibition of sales commission payments by fund organizations

In connection with the CSA's decision to discontinue the DSC option and its associated upfront commissions, we propose to repeal section 3.1 of NI 81-105 which currently permits fund organizations to pay sales commissions to dealers for the distribution of mutual fund securities.

Subject to specified conditions, section 3.1 currently permits fund organizations to pay:

- upfront sales commissions out of their general revenue, and
- upfront sales commissions for sales made under the front-end load option that are deducted by the participating dealer from the investment amount at the time of the purchase.[7]

We expect that the repeal of section 3.1 and the resulting prohibition on fund organizations paying sales commissions to participating dealers[8] will have the following effects:

---

[7] See CSA Notice of Proposed National Instrument 81-105 and Companion Policy 81-105CP *Mutual Fund Sales Practices* dated July 25, 1997, which describes the purpose of section 3.1 as follows:

> Section 3.1 permits the payment of a commission in money if the obligation to pay the commission arises at the time of the sale of the mutual fund on the conditions indicated. Commissions permitted by section 3.1 include upfront sales commissions paid by fund organizations and those paid under arrangements where the principal distributor of a mutual fund permits a participating dealer to retain the whole or a portion of commissions paid by those investors purchasing securities on a "front end load" basis. The primary conditions to such payments include requirements for prospectus disclosure as to the range of commissions that may be paid and the method of calculation used in determining the amounts of those commissions.

i. ***Discontinue all forms of the DSC option:***

The upfront sales commission payable by fund organizations to dealers for mutual fund sales made under the DSC option is a key feature of that sales charge option that gives rise to a conflict of interest that can incentivize dealers and their representatives to make self-interested investment recommendations to the detriment of investor interests. We refer you to CSN 81-330 for an overview of the problematic registrant practices and investor harms we have identified in connection with the use of the DSC option and that underlie our proposal to eliminate that option.

By prohibiting fund organizations from paying upfront sales commissions to participating dealers, we will correspondingly eliminate the need for fund organizations to finance the cost of these commissions, which we expect will in turn eliminate the need for the following two features of the DSC option:

a. the redemption fee schedule, representing the period of time the fund organization requires the investor to remain invested in the mutual fund in order to recoup its financing costs (through management fees charged to the fund), and
b. the redemption fee, which essentially functions as a default penalty allowing the investment fund manager to recoup its financing costs in the event the investor redeems from the mutual fund prior to the end of the redemption fee schedule.

Consequently, we expect the prohibition on fund organizations paying upfront sales commissions to dealers will result in the discontinuation of the DSC option and its various features, including the redemption fee schedule and the related redemption fee. While we do not propose to specifically prohibit redemption fee schedules and redemption fees, we expect their use in this context will cease further to the implementation of this policy change. In our view, the continued use of these individual features of the DSC option in connection with new mutual fund investments made after the repeal of section 3.1 would promote the commercial interests of fund organizations ahead of the interests of mutual fund investors, which we would consider to be inconsistent with registrant conduct standards, including the investment fund manager's fiduciary duty under the legislation. However, we expect that the use of redemption fees by mutual funds for other specific purposes, such as for the purpose of deterring excessive or short-term trading and offsetting the associated costs, will continue.

---

[8] Section 3.1 of NI 81-105 is a permissive provision that permits fund organizations to pay sales commissions to dealers as an exception to the general prohibition on the payment of money in section 2.1 of NI 81-105. Further to the repeal of section 3.1 of NI 81-105, fund organizations will be prohibited from paying sales commissions under the general prohibition on the payment of money in section 2.1 of NI 81-105. Similarly, dealers will be prohibited from soliciting and accepting sales commissions from fund organizations under the general prohibition on the solicitation and acceptance of the payment of money in section 2.2 of NI 81-105.

We further expect that, since fund organizations will no longer incur the cost of financing upfront sales commissions to dealers on DSC mutual fund sales, the management fees charged to the mutual funds who previously offered the DSC option will be correspondingly reduced.

We do not expect that the repeal of section 3.1 will have any impact on the availability and use of other sales charge options, including the front-end load option as it currently exists today. We understand that, under that option, the dealer retains the sales commission agreed to by the investor from the investment proceeds that the investor submits for the mutual fund purchase, and remits the net proceeds to the fund organization for investment in the fund. In this case, we consider that the sales commission is paid directly by the investor and not by the fund organization, and thus is not within the scope of NI 81-105.

ii. ***Shift sales compensation matters to the dealer-client relationship:***

The inability of participating dealers to receive upfront sales commissions from fund organizations for the distribution of mutual fund securities will require them to find alternative ways of maintaining their revenue stream which will likely require them to turn directly to their clients for such compensation. We therefore expect that this will cause dealers to shift to alternative, more salient forms of compensation for mutual fund purchases, such as front-end commissions under the front-end load option, transaction fees, or other type of compensation, that they may negotiate with, and charge directly to, the client. Fund organizations would accordingly no longer play a role in setting sales commission rates for the sale of their mutual funds as this would be a matter left to be negotiated and settled exclusively within the dealer-client relationship.

In proposed new sections 4.1.1 and 4.1.2 of 81-105CP, we clarify that, while fund organizations would, further to the repeal of section 3.1 of NI 81-105, be prohibited under the existing general prohibition in section 2.1 of the instrument from paying sales commissions to participating dealers, this would not preclude them from facilitating the payment of a sales commission negotiated and agreed to exclusively between the dealer and the mutual fund investor. For example, we would not consider the prohibition in section 2.1 of the instrument to be breached where a participating dealer remits to a fund organization the gross proceeds of an investor's purchase of mutual fund securities from which the fund organization then deducts and remits the sales commission to the participating dealer on the investor's behalf pursuant to instructions received from the dealer.

We note that the Client Focused Reforms published for comment on June 21, 2018[9], propose certain changes that support and complement this proposed shift of sales compensation matters to the dealer-client relationship. Specifically, proposed

[9] See note 1.

amendments to the relationship disclosure obligations propose to require dealer firms to make publicly available information that a reasonable investor would consider important in deciding whether to become a client of the firm, including the account types, products and services that the firm offers, the charges and other costs to clients, including any fee schedule in effect, as well as any third-party compensation associated with its products, services and accounts.[10] We anticipate that these changes will give investors ready access to basic information about competing firms' products and services including the costs associated with those products and services, and thus enable investors to comparison shop and select a firm that best meets their needs and expectations.

d. Restriction on payment and acceptance of trailing commissions where no suitability determination made

In new subsection 3.2(4) of NI 81-105, we propose to prohibit fund organizations from paying trailing commissions where the participating dealer is not required to make a suitability determination in connection with a client's purchase and ongoing ownership of prospectus qualified mutual fund securities. This would effectively prohibit the payment of mutual fund trailing commissions to dealers who are not subject to the obligation to make a suitability determination under section 13.3 of NI 31-103 or under the corresponding rules of the self-regulatory organizations (**SROs**). Such dealers would include, among others, OEO dealers and dealers acting on behalf of a 'permitted client' that has waived the suitability requirements.

Accordingly, new subsection 3.2(4) of NI 81-105 is intended to require dealers to provide investors with advice arising from the suitability requirements in order to qualify for the receipt of trailing commission payments. OEO dealers and other dealers who are not required to make suitability determinations will be expected to charge investors directly for the services they provide. We expect this will lead to an increased use of more transparent and salient fees (such as trading commissions, transaction fees, or other directly-charged fees) for the purchase and holding of mutual fund securities through OEO dealers that may better align with the cost of the services such dealers provide.

In proposed new section 5.4 of 81-105CP, we clarify our expectations with respect to this new restriction on the payment of trailing commissions by fund organizations to dealers who do not make suitability determinations. The section reminds that subsection 2.2(2) of NI 81-105 imposes a corresponding restriction on participating dealers from soliciting and accepting from fund organizations any payment that fund organizations are not expressly permitted to make under Parts 3 and 5 of the instrument. Accordingly, the new restriction on fund organizations in subsection 3.2(4) of NI 81-105 gives rise to a corresponding restriction on dealers who do not make suitability determinations from soliciting or accepting trailing commission payments from fund organizations. We also state our view in section 5.4 of 81-105CP that fund organizations should make available to participating dealers who do not make suitability determinations in respect of a client, a class or series of securities of a mutual fund that does not pay trailing

[10] See proposed section 14.1.2 of NI 31-103 of the amendments published for comment June 21, 2018.

commissions[11], which the dealer should offer to the client. We expect that the rate of the management fee charged on that class or series of securities of a mutual fund would reflect the absence of trailing commission costs and thus be correspondingly reduced.

Finally, we propose a housekeeping amendment to subsection 3.2(1) of NI 81-105 which consists of moving the lead-in language in that subsection stating that trailing commissions are based on the value of securities of the mutual fund held in accounts of clients of the participating dealer, and making this a specific condition to the payment of trailing commissions under new proposed paragraph 3.2(1)(a.1).

2. Consequential amendments:

We propose certain consequential amendments to the simplified prospectus form under Form 81-101F1 and the Fund Facts document under Form 81-101F3, as well as to dealer disclosure obligations under NI 31-103, to reflect the expected discontinuation of the DSC option and the shift of sales compensation matters to the dealer-client relationship, as discussed above. Specifically, we propose:

- under Item 8.1 of Part A of Form 81-101F1, to replace the requirement to disclose in the "Fees and Expenses" table the percentage rate of the sales charge with a general statement that the dealer may charge the investor a sales charge or transaction fee which the investor may negotiate with the dealer;
- under Item 8.2 of Part A of Form 81-101F1, to repeal the requirement to illustrate the impact of sales charges associated with the different purchase options;
- under Item 9 of Part A of Form 81-101F1, to delete instructions pertaining to disclosure of the payment of sales commissions by the investment fund manager to the dealer;
- under Item 1.2 of Part II of Form 81-101F3, to replace the table requiring illustrations of different sales charge options with the requirement to provide an overview of any sales charges that investors may have to pay when they purchase securities of the mutual fund, including whether the amount is negotiable, whether it may be paid directly by the investor or deducted from the amount paid at the time of purchase, who pays (in the case of a payment on behalf on an investor) and who receives the amount payable;
- under Item 1.3 of Part II of Form 81-101F3, to remove the requirement to state that the rate of the trailing commission depends on the sales charge option chosen by the investor, and replace the requirement to disclose the range of the rates of the trailing commission for each sales charge option with the requirement to disclose the range of the rate of the trailing commission;
- in paragraph 8.7(4)(a) of NI 31-103, to repeal the requirement for an investment fund to set out in its prospectus, as a condition to the exemption from the dealer registration requirement provided for investment fund reinvestments, the details of any deferred or contingent sales charge or redemption fee that may be payable; and

[11] For example, an existing class or series of mutual fund securities generally denoted as class or series "F" (typically intended for fee-based clients) could potentially be used for this purpose. Alternatively, another class or series that similarly does not pay any trailing commissions could be used.

- in paragraph 14.2.1(1)(b) of NI 31-103, to repeal the requirement for a registered firm to provide pre-trade disclosure of any deferred sales charges applicable to the subsequent sale of the security and the redemption fee schedule that will apply.

Alternatives Considered to the Proposed Amendments

The CSA previously considered various alternatives to the Proposed Amendments. The CSA initially examined under the Consultation Paper the option of discontinuing all forms of embedded commissions and, in subsequent in-person consultations with stakeholders, explored the viability of various alternatives, including: (i) standardizing or capping trailing commissions, (ii) implementing additional standards for the use of the DSC option, (iii) enhancing fee disclosure requirements, and (iv) requiring dealers and representatives to offer all clients the option of a direct-pay arrangement alongside an embedded commission option. We concluded that these alternatives would not adequately address the investor protection and market efficiency issues arising from the use of embedded commissions. Given the importance of the identified issues, the CSA did not consider maintaining the status quo to be an option.

The CSA also considered other ways of improving fee disclosure. In this regard, as mentioned in CSN 81-330, the CSA are supportive of the Mutual Fund Dealers Association's (**MFDA**) proposal to expand cost reporting for investment funds to allow investors to better understand the ongoing costs of each investment fund they own and their total costs of investing.[12] We expect to engage more closely with the MFDA and the Investment Industry Regulatory Organization of Canada to advance this important initiative.

The CSA believe that the Proposed Amendments, together with the enhanced conflict of interest mitigation framework proposed under the Client Focused Reforms, appropriately respond to the issues we identified, and at the same time respond to stakeholders' concerns about the potential adverse consequences to investors and market participants of discontinuing all forms of embedded commissions. Importantly, this package of reforms is designed to address not only conflicts arising from embedded commissions, but rather all types of conflicts that can incentivize poor registrant behaviour and subvert investor interests, and thus provides a holistic approach to the treatment of all conflicts in the registrant-client relationship.

Anticipated Costs and Benefits of the Proposed Amendments

In Annex F, we provide an overview of the anticipated costs and benefits of our proposed package of reforms to address concerns related to the payment of embedded commissions, which reforms include the Proposed Amendments together with the changes proposed under the Client Focused Reforms.

[12] On April 19, 2018, the MFDA published a discussion paper to solicit feedback from stakeholders on the potential expansion of cost reporting for investment funds. This discussion paper outlines a number of different approaches that can be integrated into existing reporting requirements. See MFDA Bulletin #0748-P.

Transition

We expect that registrants will require some time to operationalize the Proposed Amendments. At this time, we anticipate providing a transition period of 365 days from the date of final publication of the amendments, at the end of which the changes would become effective (**effective date**).

Discontinuation of DSC option:

We anticipate that the proposed transition period will provide sufficient time for dealer firms and representatives who currently make substantial use of the DSC option to transition their practices and operational systems and processes to the use of other sales charge options. We expect they will increase their use of the front-end load option or other direct-pay arrangements with their clients. Some dealer firms may also have to reassess their internal compensation arrangements. We believe the proposed transition period should also give investment fund managers enough time to revise their mutual funds' simplified prospectuses and Fund Facts documents to reflect the discontinuation of the DSC option.

We would not expect existing mutual fund investments held under the DSC option as at the effective date to have to be converted to the front-end load option or other sales charge option. Accordingly, the redemption schedules on those existing DSC holdings as at the effective date would be allowed to run their course until their scheduled expiry, and fund organizations would continue to be allowed to charge redemption fees on those existing holdings that are redeemed prior to the expiry of the applicable redemption schedule. However, any new mutual fund purchases made on or after the effective date will need to comply with the new rules.

While dealer firms will continue to be allowed to sell mutual fund securities under the DSC option during the transition period, we caution that we will closely examine such sales that are made up to the effective date to ensure that those recommendations are fully compliant with securities legislation, in particular the suitability requirements of NI 31-103. The SROs are also expected to closely examine such sales under their conflict of interest rules.

Discontinuation of trailing commission payments to dealers who do not make suitability determinations:

We anticipate that the proposed transition period will provide sufficient time for OEO dealers and other dealers who do not make suitability determinations to implement new direct-fee charging systems and processes to enable them to collect their fees for their services directly from mutual fund investors as at the effective date. As of that date, dealers who are not subject to the suitability requirement and who administer client accounts that have existing holdings of publicly-offered mutual funds would no longer be allowed to accept trailing commission payments from fund organizations on those holdings. We expect that the dealers concerned would move those mutual fund holdings to a trailing commission-free class or series of the relevant mutual funds, which class or series we would expect fund organizations to correspondingly make available for use on OEO dealer platforms.

In Annex A of this Notice, we invite comments on specific questions to help inform and determine transition needs.

Local Matters

Annex G 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.

Unpublished Materials

In developing the Proposed Amendments, we have not relied on any significant unpublished study, report or other written materials.

Request for Comments

We welcome your comments on the Proposed Amendments, and also invite comments on the specific questions set out in Annex A of this Notice. Some CSA jurisdictions will hold in-person consultations to further discuss the Proposed Amendments and the questions in Annex A. The details of any in-person consultations will be announced by the CSA jurisdiction.

We cannot keep submissions confidential because securities legislation in certain provinces requires publication of a summary of the written comments received during the comment period. All comments will be posted on the websites of each of the Ontario Securities Commission at www.osc.gov.on.ca, the Alberta Securities Commission at www.albertasecurities.com and the Autorité des marchés financiers at www.lautorite.qc.ca. Therefore, you should not include personal information directly in comments to be published. It is important you state on whose behalf you are making the submissions.

Deadline for Comments

Please submit your comments in writing on or before **December 13, 2018**. If you are not sending your comments by email, please send a USB flash drive containing the submissions (in Microsoft Word format).

Where to Send Your Comments

Address your submission to all of the CSA as follows:

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission of New Brunswick
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Superintendent of Securities, Nunavut

Deliver your comments only to the addresses below. Your comments will be distributed to the other participating CSA.

The Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8
Fax: 416-593-2318
comments@osc.gov.on.ca

M^e Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, rue du Square-Victoria, 22^e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
Fax : 514-864-6381
consultation-en-cours@lautorite.qc.ca

Contents of Annexes

The text of the Proposed Amendments is contained in the following annexes to this Notice and is available on the websites of members of the CSA:

Annex A: Specific Questions of the CSA Relating to the Proposed Amendments

Annex B: Proposed Amendments to National Instrument 81-105 *Mutual Fund Sales Practices*

Annex C: Proposed Changes to Companion Policy 81-105CP to National Instrument 81-105 *Mutual Fund Sales Practices*

Annex D: Proposed Amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure*

Annex E: Proposed Amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*

Annex F: Regulatory Impact Analysis of the Proposed Reforms to Address Concerns Related to the Payment of Embedded Commissions

Annex G: Ontario Local Matters

Questions

Please refer your questions to any of the following:

Jason Alcorn
Senior Legal Counsel
Financial and Consumer Services Commission of New Brunswick
Tel: 506-643-7857
jason.alcorn@fcnb.ca

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

Raymond Chan
Acting Director
Investment Funds and Structured Products
Ontario Securities Commission
Tel: 416-593-8128
rchan@osc.gov.on.ca

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

Ashlyn D'Aoust
Senior Legal Counsel
Alberta Securities Commission
Tel: 403-355-4347
ashlyn.daoust@asc.ca

Heather Kuchuran
Senior Securities Analyst
Financial and Consumer Affairs Authority of Saskatchewan
Tel: 306-787-1009
heather.kuchuran@gov.sk.ca

Hugo Lacroix
Senior Director, Investment Funds
Autorité des marchés financiers
Tel: 514-395-0337, ext. 4461
Toll-free: 1-800-525-0337, ext. 4461
hugo.lacroix@lautorite.qc.ca

Chantal Mainville
Senior Legal Counsel
Investment Funds and Structured Products
Ontario Securities Commission
Tel: 416-593-8168
cmainville@osc.gov.on.ca

Danielle Mayhew
Legal Counsel
Alberta Securities Commission
Tel: 403-592-3059
danielle.mayhew@asc.ca

Shaneel Sharma
Senior Legal Counsel
Legal Services, Capital Markets Regulation
British Columbia Securities Commission
Tel: 604-899-6637
ssharma@bcsc.bc.ca

Mathieu Simard
Senior Advisor, Investment Funds
Autorité des marchés financiers
Tel: 514-395-0337, ext. 4471
Toll-free: 1-800-525-0337, ext. 4471
mathieu.simard@lautorite.qc.ca