

Annex B

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

1. *National Instrument 81-105 Mutual Fund Sales Practices is amended by this Instrument.*
2. *Section 1.1 is amended*
 - (a) *in paragraph (d) of the definition of “member of the organization” by adding “associate or” before “affiliate”,*
 - (b) *in the definition of “mutual fund family”, by deleting “and” at the end of paragraph (b),*
 - (c) *in the definition of “representative”, by replacing “dealer.” with “dealer;” at the end of paragraph (c), and*
 - (d) *by adding the following definition:*

“trailing commission” means a payment of money 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..
3. *Section 3.1 is repealed.*
4. *Section 3.2 is amended*
 - (a) *in subsection (1) by deleting “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) *by adding “in securities of the mutual fund by the client of the participating dealer” at the end of paragraph 3.2(1)(a),*
 - (c) *by adding the following paragraph to subsection (1):*

(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 of the participating dealer 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 participating dealer is not required by securities legislation or rules of an SRO applicable to the dealer to make a suitability determination in respect of the client in connection with those securities.

5. This Instrument comes into force [*365 days from the date of final publication*].