

Notice of General Order – Transitional Relief Related to the Deferred Sales Charge Option in respect of Client Focused Reforms Enhanced Conflicts of Interest and Client First Suitability Provisions of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*

On October 3, 2019, the Canadian Securities Administrators (the **CSA**) published amendments to National Instrument 31-103 (**NI 31-103**), the Client Focused Reforms (**CFRs**). On February 20, 2020, all CSA jurisdictions other than Ontario published amendments to National Instrument 81-105 *Mutual Fund Sales Practices* (**NI 81-105**) to prohibit (the **DSC ban**) the payment by fund organizations of upfront sales commissions to dealers, which will result in the discontinuation of all forms of a compensation model referred to as the deferred sales charge option, including low-load options (collectively, the **DSC option**). In order to give dealers time to transition away from the DSC option, the DSC ban will not be effective until June 1, 2022 (the **DSC transition period**).

On June 3, 2021, the Ontario Securities Commission (the **OSC**) published final amendments to NI 81-105 (the **Ontario DSC ban amendments**) to prohibit the DSC option in Ontario. In order to give dealers time to transition away from the DSC option, the DSC ban in Ontario will not be effective until June 1, 2022, which aligns with the DSC transition period already in place for all other CSA jurisdictions. The Ontario Minister of Finance approved the Ontario DSC ban amendments on June 17, 2021.

The CFRs are an important investor protection initiative based on the concept that in the client-registrant relationship, the interests of the client come first. The CFRs' enhanced conflicts of interest provisions come into effect on **June 30, 2021**. As a result, there will be an overlap period of approximately 11 months between the effective date of the CFRs' enhanced conflicts of interest provisions and the effective date of the DSC ban. There will also be a five month overlap period between the effective date of the DSC ban and the CFRs' enhanced suitability provisions, including the requirement to put the client's interest first, which come into effect on **December 31, 2021**.

Description of the Order

The order provides a registrant, in respect of a trade in a security of an investment fund that results in the payment of an upfront sales commission and is subject to a deferred sales charge, with an exemption from the requirements set out in

- a) sections 13.4 and 13.4.1 of NI 31-103 (the **enhanced conflicts requirements**) that the registrant is required to comply with as of June 30, 2021, pursuant to paragraph 35(1)(a) of the amending instrument published on October 3, 2019 (the **Amending Instrument**), as amended by Ontario Instrument 31-511, and
- b) paragraph 13.3(1)(b) of NI 31-103 (the **client first suitability requirement**) that the registrant is required to comply with as of December 31, 2021, pursuant to section 35(2) of the Amending Instrument.

The exemptions provided to a registrant by this order are conditional on the registrant complying with

- i) the amendments to Part 13 of NI 31-103 that the registrant is required to comply with as of June 30, 2021, pursuant to paragraph 35(1)(a) of the Amending Instrument, as amended by Ontario Instrument 31-511, except for the enhanced conflicts requirements, which are not required to be complied with until the exemptions provided by this order expire,
- ii) the amendments to NI 31-103 that the registrant is required to implement as of December 31, 2021, pursuant to section 35(2) of the Amending Instrument, except for the client first suitability requirement, when those amendments become effective (and, for greater certainty, other than the enhanced conflicts requirements exempted under paragraph (i)), and
- iii) section 13.4 of NI 31-103 as it read on December 30, 2020.

Reasons for the Order

In order to address the issue raised by the overlapping periods between the implementation of the enhanced conflicts of interest and “client first” suitability requirements of the CFRs and the implementation of the DSC ban, the OSC, in parallel with all other CSA jurisdictions, has determined that it would not be prejudicial to the public interest to grant relief from these enhanced standards in respect of sales of DSC products during the DSC transition period.

Day on which the Order Ceases to Have Effect

The order will come into effect on June 30, 2021 and will cease to have effect on June 1, 2022.