

## **Draft Regulation**

### **Insurers Act**

(chapter A-32.1, ss. 485 par. (1) and 496)

### **Act respecting the distribution of financial products and services**

(chapter D-9.2, s. 223 par. (13.1))

### **Regulation respecting the prohibition on charging certain fees from holders of individual variable insurance contracts relating to segregated funds**

Notice is hereby given by the Autorité des marchés financiers (the “AMF” or the “Authority”) that, in accordance with section 486 of the *Insurers Act*, CQLR, c. A-32.1, and section 217 of the *Act respecting the distribution of financial products and services*, CQLR, c. D-9.2 (the “Distribution Act”), the following regulation (the “Draft Regulation”), the text of which is published hereunder, may be made by the Authority and subsequently submitted to the Québec Minister of Finance for approval, with or without amendment, after 47 days have elapsed since its publication in the Bulletin of the Authority:

- *Regulation respecting the prohibition on charging certain fees from holders of individual variable insurance contracts relating to segregated funds*

The Draft Regulation is also available under “Public consultations” on the AMF’s website at [www.lautorite.qc.ca](http://www.lautorite.qc.ca).

## **Background**

The Draft Regulation is further to the announcement by the AMF in its news release of February 28, 2022 that it would undertake regulatory work in order to abolish the practice of using deferred sales charges (“DSCs”) in segregated fund contracts. This regulatory initiative is consistent with the objective of supporting the fair treatment of clients (“FTC”) at the time of sale of individual variable insurance contracts relating to segregated funds.

## **Purpose of the Draft Regulation**

The Draft Regulation prohibits requiring certain fees from a contract holder upon a withdrawal or transfer from segregated funds and a change of purchase option.

The Draft Regulation applies to insurers authorized under the *Insurers Act* and firms, independent representatives and independent partnerships registered under the Distribution Act. It will apply only in respect of individual variable insurance contracts relating to segregated funds entered into as of June 1, 2023. It will not apply to other insurance products for which amounts may be invested in the segregated funds of authorized insurers (e.g., universal life insurance policy).

The AMF reiterates that the sales practice of using DSCs is contrary to FTC. Therefore, the AMF is counting on insurers to cooperate in offering holders of contracts entered into before June 1, 2023 an alternative so that they may avoid such charges on amounts invested in such contracts after that date.

Lastly, the Draft Regulation provides that the AMF may impose monetary administrative penalties on authorized insurers that do not comply with the regulatory provisions.

Subject to Ministerial approval, the AMF expects the regulation to come into force on June 1, 2023.

## Comments

Comments regarding this Draft Regulation may be made in writing by **January 31, 2023**, to the following:

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Corporate Secretary and Executive Director, Legal Affairs  
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Unless otherwise noted, comments will be posted on the AMF's website at [www.lautorite.qc.ca](http://www.lautorite.qc.ca). Therefore, you should not include personal information directly in comments to be published. It is important that you state on whose behalf you are making the submission.

## Further information

Further information is available from:

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