

AMENDMENTS TO COMPANION POLICY 81-105: MUTUAL FUND SALES PRACTICES

1. *Companion Policy 81-105: Mutual Fund Sales*, amended by the Amendments to *Companion Policy 81-105: Mutual Fund Sales Practices* adopted pursuant to Decision No. 2020-PDG-0025 dated March 27, 2020, is again amended by adding, after section 5.3, the following:

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

Subsection 3.2(4) of the Regulation prohibits members of the organization of a mutual fund from paying trailing commissions to participating dealers who were not required to make a suitability determination for a client in connection with securities of the mutual fund held in an account of the client. Correspondingly, subsection 2.2(3) of the Regulation prohibits participating dealers from soliciting or accepting payment of trailing commissions from a member of the organization of the mutual fund when they were not required to make a suitability determination for a client in connection with securities of a mutual fund held in an account of the client. Consequently, participating dealers who are not subject to the obligation to make a suitability determination under *Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations* (chapter V-1.1, r. 10) or corresponding SRO rules may not solicit or accept such payments. In addition, members of the organization of a mutual fund should make available to participating dealers who are not required to make a suitability determination in respect of a client, a class or series of securities of a mutual fund that does not pay trailing commissions, which the dealer should offer to the client.

We remind members of the organization of a mutual fund and participating dealers of their duty under section 11.1 of *Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations* to establish, maintain and apply policies and procedures that establish a system of controls and supervision sufficient to provide reasonable assurance that the firm and each individual acting on its behalf complies with securities legislation, including the prohibitions in subsections 2.2(3) and 3.2(4).

We expect members of the organization of a mutual fund and participating dealers to be diligent in complying with subsections 2.2(3) and 3.2(4). Participating dealers should be operating in a manner that enables members of the organization of a mutual fund to ascertain whether a suitability determination was required to be made in connection with the securities of the mutual fund held in an account of the dealers' clients and members of the organization of a mutual fund should be aware of the information that a participating dealer makes available to them regarding whether a suitability determination was required to be made.”.