

**Multilateral CSA Notice**  
*Regulation to amend Regulation 81-105 respecting Mutual Fund  
Sales Practices*  
**and**  
**Related Consequential Amendments**  
**relating to Prohibition of Deferred Sales Charges for**  
**Investment Funds**

**January 20, 2022**

### **Introduction**

The Canadian Securities Administrators (CSA), except the Ontario Securities Commission (OSC) (the **Participating Jurisdictions** or **we**), are adopting local amendments (collectively, the **Local Amendments**) to:

- *Regulation 81-105 respecting Mutual Fund Sales Practices,*
- *Regulation 81-101 respecting Mutual Fund Prospectus Disclosure (**Regulation 81-101**),*
- *Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations (**Regulation 31-103**),*
- *Companion Policy 81-105: Mutual Fund Sales Practices,*
- *Policy Statement to Regulation 81-101 respecting Mutual Fund Prospectus Disclosure (**Policy Statement 81-101**), and*
- *Policy Statement to Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations (**Policy Statement 31-103**).*

### **Background**

On February 20, 2020, the CSA, with the exception of Ontario, published CSA Multilateral Notice of Publication, *Amendments relating to Prohibition of Deferred Sales Charges for Investment Funds*, Regulation to amend Regulation 81-105 respecting Mutual Fund Sales Practices, *Amendments to Companion Policy 81-105: Mutual Fund Sales Practices*, *Amendments to Policy Statement to Regulation 81-101 respecting Mutual Fund Prospectus Disclosure (the **Multilateral CSA Notice**)*<sup>1</sup>. The amendments published in the Multilateral CSA Notice prohibit the payment by fund organizations of upfront sales commissions to dealers, which

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<sup>1</sup> <https://lautorite.qc.ca/fileadmin/lautorite/reglementation/valeurs-mobilieres/81-105/2020-02-20/2020fev20-81-105-avis-publ-en.pdf>

results in the discontinuation of all forms of the deferred sales charge option, including low-load options<sup>2</sup> (collectively, the **DSC option**) (the **Multilateral DSC Ban**). The Multilateral DSC Ban comes into force on June 1, 2022 (the **Effective Date**) in all CSA jurisdictions, except in Ontario.

On June 3, 2021, the OSC published *OSC Notice of Local Amendments to National Instrument 81-105 Mutual Fund Sales Practices, Local Changes to Companion Policy 81-105 Mutual Fund Sales Practices and Related Consequential Local Amendments and Changes*<sup>3</sup> (the **OSC Notice**). The amendments published in the OSC Notice also prohibit the payment by fund organizations of upfront sales commissions to dealers, which results in the discontinuation of all forms of the DSC option, including low-load options (the **OSC DSC Ban**). The OSC DSC Ban comes into force on June 1, 2022, to coincide with the Effective Date of the Multilateral DSC Ban.

### **Local Amendments**

As the Multilateral DSC Ban did not include Ontario, the amendments published in the Multilateral CSA Notice included certain provisions relating to Ontario (the **Ontario references**) in Regulation 31-103 and Policy Statement 31-103. Further to amendments published in the OSC Notice, the Ontario References are no longer applicable.

Once the Multilateral DSC Ban and the OSC DSC Ban come into effect on the Effective Date, the provisions requiring disclosure of the DSC option in the simplified prospectus, the fund facts document and pre-trade disclosure will no longer be applicable as the DSC option will no longer be offered (the **DSC references**). The OSC Notice published related consequential local amendments in Ontario to remove DSC References from Regulation 81-101, Policy Statement 81-101, Regulation 31-103 and Policy Statement 31-103 as of the Effective Date.

The Participating Jurisdictions are adopting the Local Amendments published with this notice to remove the Ontario references and the DSC references as of the Effective Date.

The Local Amendments are considered to be non-material changes.

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<sup>2</sup> 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 commission (typically equivalent to 5% of the purchase amount). The investment fund manager may finance the payment of the upfront commission and accordingly incur financing costs that are included in the ongoing management fees charged to the fund. 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 commission paid by the investment fund manager and redemption fees paid by investors are correspondingly lower than the traditional deferred sales charge option.

<sup>3</sup> [https://www.osc.ca/sites/default/files/2021-06/ni\\_20210603\\_81-105\\_mutual-fund-sales-practices.pdf](https://www.osc.ca/sites/default/files/2021-06/ni_20210603_81-105_mutual-fund-sales-practices.pdf)

The Local Amendments published with this notice differ from jurisdiction to jurisdiction because of differences in the process and timing involved in implementing the Multilateral DSC Ban. Notwithstanding this, and subject to ministerial approval where required, the end result will be that on June 1, 2022, the affected regulations and policy statements will be harmonized with respect to the DSC ban across all CSA jurisdictions.

The text of regulation and policy statement consolidations on the websites of CSA members will be updated, as necessary, to reflect these Local Amendments.

## Questions

Please refer your questions to any of the following:

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