CSA/ACVM Canadian Securities Administrators | Autorités canadiennes en valeurs mobilières

CSA Notice of Publication

Regulation to amend Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations

Regulation to amend Regulation 81-101 respecting Mutual Fund Prospectus Disclosure

Regulation to amend Regulation 81-102 respecting Investment Funds

Regulation to amend Regulation 81-105 respecting Mutual Fund Sales Practices

Changes to *Policy Statement to Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations*

Changes to *Policy Statement to Regulation 81-102 respecting Investment Funds*

Changes to *Policy Statement to Regulation 81-105 respecting Mutual Fund Sales Practices*

The Principal Distributor Model

June 11, 2026

Introduction

The Canadian Securities Administrators (the **CSA** or **we**) are adopting the following amendments (the **Amendments**) to the principal distributor model in the distribution of mutual fund securities:

- *Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**Regulation 31-103**),
- *Regulation 81-101 respecting Mutual Fund Prospectus Disclosure* (**Regulation 81-101**),
- *Regulation 81-102 respecting Investment Funds* (**Regulation 81-102**),
- *Regulation 81-105 respecting Mutual Fund Sales Practices* (**Regulation 81-105**)

(collectively, the **Amendments**).

The CSA is also adopting changes to:

- *Policy Statement to Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**Policy Statement 31-103**),
- *Policy Statement to Regulation 81-102 respecting Investment Funds* (**Policy Statement 81-102**), and
- *Policy Statement to Regulation 81-105 respecting Mutual Fund Sales Practices* (**Policy Statement 81-105**)

(collectively, the **Changes**).

In some jurisdictions, ministerial approvals are required for the implementation of the Amendments. Provided all ministerial approvals are obtained, the Amendments to Regulation 31-103 will come into force on January 1, 2027, and the Amendments to Regulation 81-101, Regulation 81-102, and Regulation 81-105 will come into force on October 1, 2026. The Changes to Policy Statement 31-103 will take effect on January 1, 2027 and the Changes to Policy Statement 81-102 and Policy Statement 81-105 will take effect on October 1, 2026. However, there are transition periods provided for the Amendments to Regulation 31-103, Regulation 81-101 and Regulation 81-105. Please see the discussion under the heading "Transition" below.

The text of the Amendments and Changes is published with this Notice and will also be available on the websites of the following CSA jurisdictions:

www.bcsc.bc.ca
www.asc.ca
www.fcaa.gov.sk.ca
www.mbsecurities.ca
www.osc.ca
www.lautorite.qc.ca
www.fcnb.ca
https://nssc.novascotia.ca

Substance and Purpose

The Amendments address the principal distributor model for mutual funds and seek to improve investor protection and maintain investor confidence in our capital markets.

Principal distributors have an exclusive right in the distribution of, or benefit from a feature that gives the principal distributor a material competitive advantage over others in the distribution of, mutual fund securities of an investment fund manager (**manager**) that is an affiliate, or in some cases, an unaffiliated manager. The Amendments reflect the premise that principal distributors are carved out of the Regulation 81-105 provisions that apply to participating dealers because the conflicts of interest raised by participating dealers distributing mutual fund securities of multiple managers are less acute for principal distributors distributing only mutual fund securities of the same mutual fund family.

The Amendments and Changes:

- clarify that a dealer may only act as a principal distributor for mutual funds in the same mutual fund family,

- require disclosure of principal distributor arrangements and compensation, and

- ensure that the deferred sales charge option[1] (**DSC option**) is not available to investors purchasing mutual fund securities distributed by principal distributors.

The Amendments are consistent with the general purpose of Regulation 81-105, as set out in Policy Statement 81-105, to "ensure that the interest of investors remain uppermost in the actions of participants in the mutual fund industry by setting minimum standards of conduct to be followed by industry participants in their activities in distributing mutual fund securities."

Background

Draft Amendments

On November 28, 2024, the CSA published draft amendments (the **Draft Amendments**) and draft changes (the **Draft Changes**) to the principal distributor model in the distribution of mutual fund securities. The comment period was extended from February 27, 2025 to April 28, 2025.

2022 – 2025 CSA Business Plan

One of the strategic goals of the 2022-2025 CSA Business Plan[2] is to improve investor protection by enhancing investors' ability to obtain redress and strengthening the advisor-client relationship. In furtherance of this goal, the CSA has stated its commitment to the modernization of mutual fund sales practices as follows:

- "Review and modernize NI 81-105 *Mutual Fund Sales Practices* and contemplate whether amendments are necessary in light of the Client Focused Reforms - including reviewing principal distributors' practices, considering whether amendments are needed to clarify the circumstances in which a principal distributor model should be available and whether such a model remains appropriate in light of the Reforms".[3]

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[1] Previously, under the DSC option, the investor did not pay an initial sales charge for purchased fund securities but paid a redemption fee to the manager (i.e., a deferred sales charge) if the securities were redeemed before a predetermined period 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 did not pay a sales charge to the dealer, the manager paid the dealer an upfront commission.
As of June 1, 2022, the CSA adopted *Regulation to amend Regulation 81-105 respecting Mutual Fund Sales Practices* to prohibit managers from paying upfront sales commissions to participating dealers in respect of mutual fund securities, which were intended to result in the discontinuation of all forms of the DSC option. These amendments did not technically apply to principal distributors since they are carved out of the Regulation 81-105 provisions that apply to participating dealers, and therefore these Amendments close the loop on this.

[2] See page 7: 2022-2025 CSA Business Plan, https://www.securities-administrators.ca/wp-content/uploads/2022/10/2022_2025CSA_BusinessPlan.pdf.

[3] See footnote 2 above.

CSA 2018 Consultation

The CSA published draft amendments (the **2018 Consultation**) on September 13, 2018 to:

(a) prohibit fund organizations from paying upfront commissions to dealers, resulting in the discontinuation of all forms of the DSC option, including low-load options (**DSC Ban**), and

(b) prohibit the payment of trailing commissions to dealers who were not subject to a suitability requirement, such as dealers who were not required to provide investment recommendations in connection with the distribution of prospectus qualified mutual fund securities (**OEO Trailer Ban**).

Subsequent to the 2018 Consultation, the CSA published final amendments[4, 5] to adopt both the DSC Ban and the OEO Trailer Ban, which took effect on June 1, 2022.

In the 2018 Consultation, the CSA indicated that we may consider future amendments to modernize Regulation 81-105. The 2018 Consultation included questions to stakeholders which were intended to inform the CSA's initiative to modernize Regulation 81-105.

Summary of Written Comments Received by the CSA

The CSA received 20 comment letters on the Draft Amendments and the Draft Changes. We have considered the comments received and thank everyone who provided comments. A summary of the comments together with our responses are set out in Annex A. The names of the commenters are also set out in Annex A.

Copies of the comment letters are posted on the websites of the Alberta Securities Commission at www.asc.ca, the Ontario Securities Commission at www.osc.ca, and the Autorité des marchés financiers at www.lautorite.qc.ca.

Summary of Changes to the Draft Amendments

After considering the comments received, we have made some non-material changes to the Draft Amendments. These changes are reflected in the Amendments that we are publishing as Annexes B through H to this notice. As these changes are not material, we are not republishing the Amendments for a further comment period.

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[4] 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 published on February 20, 2020 and 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 – Prohibition of Deferred Sales Charges for Mutual Funds published on June 3, 2021.

[5] CSA Notice of Publication, Regulation to amend Regulation 81-105 respecting Mutual Fund Sales Practices, *Related Consequential Amendments*, *Prohibition of Mutual Fund Trailing Commissions Where No Suitability Determination Was Required* published on September 17, 2020.

The following is the only key change made to the Draft Amendments:

(a) **Disclosure of principal distributor arrangements and compensation in the ARCC Paragraph 14.17(1)(v) of Regulation 31-103**

We received drafting comments from stakeholders on the requirement in paragraph 14.17(1)(v) of Regulation 31-103 to disclose the principal distributor arrangement and compensation in the annual report on charges and other compensation (**ARCC**). In response to comments, the disclosure requirement was changed to clarify the disclosure being provided is based on the arrangement between the principal distributor and the manager.

Transition

(a) Amendments to Regulation 31-103 and Changes to Policy Statement 31-103

The Amendments to Regulation 31-103 will come into force on January 1, 2027. However, there is a 24 month transition period to provide principal distributors with sufficient time to implement the Amendments to Regulation 31-103. We received comments from stakeholders that principal distributors needed more time given the January 1, 2026 effective date of the final amendments and changes published on April 20, 2023 by the CSA and the Canadian Council of Insurance Regulators (**CCIR**) relating to Total Cost Reporting for Investment Funds and Segregated Funds.[6]

The Changes to Policy Statement 31-103 will also take effect on January 1, 2027.

(b) **Amendments to Regulation 81-101**

The Amendments to Regulation 81-101 will come into force on October 1, 2026. There is a 24-month transition period since prospectus renewals for mutual funds are filed every 24 months.

(c) **Amendments to Regulation 81-102 and Changes to Policy Statement 81-102**

The Amendments to Regulation 81-102 will come into force on October 1, 2026 and the Changes to Policy Statement 81-102 will also take effect on October 1, 2026. There is no transition period, however, section 10.2.1 of Regulation 81-102 does not apply to a fee referred to in that section if the fee is charged under a fee arrangement that existed before June 1, 2022, and the fee arrangement is still in effect.

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[6] CSA and CCIR Notice of Publication, *CCIR Individual Variable Insurance Contract Ongoing Disclosure Guidance,* Regulation to amend Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations, *Amendments to* Policy Statement to Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations, *Total Cost Reporting (TCR) for Investment Funds and Segregated Funds*, published on April 20, 2023.

(d) **Amendments to Regulation 81-105 and Changes to Policy Statement 81-105**

The Amendments to Regulation 81-105 will come into force on October 1, 2026. There is a 24-month transition period. We anticipate that the transition period will provide sufficient time for principal distributors who act as a principal distributor for more than one unaffiliated manager to transition their practice, operational model and compensation arrangements. Any impacted managers will need to make alternate distribution arrangements for their mutual fund securities prior to the end of the transition period.

The Changes to Policy Statement 81-105 will also take effect on October 1, 2026.

Local Matters

An annex is being published in any local jurisdiction that is making changes to local securities laws, including local notices or other policy instruments in that jurisdiction. It also includes any additional information that is relevant to that jurisdiction only.

Content of Annexes

This Notice contains the following annex:

Annex A: Summary of Comments on the Draft Amendments and CSA Responses

Questions

Please refer your questions to any of the following:

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ANNEX A

SUMMARY OF COMMENTS AND CSA RESPONSES ON THE
DRAFT AMENDMENTS TO
***REGULATION 31-103 RESPECTING REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS*,**
***REGULATION 81-101 RESPECTING MUTUAL FUND PROSPECTUS DISCLOSURE*,**
***REGULATION 81-102 RESPECTING INVESTMENT FUNDS*,**
REGULATION 81-105 RESPECTING MUTUAL FUND SALES PRACTICES
AND
DRAFT CHANGES TO
***POLICY STATEMENT TO REGULATION 31-103 RESPECTING REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS*,**
POLICY STATEMENT TO REGULATION 81-102 RESPECTING INVESTMENT FUNDS
AND
POLICY STATEMENT TO REGULATION 81-105 RESPECTING MUTUAL FUND SALES PRACTICES

THE PRINCIPAL DISTRIBUTOR MODEL
(NOVEMBER 28, 2024)

Table of Contents	
Part 1	**Background**
Part 2	**General Comments**
Part 3	**Comments on the Draft Amendments**
Part 4	**Consultation Questions**
Part 5	**List of Commenters**

Part 1 – Background

The Canadian Securities Administrators (the **CSA** or **we**) are proposing amendments to address the principal distributor model for mutual funds and seek to improve investor protection and maintain investor confidence in our capital markets. The draft amendments clarify that a dealer may only act as a principal distributor for mutual funds in the same mutual fund family, require disclosure of principal distributor arrangements and compensation and ensure that the deferred sales charge (**DSC**) option is not available to investors purchasing mutual fund securities distributed by principal distributors.

On November 28, 2024, the CSA published for comment draft amendments (the **Draft Amendments**) to *Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**Regulation 31-103**), *Regulation 81-101 respecting Mutual Fund Prospectus Disclosure* (**Regulation 81-101**), *Regulation 81-102 Investment Funds* (**Regulation 81-102**), and *Regulation 81-105 respecting Mutual Fund Sales Practices*

(Regulation **81-105**) and draft changes (the **Draft Changes**) to *Policy Statement to Regulation 31-103 respecting Registration Requirements Practices, Exemptions and Ongoing Registrant Obligations* (**Policy Statement 31-103**), *Policy Statement to Regulation 81-102 respecting Investment Funds* (**Policy Statement 81-102**), and *Policy Statement to Regulation 81-105 respecting Mutual Fund Sales Practices* (**Policy Statement 81-105**). In addition to the Draft Amendments and the Draft Changes, there were also questions for stakeholders to consider (**Consultation Questions**).

We received 20 comment letters on the Draft Amendments, Draft Changes and the Consultation Questions. The commenters are listed in Part 5. This document contains a summary of the comments we received and our responses. We have considered the comments received, and in response to the comments, we have made some amendments (the **Amendments**) to the Draft Amendments and Draft Changes.

Any comments we received that are related to other CSA policy initiatives were forwarded to the respective CSA working groups. This summary only includes comments that are related to the Draft Amendments, Draft Changes, and the Consultation Questions.

Part 2 – General Comments

Issue	**Comments**	**Responses**
General Comments	Commenters expressed general support for the CSA's initiative to modernize the principal distributor model for mutual funds on that basis that it would improve investor protection and maintain investor confidence in the capital markets by reducing conflicts of interest, enhancing transparency, and addressing systemic issues in mutual fund distribution.	We thank the commenters for their comments.
	Two investment fund managers (**IFMs**), two industry associations, and one investor advocate commented that the existing regulatory regime already implemented a framework that requires dealers to address sales practices and conflicts of interest in the best interest of their clients.	Please see our responses under "Client Focused Reforms" in Part 2 below.
	One principal distributor commented that the Draft Amendments are overly broad in their application and may lead to negative consequences for	Please see our responses under "Principal Distributor Model" in Part 3 below.

Part 2 – General Comments		
Issue	**Comments**	**Responses**
	clients who are serviced by compliant investment dealers who act as principal distributors.	
Client Focused Reforms (**CFRs**)	One industry association and one investor advocate expressed general concerns on the compatibility of the Draft Amendments with CFRs in aligning registrants' interests with investors' interests and in placing clients' interest first in the face of conflicts of interest. One investor advocate commented that the Draft Amendment should close the gap between the principal distributor model and the CFRs by clarifying on the obligation to act in the client's best interests. Two IFMs commented that the Draft Amendments mirror the existing requirements under the CFR framework in addressing conflicts of interest. One IFM commented that dealers and advisors already have an obligation under CFRs to address conflicts of interest in the best interest of clients. Principal distributor compensation is part of the commercially negotiated relationship between principal distributor and the IFM. The existing regulatory regime already mitigates any potential conflict of interest at the dealer and advisor level. One principal distributor commented that the objectives of the Draft Amendments can be achieved through compliance with the existing CFRs.	We are of the view that the Draft Amendments complement the CFRs by expressly clarifying that registrants must address the conflicts of interest associated with the principal distributor model.

Part 2 – General Comments		
Issue	**Comments**	**Responses**
Broader Review of Principal Distributor Model	One industry stakeholder and one industry association commented that the Draft Amendments are a step in the right direction but do not go far enough. Two industry associations and one investor advocate questioned the relevance of the principal distributor model in today's mutual fund landscape in Canada. One industry association asked for a more robust evaluation of the principal distributor model as the model suppresses industry competition and limits market efficiency and has a potential negative impact on investor retirement savings with higher fees and fewer investment options. One industry association noted that there is a need to justify how maintaining the principal distributor model is consistent with the overarching regulatory obligations of registrants placing investors' interests first. The commenter suggested that it would be best to retire the principal distributor model and provide sufficient transition time for impacted stakeholders.	We are of the view that the principal distributor model continues to have a place in the mutual fund industry.

Part 3 – Comments on the Draft Amendments		
Issue	**Comments**	**Responses**
Principal Distributor Model	***General Support*** Investor advocates and some participating dealer firms expressed support for the proposal that dealers only act as a principal distributor to distribute mutual funds in the same mutual fund family.	We thank the commenters for their comments.

Part 3 – Comments on the Draft Amendments		
Issue	**Comments**	**Responses**
	Some commenters expressed concerns about the draft amendments to the principal distributor model. See "Affiliates Only" and "Investor Choice" below.	
	Affiliates Only One industry association questioned whether principal distributors should be limited in circumstances where they are affiliated with an IFM of the mutual fund.	We are of the view that a dealer can act as a principal distributor for one mutual fund family, and the dealer is not required to be an affiliate of the IFM of the mutual funds.
	Investor Choice Two industry associations, one investor advocate, one IFM, and two principal distributors expressed general concern that the Draft Amendment to restrict dealers acting as a principal distributor for only one fund family would reduce investor choice. One industry association and two principal distributors commented that allowing principal distributors to act for more than one mutual fund family has benefits to investors, such as broader choice of investments, increased diversification, competition between IFMs, product customization and access to a principal distributor with expertise in distributing special interest investments. One principal distributor noted that limiting principal distributor relationships may reduce the likelihood that clients with smaller	Currently, and under the Draft Amendments, a principal distributor can act as a principal distributor for one mutual fund family and as a participating dealer for one or more other mutual fund families, which, if those dealers choose to do so, could provide for additional choice.

Part 3 – Comments on the Draft Amendments		
Issue	**Comments**	**Responses**
	accounts would receive personalized advice and increase the likelihood of account abandonment.	
	Application of Certain Parts of Regulation 81-105 to Principal Distributors Two IFMs that have principal distributors suggested revising the proposal to allow principal distributors to act for multiple fund families and having Parts 2, 3, 5 and 7 of Regulation 81-105 apply as if the principal distributor were participating dealers. This would address the unlevel playing field between principal distributors and participating dealers.	In our view, amendments that would make Parts 2, 3, 5 and 7 of Regulation 81-105 apply as if the principal distributor were participating dealers would not be sufficient. The Draft Amendments are not focussed on addressing any real or perceived unlevel playing field between principal distributors and participating dealers. They are intended to ensure that the regulatory regime imposed by Regulation 81-105 works to better protect investors from conduct that could conflict with a dealer's obligations to act in the best interests of their clients. Recent amendments, including the CFRs and the DSC ban, work together with regulations such as Regulation 81-105 that set minimum standards. As noted in the Policy Statement to Regulation 81-105, the general purpose of Regulation 81-105 is to "*ensure that the interest of investors remain uppermost in the actions of participants*

Part 3 – Comments on the Draft Amendments		
Issue	**Comments**	**Responses**
		in the mutual fund industry by setting minimum standards of conduct to be followed by industry participants in their activities in distributing mutual fund securities."[1] When Regulation 81-105 was initially developed, it was on the basis that dealers only act as principal distributors to distribute mutual fund securities of the same mutual fund family. The Draft Amendments clarify that a dealer can only act as a principal distributor for the same mutual fund family.
	Prohibition on Incentives One industry association supported the addition of subsection 4.2(0.1) of Regulation 81-105 that would ensure that a principal distributor does not provide an incentive to its representatives to recommend one mutual fund over another that is in the same mutual fund family. Another industry association questioned whether this amendment is required or should only apply when there is an MER differential paid to the dealer for different mutual funds. Since the mutual funds are part of the same mutual fund family, there should be no reason to prohibit differing incentives between funds as there would be no conflict of interest, except when there is an MER differential.	We thank the commenters for their comments. Recommendations should be based on suitability by meeting a client's needs and objectives after performing Know Your Client (KYC) and Know Your Product (KYP) assessments. The proposed subsection 4.2(0.1) of Regulation 81-105 is intended to ensure that a principal distributor

[1] Subsection 2.2(1) of *Policy Statement to Regulation 81-105 respecting Mutual Fund Sales Practices*.

Part 3 – Comments on the Draft Amendments		
Issue	**Comments**	**Responses**
		does not provide an incentive to its representatives to recommend one mutual fund over another that is in the same mutual fund family.
	Commission Rebates One industry association expressed support for repealing section 7.1 of Regulation 81-105 and section 9.1 of Policy Statement 81-105. Another industry association said that commission rebates should be allowed for the redemption of mutual funds under the DSC option purchased prior to June 1, 2022 for as long as such securities are subject to a redemption fee.	We thank the commenters for their comments. Section 7.1 of Regulation 81-105 applies to commission rebates from dealer representatives who paid all or part of the redemption fee when an investor redeemed mutual fund securities purchased under the DSC option from one mutual fund family and purchased mutual fund securities under the DSC option from a different mutual fund family. It is our understanding that this provision is only used in a transaction that includes a purchase of new mutual fund securities under the DSC option. Since the purchase of new mutual fund securities under the DSC option is no longer permitted under the DSC ban that took effect on June 1, 2022, a transition period will not be provided.
Disclosure of Principal Distributor Compensation	***General Support***	

Part 3 – Comments on the Draft Amendments		
Issue	**Comments**	**Responses**
	Investor advocates generally supported the proposed disclosure of principal distributor compensation, as transparency will help investors make more informed investment decisions. One principal distributor supported the proposed disclosure of the fee arrangements between IFMs and principal distributors, including the maximum percentage. The commenter noted that this strikes a balance between informing investors about principal distributor compensation and not disclosing commercially sensitive information.	We appreciate the support from the commenters.
	Prospectus Disclosure One industry association supported the new disclosure obligations of the principal distributor arrangements for the benefit of investors. One industry association commented that the proposed disclosure requirements for the simplified prospectus (**SP**) is largely redundant and provided drafting comments. Some investor advocates commented that it was not clear what services are provided by a principal distributor.	We thank the commenter for their comments. We are of the view that the proposed disclosure requirements in the SP provide the minimum disclosure necessary to provide full, true and plain disclosure of the principal distributor arrangements and compensation paid by IFMs to principal distributors and their representatives. Subsection 10(2) of Part A of the Form 81-101F1 *Mutual Fund Prospectus Disclosure* (**Form 81-101F1**) requires a description of the services

Part 3 – Comments on the Draft Amendments		
Issue	**Comments**	**Responses**
		provided by a principal distributor.
	Fund Facts Disclosure One industry association commented that the proposed disclosure requirements for the Fund Facts is largely redundant and provided drafting comments. One investor advocate suggested the disclosure of the principal distributor model should be provided separately from the disclosure of principal distributor compensation, which should be enhanced and fully transparent. The Fund Facts should provide an illustration using dollar amounts of the portion of the MER that is provided to the principal distributor. The disclosure should also be provided at the point of sale.	We are of the view that the proposed disclosure requirements in the Fund Facts ensure that there is adequate disclosure in the document investors receive before they make an investment decision, including about the principal distributor arrangements and compensation paid by IFMs to principal distributors and their representatives. The Fund Facts is a summary disclosure document that provides investors with key information about a mutual fund at a time that is relevant to their investment decision. A description of the services provided by a principal distributor is required to be provided in the SP by subsection 10(2) of Part A of Form 81-101F1. We are of the view that the proposed disclosure of the maximum percentage of the management fee paid by the IFM to the principal distributor provides an appropriate level of disclosure to investors to assist investors to make an informed investment

Part 3 – Comments on the Draft Amendments		
Issue	**Comments**	**Responses**
		decision, and to prompt investors to ask their adviser for further information if they want it before they make a decision. The disclosure in the Fund Facts is provided to investors at or before the point of sale.
	ARCC Disclosure One industry association expressed concerns about the introduction of the proposed annual report on charges and other compensation (the **ARCC**) disclosure, suggesting that it is misaligned with the objectives of the ARCC and could lead to investor confusion. The commenter suggested the disclosure in the SP and Fund Facts is sufficient without ARCC disclosure. The commenter also suggested that the ARCC is not the right document to provide relationship/conflict of interest disclosure. The same commenter expressed concern that the proposed disclosure may result in double counting by clients. One investor advocate suggested that the proposed disclosure in the ARCC should be made more prominently in	The ARCC provides a summary of the compensation received directly or indirectly by a dealer, including a principal distributor. We are of the view that the proposed footnote in the ARCC to provide disclosure of principal distributor compensation is appropriate and consistent with the objectives of the ARCC. The proposed disclosure should not result in double counting as the disclosure clearly sets out the maximum percentage of management fee that is paid by the IFM to the principal distributor. We continue to think the proposed disclosure of principal distributor compensation in a footnote is appropriate for the ARCC and is similar to the type of disclosure that is otherwise

Part 3 – Comments on the Draft Amendments		
Issue	**Comments**	**Responses**
	the body of the document, rather than in a footnote.	provided in the footnotes in the ARCC. The proposed disclosure makes investors aware of the arrangement, and the benefit the dealer is receiving, on an annual basis. A description of the services provided by a principal distributor is required to be provided in the SP by subsection 10(2) of Part A of Form 81-101F1. The proposed disclosure of the maximum percentage of the management fee paid by the IFM to the principal distributor in the Fund Facts would have been provided to the investor at the point of sale. Not every principal distributor currently provides the proposed disclosure. The proposed disclosure of principal distributor arrangements and compensation will ensure that all principal distributors are subject to the same disclosure requirements. The proposed disclosure in the ARCC should not require revision from year to year. As principal distributor fees are paid out of the IFM's management fees, principal distributor fees are fees paid, indirectly, by a client
	One principal distributor commented that similar disclosures are provided to clients in the prospectus, Fund Facts, relationship disclosure documents and conflicts of interest disclosure so this new disclosure requirement is unnecessary and would add significant cost and burden.	
	One industry association also noted that the proposed disclosure does not	

Part 3 – Comments on the Draft Amendments		
Issue	**Comments**	**Responses**
	relate to fees paid, directly or indirectly, by a client in connection with their investments. The same commenter also noted that the proposed percentage fee disclosure does not reflect a client-level cost attributable to a client's investments. One industry association and one principal distributor provided drafting comments on subsection 14.17(1) of Regulation 31-103.	in connection with their investments. The proposed percentage fee disclosure sets out the maximum fee, which is useful to clients. We are not requiring the disclosure of a client-level cost attributable to a client's investment as such a calculation would be difficult and would increase regulatory burden on the dealer without a proportionate benefit to clients. In subsection 14.17(1) of Regulation 31-103, we have kept the wording to align with the definition of principal distributor, as defined under section 1.1 of Regulation 81-102, as investors may not be familiar with the term "principal distributor". In response to comments, we changed the ARCC disclosure requirement to clarify the disclosure is being provided based on the arrangement between the principal distributor and the IFM.
	Investor Testing A couple of investor advocates suggested investor testing of the proposed disclosure.	The Draft Amendments will require disclosure in the SP, the Fund Facts and the ARCC that is clear, concise

Part 3 – Comments on the Draft Amendments		
Issue	**Comments**	**Responses**
		and in plain language. We are of the view that the proposed disclosure does not warrant investor testing.
	Compensation One investor advocate suggested that the term "compensation" should be clearly defined for investors to understand compensation sources with compensation calculations presented as a percentage.	The Draft Amendments requires the disclosure in the ARCC, SP and Fund Facts of the principal distributor's compensation as a maximum percentage of the fund's management fee in connection with the services provided by the principal distributor. If the fee payable to the principal distributor varies under the agreement between the principal distributor and the IFM of the mutual fund, then the SP and the Fund Facts must include a description of the variables that are used to determine the fee and how the fee is calculated.
	One industry association commented that the Draft Amendments fully cover the aspects of compensation that have been eliminated outside of the principal distributor model.	We thank the commenter for their comments.
	One dealer commented that differentiated compensation between principal distributors and IFMs will lead to risks that product will be recommended not based on its suitability for the clients, but because of the commercial advantage it provides to the principal distributor.	We think that the combination of the Draft Amendments, together with the obligations dealers have under the CFRs and the IFM's statutory obligation to act in the best interests of the fund, address the commenter's concern.

Part 3 – Comments on the Draft Amendments		
Issue	**Comments**	**Responses**
	Transition One industry association suggested a two-year transition period for the draft amendments to the SP and the Fund Facts given that SPs are renewed every two years. One principal distributor noted that the CSA previously indicated that no new Total Cost Reporting requirements would be implemented during the transition period. One industry association commented that the proposed disclosure would disrupt the ARCC implementation timelines for registered firms and presents compliance risk by creating uncertainty. If new ARCC disclosure is required, then additional time is requested for implementation.	There is a 24-month transition period for the Amendments to the SP and the Fund Facts. The Amendments can be adopted for the filer's next SP renewal and next annual Fund Facts filing, respectively, or the next amendment(s), if earlier. In response to comments, we are providing an extended transition period of 24 months for the Amendments relating to the ARCC.
DSC Option	Commenters expressed support for the Draft Amendment to ensure that DSC option is not available to investors purchasing mutual fund securities from principal distributors. One industry association provided drafting comments for section 10.2.1 of Regulation 81-102.	We thank the commenters for their comments. We thank the commenter for the drafting comments, however, we are of the view that no drafting changes to section 10.2.1 of Regulation 81-102 are necessary.
Cost Benefit Analysis	One investor advocate commented that only two principal distributors and their investors will be affected by the Draft Amendments.	It is not common for a dealer to act as a principal distributor for more than one mutual fund family.

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Issue	**Comments**	**Responses**
		We estimate that there are two dealers that act as a principal distributor for more than one mutual fund family, which means most market participants have interpreted the provisions of Regulation 81-105 as intended. However, the Draft Amendments would ensure that in the future, the rules would require that all principal distributor relationships operate in a consistent manner.
	One industry association noted that the cost-benefit analysis did not consider the loss of opportunity for other principal distributors to expand beyond one fund family, the discouragement of new entrants to the principal distributor model and limitation on investor choice. There is no quantitative data to support a net benefit from the Draft Amendments.	We do not consider that there has been a lost opportunity for other principal distributors to expand beyond one mutual fund family, as for the most part funds and dealers have been interpreting Regulation 81-105 in a manner that is consistent with the Draft Amendments. Mutual fund investors should benefit from the adoption of the Draft Amendments including as follows: (a) increased investor confidence in the capital markets as the Draft Amendments clarify that principal distributors may only distribute mutual fund

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Issue	**Comments**	**Responses**
		securities of the same mutual fund family (b) increased investor protection from the prohibition on principal distributors providing incentives to representatives to recommend mutual funds of one IFM over mutual funds of an affiliated IFM (this prohibition is already in place for participating dealers) (c) full, true and plain disclosure about principal distributor compensation, including disclosure in the SP, Fund Facts and ARCC (d) increased investor protection from the prohibition on IFMs charging redemption fees to investors as it ensures that the DSC option is not available when purchasing mutual funds from principal distributors.
	One principal distributor commented that it would be difficult to provide an accurate cost estimate but changes in systems development would be millions of dollars. The commenter noted that investors would be	We thank the commenter for providing a cost estimate on the systems development changes related to the adoption of the Draft Amendments. As discussed

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	disadvantaged by a more restrictive principal distributor model as investors benefit from choice and a competitive environment.	above, we have clarified the disclosure requirements and are providing a longer transition period, both of which should minimize the costs dealers will have to expend to provide the useful disclosure investors will receive. As noted above, we are of the view that investors will benefit from the Draft Amendments.
Exemptive Relief / Grandfathering	One investor advocate expressed concern that the proposal discusses possible exemptive relief. One investor advocate, one industry association and two IFMs commented that the CSA should consider granting exemptive relief to grandfather existing principal distributor models with multiple fund families where it can be demonstrated that any potential investor protection concerns can be adequately addressed.	The CSA is prepared to consider exemptive relief applications from the prohibition on dealers acting as a principal distributor for more than one fund family in circumstances where it can be demonstrated that any potential investor protection concerns can be adequately addressed and that granting such an exemption would not be contrary to the public interest. Any exemptive relief decision will be novel and fact specific.
Continuous Disclosure Reviews	Two investor advocates commented that continuous disclosure reviews should focus on sales practices, KYP practices employed by principal distributors, compensation structures and conflicts of interest. One commenter further suggested that the CSA should conduct empirical research on proprietary funds and open funds.	The CSA, together with our CIRO colleagues, continue to review and evaluate firms' compliance with securities legislation, including all CFR requirements, during regular compliance examinations and will use all tools available along the compliance enforcement continuum to address any

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		non-compliance as appropriate. We also note that the CSA, together with CIRO, have recently completed conduct reviews to specifically assess registrants' compliance with the know your client, know your product and suitability determination requirements and published a notice which summarized the findings of our review of firms' practices and to provide additional guidance to registrants, including suggested practices related to these obligations.

Part 4 – Consultation Questions		
Issue	**Comments**	**Responses**
Question 1: The Draft Amendments clarify that a principal distributor cannot have multiple principal distributor relationships except where it acts as principal distributor for mutual funds in the same mutual fund family. Are there any circumstances under which a dealer should be permitted to act as a principal distributor for more than one mutual fund family? In responding, please explain the advantages and disadvantages of such a model as compared to a participating dealer model for both investors and market participants. In particular, please outline the specific benefits for investors as they pertain to competition, cost and investor choice. Please provide quantitative data,	One investor advocate, one dealer and two industry associations expressed general support of the Draft Amendment to restrict dealers to act as a principal distributor for only one fund family. Two industry associations, one dealer and two principal distributors commented that dealers should be able to act as a principal distributor for more than one mutual fund family with controls for conflicts of interest and disclosure. These commenters noted the following advantages of such a model: • more investment choice • funds tailored to client needs • more opportunities for diversification • competition between IFMs optimizes performance and lower fees • allows smaller, specialized IFMs to have access to a principal distributor One principal distributor noted the following disadvantages of prohibiting such a model: • eliminates the expertise of principal distributors • smaller IFMs would close existing funds or not create new funds • limits availability of special-interest funds	We thank the commenters for their comments. The Amendments prohibit a dealer from having multiple principal distributor relationships except where it acts as a principal distributor for mutual funds in the same mutual fund family. Principal distributors are also able to distribute mutual fund securities as a participating dealer to multiple mutual fund families. Dealers that are principal distributors must continue to comply with KYC obligations and the CFRs. This means that dealers need to assess whether becoming a participant in a principal distributor arrangement would enable them to fulfil those obligations, including contractual terms of distribution of mutual fund securities and choice of mutual fund securities offered to clients in light of those regulatory obligations.

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Issue	**Comments**	**Responses**
where relevant, to support your answer.		
If your answer to question #1 was yes, please also comment on the following: Question #2(i): What are the specific circumstances under which a principal distributor should be allowed to act for more than one mutual fund family?	One dealer commented that a principal distributor should only be allowed to act for more than one mutual fund family when the families are related through common ownership. One investor advocate, two principal distributors and one industry association commented that principal distributors should be allowed to act for more than one mutual fund family when: • compensation arrangements between the principal distributor and each mutual fund family are the same • compensation arrangements between the principal distributor and each mutual fund family are not the same or substantially similar (this should not influence principal distributors to favour one fund family over another) • conflicts of interest are disclosed • conflicts of interest are mitigated • there are advantages of a principal distributor acting for more than one mutual fund family (see responses to consultation question #1 above). One principal distributor commented that principal distributors should be allowed to act for more than one mutual fund family in all cases. One principal distributor asked for Regulation 81-105 and its policy	We agree that a dealer should only act as a principal distributor of mutual funds in the same mutual fund family. We thank the commenters for their comments. Please see our responses to Question #1 above. We are of the view that the duties and obligations to act in the client's best interest and to manage conflicts of interest under the CFRs and

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Issue	**Comments**	**Responses**
	statement to set out additional guidance for principal distributor relationships.	existing applicable requirements provided for in Regulation 31-103 are sufficient.
Question 2(ii): If a principal distributor could act for more than one mutual fund family, should the compensation arrangements between the principal distributor be required to be the same or substantially similar in respect of each mutual fund family? If not, how could we ensure that any compensation arrangement differences would not influence a principal distributor to favour the mutual fund family with the most favourable compensation structure?	Two IFMs, two industry associations, and one principal distributor commented that the compensation arrangements should not be required to be the same or substantially similar. Some commenters noted that the compensation arrangement should be dictated by the market instead of being subject to regulation. Some commenters also noted that conflicts of interest can be mitigated with: • existing regulations, and • contractual controls. One dealer and one principal distributor supported compensation arrangements being the same or substantially similar, to minimize conflicts of interests. The principal distributor asked for Regulation 81-105 and its policy statement to set out guidance for principal distributor compensation arrangements. Another principal distributor commented that any differences in compensation arrangements must be satisfied in the best interest of the investors.	We thank the commenters for their comments. We are of the view that a dealer should only act as a principal distributor of mutual funds in the same mutual fund family. Accordingly, restrictions and/or guidance on compensation arrangements between the principal distributor and each mutual fund family are not applicable in such a model. Please see our responses to Question #1 above.
Question 2(iii): What factors and considerations would be relevant to determining the appropriate number of mutual fund families for which a dealer	One dealer suggested that a dealer should be limited to acting as principal distributor for one or two mutual fund families. One principal distributor, one IFM, one industry association commented that a limitation on the number of principal distributor relationships is	We thank the commenters for their comments. We are of the view that a dealer should only act as a principal distributor of mutual funds in the same mutual fund family.

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Issue	**Comments**	**Responses**
should act as principal distributor? Explain how the distinction between principal distributors and participating dealers does not become blurred as the number of mutual fund families distributed by the same principal distributor increase.	unnecessary because IFMs and principal distributors are not incentivized to establish many principal distributor arrangements due to significant costs, time and effort involved. One principal distributor and one dealer commented that principal distributors should have appropriate controls and oversight to ensure that principal distributor arrangements are in the best interest of clients. One IFM commented that the differences in obligations required from principal distributors and participating dealers (exclusivity, contractual agreement, product development, prospectus liability, IFM sales practice activities) mean that the distinction between principal distributors and participating dealers will become blurred if a dealer acts as a principal distributor for more than one mutual fund family.	Please see our responses to Question #1 above. In addition, dealers that could become principal distributors are subject to the usual regulatory oversight and fulsome compliance exam processes, through their existing regulatory relationships.
Question 2(iv): Should there be minimum duties and obligations owed by the principal distributor in respect of each principal distributor relationship? Should those obligations be the same across all mutual fund families for which the dealer acts	One principal distributor noted that the duties and obligations between the principal distributor and mutual fund families should remain a commercial contract. Two principal distributors, one dealer and one industry association supported imposing minimum duties and obligations on principal distributors and the duties and obligations should be the same for all mutual fund families for which the dealer acts as a principal distributor. One principal distributor suggested that these minimum duties and	We thank the commenters for their comments. The Draft Amendments and a dealer's existing obligation to address material conflicts of interest in the best interest of the client under the CFRs are intended to work together as we discuss above, and we think that with the clarity we are providing through the Draft Amendments, that

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as principal distributor?	obligations should be listed and described in Regulation 81-105 and its policy statement.	this interaction will be clearer. Accordingly, we do not think that we need to impose any minimum duties or obligations at this time, but will continue to monitor whether the Draft Amendments together with the CFRs are achieving their intended outcomes.
Question 2(v): Should mutual funds that have a principal distributor be exclusively distributed by the principal distributor and not be distributed by other principal distributors or participating dealers?	One industry association and two principal distributors and one dealer commented that the CSA should not impose a requirement that funds with a principal distributor be exclusively distributed by the principal distributor and not other participating dealers because it may limit competition and investor choice. Instead, regulatory oversight and disclosure of the conflicts of interest and fees should be provided. One principal distributor agreed that mutual funds should be exclusively distributed by the fund's principal distributor given that the principal distributor has a unique relationship with the IFMs.	We thank the commenters for their comments. We agree with the commenters that suggested that the CSA not impose a requirement that funds with a principal distributor be exclusively distributed by that principal distributor. We think that providing fund families and dealers with flexibility to determine the distribution structure that best suits them is appropriate, in light of the obligations that all dealers have under the securities legislation.
Question 3: Do the Draft Amendments fully address potential investor protection concerns for existing principal distributor business models and any foreseeable new mutual fund	Two industry associations and one investor advocate agreed that the Draft Amendments address potential investor protection concerns for the principal distributor model. One dealer commented that the Draft Amendments do not fully address potential investor protection concerns for principal distributor models. The commenter suggested that DSC and chargeback options, and manufacturer-	We thank the commenters for their comments. The ban on DSC took effect on June 1, 2022. The OEO trailer ban, which prohibits trailing commissions on order execution only (OEO) mutual fund sales, also took

Part 4 – Consultation Questions		
Issue	**Comments**	**Responses**
distribution business models? Are there any other considerations, limits or factors about a principal distributor arrangement that we should consider?	paid commissions be terminated to align with other distribution models.	effect on June 1, 2022. On June 26, 2025, the CSA published proposed amendments to ban the use of chargebacks for a 90 day comment period. Banning IFM-paid commissions is outside the scope of the Draft Amendments.
	One industry association and the investor advocate commented that additional disclosure should be required to be made prominently in the applicable documentation. Another industry association commented that the proposed disclosure requirements in ARCC is duplicative and adds regulatory burden as disclosure is also required in the prospectus and Fund Facts.	We are of the view that mutual fund investors benefit from clear disclosure of principal distributor compensation as contemplated in the Draft Amendments. We do not agree that the proposed disclosure requirement in the ARCC is duplicative as the ARCC is provided to the investor from the principal distributor annually and so is useful to an investor when assessing whether to continue to hold the funds that are already in the investor's portfolio. The disclosure in the Fund Facts is provided to the investor at the point of sale so is useful for investors when they are making their investment decision. The SP is provided to the investor only upon request so isn't routinely used by investors.
	One dealer expressed concern that investors may not read or fully understand the proposed disclosure, even if written in clear language.	We are of the view that the disclosure requirements in the SP, the Fund Facts and the ARCC are clear, concise and in plain language.

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Issue	**Comments**	**Responses**
	One industry association and one principal distributor did not support the proposal to limit a dealer to act as a principal distributor for only one mutual fund family. The principal distributor noted that they have controls and procedures in place. The industry association asked the CSA to consider alternative measures to address investor protection concerns, such as requirements to ensure compensation arrangements are fair, reasonable and transparent. Another principal distributor commented that client access and client interest must be taken into consideration.	We are of the view that the Draft Amendments improve investor protection while maintaining investor confidence in the capital markets, particularly as they are intended to complement and work with the CFRs.
Question 4: The Draft Amendments to Regulation 81-105 will come into force 18 months after the final publication date. Does this provide sufficient time for dealers that act as a principal distributor for more than one unaffiliated manager to transition their practice, operational model and compensation arrangements? Does this provide sufficient time for impacted investment fund managers to	One industry association, one investor advocate, and one dealer agreed that 18 months is sufficient for: • principal distributors to transition their practices, operational model and compensation arrangements, and • IFMs to make alternative distribution arrangements One industry association commented that the changes are not overly burdensome and investor protection benefits are pressing. Two industry associations, and two principal distributors proposed a transition period of a minimum of two years to renegotiate agreements and make systems changes. One industry association noted that a two year transition period also aligns with the 2 year prospectus renewal period for IFMs.	There is a 24-month transition period for the Amendments to Regulation 81-105. The transition period will provide sufficient time for a dealer who acts as a principal distributor for more than one mutual fund family to transition their practice, operational model and compensation arrangements.

Part 4 – Consultation Questions		
Issue	**Comments**	**Responses**
make alternate distribution arrangements for their mutual fund securities prior to the effective date? If not, please explain.	One principal distributor suggested that the transition period should be as long as possible. Existing principal distributor arrangements cannot be changed quickly and the changes will have a substantial impact on certain dealers, especially smaller dealers. One principal distributor suggested that existing arrangements should be grandfathered to serve investors in their best interests.	
Question 5: Some principal distributors may currently use chargebacks. Chargebacks involve a compensation practice where a dealer or dealing representative is paid upfront commissions and/or fees from the dealer firm when their client purchases securities. Chargebacks occur when investors redeem their securities before a fixed schedule as determined by the dealer firm, and the dealing representative is required to pay back all or part of the upfront commission/fees to the dealer firm. In June 2023, the CSA announced that it	Three industry associations and six investor advocates agreed that chargebacks raise significant conflicts of interest concerns and should be banned. These commenters noted that the use of chargebacks creates a misalignment between the interests of the dealing representatives and their clients and creates the negative potential that dealing representatives consider their own interests above that of their clients. The use of chargebacks may distort the advice process: • at the point of sale, e.g., dealing representatives may recommend a fund that pays a higher upfront commission with a chargeback rather than a more suitable fund without a chargeback, and • during the chargebacks period, e.g., dealing representatives may discourage redemption during the chargeback period and encourage clients to continue holding an underperforming fund or a	We thank the commenters for their comments. We agree that the use of chargebacks poses an inherent significant conflict of interest as they may incentivize advisors to prioritize their own financial interest over that of their clients. On June 26, 2025, the CSA published draft amendments that would prohibit the use of chargebacks in the distribution of investment funds offered by prospectus. The responses to this consultation question will be considered as part of this latter consultation.

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would be reviewing the use of chargebacks in the mutual fund industry due to concerns about potential conflicts of interest associated with this practice. The CSA is of the view that the use of chargebacks raises a significant conflict of interest for principal distributors in the distribution of mutual fund securities and we are considering the appropriate regulatory steps. We are requesting additional feedback on this practice.	fund that is no longer in the client's best interest One investor advocate expressed disappointment that regulatory action on chargebacks has not yet been taken. One industry association suggested to allow for a two-year transition period to allow impacted dealers to unwind their current chargeback arrangements. One industry association noted that chargebacks are not specific to principal distributor arrangements and there is no current ban on dealer firms paying upfront commissions to dealing representatives. One principal distributor commented that with the implementation of the DSC ban, the use of chargebacks provided upfront cashflow to dealing representatives for smaller accounts and helped dealing representatives building a book of business. Trailing commissions are paid over 12 months and are not sufficient for the work done by dealing representatives servicing smaller accounts. The commenter suggested that there is no evidence from industry that the use of chargebacks is an issue and conflicts of interest already exist for asset-based fees. A survey of the commenter's clients did not indicate any concerns and there were no client complaints. The commenter noted that there are benefits to investors with the chargebacks model under limited circumstances and proper controls.	

Part 5 – List of Commenters
AGF Investments Inc. (AGF) Canadian Advocacy Council of CFA Societies Canada (CFA) Canadian Bankers Association (CBA) Canadian Independent Finance and Innovation Counsel (CIFIC) FAIR Canada (FAIR) Federation of Independent Dealers (FID) Investment Industry Association of Canada (IIAC) Kenmar Associates (Kenmar) Ontario Securities Commission's Investor Advisory Panel (OSC IAP) Mackenzie Investments Naglie, Harvey PEAK Groupe Financier PFSL Investments Canada Ltd. Portfolio Strategies Corporation Price, Rick Ross, Arthur The Securities and Investment Management Association (SIMA) Tradex Management Inc. Whitehouse, Peter Worldsource Financial Management Inc. and Worldsource Securities Inc. (now Worldsource Wealth Management Inc.)