

**Multilateral CSA Notice of Amendments to
National Instrument 81-105 *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 (the **Participating Jurisdictions** or we), are adopting local amendments to:

- National Instrument 81-105 *Mutual Fund Sales Practices*,
- National Instrument 81-101 *Mutual Fund Prospectus Disclosure (NI 81-101)*,
- National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations (NI 31-103)*,

and local changes to:

- Companion Policy 81-105 *Mutual Fund Sales Practices*,
- Companion Policy 81-101 *Mutual Fund Prospectus Disclosure (81-101CP)*, and
- Companion Policy 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations (31-103CP)*

(collectively, the **Local Amendments and Changes**).

Background

On February 20, 2020, the CSA, with the exception of Ontario, published Multilateral CSA Notice of Amendments to National Instrument 81-105 *Mutual Fund Sales Practices*, Changes to Companion Policy 81-105CP to National Instrument 81-105 *Mutual Fund Sales Practices* and Changes to Companion Policy 81-101CP to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* relating to Prohibition of Deferred Sales Charges for Investment Funds¹ (the

¹ https://www.bcsc.bc.ca/-/media/PWS/Resources/Securities_Law/Policies/Policy8/81105-CSA-Notice-February-20-2020.pdf.

Multilateral CSA Notice). The amendments published in the Multilateral CSA Notice prohibit the payment by fund organizations of upfront sales commissions to dealers, which results in the discontinuation of all forms of the deferred sales charge option, including low-load options² (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 Ontario Securities Commission 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 Changes³ (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 and Changes

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 NI 31-103 and 31-103CP. 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 and changes in Ontario to remove DSC References from NI 81-101, 81-101CP, NI 31-103 and 31-103CP as of the Effective Date.

The Participating Jurisdictions are adopting the Local Amendments and Changes to remove the Ontario references and the DSC references as shown in Annexes A to F of this notice as of the Effective Date:

- **Annex A** – Local Amendments to National Instrument 81-105 *Mutual Fund Sales Practices*
- **Annex B** – Local Changes to Companion Policy 81-105 *Mutual Fund Sales Practices*

² 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.

³ https://www.osc.ca/sites/default/files/2021-06/ni_20210603_81-105_mutual-fund-sales-practices.pdf

- **Annex C** – Local Amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure*
- **Annex D** – Local Changes to Companion Policy 81-101 *Mutual Fund Prospectus Disclosure*
- **Annex E** – Local Amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*
- **Annex F** – Local Changes to Companion Policy 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*

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

The Local Amendments and Changes in the annexes to 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 national instruments and companion policies will be harmonized with respect to the DSC ban across all CSA jurisdictions.

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

Questions

Please refer your questions to any of the following:

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ANNEX A

**AMENDMENTS TO
NATIONAL INSTRUMENT 81-105
*MUTUAL FUND SALES PRACTICES***

- 1. *National Instrument 81-105 Mutual Fund Sales Practices is amended by this Instrument.***
- 2. *Section 3.1 is repealed.***
- 3. (1) This Instrument comes into force in Saskatchewan on June 1, 2022.**
(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after June 1, 2022, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

ANNEX B

**CHANGES TO
COMPANION POLICY 81-105CP TO
NATIONAL INSTRUMENT 81-105
*MUTUAL FUND SALES PRACTICES***

1. *Companion Policy 81-105 Mutual Fund Sales Practices is changed by this document.*
2. *Section 4.1.2 is rescinded.*
3. This change comes into force in Saskatchewan on June 1, 2022.

ANNEX C

AMENDMENTS TO NATIONAL INSTRUMENT 81-101 MUTUAL FUND PROSPECTUS DISCLOSURE

1. *National Instrument 81-101 Mutual Fund Prospectus Disclosure is amended by this Instrument.*
2. *Form 81-101F1 Contents of Simplified Prospectus is amended*
 - (a) *in Item 8.2(1) in Part A by deleting the “Redemption Charge Option” row in the table required by this Item, and by repealing the footnote,*
 - (b) *in Item 8.2(2) of Part A by replacing subsection (2) with “In preparing the table contemplated by this Item, assume, in determining the fees paid under the sales charge option, that the maximum sales charge commission disclosed in the simplified prospectus is paid by the investor.”,*
 - (c) *in subsection (2) of the Instructions under Item 9.1 of Part A by deleting the following:*

For example, if the manager of the mutual fund pays an up-front sales commission to participating dealers, so state and include the range of commissions paid. If the manager permits participating dealers to retain the sales commissions paid by investors as compensation, so state and include the range of commissions that can be retained.,
 - (d) *in subsection (2) of the Instructions under Item 9.2 of Part A by deleting “sales and”, and*
 - (e) *by repealing subsection (3) of the Instructions under Item 9.2 of Part A.*
3. *Form 81-101F3 Contents of Fund Facts Document is amended*
 - (a) *in subsection (1) of the Instructions under Item 1.2 of Part II by deleting “, deferred sales charge”,*
 - (b) *in subsection (2) of the Instructions under Item 1.2 of Part II by deleting “For a deferred sales charge, provide the full sales charge schedule.”,*
 - (c) *in subsection (3) of the Instructions under Item 1.2 of Part II by deleting “For a deferred sales charge, include a range for the amount that can be charged on every \$1,000 redemption.”, and*

(d) *in subsection (4) of the Instructions under Item 1.2 of Part II by deleting the following:*

In the case of a deferred sales charge, the disclosure must also briefly state:

- any amount payable as an upfront sales commission;
- who pays and who receives the amount payable as the upfront sales commission;
- any free redemption amount and key details about how it works;
- whether switches can be made without incurring a sales charge; and
- how the amount paid by an investor at the time of a redemption of securities is calculated, for example, whether it is based on the net asset value of those securities at the time of redemption or another time..

4. (1) This Instrument comes into force in Saskatchewan on June 1, 2022.
- (2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after June 1, 2022, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

ANNEX D

**CHANGES TO
COMPANION POLICY 81-101CP TO
NATIONAL INSTRUMENT 81-105
MUTUAL FUND PROSPECTUS DISCLOSURE**

1. *Companion Policy 81-101 Mutual Fund Prospectus Disclosure is changed by this document.*
2. *Section 4.1.6 is deleted.*
3. *Section 5.6 is deleted.*
4. *The Sample Fund Facts Document in Appendix A – Sample Fund Facts Document is replaced by the following:*

Appendix A – Sample Fund Facts Document



FUND FACTS

XYZ Canadian Equity Fund – Series B

June 30, 20XX

This document contains key information you should know about XYZ Canadian Equity Fund. You can find more details in the fund's simplified prospectus. Ask your representative for a copy, contact XYZ Mutual Funds at 1-800-555-5556 or investing@xyzfunds.com, or visit www.xyzfunds.com.

Before you invest in any fund, consider how the fund would work with your other investments and your tolerance for risk.

Quick facts

Fund code:	XYZ123	Fund manager:	XYZ Mutual Funds
Date series started:	March 31, 2000	Portfolio manager:	Capital Asset Management Ltd.
Total value of fund on June 1, 20XX:	\$1 billion	Distributions:	Annually, on December 15
Management expense ratio (MER):	2.25%	Minimum investment:	\$500 initial, \$50 additional

What does the fund invest in?

The fund invests in a broad range of stocks of Canadian companies. They can be of any size and from any industry. The charts below give you a snapshot of the fund's investments on June 1, 20XX. The fund's investments will change.

Top 10 investments (June 1, 20XX)

1. Royal Bank of Canada	7.5%
2. Toronto-Dominion Bank	7.1%
3. Canadian Natural Resources	5.8%
4. The Bank of Nova Scotia	4.1%
5. Cenovus Energy Inc.	3.7%
6. Suncor Energy Inc.	3.2%
7. Enbridge Inc.	3.1%
8. Canadian Imperial Bank of Commerce	2.9%
9. Manulife Financial Corporation	2.7%
10. Canadian National Railway Company	1.9%
Total percentage of top 10 investments	42.0%

Total number of investments	93
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Investment mix (June 1, 20XX)



How risky is it?

The value of the fund can go down as well as up. You could lose money.

One way to gauge risk is to look at how much a fund's returns change over time. This is called "volatility".

In general, funds with higher volatility will have returns that change more over time. They typically have a greater chance of losing money and may have a greater chance of higher returns. Funds with lower volatility tend to have returns that change less over time. They typically have lower returns and may have a lower chance of losing money.

Risk rating

XYZ Mutual Funds has rated the volatility of this fund as **medium**.

This rating is based on how much the fund's returns have changed from year to year. It doesn't tell you how volatile the fund will be in the future. The rating can change over time. A fund with a low risk rating can still lose money.



For more information about the risk rating and specific risks that can affect the fund's returns, see the Risk section of the fund's simplified prospectus.

No guarantees

Like most mutual funds, this fund doesn't have any guarantees. You may not get back the amount of money you invest.

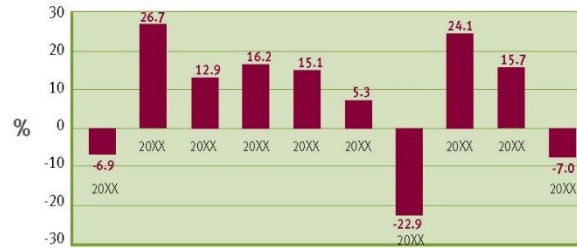


How has the fund performed?

This section tells you how Series B units of the fund have performed over the past 10 years. Returns are after expenses have been deducted. These expenses reduce the fund's returns.

Year-by-year returns

This chart shows how Series B units of the fund performed in each of the past 10 years. The fund dropped in value in 3 of the 10 years. The range of returns and change from year to year can help you assess how risky the fund has been in the past. It does not tell you how the fund will perform in the future.



Best and worst 3-month returns

This table shows the best and worst returns for Series B units of the fund in a 3-month period over the past 10 years. The best and worst 3-month returns could be higher or lower in the future. Consider how much of a loss you could afford to take in a short period of time.

	Return	3 months ending	If you invested \$1,000 at the beginning of the period
Best return	32.6%	April 30, 2003	Your investment would rise to \$1,326.
Worst return	-24.7%	November 30, 2008	Your investment would drop to \$753.

Average return

The annual compounded return of Series B units of the fund was 6.8% over the past 10 years. If you had invested \$1,000 in the fund 10 years ago, your investment would now be worth \$1,930.

Who is this fund for?

Investors who:

- are looking for a long-term investment
- want to invest in a broad range of stocks of Canadian companies
- can handle the ups and downs of the stock market.

⚠ Don't buy this fund if you need a steady source of income from your investment.

A word about tax

In general, you'll have to pay income tax on any money you make on a fund. How much you pay depends on the tax laws where you live and whether or not you hold the fund in a registered plan, such as a Registered Retirement Savings Plan or a Tax-Free Savings Account.

Keep in mind that if you hold your fund in a non-registered account, fund distributions are included in your taxable income, whether you get them in cash or have them reinvested.



How much does it cost?

The following tables show the fees and expenses you could pay to buy, own and sell Series B units of the fund. The fees and expenses — including any commissions — can vary among series of a fund and among funds. Higher commissions can influence representatives to recommend one investment over another. Ask about other funds and investments that may be suitable for you at a lower cost.

1. Sales charges

You may pay a sales charge when you buy the fund.

Sales charge option	What you pay		How it works
	in per cent (%)	in dollars (\$)	
Initial sales charge	0% to 4% of the amount you buy	\$0 to \$40 on every \$1,000 you buy	<ul style="list-style-type: none"> You and your representative decide on the rate. The initial sales charge is deducted from the amount you buy. It goes to your representative's firm as a commission.

2. Fund expenses

You don't pay these expenses directly. They affect you because they reduce the fund's returns.

As of March 31, 20XX, the fund's expenses were 2.30% of its value. This equals \$23 for every \$1,000 invested.

Annual rate (as a % of the fund's value)

Management expense ratio (MER)

This is the total of the fund's management fee (which includes the trailing commission) and operating expenses. XYZ Mutual Funds waived some of the fund's expenses. If it had not done so, the MER would have been higher.

2.25%

Trading expense ratio (TER)

These are the fund's trading costs.

0.05%

Fund expenses

2.30%

More about the trailing commission

The trailing commission is an ongoing commission. It is paid for as long as you own the fund. It is for the services and advice that your representative and their firm provide to you.

XYZ Mutual Funds pays the trailing commission to your representative's firm. It is paid from the fund's management fee and is based on the value of your investment. The rate depends on the sales charge option you choose.

Sales charge option	Amount of trailing commission	
	in per cent (%)	in dollars (\$)
Initial sales charge	0% to 1% of the value of your investment each year	\$0 to \$10 each year on every \$1,000 invested
Deferred sales charge	0% to 0.50% of the value of your investment each	\$0 to \$5 each year on every \$1,000 invested

How much does it cost? cont'd

3. Other fees

You may have to pay other fees when you buy, hold, sell or switch units of the fund.

Fee	What you pay
Short-term trading fee	1% of the value of units you sell or switch within 90 days of buying them. This fee goes to the fund.
Switch fee	Your representative's firm may charge you up to 2% of the value of units you switch to another XYZ Mutual Fund.
Change fee	Your representative's firm may charge you up to 2% of the value of units you switch to another series of the fund.

What if I change my mind?

Under securities law in some provinces and territories, you have the right to:

- withdraw from an agreement to buy mutual fund units within two business days after you receive a simplified prospectus or Fund Facts document, or
- cancel your purchase within 48 hours after you receive confirmation of the purchase.

In some provinces and territories, you also have the right to cancel a purchase, or in some jurisdictions, claim damages, if the simplified prospectus, annual information form, Fund Facts document or financial statements contain a misrepresentation. You must act within the time limit set by the securities law in your province or territory.

For more information, see the securities law of your province or territory or ask a lawyer.

For more information

Contact XYZ Mutual Funds or your representative for a copy of the fund's simplified prospectus and other disclosure documents. These documents and the Fund Facts make up the fund's legal documents.

XYZ Mutual Funds
123 Asset Allocation St.
Toronto, ON M1A 2B3

Phone: (416) 555-5555
Toll-free: 1-800-555-5556
Email: investing@xyzfunds.com
www.xyzfunds.com

To learn more about investing in mutual funds, see the brochure **Understanding mutual funds**, which is available on the website of the Canadian Securities Administrators at www.securities-administrators.ca.

5. These changes come into force in Saskatchewan on June 1, 2022.

ANNEX E

**AMENDMENTS TO
NATIONAL INSTRUMENT 31-103
REGISTRATION REQUIREMENTS, EXEMPTIONS AND
ONGOING REGISTRANT OBLIGATIONS**

1. *National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations is amended by this Instrument.*
2. *Paragraph 8.7(4)(a) is amended by deleting “deferred or contingent sales charge or”.*
3. *Paragraph 14.2.1(1)(b) is repealed.*
4.
 - (1) This Instrument comes into force in Saskatchewan on June 1, 2022.
 - (2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after June 1, 2022, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

ANNEX F

CHANGES TO COMPANION POLICY 31-103 *REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS*

1. *Companion Policy 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations is changed by this document.*
2. *Section 14.2.1 is changed:*
 - (a) *by replacing “purchase” with “redemption” in the second paragraph,*
 - (b) *by deleting “upon the redemption of the security” in the second paragraph, and*
 - (c) *by replacing the second bullet in the fourth paragraph with the following:*
 - the sales charge options available to the client and an explanation as to how such charges work. Any redemption fees or short-term trading fees that may apply should also be discussed
3. These changes come into force in Saskatchewan on June 1, 2022.

ANNEX G

LOCAL MATTERS

Authority for the Proposed Amendments

In Saskatchewan, subsection 154(2) of *The Securities Act, 1988* (the **Act**) authorizes the Financial and Consumer Affairs Authority of Saskatchewan (the **Authority**) to make regulations respecting any matter or thing with respect to which the Authority is authorized pursuant to subsection 154(1) of the Act.

The proposed amendments to National Instrument 81-105 *Mutual Fund Sales Practices*, National Instrument 81-101 *Mutual Fund Prospectus Disclosure*, and National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* are being made pursuant to:

- clause 154(1)(c) authorizes the Authority to make regulations prescribing categories or sub-categories of registrants, classifying registrants into categories or sub-categories and prescribing the conditions of registration or other requirements for registrants or any category or sub-category;
- clause 154(1)(f) authorizes the Authority to make regulations prescribing requirements respecting the disclosure or furnishing of information to customers and clients, prospective customers and clients, other registrants, the public or the Authority by registrants and directors, partners, Officers, representatives, employees and security holders of registrants;
- clause 154(1)(l) authorizes the Authority to make regulations regulating trading or advising in securities or exchange contracts to prevent trading or advising that is fraudulent, manipulative, deceptive or unfairly detrimental to investors;
- clause 154(1)(m) authorizes the Authority to make regulations designating activities, including the use of documents or advertising, in which registrants or issuers are permitted to engage or are prohibited from engaging in connection with distributions;
- clause 154(1)(n) authorizes the Authority to make regulations to govern the content of material required or permitted to be distributed or used by a person or company with respect to a security or derivative, whether in the course of a distribution or otherwise;
- clause 154(1)(v) authorizes the Authority to make regulations regulating mutual funds and the distribution and trading of their securities including in respect of sales charges imposed by a distribution company on purchasers of shares or units of an investment fund, and commissions or sales incentives to be paid to registrants in connection with the securities of an investment fund;
- clause 154(1)(tt) authorizes the Authority to make regulations pursuant to subsection (2) respecting any matter or thing set out in this subsection, other than those matter or things mentioned in clauses (nn), (ff) and (uu) and in this clause; and

- clause 154(1)(xx) authorizes the Authority to make regulations prescribing any other matter or thing that is prescribed or authorized by the Act to be prescribed in the regulations;
- clause 154(1)(yy) authorizes the Authority to make regulations respecting any matter or thing that the Authority considers necessary or desirable to carry out the purposes of the Act.