Ontario Securities Commission

Ontario Instrument 31-514

Transitional Relief Related to the Elimination of the Deferred Sales Charge Option in respect of Client Focused Reforms Enhanced Conflicts of Interest and Client First Suitability Provisions of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations

The Ontario Securities Commission, considering that to do so would not be prejudicial to the public interest, orders that effective on June 30, 2021 Ontario Instrument 31-514 entitled "Transitional Relief Related to the Elimination of the Deferred Sales Charge Option in respect of Client Focused Reforms Enhanced Conflicts of Interest and Client First Suitability Provisions of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*" is made, to provide relief to registrants from certain requirements contained in Part 13 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* in respect of a trade in a security of an investment fund that results in the payment of an upfront sales commission and is subject to a deferred sales charge.

June 22, 2021

(signed) "*Grant Vingoe*"

Grant Vingoe
Chair & CEO

(signed) "*Tim Moseley*"

Tim Moseley
Vice-Chair

Authority under which the order is made:

Act and section: *Securities Act*, subsection 143.11(2)

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Definitions

1. Terms defined in any of the following have the same meaning in this Instrument:

   a. the *Securities Act* (Ontario) (**OSA**);

   b. National Instrument 14-101 *Definitions*;

   c. National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**);

   d. National Instrument 81-105 *Mutual Fund Sales Practices* (**NI 81-105**);

   e. Ontario Instrument 31-511 *Relief in respect of Client Focused Reforms Conflict of Interest Provisions of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**Ontario Instrument 31-511**); and

   f. Amendments to NI 31-103 published on October 3, 2019 (**Amending Instrument**).

Exemptive relief

2. On October 3, 2019, the Canadian Securities Administrators (the **CSA**) adopted amendments to NI 31-103 to implement reforms to enhance the client-registrant relationship (the **Client Focused Reforms**) which affect all registrants. The CSA provided for a phased transition period, with reforms relating to conflicts of interest and relationship disclosure information provisions taking effect on December 31, 2020, and the remaining reforms taking effect on December 31, 2021.

3. On April 15, 2020, the Ontario Securities Commission (the **Commission**), pursuant to Ontario Instrument 31-511, extended the date for implementation of the conflicts of interest provisions in the Client Focused Reforms from December 31, 2020 to June 30, 2021, subject to certain conditions.

4. On May 25, 2021, amendments to NI 81-105 were approved by the Commission, which prohibit (the **DSC ban**) the payment by fund organizations

of upfront sales commissions to dealers, which will result in the discontinuation of all forms of a compensation model referred to as the deferred sales charge option, including low-load options (collectively, the **DSC option**). In order to give dealers time to transition away from the DSC option, the DSC ban will not be effective until June 1, 2022 (the **DSC transition period**).

5. The overlapping periods between the implementation of the enhanced conflicts of interest and "client first" suitability requirements of the CFRs and the implementation of the DSC ban will present operational challenges for registrants using the DSC option during the DSC transition period in respect of sales of DSC products and the Commission is of the view that relief is appropriate in the circumstances.

6. Under subsection 143.11(2) of the OSA, if the Commission considers that it would not be prejudicial to the public interest to do so, the Commission may, on application by an interested person or company or on its own initiative, make an order exempting a class of persons or companies, trades, intended trades, or securities from any requirement of Ontario securities law on such terms or conditions as may be set out in the order, effective for a period of no longer than 18 months after the day on which it comes into force unless extended pursuant to paragraph (b) of subsection 143.11(3) of the OSA.

Order

7. Consequently, this order provides a registrant, in respect of a trade in a security of an investment fund that results in the payment of an upfront sales commission and is subject to a deferred sales charge, with an exemption from the requirements set out in

    a. sections 13.4 and 13.4.1 of NI 31-103 (the **enhanced conflicts requirements**) that the registrant is required to comply with as of June 30, 2021, pursuant to paragraph 35(1)(a) of the Amending Instrument, as amended by Ontario Instrument 31-511, and

    b. paragraph 13.3(1)(b) of NI 31-103 (the **client first suitability requirement**) that the registrant is required to comply with as of December 31, 2021, pursuant to section 35(2) of the Amending Instrument.

8. The exemptions provided to a registrant by this order are conditional on the registrant complying with

    a. the amendments to Part 13 of NI 31-103 that the registrant is required to comply with as of June 30, 2021, pursuant to paragraph 35(1)(a) of the Amending Instrument, as amended by Ontario Instrument 31-511, except for the enhanced conflicts requirements, which are not required to be complied with until the exemptions provided by this order expire,

b. the amendments to NI 31-103 that the registrant is required to implement as of December 31, 2021, pursuant to section 35(2) of the Amending Instrument, except for the client first suitability requirement, when those amendments become effective (and, for greater certainty, other than the enhanced conflicts requirements exempted under paragraph (a)), and

c. section 13.4 of NI 31-103 as it read on December 30, 2020.

Effective date and term

9. This order comes into effect on June 30, 2021 and expires on June 1, 2022.