

General Order 33-501

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

In the Matter of *The Securities Act, 1988*

Order

WHEREAS the Financial and Consumer Affairs Authority of Saskatchewan (the **FCAA**) Securities Division staff (**Staff**) has applied to the FCAA for an Order pursuant to section 160 of *The Securities Act, 1988* (the **Act**) to exempt registrants from certain requirements contained in Part 13 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) 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;

AND WHEREAS the FCAA has assigned to the Executive Director of the Securities Division (the **Executive Director**) the power to make exemption orders under provisions of the Act including orders of general application;

AND WHEREAS terms defined in the Act and accompanying Regulations, National Instrument 14-101 *Definitions*, NI 31-103 and National Instrument 81-105 *Mutual Fund Sales Practices* (**NI 81-105**) have the same meaning within this Order;

AND WHEREAS this Order is based on the following facts represented by Staff:

- (a) 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;

- (b) The CSA provided for a phased transition period for the Client Focused Reforms, with reforms relating to conflicts of interest and relationship disclosure information provisions taking effect on December 31, 2020 and the remaining reforms, including clause 13.3(1)(b) of NI 31-103 (the **Client-First Suitability Requirement**) taking effect on December 31, 2021;
- (c) On February 2, 2020 the FCAA published amendments to NI 81-105 to prohibit the payment by fund organizations of upfront sales commissions to dealers (the **Upfront Commissions Ban**), 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**);
- (d) On April 16, 2020, the FCAA in General Order 31-502 *Relief in respect of Client Focused Reforms Conflict of Interest Provisions of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations*, 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;
- (e) In order to give dealers time to transition away from the DSC Option, the Upfront Commissions Ban will not be effective until June 1, 2022 (the **DSC Transition Period**);
- (f) The overlapping periods between the implementation of the enhanced conflicts of interest and the Client-First Suitability Requirement of the Client Focused Reforms and the implementation of the Upfront Commissions Ban will present operational challenges for registrants using the DSC Option during the DSC Transition Period in respect of sales of DSC Option products;
- (g) Staff have considered the interests of clients and dealers during the DSC Transition Period, and to allow for an orderly transition, submit that it is appropriate to grant conditional relief to dealers during the DSC Transition Period;

AND WHEREAS the Executive Director is of the opinion that it would not be prejudicial to the public interest to make this Order;

IT IS ORDERED pursuant to section 160 of the Act that:

1. 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, is exempt from the requirements set out in:

- (a) section 13.4 and section 13.4.1 of NI 31-103 (the **Enhanced Conflicts Requirements**) that the registrant is required to comply with as of June 30, 2021; and
 - (b) the Client-First Suitability Requirement in clause 13.3(1)(b) of NI 31-103 that the registrant is required to comply with as of December 31, 2021;
2. 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 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 comply with as of December 31, 2021 except for the Client-First Suitability Requirement, when those amendments become effective; and
 - (c) section 13.4 of NI 31-103 as it read on December 30, 2020;
3. This Order comes into effect on June 30, 2021 and expires on June 1, 2022.

Dated June 22, 2021.

“Dean Murrison”

Dean Murrison
Executive Director, Securities Division
Financial and Consumer Affairs
Authority of Saskatchewan