For Immediate Release

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Canadian securities regulators move forward with embedded commissions bans

Vancouver – Canadian securities regulators announced today that they will ban two types of commissions that are embedded in some mutual fund purchases.

Canadian Securities Administrators (CSA) Staff Notice 81-332, *Next Steps on Proposals to Prohibit Certain Investment Fund Embedded Commissions* explains that the participating provinces and territories expect to publish final amendments for adoption in 2020 that will eliminate:

- Upfront sales commissions by investment fund organizations to dealers, which would lead to the end of the Deferred Sales Charge (DSC) option and associated redemption fees, and
- Trailing commissions by investment fund organizations to dealers who only execute orders and do not provide advice, such as discount brokers.

"These expected rule changes, together with new conflict-of-interest rules that are being implemented under our Client Focused Reforms, will bring greater transparency to the fees paid by investors when they buy mutual funds," said Louis Morisset, CSA Chair and President and CEO of the Autorité des marchés financiers.

The jurisdictions participating in both bans are Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Québec, Saskatchewan and Yukon. Ontario will participate only in the ban on trailing commissions to dealers who only execute orders.

The expected rule changes banning upfront sales commissions will be published in early 2020, and the expected rule changes banning trailing commissions to dealers who only execute orders will be published later that year. The participating jurisdictions anticipate that both bans will have a transition period of at least two years from the publication date.

The ban on upfront sales commissions from investment funds to dealers will eliminate an incentive for dealers to recommend investment products that provide them with an upfront commission from the fund company, instead of recommending other suitable investments that have lower costs and do not have redemption fees. The ban on trailing commissions to certain dealers will end the charging of fees for advice that those brokers do not provide.

CSA Staff Notice 81-332 *Next Steps on Proposals to Prohibit Certain Investment Fund Embedded Commissions* is available on participating jurisdictions' websites.

The CSA, the council of the securities regulators of Canada's provinces and territories, co-ordinates and harmonizes regulation for the Canadian capital markets.

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