

**For Immediate Release
September 17, 2020**

Canadian securities regulators adopt ban on trailing commissions for order-execution-only dealers

Toronto – The Canadian Securities Administrators (CSA) today adopted [final rules](#) that implement a trailing commission ban (OEO trailer ban) to prohibit the payment of trailing commissions by fund organizations to dealers who do not make a suitability determination, such as order-execution-only (OEO) dealers.

The OEO trailer ban takes effect on June 1, 2022, the same time as rules adopted by all provinces and territories except Ontario that implement a ban on deferred sales charges (DSC) on mutual funds. The effective date takes into account the need for dealer firms and representatives to transition their systems and processes to comply with these new rules, reassess their internal compensation arrangements and implement new fee charging systems. Additionally, the effective date provides fund organizations with sufficient time to make available a no-trailing commission mutual fund series for OEO investors.

“These rules, together with enhanced conflict of interest obligations under the Client Focused Reforms, address investor protection concerns with clients buying investment fund products subject to trailing commissions where no suitability determination is made,” said Louis Morisset, CSA Chair and President and CEO of the Autorité des marchés financiers. “Where possible, investment fund managers and OEO dealers are strongly encouraged to accelerate their transition away from mutual fund series with trailing commissions.”

The OEO trailer ban affects all funds that pay trailing commissions, including funds sold under the DSC option. The CSA expects fund organizations and dealers to comply with the new rules in a way that ensures the best outcome for investors, particularly those with DSC holdings. More specifically, the CSA expects fund organizations and dealers to take any necessary measures to ensure that investors with DSC holdings will not be required to pay redemption fees as a result of the OEO trailer ban, and to clearly communicate the measures they intend to adopt to investors.

Additionally, the CSA wishes to reiterate that the OEO trailer and DSC bans were motivated by important investor protection concerns and developed after extensive research, analysis, and consultations, which are summarized in the notice published today by the [CSA](#).

The CSA, along with the Investment Industry Regulatory Organization of Canada and the Mutual Fund Dealers Association of Canada (the SROs), remind registrants of their obligations to treat investors fairly and recommend suitable products, as many investors face shorter time horizons and heightened needs for liquidity due to continued economic uncertainty caused by the pandemic. CSA and SRO Staff will be highly attuned to inappropriate sales of DSC products ahead of the ban.

Final Amendments to [National Instrument 81-105 Mutual Fund Sales Practices \(NI 81-105\) and Related Consequential Amendments](#) can be found on CSA members' websites.

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

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For Investor inquiries, please refer to your respective securities regulator. You can contact them [here](#).

For media inquiries, please refer to the list of provincial and territorial representatives below or contact us at media@acvm-csa.ca.

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