

Blanket Order No. 31-539

IN THE MATTER OF THE *SECURITIES ACT*,
R.S.N.S. 1989, CHAPTER 418, AS AMENDED (the **Act**)

-AND-

IN THE MATTER OF
TRANSITIONAL RELIEF IN RESPECT OF CLIENT FOCUSED REFORMS REGARDING
ENHANCED CONFLICTS OF INTEREST AND CLIENT FIRST SUITABILITY
PROVISIONS OF NATIONAL INSTRUMENT 31-103 *REGISTRATION REQUIREMENTS,
EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS*

ORDER
(SECTION 151A)

WHEREAS:

1. Unless otherwise defined in this Order, terms used in this Order that are defined in the following have the same meaning in this Order:
 - a. the Act;
 - 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. Blanket Order 31-536 *Relief in respect of Client Focused Reforms Regarding Conflict of Interest Provisions of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations (BO 31-536)*; and
 - f. Amendments to NI 31-103 published on October 3, 2019 (**Amending Instrument**).
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. At the time, the CSA provided for a phased transition period, with the reforms relating to enhanced 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 16, 2020, the Commission, pursuant to BO 31-536, extended the date for implementation of the enhanced conflicts of interest provisions in Part 13 of NI 31-103 of the Client Focused Reforms from December 31, 2020, to June 30, 2021, subject to certain conditions.
4. On October 14, 2020, amendments to NI 81-105 were approved by the Commission, which prohibit the payment by fund organizations of upfront sales commissions to dealers (the **DSC ban**), which will result in the discontinuation of all forms of a compensation model referred to as the deferred sales charge (**DSC**) 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 Client Focused Reforms on June 30, 2021, and the implementation of the DSC ban on June 1, 2022, will present operational challenges for registrants using the DSC option during the DSC transition period for sales of DSC products.
6. The Commission is of the opinion that to order relief in these circumstances would not be prejudicial to the public interest.

IT IS ORDERED, pursuant to subsection 151A(1) of the Act, that a registrant, in respect of a trade in a security of an investment fund that is subject to a DSC option, is exempt 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 BO 31-536; 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 subsection 35(2) of the Amending Instrument;

PROVIDED THAT the registrant complies with:

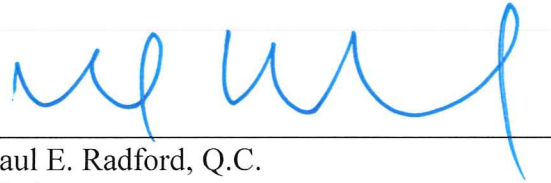
- c. the amendments to Part 13 of NI 31-103 that the registrant is required to comply with as of June 30, 2021, pursuant to paragraph 35(1)(a) of the Amending Instrument, as amended by BO 31-536, except for the enhanced conflicts requirements;
- d. the amendments to NI 31-103 that the registrant is required to implement as of December 31, 2021, pursuant to subsection 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
- e. section 13.4 of NI 31-103 as it read on December 30, 2020.

EFFECTIVE DATE

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

DATED at Halifax, Nova Scotia, this 23rd day of June, 2021.

NOVA SCOTIA SECURITIES COMMISSION



Paul E. Radford, Q.C.
Chair