

Nova Scotia Securities Commission

Rule 81-105 (Amendment)
Mutual Fund Sales Practices

- and-

Consequential Amendments to Rule 41-101 *General Prospectus Requirements* and Rule 81-101 *Mutual Fund Prospectus Disclosure*

- and-

**Amendments to National Instrument 41-101 *General Prospectus Requirements* and National Instrument 81-101 *Mutual Fund Prospectus Disclosure*
(collectively, the Rule Amendments)**

WHEREAS:

1. Pursuant to section 150 of the *Securities Act*, R.S.N.S. 1989, chapter 418, as amended (the Act), the Nova Scotia Securities Commission (the Commission) has power to make rules subject to compliance with the requirements of the Act;
2. The Rule Amendments, copies of which are attached hereto, have been made a rule by one or more of the Canadian securities regulatory authorities; and
3. The Commission is of the opinion that the attainment of the purpose of the Act is advanced by this Instrument.

NOW THEREFORE the Commission hereby:

- (a) pursuant to the authority contained in section 150 of the Act and subject to compliance with the requirements of section 150A of the Act, approves the Rule Amendments and makes the same a rule of the Commission; and
- (b) declares that the rule approved and made pursuant to clause (a) shall take effect on **December 31, 2020**, unless the Minister disapproves the rule or returns it to the Commission in accordance with subsection 150A(3) of the Act in which event the rule shall not become effective until the rule is approved by the Minister.

IN WITNESS WHEREOF this Instrument has been signed by the Chair of the Commission, being the member of the Commission prescribed by the Chair pursuant to subsection 15(3) of the

Act to attend the hearing of this matter and the quorum with respect to this matter, on the 14th day of October, 2020.


Paul Radford, Q.C.
Chair

Attachments

**AMENDMENTS TO
NATIONAL INSTRUMENT 41-101 GENERAL PROSPECTUS REQUIREMENTS**

1. **National Instrument 41-101 General Prospectus Requirements is amended by this Instrument.**
2. **Part 3C is amended by adding the following section:**

3C.2.1 Delivery of ETF Facts for no-trailing-commission ETF switches

(1) In this section,

“no-trailing-commission ETF switch” means, in respect of a client of a participating dealer, a purchase of securities of a class or series of securities of an ETF in respect of which an investment fund manager does not pay the participating dealer a trailing commission immediately following a redemption of securities of another class or series of the ETF in respect of which the investment fund manager pays the participating dealer a trailing commission, if all of the following apply:

- (a) the aggregate value of the securities purchased is the same as the aggregate value of securities redeemed;
- (b) there are no material differences between the class or series of securities purchased and the class or series of securities redeemed other than the rate of management fees charged in respect of the two classes or series;
- (c) the purchase and redemption of the securities was executed by a participating dealer who is not required by securities legislation or the rules of an SRO applicable to the dealer to make a suitability determination in respect of the client in connection with those securities;

“suitability determination” has the same meaning as in section 1.1 of National Instrument 81-105 *Mutual Fund Sales Practices*.

(2) Despite subsection 3C.2(2), a dealer is not required to deliver or send to the purchaser of a security of an ETF the most recently filed ETF facts document for the applicable class or series of securities of the ETF in connection with a no-trailing-commission ETF switch..

Effective date

3. (1) This Instrument comes into force on December 31, 2020.
- (2) In Saskatchewan, despite subsection (1), if these regulations are filed with the Registrar of Regulations after December 31, 2020, these regulations come into force on the day on which they are filed with the Registrar of Regulations.

**AMENDMENTS TO
NATIONAL INSTRUMENT 81-101 MUTUAL FUND PROSPECTUS DISCLOSURE**

1. National Instrument 81-101 Mutual Fund Prospectus Disclosure is amended by this Instrument.

2. Section 3.2.01 is amended

- (a) **by deleting “or” in subparagraph (4)(a)(ii),**
- (b) **by replacing “.” with “, or” in paragraph (4)(b), and**
- (c) **by adding the following after paragraph (4)(b):**
 - (c) section 3.2.04.1 applies..

3. The following section is added:

3.2.04.1 Delivery of fund facts for no-trailing-commission switches

(1) In this section,

“**no-trailing-commission switch**” means, in respect of a client of a participating dealer, a purchase of securities of a class or series of securities of a mutual fund in respect of which an investment fund manager does not pay the participating dealer a trailing commission immediately following a redemption of securities of another class or series of the mutual fund in respect of which the investment fund manager pays the participating dealer a trailing commission, if all of the following apply:

- (a) the aggregate value of the securities purchased is the same as the aggregate value of securities redeemed;
- (b) there are no material differences between the class or series of securities purchased and the class or series of securities redeemed other than the rate of management fees charged in respect of the two classes or series;
- (c) the purchase and redemption of the securities was executed by a participating dealer who is not required by securities legislation or the rules of an SRO applicable to the dealer to make a suitability determination in respect of the client in connection with those securities;

“**suitability determination**” has the same meaning as in section 1.1 of National Instrument 81-105 *Mutual Fund Sales Practices*.

(2) Despite subsection 3.2.01(1), a dealer is not required to deliver to the purchaser of a security of a mutual fund the most recently filed fund facts document for the applicable class or series of securities of the mutual fund in connection with a no-trailing-commission switch..

Effective date

- 4. (1) This Instrument comes into force on December 31, 2020.
- (2) In Saskatchewan, despite subsection (1), if these regulations are filed with the Registrar of Regulations after December 31, 2020, these regulations come into force on the day on which they are filed with the Registrar of Regulations.