

ALBERTA SECURITIES COMMISSION

BLANKET ORDER 31-537

Citation: Transitional Relief Related to the Elimination of the Deferred Sales Charge Option in respect of Client Focused Reforms Enhanced Conflict of Interest and Client First Suitability Provisions of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, 2021 ABASC 95 **Date: 20210618**

Definitions

1. Terms defined in the *Securities Act* (Alberta) (the **Act**), National Instrument 14-101 *Definitions*, National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**), and National Instrument 81-105 *Mutual Fund Sales Practices* (**NI 81-105**) have the same meaning in this Blanket Order.

Background

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. The Client Focused Reforms are subject to a phased transition period resulting in an effective date of December 31, 2020 applicable to reforms relating to the enhanced conflicts of interest and an effective date of December 31, 2021 for the client first suitability provisions.
3. On April 16, 2020, the Alberta Securities Commission (the **Commission**) pursuant to ASC Blanket Order 31-533 *Temporary Exemption from 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 enhanced conflict of interests reforms from December 31, 2020 to June 30, 2021.
4. On February 20, 2020 the CSA, adopted amendments to NI 81-105 which prohibit (the **DSC ban**) the payment by fund organizations of upfront sales commissions to registrants, 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**). In order to give registrants 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 the client first suitability provisions of the Client Focused Reforms and the implementation of the DSC ban will present operational challenges for registrants using the DSC option during the DSC transition period in respect of sales of DSC products and the Commission is of the view that relief is appropriate in the circumstances.
6. Under section 213 of the Act, the Commission may by order exempt any class or classes of persons or companies from all or any provision of Alberta securities laws.

Order

7. Subject to paragraph 8 of this Blanket Order, and considering that to do so would not be prejudicial to the public interest, the Commission orders for 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, that the following requirements do not apply until June 1, 2022
- (a) sections 13.4 and 13.4.1 of NI 31-103 (the **enhanced conflicts requirements**), and
 - (b) section 13.3(1)(b) of NI 31-103 (the **client first suitability requirements**).
8. The exemptions provided to a registrant by this Blanket 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 Blanket Order expire,
 - (b) the amendments to NI 31-103 that the registrant is required to implement as of December 31, 2021, except for the client first suitability requirement, when those amendments become effective (and, for greater certainty, other than the enhanced conflict requirements exempted under paragraph (a)), and
 - (c) section 13.4 of NI 31-103 as it read on December 30, 2020.
9. This Blanket Order comes into effect on June 30, 2021.

For the Commission:*"original signed by"*

 Tom Cotter
 Vice-Chair
"original signed by"

 Kari Horn
 Vice-Chair