



THE MANITOBA  
SECURITIES  
COMMISSION

**THE SECURITIES ACT**  
**Subsection 20(1)**

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**Order No. 7550**

**Date: June 23, 2021**

**Blanket Order 31-522**

**Transitional Relief Related to the Elimination of the Deferred Sales Charge Option in respect of Client Focused Reforms Enhanced Conflicts of Interest and Client First Suitability Provisions of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations**

**WHEREAS:**

- (A) The Manitoba Securities Commission (the "Commission") has received an application from the Director to make an order which would provide an exemption 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 from the requirements set out in from certain amendments to NI 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103") to implement reforms to enhance the client-registrant relationship (the Client Focused Reforms), and in particular, the amendments relating to the Enhanced Conflicts Requirements and Client First Suitability Requirement, as defined below, on a temporary basis.
- (B) Terms defined in *The Securities Act* (Manitoba) ("Act"), National Instrument 14-101 *Definitions*, NI 31-103, National Instrument 81-105 *Mutual Fund Sales Practices* ("NI 81-105"), Manitoba Blanket Order 31-520 *Relief in respect of Client Focused Reforms Conflict of Interest Provisions of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("Blanket Order 31-520) and MSC Rule No, 2019-2 Amendments to NI 31-103 published on October 3, 2019 ("Amending Instrument") have the same meaning in this order.
- (C) On October 3, 2019, the Commission adopted the Amending Instrument to implement the Client Focused Reforms. Paragraph 35(1)(b) of the Amending Instrument provides that certain amendments to Part 14 of NI 31-103 come into force effective December 31, 2020 (the "RDI amendments") with other amendments to Part 14 coming into effect on December 31, 2021.

- (D) On April 16, 2020, the Commission issued Blanket Order NI 31-519 extended the date for implementation of the conflicts of interest provisions in the Client Focused Reforms from December 31, 2020 to June 30, 2021, subject to certain conditions.
- (E) On February 20, 2020, MSC Rule 2020-1, which amends NI 81-105, were approved and published by the Commission, which prohibit (the “DSC ban”) the payment by fund organizations of upfront sales commissions to dealers, 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 dealers time to transition away from the DSC option, the DSC ban will not be effective until June 1, 2022 (the “DSC transition period”).
- (F) The overlapping periods between the implementation of the enhanced conflicts of interest and “client first” suitability requirements of the CFRs 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.
- (G) The Commission has determined that it is not prejudicial to the public interest to issue this order.

**IT IS ORDERED:**

1. **THAT**, under subsection 20(1) of the Act, a registrant 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 MSC Blanket Order NI 31-519, 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 section 35(2) of the Amending Instrument.

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, provided that the registrant comply with

- a. 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 MSC Blanket Order NI 31-519, except for the Enhanced Conflicts Requirements, which are not required to be complied with until the exemptions provided by this order expire,



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- b. the amendments to NI 31-103 that the registrant is required to implement as of December 31, 2021, pursuant to section 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
  - c. section 13.4 of NI 31-103 as it read on December 30, 2020.
2. **THAT**, this order comes into effect on June 30, 2021, and expires on June 1, 2022.

**BY ORDER OF THE COMMISSION**

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**Director**