



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

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MFDA Bulletin

Policy

For Distribution to Relevant Parties within your Firm

Proposed OSC Rule 81-502 – *Restrictions on the Use of the Deferred Sales Charge (DSC) Option for Mutual Funds*

On February 20, 2020 the Ontario Securities Commission published, for a 90-day public comment period, proposed OSC Rule 81-502, the proposed Companion Policy to the Rule, and proposed consequential amendments to National Instrument 81-105 – *Mutual Fund Sales Practices*. The proposed Rule introduces restrictions on the use of the DSC option, in connection with the sale of mutual fund securities, which are intended to mitigate negative investor outcomes. The comment period expires on May 21, 2020.

Proposed Restrictions on the Use of the DSC Option

Restrictions contemplated under proposed OSC Rule 81-502 include: limiting DSC redemption fee schedules to a maximum of three years; prohibiting use of the DSC option with clients aged 60 and older; limiting use of the DSC option to a maximum client account size of \$50,000; prohibiting the use of the DSC option where the client's investment time horizon is shorter than the DSC schedule; and prohibiting the use of leverage to purchase mutual funds sold through the DSC option.

Transition

The proposed Rule would become effective following a transition period ending on June 1, 2022. This date coincides with the effective date of the DSC ban to be implemented by CSA jurisdictions other than Ontario (see Bulletin #0810-P).

The text of proposed OSC Rule 81-502, and related information may be viewed on the [OSC website](#).