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# **MFDA Bulletin**

## **Policy**

For Distribution to Relevant Parties within your Firm

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### **OSC Adopts Ban on the use of Deferred Sales Charge**

The OSC will be moving forward with a ban on the use of DSC for mutual funds in Ontario. This will allow it to harmonize with the Multilateral DSC ban adopted by the other CSA member jurisdictions.

#### Background

On February 20, 2020, the OSC published, for a 90-day comment period, proposed new Rule 81-502 – *Restrictions on the Use of the Deferred Sales Charge Option for Mutual Funds*, Companion Policy 81-502CP, and consequential amendments to National Instrument 81-105 – *Mutual Fund Sales Practices*. The proposed new Rule introduced restrictions on the use of the DSC option.

This approach diverged from the one adopted by the other CSA member jurisdictions, who, in February, 2020 announced the adoption of rules that would prohibit fund organizations from paying upfront sales commissions to dealers. The prohibition adopted by the other CSA members becomes effective on **June 1, 2022**.

After consideration of comments received, the declining use of the DSC option in Ontario, and the recent availability of investment products and advice that are more affordable, and that come with more transparent compensation options, the OSC, as noted, is moving to ban the use of DSC on mutual funds in Ontario, thus harmonizing the DSC ban across Canada.

#### Next Steps

In spring, 2021, OSC staff will bring forward, in final form, amendments to National Instrument 81-105 *Mutual Fund Sales Practices*. The OSC anticipates that a ban on the use of the DSC option in Ontario will become effective on **June 1, 2022** (i.e. it will be harmonized with the date of the CSA ban, noted above).

Additional Information

OSC Staff Notice 81-731 *Next Steps on Deferred Sales Charges*, which provides additional details in respect of the OSC's DSC ban, and related matters, can be found on the OSC's website at [www.osc.ca](http://www.osc.ca).