

**BLANKET ORDER 123  
REVISED**

**IN THE MATTER OF THE SECURITIES ACT, R.S.N.L. 1990, CHAPTER S-1 3 AS  
AMENDED (the Act)-**

**AND**

**TEMPORARY EXEMPTIONS FROM THE OEO TRAILER BAN TO  
FACILITATE DEALER REBATES OF TRAILING COMMISSIONS AND CLIENT  
TRANSFERS**

**BLANKET ORDER  
(under section 142.1 of the Securities Act)**

**WHEREAS:**

1. By March 25, 2022, Canadian jurisdictions will issue local blanket orders to provide Temporary Exemptions from the OEO Trailer Ban to Facilitate Dealer Rebates of Trailing Commissions and Client Transfers is made, subject to terms and conditions:
  - a. OEO dealers and fund organizations are exempted from the OEO Trailer Ban (as defined below) where a trailing commission is paid by the fund organization to the OEO dealer to facilitate dealer rebates for
    - i. clients holding mutual funds in OEO dealer accounts prior to June 1, 2022, and
    - ii. clients who transfer mutual funds to OEO dealer accounts on or after June 1, 2022; and
  - b. OEO dealers and fund organizations are exempted from the OEO Trailer Ban for a period of 45 days upon the acceptance of client-initiated transfers of mutual funds on or after June 1, 2022, where a trailing commission is paid by the fund organization to the OEO dealer, to facilitate processing of such client transfers.

**DEFINITIONS:**

2. Multilateral Instrument 11-102 Passport System ("MI 11-102"), National Instrument 14-101 Definitions, National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations ("NI 31-103"), National Instrument 81-102 Investment Funds ("NI 81-102") and National Instrument 81-105 Mutual Fund Sales Practices ("NI 81-105") have the same meaning in this Instrument.

3. In this Order:

**Client** means a client of an OEO dealer (as defined below);

**Dealer Rebate** means a rebate to a Client by an OEO dealer, equal to the amount of the trailer paid by the investment fund manager (as defined below) to the OEO dealer in respect of the Client's trailer paying mutual fund security, for as long as the Client holds the trailer paying mutual fund security in the OEO dealer account;

**Like-to-Like Switch** means a switch, initiated by an investment fund manager or an OEO dealer, of a mutual fund security held in an OEO dealer account from a trailer paying class or series to a non-trailer paying class or series of the same mutual fund, where the only difference is a lower management fee for the non-trailer paying class or series, and where there are no tax consequences for effecting such switch;

**Like-to-Similar Switch** means a switch, initiated by an investment fund manager or an OEO dealer, of a mutual fund security held in an OEO dealer account from a trailer paying class or series to a non-trailer paying class or series of the same mutual fund, where the only differences are a lower management fee for the non-trailer paying class or series, and a difference in distribution policy and/or currency, and where there are no tax consequences for effecting such switch;

**Management Fee Rebate** means a rebate to a Client by an investment fund manager, equal to the amount of the trailer that would otherwise be paid by the investment fund manager to the OEO dealer in respect of the client's trailer paying mutual fund security, for as long as the client holds the trailer paying mutual fund security in an OEO dealer account;

**trailers** means trailing commissions.

## **BACKGROUND:**

### **Background**

#### ***OEO Trailer Ban***

4. Effective June 1, 2022 (the "Effective Date"), pursuant to section 3.2(4) of NI 81-105, members of the organization of a mutual fund ("investment fund managers" or "IFMs") will be prohibited from paying trailers to participating dealers that are not required to make a suitability determination such as investment dealers offering order execution only accounts ("OEO dealers") in connection with a Client's purchase and ongoing ownership of a prospectus-qualified mutual fund security ("mutual fund security") and pursuant to section 2.2(3) of NI 81-105, OEO dealers will be prohibited from soliciting or accepting the payment of trailers from IFMs (together, the "OEO Trailer Ban").

### ***Current Mutual Fund Holdings with Trailers in OEO Dealer Accounts***

5. Prior to the Effective Date, there will be mutual funds held in OEO dealer accounts for which trailers are paid ("Current Holdings"). To comply with the OEO Trailer Ban as of the Effective Date, IFMs and OEO dealers have determined the approach set out in sections 6 to 14 will be used to process Current Holdings.
6. IFMs and OEO dealers will process Current Holdings as follows
  - (a) certain IFMs have executed, or will execute, Like-to-Like Switches or, where no Like-to-Like Switch is available, have executed, or will execute Like-to-Similar Switches, without instruction from the Client or the OEO dealer,
  - (b) certain OEO dealers have executed, or will execute, certain Like-to-Like Switches or, where no Like-to-Like Switch is available, have executed, or will execute certain Like-to-Similar Switches, without instruction from the Client,
  - (c) certain Clients may continue to hold the trailer paying mutual fund securities in an OEO dealer account on and after the Effective Date, and the relevant IFM may provide a Management Fee Rebate, and
  - (d) where a Like-to-Like Switch or a Like-to-Similar Switch is not available or not effected by the Effective Date, and a Management Fee Rebate is also not used, a Client may continue to hold the trailer paying mutual fund securities in an OEO dealer account on and after the Effective Date, and the OEO dealer will provide a Dealer Rebate.
7. Where a Like-to-Like Switch or a Like-to-Similar Switch is effected
  - (a) certain IFMs may change the trading instructions for any IFM-established systematic plan from the trailer paying class or series to the non-trailer paying class or series of the same mutual fund used for the switch, without instruction from the Client or the OEO dealer,
  - (b) certain OEO dealers may change the trading instructions for any dealer-established systematic plan from the trailer paying class or series to the non-trailer paying class or series of the same mutual fund used for the switch, without instruction from the Client,
  - (c) certain IFMs may seek Client instruction to change the trading instructions for any IFM-established systematic plan from the trailer paying class or series to the non-trailer paying class or series of the same mutual fund used for the switch, and
  - (d) certain OEO dealers may seek Client instruction to change the trading instructions for any dealer-established systematic plan from the trailer paying class or series to the non-trailer paying class or series of the same mutual fund used for the switch.

8. Where Client instruction is sought further to subsections 7(c) and (d), and no Client instruction is received prior to the Effective Date, the systematic plans will terminate as of the Effective Date.
9. For Pending Switches, clients may be provided with a Management Fee Rebate from the IFM, if it can be used, failing which, the OEO dealer will provide a Dealer Rebate until the FundServ Date (as defined below) or such earlier date on which Like-to-Like Switches and Like-to-Similar Switches can be effected manually by the OEO dealer.
10. IFMs will waive any redemption fees for Current Holdings purchased under the deferred sales charge option ("DSC redemption fees") that are triggered by the Like-to-Like Switches or the Like-to-Similar Switches.
11. If a Client closed his/her account prior to the payment of a Dealer Rebate in connection with Current Holdings and the OEO dealer cannot locate the Client, then the OEO dealer will donate such Dealer Rebate to a registered charity within 12 months of receipt of the trailer by the OEO dealer, where permitted by applicable laws.
12. For Current Holdings, OEO dealers and IFMs will not charge any fees to Clients in connection with Like-to-Like Switches, Like-to-Similar Switches, Management Fee Rebates or Dealer Rebates initiated by an OEO dealer or an IFM, as applicable.
13. As long as Like-to-Like Switches, Like-to-Similar Switches, Management Fee Rebates and Dealer Rebates are permitted or remain in effect for Current Holdings further to this order, no Client will be redeemed by an IFM or OEO dealer from a mutual fund nor be subject to a DSC redemption fee as a result of the Like-to-Like Switches and Like-to-Similar Switches, in order for the IFMs and OEO dealers to comply with the OEO Trailer Ban.
14. OEO dealers will provide Clients with Current Holdings with the following written information, either before or as soon as practicable after the implementation of the scenarios described in section 6
  - (a) the scenarios described in section 6 and an explanation of how the proposed actions may impact the Client,
  - (b) an explanation that the proposed actions described in (a) above are due to the OEO Trailer Ban, which takes effect on the Effective Date,
  - (c) a brief explanation that the OEO Trailer Ban means that trailer paying mutual fund securities should no longer be held in OEO dealer accounts,
  - (d) where no Like-to-Like Switch or Like-to-Similar Switch is effected and no Management Fee Rebate is used, the OEO dealer will provide a Dealer Rebate,
  - (e) except as set out in (f) below, a Like-to-Like to Switch and a Like-to-Similar Switch will be reflected in the Client's next account statement and the Client will receive a trade confirmation promptly following any Like-to-Like Switch or Like-to-Similar Switch,

- (f) where it is not operationally reasonable to provide the trade confirmation as set out in (e) above, the OEO dealer will appear before IIROC's Board of Directors at its next board meeting to explain the circumstances, and will reflect any Like-to-Like Switch or Like-to-Similar Switch in the Client's next account statement and, as soon as practicable and no later than 30 days following any Like-to-Like Switch or Like-to-Similar Switch, the OEO dealer will deliver a personalized communication to the Client with key information that would be provided in a trade confirmation, including the date, the quantity and description of the mutual fund securities switched and the net asset value of the mutual fund securities switched,
  - (g) their trade confirmation pursuant to (e) above or post-switch communication pursuant to (f) above, as applicable, and/or account statement and/or transaction history will help the Client to determine what class or series of the non-trailer paying mutual fund is held by the Client after the Like-to-Like Switch or Like-to-Similar Switch,
  - (h) how to obtain further information about their mutual fund securities, including how to obtain a copy of the fund facts document ("Fund Facts") for the relevant class or series held by the Client after a Like-to-Like Switch or a Like-to-Similar Switch, and that the Fund Facts will not be delivered unless requested,
  - (i) a statement about the Dealer Rebate, how the Dealer Rebate is calculated, the frequency of payment of the Dealer Rebate, and that the Client's account statement will identify any Dealer Rebate payment the Client may receive, and
  - (j) OEO dealer contact information for the Client to obtain further information.
15. Without relief from the OEO Trailer Ban, following the Effective Date, for Current Holdings where Like-to-Like Switches and Like-to-Similar Switches are not effected and Management Fee Rebates are not used, and for Pending Switches, IFMs and OEO dealers would have to comply with the OEO Trailer Ban, which could result in redemptions of Client mutual fund securities and possibly the payment by Clients of DSC redemption fees. The Superintendent considers that allowing IFMs to pay trailers to OEO dealers and allowing OEO dealers to accept such trailers for the purpose of facilitating Dealer Rebates in these circumstances, would result in better outcomes for Clients.

### ***Transfers of Mutual Fund Holdings with Trailers to OEO Dealer Accounts***

16. On or after the Effective Date, there will be client-initiated transfers of trailer paying mutual fund securities to OEO dealers ("Client Transfers"). To comply with the OEO Trailer Ban, IFMs and OEO dealers have determined the approach set out in sections 17 to 27 will be used to process Client Transfers.
17. Fundserv is the industry network for trading and settlement of mutual funds. It is expected that Fundserv will update its standards to enable IFMs to provide the fund code destination, which will allow OEO dealers to effect the Like-to-Like Switches and Like-to-Similar Switches of Client Transfers by June 30, 2023 ("Fundserv Date").

18. OEO dealers will process Client Transfers made on or after the Effective Date and prior to the Fundserv Date as follows

- (a) if the OEO dealer cannot manually effect Like-to-Like Switches and Like-to-Similar Switches
  - (i) where an IFM has identified that a Management Fee Rebate can be used, the IFM will provide a Management Fee Rebate, and
  - (ii) where a Management Fee Rebate is not used, the OEO dealer will provide a Dealer Rebate to the Client,
- (b) if the OEO dealer can manually effect Like-to-Like Switches and Like-to-Similar Switches
  - (iii) an IFM will identify whether a Like-to-Like Switch is available, or if no Like-to-Like Switch is available, whether a Like-to-Similar Switch is available, or whether a Management Fee Rebate should be used,
  - (iv) where a Like-to-Like Switch or a Like-to-Similar Switch is identified by an IFM, the OEO dealer will execute the Like-to-Like Switch or Like-to-Similar Switch, as applicable,
  - (v) where an IFM has identified that a Management Fee Rebate can be used, the IFM will provide a Management Fee Rebate, and
  - (vi) where no Like-to-Like Switch or Like-to-Similar Switch is available and no Management Fee Rebate is used, or where a Like-to-Like Switch or a Like-to-Similar Switch might be available but the trailer paying mutual fund securities may remain subject to a DSC redemption fee, the OEO dealer will provide a Dealer Rebate.

19. For all Client Transfers made on or after the Effective Date and prior to the Fundserv Date, as well as for all Pending Switches, OEO Dealers will execute Like-to-Like Switches and Like-to-Similar Switches, where identified by the IFM, within 45 days after the Fundserv Date or after such earlier date on which OEO dealer can manually effect Like-to-Like Switches and Like-to-Similar Switches.

20. IFMs and OEO dealers will process Client Transfers made on or after the Fundserv Date as follows

- (a) an IFM will identify whether a Like-to-Like Switch is available, or if no Like-to-Like Switch is available, whether a Like-to-Similar Switch is available, or whether a Management Fee Rebate should be used,
- (b) where a Like-to-Like Switch or a Like-to-Similar Switch is identified by an IFM, the OEO dealer will execute the Like-to-Like Switch or Like-to-Similar

Switch, as applicable,

- (c) where an IFM has identified that a Management Fee Rebate can be used, the IFM will provide a Management Fee Rebate, and
  - (d) where no Like-to-Like Switch or Like-to-Similar Switch is available and no Management Fee Rebate is used, or where a Like-to-Like Switch or a Like-to-Similar Switch might be available but the trailer paying mutual fund securities may remain subject to a DSC redemption fee, the OEO dealer will provide a Dealer Rebate.
21. On or after the Effective Date, to implement Client Transfers, which transfers are largely a manual process, OEO dealers and IFMs will require a period of up to 45 days (the “Grace Period”), during which the OEO Trailer Ban does not apply, in order for the OEO dealer to determine whether the IFM has identified that a Like-to-Like Switch or a Like-to-Similar Switch is available or a Management Fee Rebate can be used. During the Grace Period, if there is no Management Fee Rebate, then the OEO dealer will implement any Like-to-Like Switch or Like-to-Similar Switch identified by the IFM, after the Fundserv Date, or after such earlier date on which Like-to-Like Switches and Like-to-Similar Switches can be effected manually by the OEO dealer, or failing which, provide a Dealer Rebate.
22. During the Grace Period, a Like-to-Like Switch or a Like-to-Similar Switch will generally be executed by OEO dealers within 15 days of the date of the Client Transfer, following which, within the remaining 30 days of the Grace Period, the OEO dealer will assess whether the Like-to-Like Switch and Like-to-Similar Switch has been properly processed, failing which the OEO dealer will take action to ensure the relevant switch is properly processed.
23. Any trailers paid by IFMs in respect of the Client Transfers and accepted by OEO dealers during the Grace Period will be rebated to the Client by way of a Dealer Rebate.
24. If a Client closed his/her account prior to the payment of a Dealer Rebate in connection with a Client Transfer and the OEO dealer cannot locate the Client, then the OEO dealer will donate such Dealer Rebate to a registered charity within 12 months of receipt of the trailer by the OEO dealer, where permitted by applicable laws.
25. For Client Transfers, OEO dealers and IFMs will not charge any fees to Clients in connection with Like-to-Like Switches, Like-to-Similar Switches, Management Fee Rebates or Dealer Rebates initiated by an OEO dealer or an IFM, as applicable.
26. As long as Like-to-Like Switches, Like-to-Similar Switches, Management Fee Rebates and Dealer Rebates are permitted or remain in effect for Client Transfers further to this order, no Client will be redeemed by an IFM or OEO dealer from a mutual fund nor be subject to a DSC redemption fee as a result of the Like-to-Like Switches and Like-to-Similar Switches, in order for the IFMs and OEO dealers to comply with the OEO Trailer Ban.

27. On and after the Effective Date, clients making Client Transfers will be provided with the following communications from OEO dealers

- (a) as part of the client onboarding process for new accounts and/or on the form for Client Transfers, written notice of
  - (i) the scenarios described in sections 18 or 20, as applicable, and an explanation of how the proposed actions may impact the Client,
  - (ii) an explanation that the proposed actions described in (a)(i) above are due to the OEO Trailer Ban, which took effect on the Effective Date,
  - (iii) a brief explanation that the OEO Trailer Ban means that trailer paying mutual fund securities should not be transferred to OEO dealer accounts,
  - (iv) where no Like-to-Like Switch or Like-to-Similar Switch is available and no Management Fee Rebate is used, or where such a Like-to-Like Switch or a Like-to-Similar Switch might be available but the trailer paying mutual fund securities remain subject to a DSC redemption fee, the OEO dealer will provide a Dealer Rebate,
  - (v) a Like-to-Like Switch and a Like-to-Similar Switch will be reflected in the Client's next account statement and the Client will receive a trade confirmation promptly following any Like-to-Like Switch or Like-to-Similar Switch,
  - (vi) their trade confirmation and/or account statement and/or transaction history will help the Client to determine what class or series of the non-trailer paying mutual fund is held by the Client after the Like-to-Like Switch or Like-to-Similar Switch, and any Dealer Rebate,
  - (vii) how to obtain further information about their mutual fund securities, including how to obtain a copy of the Fund Facts for the relevant class or series held by the Client after a Like-to-Like Switch or a Like-to-Similar Switch, and that the Fund Facts will not be delivered unless requested,
  - (viii) a statement about the Dealer Rebate, how the Dealer Rebate is calculated, the frequency of payment of the Dealer Rebate, and that the Client's account statement will identify any Dealer Rebate payment the client received,
  - (ix) Client Transfers that are subject to a Dealer Rebate will have access to information on their website, and

- (x) OEO dealer contact and resource information for the Client to obtain further information,

(b) for Dealer Rebates, OEO dealers will make available to Clients on their website the following information

- (i) a Like-to-Like Switch and a Like-to-Similar Switch are not available and a Management Fee Rebate will not be used so the Client Transfer is subject to a Dealer Rebate,
- (ii) a statement about the Dealer Rebate, how the Dealer Rebate is calculated, the frequency of payment of the Dealer Rebate, and that the Client's account statement will identify any Dealer Rebate payment the client received, and
- (iii) OEO dealer contact information for the Client to obtain further information.

28. Without relief from the OEO Trailer Ban, for Client Transfers on or after the Effective Date, where Like-to-Like Switches or Like-to-Similar Switches are not effected and Management Fee Rebates are not used, IFMs and OEO dealers would have to comply with the OEO Trailer Ban, which could result in redemptions of Client mutual fund securities and possibly the payment by Clients of DSC redemption fees. The Superintendent considers that allowing IFMs to pay trailers to OEO dealers and allowing OEO dealers to accept such trailers for the purpose of facilitating Dealer Rebates in these circumstances, would result in better outcomes for Clients.

29. For Client Transfers on or after the Effective Date, the Superintendent considers that allowing the Grace Period, during which the OEO Trailer Ban would not apply, in order for the OEO dealer to identify whether a Like-to-Like Switch or a Like-to-Similar Switch is available, or a Management Fee Rebate can be used, would be appropriate.

#### **IT IS ORDERED THAT:**

30. This Order provides for the temporary exemptions listed below.

#### ***Current Mutual Fund Holdings with Trailers in OEO Dealer Accounts***

31. The Superintendent, considering that to do so would not be prejudicial to the public interest, orders under section 142.1 of the Securities Act (the **Act**) that the OEO Trailer Ban does not apply to an IFM or OEO dealer for the purpose of facilitating a Dealer Rebate for Current Holdings or for Pending Switches, on the terms and conditions set out below.

#### ***Transfers of Mutual Fund Holdings with Trailers to OEO Dealer Accounts***

32. The Superintendent, considering that to do so would not be prejudicial to the public interest, orders under section 142.1 of the **Act** that the OEO Trailer Ban does not

apply to an IFM or OEO dealer, on the terms and conditions set out below, for

- (a) the Grace Period, in order for the OEO dealer to determine whether the IFM has identified a Like-to-Like Switch or a Like-to-Similar Switch is available or a Management Fee Rebate can be used during the Grace Period. If there is no Management Fee Rebate, the OEO dealer will implement any Like-to-Like Switch or Like-to-Similar Switch identified by the IFM, after the Fundserv Date, or after such earlier date on which Like-to-Like Switches and Like-to-Similar Switches can be effected manually by the OEO dealer. If a Like-to-Like Switch or Like-to-Similar Switch cannot be effected, the OEO dealer will provide a Dealer Rebate, and
- (b) the purpose of facilitating a Dealer Rebate for Client Transfers.

### ***Current Mutual Fund Holdings with Trailers in OEO Dealer Accounts***

- 33. This order is not available to an IFM or OEO dealer to facilitate Dealer Rebates for Current Holdings unless a Like-to-Like Switch or a Like-to-Similar Switch is not available or not effected by the Effective Date, and a Management Fee Rebate is also not used. This order is not available to an IFM or OEO dealer to facilitate Dealer Rebates for Pending Switches, unless it is not operationally reasonable to effect a Like-to-Like Switch, a Like-to-Similar Switch, or a Management Fee Rebate, even if available.
- 34. Any IFM or OEO dealer relying on this order to facilitate Dealer Rebates for Current Holdings and Pending Switches must not redeem a Client nor subject a Client to a DSC redemption fee as a result of a Like-to-Like Switch or Like-to-Similar Switch, in order for the IFM or OEO dealer to comply with the OEO Trailer Ban.
- 35. Any OEO dealer relying on this order for the purpose of facilitating Dealer Rebates for Current Holdings and Pending Switches must
  - (a) not charge any fees to Clients in connection with Like-to-Like Switches, Like-to-Similar Switches, or Dealer Rebates initiated by the OEO dealer, as applicable,
  - (b) no later than the Effective Date, provide notification through a completed survey, to be hosted on Fundserv, advising that the OEO dealer has the operational and technological capacity to process Dealer Rebates or will implement such a process within 4 months from the Effective Date,
  - (c) pay a Dealer Rebate to its impacted Clients equal to the amount of the trailer received from the IFM on at least a quarterly basis. If the OEO dealer does not have the operational or technological capacity to process Dealer Rebates prior to the Effective Date, it must implement such process within 4 months from the Effective Date and, in such case, must retroactively pay Dealer Rebates, within 7 months from the Effective Date,
  - (d) prior to facilitating each Dealer Rebate for Current Holdings, confirm that no Like-to-Like Switch or Like-to-Similar Switch is available, and a Management

Fee Rebate is also not used,

- (e) prior to facilitating each Dealer Rebate for Pending Switches, confirm that it is not operationally reasonable to effect a Like-to-Like Switch or Like-to-Similar Switch or a Management Fee Rebate, even if available,
- (f) if the OEO dealer is unable to locate a Client for whom the Dealer Rebate is intended to be paid because the Client has closed his/her account with the OEO dealer prior to payment of the Dealer Rebate, donate such Dealer Rebate to a registered charity within 12 months of receipt of the trailer by the OEO dealer, where permitted by applicable law,
- (g) where (f) above applies, keep a record of the amount and dates of donations to a registered charity in respect of such Current Holdings and Pending Switches, and, the name and charity registration number of each registered charity that received such donations,
- (h) keep a record of the actions taken relating to each Current Holding and Pending Switch,
- (i) provide a statistical summary of the following items in Excel, and in the form set out in Annex A to the Director of the Investment Funds and Structured Products Branch by email at IFSPDirector@osc.gov.on.ca by August 1, 2022
  - (i) the number of Client accounts with Current Holdings where a Like-to-Like Switch or a Like-to-Similar Switch was effected,
  - (ii) the aggregate amount of Current Holdings in Client accounts where a Like-to-Like Switch or a Like-to-Similar Switch was effected,
  - (iii) the number of Client accounts with Current Holdings and Pending Switches where a Dealer Rebate was effected,
  - (iv) the aggregate amount of Current Holdings and Pending Switches in Client accounts where a Dealer Rebate was effected,
  - (v) the aggregate amount of Dealer Rebates provided for Current Holdings and Pending Switches, and
- (j) upon request, provide the record in (g) above to the Director of the Investment Funds and Structured Products Branch by email at IFSPDirector@osc.gov.on.ca.

36. Any IFM relying on this order for the purpose of paying trailers to OEO dealers for Dealer Rebates for Current Holdings and Pending Switches must

- (a) not charge any fees to Clients in connection with Like-to-Like Switches, Like-to-Similar Switches, or Management Fee Rebates initiated by the IFM, as applicable,

- (b) waive any DSC redemption fees for Current Holdings that are triggered by the Like-to-Like Switches or the Like-to-Similar Switches,
- (c) confirm through Fundserv that the OEO dealers have sent a notification through Fundserv, as described in subsection 35(b) or, where such notification is not available for a particular OEO dealer, confirm with that OEO dealer that it has the operational and technological capacity to process Dealer Rebates or will implement such a process within 4 months from the Effective Date,
- (d) keep a record of each OEO dealer for which Dealer Rebates are expected to be paid,
- (e) keep a record of the actions taken relating to Current Holdings,
- (f) provide a statistical summary of the following items in Excel, and in the form set out in Annex B to the Director of the Investment Funds and Structured Products Branch by email at IFSPDirector@osc.gov.on.ca by August 1, 2022
  - (i) the number of Client accounts with Current Holdings where a Like-to-Like Switch was effected,
  - (ii) the aggregate amount of Current Holdings in Client accounts where a Like-to-Like Switch was effected,
  - (iii) the number of Client accounts with Current Holdings where a DSC redemption fee was waived in connection with a Like-to-Like Switch,
  - (iv) the aggregate amount of DSC redemption fees waived in connection with a Like-to-Like Switch,
  - (v) the number of Client accounts with Current Holdings where a Like-to-Similar Switch was effected,
  - (vi) the aggregate amount of Current Holdings in Client accounts where a Like-to-Similar Switch was effected,
  - (vii) the number of Client accounts with Current Holdings where a DSC redemption fee was waived in connection with a Like-to-Similar Switch,
  - (viii) the aggregate amount of DSC redemption fees waived in connection with a Like-to-Similar Switch
  - (ix) the number of Client accounts with Current Holdings and Pending Switches where a Management Fee Rebate was effected,

- (x) the aggregate amount of Current Holdings and Pending Switches in Client accounts where a Management Fee Rebate was effected,
  - (xi) the aggregate amount of Management Fee Rebates provided to Client accounts with Current Holdings and Pending Switches, and
- (g) upon request, provide the record in (d) above to the Director of the Investment Funds and Structured Products Branch by email at IFSPDirector@osc.gov.on.ca.

***Transfers of Mutual Fund Holdings with Trailers to OEO Dealer Accounts***

37. This order is not available to an IFM or OEO dealer to facilitate Dealer Rebates for Client Transfers unless a Like-to-Like Switch or a Like-to-Similar Switch is not available, and a Management Fee Rebate is also not used.
38. Any IFM or OEO dealer relying on this order to facilitate Dealer Rebates for Client Transfers must not redeem a Client, nor subject a Client to a DSC redemption fee as a result of a Like-to-Like Switch or Like-to-Similar Switch, in order to comply with the OEO Trailer Ban.
39. Any OEO dealer relying on this order for the purpose of facilitating Dealer Rebates for Client Transfers must
- (a) not charge any fees to Clients in connection with Like-to-Like Switches, Like-to-Similar Switches, or Dealer Rebates initiated by the OEO dealer, as applicable,
  - (b) no later than the Effective Date, provide notification through a completed survey, to be hosted on Fundserv, advising that the OEO dealer has the operational and technological capacity to process Dealer Rebates or will implement such a process within 4 months from the Effective Date,
  - (c) pay a Dealer Rebate to its impacted Clients equal to the amount of the trailer received from the IFM on at least a quarterly basis. If the OEO dealer does not have the operational or technological capacity to process Dealer Rebates prior to the Effective Date, it must implement such process within 4 months from the Effective Date and, in such case, must retroactively pay Dealer Rebates, within 7 months of the Effective Date,
  - (d) if the OEO dealer cannot manually effect Like-to-Like Switches and Like-to-Similar Switches, prior to facilitating each Dealer Rebate for Client Transfers on or after the Effective Date and before the Fundserv Date, confirm no Management Fee Rebate is used,
  - (e) if the OEO dealer can manually effect Like-to-Like Switches and Like-to-Similar Switches, prior to facilitating each Dealer Rebate for Client Transfers on or after the Effective Date and before the Fundserv Date, confirm no Like-

to-Like Switch or Like-to-Similar Switch is available and no Management Fee Rebate is used,

- (f) prior to facilitating each Dealer Rebate for Client Transfers on or after the Fundserv Date, confirm no Like-to-Like Switch or Like-to-Similar Switch is available, and no Management Fee Rebate is used,
- (g) for all Client Transfers made on or after the Effective Date and prior to the Fundserv Date, and for Pending Switches, execute Like-to-Like Switches and Like-to-Similar Switches based on the fund code destination provided by the IFM in Fundserv within 45 days after the Fundserv Date,
- (h) for all Client Transfers made on or after the Fundserv Date, execute Like-to-Like Switches and Like-to-Similar Switches based on the fund code destination provided by the IFM in Fundserv within 45 days,
- (i) if the OEO dealer is unable to locate a Client for whom the Dealer Rebate is intended to be paid because the Client has closed his/her account with the OEO dealer prior to payment of the Dealer Rebate, donate such Dealer Rebate to a registered charity within 12 months of receipt of the trailer by the OEO dealer, where permitted by applicable law,
- (j) where (i) above applies, keep a record of the amount and dates of donations to a registered charity in respect of such Client Transfers, and, the name and charity registration number of each registered charity that received such donations,
- (k) keep a record of the Dealer Rebates provided for Client Transfers,
- (l) provide a statistical summary of the following items for the period from June 1, 2022 to June 30, 2023 in Excel, and in the form set out in Annex C to the Director of the Investment Funds and Structured Products Branch by email at IFSPDirector@osc.gov.on.ca by August 31, 2023
  - (i) the number of Client accounts with Client Transfers where a Dealer Rebate was effected,
  - (ii) the aggregate amount of Client Transfers where a Dealer Rebate was effected,
  - (iii) the aggregate amount of Dealer Rebates provided for Client Transfers, and
- (m) upon request, provide the record in (j) above to the Director of the Investment Funds and Structured Products Branch by email at IFSPDirector@osc.gov.on.ca.

40. Any IFM relying on this order for the purpose of paying trailers to OEO dealers for Dealer Rebates for Client Transfers must

- (a) not charge any fees to Clients in connection with Like-to-Like Switches, Like-to-Similar Switches, or Management Fee Rebates initiated by an IFM, as applicable,
- (b) confirm through Fundserv that the OEO dealers have sent a notification through Fundserv, as described in subsection 39(b),
- (c) keep a record of each OEO dealer for which Dealer Rebates are expected to be paid,
- (d) keep a record of the actions taken relating to Client Transfers,
- (e) provide a statistical summary of the following items for the period from June 1, 2022 to June 30, 2023 in Excel, and in the form set out in Annex D to the Director of the Investment Funds and Structured Products Branch by email at IFSPDirector@osc.gov.on.ca by August 31, 2023
  - (i) the number of Client accounts with Client Transfers where a Management Fee Rebate was effected,
  - (ii) the aggregate amount of Client Transfers where a Management Fee Rebate was effected,
  - (iii) the aggregate amount of Management Fee Rebates provided for Client Transfers, and
- (f) upon request, provide the record in (c) above to the Director of the Investment Funds and Structured Products Branch by email at IFSPDirector@osc.gov.on.ca.

41. Any OEO dealer relying on this order for the purpose of processing Client Transfers during the Grace Period must

- (a) rebate to the client, by way of Dealer Rebate, any trailers paid by IFMs in respect of the Client Transfers and accepted by the OEO dealer during the Grace Period,
- (b) keep a record of the actions taken relating to Client Transfers, and
- (c) upon request, provide the record in (b) above to the Director of the Investment Funds and Structured Products Branch by email at IFSPDirector@osc.gov.on.ca.

### ***Client Communications***

42. Any OEO dealer relying on this order must provide Clients with the communications described in section 15 and section 28.

43. Any IFM or OEO dealer relying on this order must have appropriate resources in place to address Clients' questions with respect to the implementation of the OEO Trailer Ban, including Like-to-Like Switches, Like-to-Similar Switches, Management Fee Rebates and Dealer Rebates for Current Holdings and Client Transfers.

**Notices**

44. Any IFM or OEO dealer relying on this order must, as soon as reasonably practicable and prior to relying on this order for the first time, notify the Director of the Investment Funds and Structured Products Branch by email at IFSPDirector@osc.gov.on.ca stating their intention to rely on this order.
45. Reference made in a notice pursuant to section 44 of this order to an equivalent exemption granted by a securities regulatory authority or regulator in another jurisdiction of Canada that is the principal regulator of the IFM or the OEO dealer, as defined in MI 11-102, will be deemed to constitute a reference to the relevant exemption in this order.

**EFFECTIVE DATE:**

46. This order comes into effect on June 1, 2022.

Dated at St. John's, Newfoundland and Labrador, this 31th day of August 2023.



**Scott Jones, CPA, CMA**  
Superintendent of Securities

## ANNEX A

Name of OEO Dealer	Like-to-Like Switches and Like-to-Similar Switches		Dealer Rebates		
	Number of Client Accounts with Current Holdings	Amount of Current Holdings (\$)	Number of Client Accounts with Current Holdings and Pending Switches	Amount of Current Holdings and Pending Switches (\$)	Amount of Dealer Rebates (\$)

**ANNEX B**

Name of IF M	Like-to-Like Switches				Like-to-Similar Switches				Management Fee Rebates		
	Number of Client Accounts with Current Holdings	Amount of Current Holdings (\$)	Number of Client Accounts with DSC Redemption Fee Waived	Amount of DSC Redemption Fee Waived (\$)	Number of Client Accounts with Current Holdings	Amount of Current Holdings (\$)	Number of Client Accounts with DSC Redemption Fee Waived	Amount of DSC Redemption Fee Waived (\$)	Number of Client Accounts with Current Holdings and Pending Switches	Amount of Current Holdings and Pending Switches (\$)	Amount of Management Fee Rebate (\$)

**ANNEX C**

<b>Name of OEO Dealer</b>	<b>Dealer Rebates</b>		
	<b>Number of Client Accounts from Client Transfers</b>	<b>Amount of Client Transfers (\$)</b>	<b>Amount of Dealer Rebates (\$)</b>

**ANNEX D**

<b>Name of IFM</b>	<b>Management Fee Rebates</b>		
	<b>Number of Client Accounts from Client Transfers</b>	<b>Amount of Client Transfers (\$)</b>	<b>Amount of Management Fee Rebate (\$)</b>