

## Principal Distributor Practice Review (**Principal Distributor SURVEY**)

The Canadian Securities Administrators ("CSA") plan to review the current principal distributor model permitted in National Instrument 81-105 *Mutual Fund Sales Practices* ("NI 81-105").

You are being invited to take this survey as the main contact for a principal distributor\* of mutual fund securities.

The survey results will be used to assess the need for regulatory amendments that may impact regulatory requirements for principal distributors, such as imposing similar regulatory requirements on principal distributors and participating dealers under NI 81-105.

All sensitive information provided through this survey will be kept confidential, subject to requests for disclosure that may be made under the access to information legislation of the CSA jurisdictions. To the extent that any information provided should be treated confidentially, please be sure to mark each document or response accordingly. If your principal regulator is Alberta, British Columbia, Ontario, Quebec, or Saskatchewan, the information is clearly identified as confidential and it is requested under access to information legislation, you will be notified and provided with an opportunity to make written submissions with respect to the issue of disclosure.

Information provided will be collected, analyzed, and may be used in policy work including publication of consultations or proposals on an anonymized basis by CSA jurisdictions.

*\* "Principal distributor" is defined in NI 81-102 as a person or company through whom securities of a mutual fund are distributed under an arrangement with the mutual fund or its manager that provides: a) an exclusive right to distribute the securities of the mutual fund in a particular area, or b) a feature that gives or is intended to give the person or company a material competitive advantage over others in the distribution of the securities of the mutual fund.*

1. Please choose your language of preference / veuillez sélectionner la langue de votre préférence.
  - Français
  - English
2. Please name the principal distributor on whose behalf you are completing this survey.
3. Please provide your first, last name, title and email address.
4. Please select the jurisdiction(s) in which you currently distribute mutual fund securities as a principal distributor. Please select all that apply.
  - All provinces and territories (*No need to select specific provinces and territories where this is the case*)
  - Alberta
  - British Columbia
  - Manitoba
  - New Brunswick
  - Newfoundland and Labrador
  - Nova Scotia
  - Ontario
  - Prince Edward Island
  - Quebec
  - Saskatchewan
  - Northwest Territories
  - Nunavut
  - Yukon
5. Do you also act as a participating dealer for any mutual funds?
  - Yes **[this response leads to the next question]**
  - No **[this response leads the survey to question 13]**

6. **[This question only appears if the response to the previous question is Yes]** Please describe:
- The services you provide as a principal distributor AND
  - The compensation you receive for such services (including remuneration as a percentage of investment value)
7. **[This question only appears if the response to question 5 is Yes]** Please describe:
- The services you provide as a participating dealer AND
  - The compensation you receive for such services (including remuneration as a percentage of investment value)
8. As a participating dealer, do you pay an upfront commission or compensation<sup>1</sup> to your representatives in connection with the sale of mutual fund securities?
- Yes **[this response leads to the next question]**
- No **[this response leads to question 13]**
9. **[This question only appears if the answer to question 8 is Yes]** Please explain the upfront commission/compensation structure (including the amount).
10. **[This question only appears if the answer to question 8 is Yes]** What is the source of financing for the upfront commission/compensation?
11. **[This question only appears if the answer to question 8 is Yes]** Do you have a chargeback mechanism<sup>2</sup> that requires the representative to pay back, refund, or lose eligibility to hold all or part of the upfront commission or compensation if an investor redeems all or part of his/her mutual fund holdings within a certain period of time?
- Yes **[this response leads to the next question]**
- No **[this response leads to question 13]**
12. **[This question only appears if the answer to questions 8 and 11 is Yes]** Please explain the chargeback mechanism that you use.

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<sup>1</sup> By upfront commission or compensation, we mean any fee, advance payment or options or benefits available to a representative upon or in relation to the purchase of securities by their clients.

<sup>2</sup> By chargeback mechanism, we are referring to any mechanism allowing the principal distributor or the investment fund manager to charge back, demand, withdraw or eliminate the upfront commission or compensation referred to in the preceding questions and in footnote 1.

13. As a principal distributor, do you pay an upfront commission or compensation<sup>3</sup> to your representatives in connection with the sale of mutual fund securities?
- Yes **[this response leads to the next question]**
- No **[this response leads to question 18]**
14. **[This question only appears if the answer to question 13 is Yes]** Please explain the upfront commission/compensation structure (including the amount).
15. **[This question only appears if the answer to question 13 is Yes]** What is the source of financing for the upfront commission/compensation?
16. **[This question only appears if the answer to question 13 is Yes]** Do you have a chargeback mechanism<sup>4</sup> that requires the representative to pay back, refund, or lose eligibility to hold all or part of the upfront commission or compensation if an investor redeems all or part of his/her mutual fund holdings within a certain period of time?
- Yes **[this response leads to the next question]**
- No **[this response leads to question 18]**
17. **[This question only appears if the answer to questions 13 and 16 is Yes]** Please explain the chargeback mechanism you use.
18. Please select the option that best describes your relationship with the Investment Fund Managers (IFM) of the funds you distribute as a principal distributor.
- A. We are also the IFM for all mutual funds we distribute as a principal distributor. **[this response leads to question 19]**
- B. All of the IFMs are affiliated with us. **[this response leads to question 20]**
- C. Some IFMs are affiliated with us. **[this response leads to question 20]**
- D. None of the IFMs are affiliated with us. **[this response leads to question 20]**
19. **[This question only appears if the answer to questions 18 is A]** The remaining questions also appeared in a previous survey addressed to IFMs ("IFM survey"). If you responded to the IFM survey, you may end this survey here and submit your responses. If you did not receive the

<sup>3</sup> Please see footnote 1.

<sup>4</sup> Please see footnote 2.

IFM survey or if you would like to provide additional responses specifically from a distributor perspective, please continue to the next question.

- End this survey **[this response completes the survey]**
- Continue to the next question **[this response leads to question 20]**

20. Do you act as a principal distributor for multiple mutual fund families?

- Yes **[this response leads to the next question]**
- No **[this response leads to question 22]**

21. **[This question only appears if the response to the previous question is Yes]** Please list all mutual fund families for which you act as principal distributor, and for each one describe:

- The services you provide as a principal distributor,
- The compensation you receive for such services (including remuneration as a percentage of investment value)
- Whether you provide an incentive to your representatives to recommend mutual funds of one mutual fund family over mutual funds of another mutual fund family?

22. **[This question is only compulsory if the response to the questions 5 and 20 is No]** In relation to your principal distributor arrangement(s), please enumerate practices around remuneration, profit or revenue sharing, or reimbursement of costs for principal distributor(s) and how they differ from situations involving participating dealers. *Please indicate whether to your knowledge, each arrangement is currently disclosed in the relevant mutual fund's public documents, and if so, provide the name and date of the relevant document.*

23. NI 81-102 defines a "principal distributor" as a person or company through whom securities of a mutual fund are distributed under an arrangement with the mutual fund or its manager that provides: a) an exclusive right to distribute the securities of the mutual fund in a particular area, or b) a feature that gives or is intended to give the person or company a material competitive advantage over others in the distribution of the securities of the mutual fund. Which of these options best defines the feature that applies to you as a principal distributor.

- A. An exclusive right to distribute the securities of the mutual fund in a particular area. **[this response leads to question 26]**
- B. A feature that gives or is intended to give the person or company a material competitive advantage over others in the distribution of the securities of the mutual fund. **[this**

**response leads to question 24]**

- C. Both A and B. **[this response leads to question 24]**
- D. Neither A nor B. **[this response leads to question 25]**

24. **[This question appears if the answer to question 23 is B or C and leads directly to question 26]** Please describe the feature that provides you with a material competitive advantage referred to in the previous response.

25. **[This question only appears if the answer to question 23 is D and leads directly to question 26]** On what basis have you concluded that you have a principal distributor relationship?

26. If NI 81-105 is amended to subject principal distributors to the same regulatory requirements currently applicable to participating dealers, would there be a significant impact to your business model?

- Yes
- No **[this response leads to question 29]**

27. Please list the specific significant business practices that would no longer be available to you if NI 81-105 is amended to subject principal distributors to the same regulatory requirements currently applicable to participating dealers.

28. Do you foresee any costs to your business if NI 81-105 is amended to subject principal distributors to the same regulatory requirements currently applicable to participating dealers? If so, please provide an itemized list of the estimated amount and nature of such costs.

29. Do you foresee any positive or negative impacts to investors if NI 81-105 is amended to subject principal distributors to the same regulatory requirements currently applicable to participating dealers?