

Government of Ontario rejects CSA proposal on embedded commissions

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Earlier today, the Canadian Securities Administrators (CSA) published proposed regulatory amendments that would prohibit the payment of commissions to dealers on most sales of mutual funds (the [Proposed Amendments](#)). Shortly after publication, the [Government of Ontario announced](#) that it does not agree with the Proposed Amendments as drafted and that it will work with other jurisdictions and stakeholders to explore potential alternatives.

The Proposed Amendments are the product of numerous rounds of public consultations and commissioned academic research studies over the course of the last decade. While securities regulators finally reached consensus in July 2018, the proposed restrictions on embedded commissions remain controversial, and many Canadian fund managers and dealers are expected to object to the Proposed Amendments during the 90-day public comment period. In Ontario, the Minister of Finance has discretion to approve or reject any rule proposed by the Ontario Securities Commission (OSC) or return it to the OSC for further consideration.

The Government of Ontario's public criticism of the Proposed Amendments is a significant departure from historical practice that has involved the securities regulators pursuing policy consultation with limited input from the government of the day.

Regardless of the relative merits of the respective positions of the Government of Ontario and the OSC, the events of today raise interesting issues relating to the functioning of the OSC and Canada's established process for national securities rulemaking.