



September 24, 2025

VIA EMAIL

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission of New Brunswick Superintendent of
Securities, Department of Justice and Public Safety, Prince Edward Island Nova Scotia
Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Superintendent of Securities, Nunavut

The Secretary
Ontario Securities Commission
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Me Philippe Lebel
Corporate Secretary and Executive Director,
Legal Affairs, Autorité des marchés financiers
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Re: CSA Notice and Request for Comment – Proposed Amendments to National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations – Prohibition on the Use of Chargebacks in the Distribution of Investment Fund Securities (the “Consultation”)

The Canadian Advocacy Council of CFA Societies Canada (the “CAC”)¹ appreciates the opportunity to provide the following general comments and specific responses to the Consultation questions listed below.

General Comments

The CAC strongly supports the proposed amendments prohibiting the use of chargebacks in the distribution of investment fund securities. We commend the CSA for its comprehensive analysis of the inherent conflicts of interest arising from chargeback

¹ The CAC is an advocacy council for CFA Societies Canada, representing the 12 CFA Institute Member Societies across Canada and over 21,000 Canadian CFA charterholders. The council includes investment professionals across Canada who review regulatory, legislative, and standard setting developments affecting investors, investment professionals, and the capital markets in Canada. Visit www.cfacanada.org to access the advocacy work of the CAC.

As the global association of investment professionals, CFA Institute sets the standard for professional excellence and credentials. The organization is a champion of ethical behaviour in investment markets and serves as the leading source of learning and research for the investment industry. CFA Institute believes in fostering an environment where investors' interests come first, markets function at their best, and economies grow. With more than 200,000 charterholders worldwide across 160 markets, CFA Institute has ten offices and 160 local societies. Find us at www.cfainstitute.org or follow us on LinkedIn and X at @CFAInstitute.



compensation structures and agree unequivocally with the policy outcome of banning these structures, with our preference being to do so as widely and as quickly as is feasible.

The proposed prohibition represents a logical and necessary extension of the regulatory framework that previously banned deferred sales charges. As we have consistently argued in our previous submissions to securities and insurance regulators, upfront compensation structures create fundamental and irresolvable conflicts between financial intermediaries and their clients. The CSA's recognition that chargebacks "give rise to an inherent conflict of interest because the dealing representative may be influenced to put their interests ahead of their client's interests" aligns precisely with the conflict identification anchoring our longstanding position.

We particularly appreciate the CSA's proactive approach in addressing this issue before chargebacks become entrenched as widespread investment industry practice. The six-month implementation timeline is adequate, and recognizes the need for swift action and the fundamentally problematic conception of this compensation scheme. While we recognize the appropriateness of this policy move, we would also urge regulators to investigate whether use of these structures was a violation of overriding client duties in NI 31-103 and elsewhere in securities regulation and law, and whether enforcement action is warranted. We are deeply concerned as to how registrants could see and justify use of these structures as consistent with their fundamental duties to client interests, and their overriding regulatory and legal obligations.

Specific Questions

1. Should securities of investment funds that are non-reporting issuers also be subject to the proposed ban on the use of chargebacks? Why?

Yes, securities of non-reporting issuer investment funds should also be subject to the proposed ban. The conflicts of interest identified by the CSA are equally problematic regardless of the regulatory classification/reporting status of the investment fund. Limiting the prohibition to reporting issuers creates an artificial distinction that does not address the underlying and universal investor protection concerns.

2. Are there other types of securities that should be subject to the proposed ban on the use of chargebacks? Why?

We believe all investment fund securities should be subject to the chargeback prohibition, including scholarship plan dealer products and other investment fund structures. Products distributed under securities regulation which are fund-like but do not fall within the definition of an investment fund should have similar bans adapted and applied. The fundamental conflict—that dealing or advising representatives may prioritize their compensation recovery over client interests—exists across all investment fund types, and similarly sold fund-like securities. Additionally, as insurance sector products increasingly blur the lines with securities products, regulatory consistency becomes crucial to prevent arbitrage between sectors offering similar investment vehicles and industry compensation structures. We would encourage examination of similar



compensation structures relating to structured products should they exist, and proactive collaboration with corresponding regulatory agencies wherever these compensation structures exist beyond the remit of securities regulators.

Concluding Remarks

While we strongly support these proposed amendments, we view this ban as only a waypoint in our continued pursuit of ending conflict-ridden and problematic compensation structures in the investment industry. We encourage the CSA to continue monitoring compensation practices that may compromise the alignment of interests between registrants and investors, and to take swift regulatory action where conflicts are identified.

We thank you for the opportunity to provide these comments and would be happy to address any questions you may have. Please feel free to contact us at cac@cfacanada.org on this or any other issue in the future.

(Signed) *The Canadian Advocacy Council of
CFA Societies Canada*

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