

Dealer Rebate

What is the dealer rebate?

The *dealer rebate* represents the amount that an order execution only (OEO) dealer, such as NBDB, will give a client for investment funds with trailing commissions held in an account without advice. This amount will be the amount of trailing commission that the investment fund manager (IFM) will pay the dealer, as long as the client holds the fund.

For what reasons will NBDB grant such a rebate?

In order to ensure a transition in connection with the prohibition on the payment of trailing commissions resulting from the amendments to *National Instrument 81-105 Mutual Fund Sales Practices* (NI 81-105), which came into effect on June 1st, 2022, the Canadian Securities Administrators have authorized the implementation of dealer rebates granted by the dealer. Accordingly, NBDB will grant a rebate for funds with trailing commissions in certain circumstances.

Under what circumstance will I receive a rebate?

You will receive a rebate from NBDB if you hold an investment fund with trailing commissions in your account, and no redemption for that fund is possible, and no management fee rebate is granted by the IFM.

How will the rebate amount be calculated?

The amount of the rebate granted by NBDB, which will be paid to you, will correspond to the amount of trailing commissions that NBDB will receive from the IFM, for the units held in your account.

How will the rebate payment be made?

NBDB will proceed with the payment of the rebate, by depositing in cash the amount thereof, in the account in which you hold the fund.

What will be the payment frequency?

NBDB will deposit the rebate in your account, as soon as possible, after receipt of the trailing commissions, paid by the IFM. As a guideline, most IFMs make monthly payments to dealers. Therefore, the rebate granted by NBDB will often be made monthly.

Where can I view the rebate payment?

You will be able to see the deposit of the rebate in your account activity history, via the online brokerage platform, the day after the deposit. This transaction will also appear on your next portfolio statement in the “Cash Flow Summary” and the “Activity Details” sections.

What will be the tax impact of this rebate?

We remind you that NBDB does not provide tax advice. Consequently, we invite you to consult a tax specialist or any other expert as to the tax treatment applicable to this rebate. Please note that no tax slip will be issued for this rebate.

Transfers

It should be noted that the prohibition on the payment of trailing commissions resulting from the amendments to NI 81-105 means that funds with trailing commissions should not be transferred to accounts without advice.

What happens if I transfer an account that includes a fund with trailing commissions?

- If a switch to a series of the same fund with no trailing commissions is not possible, and no management fee rebate is granted by the IFM, you will receive a rebate from NBDB as indicated above.
- If a series of the same fund with no trailing commissions is available and the fund has no redemption fee¹, NBDB will switch your fund within days of the transfer:
 - Trade confirmations will be issued for the sale of the trailing commission series of the fund and the purchase of the equivalent series of the non-trailing commission series, as soon as possible;
 - These transactions will be reflected on your account activity history as well as in your next portfolio statement;
 - You will be able to view all the information about the series of the fund without trailing commission on the Fund Facts that will accompany the trade confirmation of the purchase transaction.
- If a series of the same fund with no trailing commissions is available but the fund is subject to a redemption fee:
 - If applicable, NBDB will switch the units of the fund that are no longer subject to the redemption fee within one month of the transfer. You will then receive a rebate for the portion of the units that could not be switched²; or
 - NBDB will pay you a rebate for all units held if no switch can be made, i.e. no units have reached the maturity date allowing a free redemption³.
 - If NBDB makes a partial switch, you will be informed via the trade confirmations, the account activity history and the next portfolio statement, as noted above.
- In any case, you will not be able to purchase any additional units of the fund with trailing commissions that you held, following the transfer of your account with NBDB.

If you have any questions, please do not hesitate to contact one of our representatives Monday to Friday, 8 a.m. to 6 p.m. ET at 1-800-363-3511.

¹ Effective June 1, 2022, CSA regulations prohibit redemption fees for investment funds. Some funds purchased prior to this prohibition have a redemption fee (deferred sales charge) that investors must pay when they sell units of the fund. Some funds allow the redemption of an annual pre-established percentage of units at no charge, usually 10%. This redemption fee decreases progressively based on the number of years the units were held.

² Please note that as a result of this partial switch, you will hold two (2) series of the same fund in your account: one series with trailing commissions and one series without trailing commissions.

³ Please note that NBDB will be validating the maturity dates of the redemption fees on a recurring basis. Therefore, it is possible that a switch of a portion of your fund may be made by BNCD during the year. As indicated in Note 2, following a partial switch, you will hold two (2) series of the same fund in your account.