

DATE: May 27, 2019 **N° 2019-08**
CATEGORY: **INVESTMENTS**
TO: Managing General Agents, Associate General Agents, Advisors,
General Agents, Independent Financial Advisors and National Accounts
SUBJECT: **Sell/Buys in an Investment Contract**

This information circular applies to Empire Class Segregated Funds, Class Plus 2.1, Class Plus 3.0 and Empire Life Guaranteed Investment Fund Contracts. Sell/Buy transactions are not allowed in Class Plus & Class Plus 2 as these products are closed to new deposits.

The purpose of this information circular is to clarify the administrative rules for sell/buy transactions that occur within the above mentioned contracts.

A sell/buy transaction is when funds are moved from one purchase fee option to another. Funds moving from one purchase fee option to the same purchase fee option are always processed as a switch.

Sell/buy transactions are a two day process – the sell transaction occurs on day one and the buy transaction occurs on day two.

The only sell/buy transaction allowed is from Deferred Sales Charge (DSC) to Front End Load (FE). The FE Load % must be 0.

The following transactions are not permitted:

- DSC to No Load (NL)
- DSC to Low Load (LL)
- FE to LL
- FE to DSC
- FE to NL
- LL to FE
- LL to NL
- LL to DSC
- NL to FE
- NL to LL
- NL to DSC

DSC to FE Sell/Buy Transactions

- Applies to the amount available under the free withdrawal limit only (10% for non-registered, registered, and Tax Free Savings Accounts and 20% for Registered Retirement Income Funds)
- Matured dollar amounts cannot be sold and bought within the same contract
- Contracts must be open to new deposits (e.g. No Class Plus)

- The buy amount must be within current deposit limits for that contract (e.g. Class Plus 2.1)
- The buy must be made prior to the last age to deposit for the plan

Impacts of Sell/Buy within the same Contract

Maturity & Death Benefit Guarantees

The customer's maturity and death benefit guarantees are adjusted for sell/buy transactions. The guarantees are reduced proportionately for the sell and then increased on a dollar-for-dollar basis for the buy.

If the fund class units held within the contract are Class C, D or the contract is a GIF 100/100, there must be at least 15 years to the maturity date in order to receive the 100% maturity guarantee on the buy.

Guaranteed Minimum Withdrawal Benefit (GMWB)

A sell/buy transaction within an eligible GMWB contract (Class Plus 2.1 and 3.0) could be detrimental to a customer. The customer would not qualify for an Income Base Bonus and their Lifetime Withdrawal Amount (LWA) could be reduced.

Tax

A sell from a non-registered contract may result in a gain or a loss as this is a taxable disposition.

Reference

Stephanie Wisniewski, Director, Operations