

## REGULATION TO AMEND REGULATION 81-101 RESPECTING MUTUAL FUND PROSPECTUS DISCLOSURE

Securities Act

(chapter V-1.1, s. 331.1, par. (1), (2), (3), (11), (14) and (34))

1. Section 1.1 of Regulation 81-101 respecting Mutual Fund Prospectus Disclosure (chapter V-1.1, r. 38) is amended:

(1) by inserting, after the definition of the expression “Aequitas personal information form”, the following:

““automatic switch” means a purchase of securities of a class or series of securities of a mutual fund immediately following a redemption of the same value of securities of another class or series of securities of that mutual fund, if the only material differences in respect of the two classes or series are all of the following:

- (a) a difference in the rate of management fees for the two classes or series;
- (b) a difference in the purchaser’s minimum investment amounts for the two classes or series;

““automatic switch program” means a contract or other arrangement under which automatic switches on predetermined dates are made for a purchaser of securities of a class or series of a mutual fund as a result of the purchaser

- (a) satisfying the minimum investment amount of that class or series, and
- (b) failing to satisfy the minimum investment amount for the class or series of securities of the mutual fund that were subject to the automatic switch, in whole or in part, because securities of the class or series were previously redeemed;”;

(2) by inserting, after the definition of the expression “personal information form”, the following:

““portfolio rebalancing plan” means a contract or other arrangement, which can be terminated at any time, under which a purchaser

- (a) selects
  - (i) a portfolio of securities of two or more mutual funds, and
  - (ii) target weightings for each of those mutual funds, and
- (b) on predetermined dates, purchases or redeems those securities as required to bring the holdings of each of those securities to the applicable target weighting;”.

2. Section 3.2.01 of the Regulation is amended, in paragraph (4):

(1) by replacing subparagraph (ii) of subparagraph (a) with the following:

“(ii) delivered or sent to the purchaser in accordance with section 3.2.02 and the conditions set out in that section are satisfied;”;

(2) by inserting, after subparagraph (b), the following:

- “(c) section 3.2.04 applies, or
- “(d) section 3.2.05 applies and the conditions set out in that section are satisfied.”.

3. Sections 3.2.03 to 3.2.05 of the Regulation are replaced with the following:

**“3.2.03. Delivery of Fund Facts for Subsequent Purchases Under a Pre-authorized Purchase Plan or a Portfolio Rebalancing Plan**

Despite subsection 3.2.01(1), a dealer is not required to deliver or send the fund facts document to a purchaser in connection with a purchase of a security of a class or series of securities of a mutual fund made pursuant to a pre-authorized purchase plan or a portfolio rebalancing plan if all of the following apply:

- (a) the purchase is not the first purchase under the plan;
- (b) the dealer has provided a notice to the purchaser that states,
  - (i) subject to paragraph (c), the purchaser will not receive a fund facts document after the date of the notice, unless the purchaser specifically requests it,
  - (ii) the purchaser is entitled to receive upon request, at no cost to the purchaser, the most recently filed fund facts document by calling a specified toll-free number, or by sending a request by mail or e-mail to a specified address or e-mail address,
  - (iii) how to access the fund facts document electronically,
  - (iv) the purchaser will not have a right of withdrawal under securities legislation for subsequent purchases of a security of a mutual fund under the plan, but will continue to have a right of action if there is a misrepresentation in the prospectus or any document incorporated by reference into the prospectus, and
- (v) the purchaser may terminate the plan at any time;
- (c) at least annually during the term of the plan, the dealer notifies the purchaser in writing of how the purchaser can request the most recently filed fund facts document;
- (d) the dealer delivers or sends the most recently filed fund facts document to the purchaser if the purchaser requests it.

**“3.2.04. Delivery of Fund Facts for Managed Accounts and Permitted Clients**

Despite subsection 3.2.01(1), a dealer is not required to deliver or send to the purchaser of a security of a mutual fund the most recently filed fund facts document for the applicable class or series of securities of the mutual fund in connection with the purchase of a security of the mutual fund if either of the following apply:

- (a) the purchase is made in a managed account;
- (b) the purchaser is a permitted client that is not an individual.

**“3.2.05. Delivery of Fund Facts for Automatic Switch Programs**

Despite subsection 3.2.01(1), a dealer is not required to deliver or send to the purchaser of a security of a class or series of securities of a mutual fund the most recently filed fund facts document for the applicable class or series of securities of the mutual fund in connection with the purchase of a security of the mutual fund made pursuant to an automatic switch in an automatic switch program if all of the following apply:

- (a) the purchase is not the first purchase under the automatic switch program;
- (b) the dealer has provided a notice to the purchaser that states,
  - (i) subject to paragraph (c), the purchaser will not receive a fund facts document after the date of the notice, unless the purchaser specifically requests it,

(ii) the purchaser is entitled to receive upon request, at no cost to the purchaser, the most recently filed fund facts document by calling a specified toll-free number, or by sending a request by mail or e-mail to a specified address or e-mail address,

(iii) how to access the fund facts document electronically, and

(iv) the purchaser will not have a right of withdrawal under securities legislation for subsequent purchases of a security of a mutual fund under the automatic purchase program, but will continue to have a right of action if there is a misrepresentation in the prospectus or any document incorporated by reference into the prospectus;

(c) at least annually, the dealer notifies the purchaser in writing of how the purchaser can request the most recently filed fund facts document;

(d) the dealer delivers or sends the most recently filed fund facts document to the purchaser if the purchaser requests it;

(e) for the first purchase under the automatic switch program, the fund facts document delivered to the purchaser contains all of the following disclosure modifications to Form 81-101F3 for all the classes or series of securities of the mutual fund in the automatic switch program:

(i) General Instructions (10) and (16), to permit the fund facts document to be the fund facts document for, and disclose information relating to, each of the classes or series of the mutual fund in the automatic switch program;

(ii) Item 1 (c.1) of Part I, to permit the fund facts document to name each of the classes or series of the mutual fund in the automatic switch program in the heading;

(iii) Item 1(e) of Part I, to permit the fund facts document to name all the class or series of securities of the mutual fund in the automatic switch program in the introduction to the fund facts document;

(iv) Instruction (0.1) of Item 2 of Part I, to permit the fund facts document to identify the fund codes of each of the classes or series of securities of the mutual fund in the automatic switch program;

(v) Instruction (1) of Item 2 of Part I, to permit the fund facts document to list the date that each of the classes or series of the mutual fund in the automatic switch program first became available to the public;

(vi) Instruction (3) of Item 2 of Part I, to permit the fund facts document to disclose the management expense ratio of only the class or series of securities of the mutual fund in the automatic switch program with the highest management fee;

(vii) Instruction (6) of Item 2 of Part I, to permit the fund facts document to specify the minimum investment amount and the additional investment amount for only the class or series of securities of the mutual fund in the automatic switch program with the highest management fee;

(viii) General Instruction (8), to permit the fund facts document to include a footnote under the “Quick Facts” table that does all of the following:

(A) states that the fund facts document pertains to all of the classes or series of securities of the mutual fund in the automatic switch program;

(B) cross-references the “How much does it cost?” section of the fund facts document for further details about the automatic switch program;

(C) cross-references the fee decrease table under the sub-heading “Fund expenses” of the fund facts document for further details about the minimum

investment amount applicable to each of the classes or series of securities of the mutual fund in the automatic switch program;

(D) cross-references the “Fund expenses” section of the fund facts document for the management expense ratio of each of the classes or series of securities of the mutual fund in the automatic switch program;

(ix) Item 5(1) of Part I, to permit the fund facts document to do all of the following:

(A) reference only the class or series of securities of the mutual fund with the highest fees in the introduction under the heading “How has the fund performed?”;

(B) include, as a part of the introduction, disclosure explaining that the performance for each of the classes or series of securities of the mutual fund in the automatic switch program would be similar to the performance of the class or series of securities of the mutual fund with the highest management fee, but would vary as a result of the difference in fees, as set out in the fee decrease table under the sub-heading “Fund expenses”;

(x) Instruction (4) of Item 5 of Part I, to permit the fund facts document to show the required performance data under the sub-headings “Year-by-year returns,” “Best and worst 3-month returns,” and “Average return” relating only to the class or series of securities of the mutual fund with the highest management fee;

(xi) Item 1(1.1) of Part II, to permit the fund facts document to do all of the following:

(A) refer to all of the classes and series of securities of the mutual fund in the automatic switch program in the introductory statement under the heading “How much does it cost?”;

(B) include, as a part of the introductory statement, a summary of the automatic switch program, consisting of all of the following:

(I) a statement explaining that the automatic switch program offers separate classes or series of securities of a mutual fund that charge progressively lower management fees;

(II) a statement explaining the scenarios in which the automatic switches will be made, and including automatic switches made due to the purchaser no longer meeting the minimum investment amount for a particular class or series of securities of the mutual fund;

(III) a statement explaining that a purchaser will not pay higher management fees than those charged to the class or series of securities of the mutual fund with the highest management fee as a result of the automatic switches;

(IV) a cross-reference to the fee decrease table under the sub-heading “Fund expenses”;

(V) a cross-reference to specific sections of the simplified prospectus of the mutual fund for more details about the automatic switch program;

(VI) a statement disclosing that purchasers should speak to their representative for more details about the automatic switch program;

(xii) Instruction (1) of Item 1 of Part II, to permit the fund facts document to refer to all of the classes or series of securities of the mutual fund in the automatic switch program in the introduction under the sub-heading “Sales charges”, if applicable;

(xiii) Item 1(1.3)(2) of Part II, to permit the fund facts document, where the mutual fund is not new, to do all of the following:

(A) disclose the management expense ratio and fund expenses of each of the classes or series of securities of the mutual fund in the automatic switch program, and where certain information is not available for a particular class or series of securities, to state “not available” in the corresponding part of the table;

(B) add a row in the table

(I) in which the first column states “For every \$1,000 invested, this equals:”, and

(II) which discloses the respective equivalent dollar amounts of the fund expenses of each class or series of securities of the mutual fund in the automatic switch program included in the table for each \$1,000 investment;

(xiv) Item 1(1.3)(3) of Part II, to permit the fund facts document, where all the classes or series of securities of the mutual fund in the automatic switch program are not new, to include, instead of the mandated statement above the fund expenses table, all of the following:

(A) a statement explaining that the class or series of securities of the mutual fund with the highest management fee has the highest management fee among all of the classes or series of securities of the mutual fund in the automatic switch program;

(B) a statement stating “As of [the date of the most recently-filed management report of fund performance], the fund expenses were as follows:”;

(xv) Item 1(1.3)(3) of Part II, to permit the fund facts document, where some of the classes or series of securities of the mutual fund in the automatic switch program are new, to include, instead of the mandated statement above the fund expenses table, all of the following:

(A) a statement explaining that the class or series of securities of the mutual fund with the highest management fee has the highest management fee among all of the classes or series of securities of the mutual fund in the automatic switch program;

(B) a statement disclosing that the fund expenses information below is not available for certain classes or series of securities of the mutual fund in the automatic switch program because they are new, as indicated below;

(C) a statement stating “As of [the date of the most recently filed management report of fund performance], the fund expenses were as follows:”;

(xvi) Item 1(1.3)(4) of Part II, to permit the fund facts document, where the mutual fund is new, to do all of the following:

(A) include disclosure explaining that the class or series of securities of the mutual fund with the highest management fee has the highest management fee among all of the classes or series of securities of the mutual fund in the automatic switch program;

(B) disclose the rates of the management fee of only the class or series of securities of the mutual fund with the highest management fee;

(C) for only the class or series of securities of the mutual fund with the highest management fee, disclose that the operating expenses and trading costs are not yet available because it is new;

(xvii) General Instruction (8), to permit the fund facts document to include, at the end of the disclosure under the sub-heading “Fund expenses”, all of the following:

(A) a table that discloses

(I) the name of, and minimum investment amounts associated with, each of the class or series of securities of the mutual fund in the automatic switch program, and

(II) the combined management and administration fee decrease of each of the class or series of securities of the mutual fund in the automatic switch program from the management fee of the class or series of securities of the mutual fund with the highest management fee, shown in percentage terms;

(B) an introduction to the table stating that the table sets out the combined management and administration fee decrease of each of the classes or series of the mutual fund in the automatic switch program from the management fee of the class or series of securities of the mutual fund with the highest management fee.”.

4. The Regulation is amended by inserting, after section 3.2.05, the following:

**“3.2.06. Electronic Delivery of the Fund Facts Document**

(1) If the purchaser of a security of a mutual fund consents, a fund facts document that may be or is required to be delivered or sent under this Part may be delivered or sent electronically.

(2) For the purposes of subsection (1), a fund facts document may be delivered or sent to the purchaser by means of an e-mail that contains either of the following:

- (a) the fund facts document as an attachment;
- (b) a hyperlink that leads directly to the fund facts document.”.

5. Section 5.2 of the Regulation is amended by replacing, wherever they appear in paragraph (4), “ 3.2.04” with “3.2.05”.

6. Form 81-101F3 of the Regulation is amended:

(1) by replacing General Instruction (10) with the following:

*“(10) Unless the exception in section 3.2.05(e) of Regulation 81-101 respecting Mutual Fund Prospectus Disclosure applies, a fund facts document must disclose information about only one class or series of securities of a mutual fund. Mutual funds that have more than one class or series that are referable to the same portfolio of assets must prepare a separate fund facts document for each class or series.”;*

(2) in part I:

(a) in item 3:

(i) by replacing paragraphs (4) and (5) with the following:

“(4) Unless the mutual fund is a newly established mutual fund, include under the sub-heading “Top 10 investments [date]”, a table that discloses all of the following:

- (a) the top 10 positions held by the mutual fund, each expressed as a percentage of the net asset value of the mutual fund;
- (b) the percentage of net asset value of the mutual fund represented by the top 10 positions;
- (c) the total number of positions held by the mutual fund.

“(5) Unless the mutual fund is a newly established mutual fund, under the sub-heading “Investment mix [date]” include at least one, and up to two, charts or tables that illustrate the investment mix of the mutual fund’s investment portfolio.”;

(ii) by inserting, after paragraph (5), the following:

“(6) For a newly established mutual fund, state the following under the sub-headings “Top 10 investments [date]” and “Investment mix [date]”:

“This information is not available because this fund is new.”;

(b) in item 4:

(i) by replacing paragraph (3) with the following:

“(3) If the mutual fund does not have any guarantee or insurance, under the sub-heading “No guarantees”, state using wording substantially similar to the following:

“Like most mutual funds, this fund doesn’t have any guarantees. You may not get back the amount of money you invest.”;

(ii) by inserting, after paragraph (3), the following:

“(4) If the mutual fund has an insurance or guarantee feature protecting all or some of the principal amount of an investment in the mutual fund, under the sub-heading “Guarantees” do all of the following:

(a) identify the person providing the guarantee or insurance;

(b) provide a brief description of the material terms of the guarantee or insurance, including the maturity date of the guarantee or insurance.

“(5) Under the sub-heading “Average return”,

(a) for a mutual fund that has completed at least 12 consecutive months, show all of the following:

(i) the final value of a hypothetical \$1000 investment in the mutual fund as at the end of the period that ends within 60 days before the date of the fund facts document and consists of the lesser of

(A) 10 years, and

(B) the time since inception of the mutual fund;

(ii) the annual compounded rate of return that equates the hypothetical \$1000 investment to the final value,

(b) for a mutual fund that has not yet completed 12 consecutive months, state the following:

“This section shows the value and annual compounded rate of return of a hypothetical \$1,000 investment in [name of class/series of securities described in the fund facts document] [units/shares] of the fund. However, this information is not available because the fund has not yet completed 12 consecutive months.”; and

(c) for a newly established mutual fund, state the following:

“This section shows the value and annual compounded rate of return of a hypothetical \$1,000 investment in [name of class/series of securities described in the fund facts document] [units/shares] of the fund. However, this information is not available because the fund is new.”;

(c) in item 5:

(i) by replacing paragraph (1) with the following:

“(1) Unless the mutual fund is a newly established mutual fund, under the heading “How has the fund performed?”, include an introduction using wording substantially similar to the following:

“This section tells you how [name of class/series of securities described in the fund facts document] [units/shares] of the fund have performed over the past [insert number of calendar years shown in the bar chart required under paragraph (2)(a)] years. Returns are after expenses have been deducted. These expenses reduce the fund’s returns.”;

(ii) by inserting, after paragraph (1), the following:

“(1.1) For a newly established mutual fund, under the heading “How has the fund performed?”, include an introduction using the following wording:

“This section tells you how [name of class/series of securities described in the fund facts document] [units/shares] of the fund have performed. However, this information is not available because the fund is new.”;

(iii) by replacing paragraphs (2) and (3) with the following:

“(2) Under the sub-heading “Year-by-year returns”,

(a) for a mutual fund that has completed at least one calendar year, do all of the following:

(i) provide a bar chart that shows the annual total return of the mutual fund, in chronological order with the most recent year on the right of the bar chart, for the lesser of

(A) each of the 10 most recently completed calendar years, and

(B) each of the completed calendar years in which the mutual fund has been in existence and which the mutual fund was a reporting issuer;

(ii) include an introduction to the bar chart using wording substantially similar to the following:

“This chart shows how [name of class/series of securities described in the fund facts document] [units/shares] of the fund performed in each of the past [insert number of calendar years shown in the bar chart required under paragraph (a)]. The fund dropped in value in [for the particular years shown in the bar chart required under paragraph (a), insert the number of years in which the value of the mutual fund dropped] of the [insert number of calendar years shown in the bar chart required in paragraph (a)] years. The range of returns and change from year to year can help you assess how risky the fund has been in the past. It does not tell you how the fund will perform in the future.”;

(b) for a mutual fund that has not yet completed a calendar year, state the following:

“This section tells you how [name of class/series of securities described in the fund facts document] [units/shares] of the fund have performed in past calendar years. However, this information is not available because the fund has not yet completed a calendar year.”; and

(c) for a newly established mutual fund, state the following:

“This section tells you how [name of class/series of securities described in the fund facts document] [units/shares] of the fund have performed in past calendar years. However, this information is not available because the fund is new.”;

“(3) Under the sub-heading “Best and worst 3-month returns”,



(a) for a mutual fund that has completed at least one calendar year, do all of the following:

(i) provide information for the period covered in the bar chart required under paragraph (2)(a) in the form of the following table:

	<b>Return</b>	<b>3 months ending</b>	<b>If you invested \$1,000 at the beginning of the period</b>
Best return	<i>(see instruction 8)</i>	<i>(see instruction 10)</i>	<i>Your investment would [rise/drop] to (see instruction 12).</i>
Worst return	<i>(see instruction 9)</i>	<i>(see instruction 11)</i>	<i>Your investment would [rise/drop] to (see instruction 13).</i>

(ii) include an introduction to the table using wording substantially similar to the following:

“This table shows the best and worst returns for the [name of class/series of securities described in the fund facts document] [units/shares] of the fund in a 3-month period over the past [insert number of calendar years shown in the bar chart required under paragraph (2)(a)]. The best and worst 3-month returns could be higher or lower in the future. Consider how much of a loss you could afford to take in a short period of time.”;

(b) for a mutual fund that has not yet completed a calendar year, state the following:

“This section shows the best and worst returns for the [name of class/series of securities described in the fund facts document] [units/shares] of the fund in a 3-month period. However, this information is not available because the fund has not yet completed a calendar year.”; and

(c) for a newly established mutual fund, state the following:

“This section shows the best and worst returns for the [name of class/series of securities described in the fund facts document] [units/shares] of the fund in a 3-month period. However, this information is not available because the fund is new.”;

(iv) by deleting instruction (5).

## **7. Expiration of exemptions and waivers**

Any exemption from or waiver of a provision of the Regulation in relation to fund facts document delivery requirements for mutual funds in a portfolio rebalancing plan or an automatic switch program expires on *(indicate here the date of expiry of the exemption or waiver)*.

## **8. Transition for portfolio rebalancing plans**

(1) For the purposes of section 3.2.03 of the Regulation, as enacted by section 3 of this Regulation, the first purchase of a security of a mutual fund made pursuant to a portfolio rebalancing plan or an automatic switch program on or after *(indicate the date here)*, is considered to be the first purchase transaction under the plan or program, respectively.

(2) Paragraph (1) does not apply to a portfolio rebalancing plan or an automatic switch program established prior to *(indicate the date here)* if a notice in a form substantially similar to the notice contemplated under paragraph 3.2.03(c) or 3.2.05(c) of the Regulation, as enacted by section 3 of this Regulation, was delivered or sent to the purchaser between *(indicate here the date that is one year prior to the date of coming into force of this Regulation)* and *(indicate the date here)*.

## **9. Effective date**

(1) Subject to paragraph (2), this Regulation comes into force on *(indicate here the date of coming into force of this Regulation)*.

(2) The provisions of this Regulation listed in column 1 of the following table come into force on the date set out in column 2 of the table:

<b>Column 1: Provisions of this Regulation</b>	<b>Column 2: Date</b>
Sections ●	●