

CANADIAN SECURITIES ADMINISTRATORS STAFF NOTICE 81-321

EARLY USE OF THE FUND FACTS TO SATISFY PROSPECTUS DELIVERY REQUIREMENTS

Purpose

The Canadian Securities Administrators (the CSA or we) anticipate that we may begin receiving applications for exemptive relief to allow the early use of the Fund Facts to satisfy the current prospectus delivery requirements. This Notice provides guidance on key terms and conditions that the CSA will look for when considering these types of applications.

Background

On June 16, 2010, we published CSA Staff Notice 81-319 *Status Report on the Implementation of Point of Sale Disclosure for Mutual Funds* (the Staff Notice). The Staff Notice outlined the CSA's decision to implement the point of sale disclosure framework in three stages. The CSA has begun its work on stage 2 of the implementation.

The Staff Notice specified that while work on stage 2 is underway, the CSA would consider applications for exemptive relief to permit the early use of the Fund Facts to satisfy the current prospectus delivery requirements. It also stated that the CSA would publish a staff notice in early 2011 that sets out the key terms and conditions the CSA anticipates requiring as part of any exemption.

Stage 1 was completed on January 1, 2011 when amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (the Instrument) came into force. The Instrument, which was published on October 6, 2010, contains the requirements to produce and file the Fund Facts document and for it to be made available on the mutual fund's or mutual fund manager's website. The Fund Facts document must also be delivered or sent to investors free of charge upon request.

The Fund Facts document is a new summary disclosure document and is central to the point of sale disclosure framework. It highlights key information for investors, including fund performance, risk and the costs of buying and owning a fund, in a short, easy-to-read document that is no more than two pages, double-sided, in length.

Stage 2 involves publishing for comment proposed amendments to allow delivery of the Fund Facts to satisfy the current prospectus delivery requirements under securities legislation to deliver a prospectus within two days of buying a mutual fund. The CSA expects to publish the proposed amendments in mid-2011.

In stage 3, after completing our review and consideration of the issues related to point of sale delivery, we will publish for further comment any proposed requirements that would implement point of sale delivery for mutual funds. We will also be considering point of sale delivery for other types of publicly offered investment funds.

Terms and conditions for exemptive relief

Set out below are the key terms and conditions that the CSA anticipates requiring as part of an exemption to allow the early use of the Fund Facts to satisfy the current prospectus delivery requirements. The CSA may also consider other terms and conditions as part of its review of an application.

Filing requirements

- The mutual fund must file a Fund Facts in compliance with Form 81-101F3 *Contents of Fund Facts Document*.
- An amendment to the simplified prospectus (SP) must be filed to specify, under Item 3 of Part A of Form 81-101F1 *Contents of Simplified Prospectus*, that the Fund Facts is incorporated by reference into the SP.
- A mutual fund must continue to file the SP and annual information form (AIF), as required by securities legislation.

Availability of documents

- The Fund Facts must continue to be made available to investors on the mutual fund's or mutual fund manager's website and delivered or sent to investors free of charge upon request.
- A mutual fund's SP and AIF must continue to be delivered or sent to investors free of charge upon request.

Delivery requirements

- A Fund Facts must be delivered in accordance with the current prospectus delivery requirements under securities legislation.
- The current withdrawal and rescission rights under securities legislation that apply to delivery of, and failure to deliver, the prospectus will apply to delivery of, and failure to deliver, the Fund Facts. These rights must be disclosed in or with the Fund Facts.
- A Fund Facts may only be bound with other Fund Facts that are being delivered at the same time within the current prospectus delivery requirements for mutual funds purchased by the investor.

Expiry of exemptive relief

- Any exemptive relief granted will expire upon the coming into force of any legislation or rules relating to delivery of the Fund Facts to satisfy the prospectus delivery requirements under securities legislation. This is commonly referred to as a "sunset clause".

For more information

Applicants and their counsel are encouraged to contact CSA staff at an early stage in the planning of an application for exemptive relief to discuss the terms and conditions set out in the Notice.

Questions

If you have any questions, please contact:

Christopher Birchall
Senior Securities Analyst
Corporate Finance
British Columbia Securities Commission
Phone: 604-899-6722
E-mail: cbirchall@bcsc.bc.ca

Bob Bouchard
Director and Chief Administration Officer
Manitoba Securities Commission
Phone: 204-945-2555
E-mail: Bob.Bouchard@gov.mb.ca

Josée Deslauriers
Director, Investment Funds and Continuous Disclosure
Autorité des marchés financiers
Phone: 514-395-0337 ext. 4371
E-mail: josee.deslauriers@lautorite.qc.ca

Daniela Follegot
Legal Counsel, Investment Funds Branch
Ontario Securities Commission
Phone: 416-593-8129
E-mail: dfollegot@osc.gov.on.ca

Rhonda Goldberg
Director, Investment Funds Branch
Ontario Securities Commission
Phone: 416-593-3682
E-mail: rgoldberg@osc.gov.on.ca

George Hungerford
Senior Legal Counsel, Legal Services, Corporate Finance
British Columbia Securities Commission
Phone: 604-899-6690
Email: ghungerford@bcsc.bc.ca

Ian Kerr
Senior Legal Counsel, Corporate Finance
Alberta Securities Commission
Phone: 403-297-4225
E-mail: Ian.Kerr@asc.ca

Stephen Paglia
Legal Counsel, Investment Funds Branch
Ontario Securities Commission
Phone: 416-593-2393
E-mail: spaglia@osc.gov.on.ca