

1.1.5 **OSC Notice of Local Amendments to National Instrument 41-101 General Prospectus Requirements, National Instrument 81-106 Investment Fund Continuous Disclosure, National Instrument 81-107 Independent Review Committee for Investment Funds and Local Changes to Companion Policy 81-101 Mutual Fund Prospectus Disclosure and Commentary in National Instrument 81-107 Independent Review Committee for Investment Funds**

**OSC NOTICE OF
LOCAL AMENDMENTS TO
NATIONAL INSTRUMENT 41-101 *GENERAL PROSPECTUS REQUIREMENTS*,
NATIONAL INSTRUMENT 81-106 *INVESTMENT FUND CONTINUOUS DISCLOSURE*,
NATIONAL INSTRUMENT 81-107 *INDEPENDENT REVIEW COMMITTEE FOR INVESTMENT FUNDS*
AND
LOCAL CHANGES TO
COMPANION POLICY 81-101 *MUTUAL FUND PROSPECTUS DISCLOSURE AND COMMENTARY IN*
NATIONAL INSTRUMENT 81-107 *INDEPENDENT REVIEW COMMITTEE FOR INVESTMENT FUNDS***

January 13, 2022

Introduction

The Ontario Securities Commission (the **OSC**) is adopting

- local amendments to National Instrument 41-101 *General Prospectus Requirements* (**NI 41-101**),
- local amendments to National Instrument 81-106 *Investment Fund Continuous Disclosure* (**NI 81-106**), and
- local amendments to National Instrument 81-107 *Independent Review Committee for Investment Funds* (**NI 81-107**)

in Ontario (collectively, the **Local Amendments**), and

- local changes to Companion Policy 81-101 *Mutual Fund Prospectus Disclosure* (**81-101CP**), and
- local changes to the commentary in NI 81-107

in Ontario (collectively, the **Local Changes**).

The text of the Local Amendments is contained in Annexes A, C and D of this Notice. The text of the Local Changes is contained in Annexes B and E of this Notice. The text of the Local Amendments and Local Changes will also be available on website of the OSC at www.osc.ca.

The Local Amendments and Local Changes constitute non-material housekeeping revisions.

Background

Reducing Regulatory Burden for Investment Fund Issuers – Phase 2, Stage 1

On October 7, 2021, the Canadian Securities Administrators (**CSA**) published *CSA Notice of Amendments Reducing Regulatory Burden for Investment Fund Issuers – Phase 2, Stage 1* (the **Project RID Notice**). The final amendments and final changes set out in the Project RID Notice (the **Project RID Amendments and Changes**) implement the following eight initiatives, or Workstreams, to reduce the regulatory burden on investment fund issuers:

- Workstream One: Consolidate the Simplified Prospectus and the Annual Information Form;
- Workstream Two: Mandate that each Reporting Issuer Investment Fund have a Designated Website;
- Workstream Three: Codify Exemptive Relief Granted in Respect of Notice-and-Access Applications;
- Workstream Four: Minimize Filings of Personal Information Forms;
- Workstream Five: Codify Exemptive Relief Granted in Respect of Conflicts Applications;
- Workstream Six: Broaden Pre-Approval Criteria for Investment Fund Mergers;
- Workstream Seven: Repeal Regulatory Approval Requirements for a Change of Manager, a Change of Control of a Manager, and a Change of Custodian that Occurs in Connection with a Change of Manager;

- Workstream Eight: Codify Exemptive Relief Granted in Respect of the Fund Facts Delivery Requirement and Corresponding Exemptions from the ETF Facts Delivery Requirement.

Workstreams 3-8 have an effective date of January 5, 2022, while Workstreams 1 and 2 have an effective date of January 6, 2022.

Prohibition of Deferred Sales Charges for Mutual Funds

On June 3, 2021, the OSC published *OSC Notice of Local Amendments to National Instrument 81-105 Mutual Fund Sales Practices, Local Changes to Companion Policy NI 81-105 Mutual Fund Sales Practices and Related Consequential Local Amendments and Changes, Prohibition of Deferred Sales Charges for Mutual Funds* (the **OSC DSC Ban Notice**). Effective June 1, 2022, the local amendments prohibit the payment by fund organizations of upfront sales commissions to dealers, which will result in the discontinuation of all forms of the deferred sales charge option (collectively, the **DSC option**).

Summary of the Local Amendments and the Local Changes

Reducing Regulatory Burden for Investment Fund Issuers – Phase 2, Stage 1

Local Amendments

The Local Amendments make the following non-material amendments to the Project RID Amendments and Changes in order to make minor drafting corrections:

- **Workstream Two, NI 41-101:** A reference to “available on the [investment fund’s/investment fund family’s] Internet site at [insert investment fund’s Internet site address]” in the existing paragraph 19.4(c) of Form 41-101F2 *Information Required in an Investment Fund Prospectus* (**Form 41-101F2**) was not revised to reflect the designated website requirement. The Local Amendments reflect the designated website requirement in paragraph 19.4(c) of Form 41-101F2.
- **Workstream Two, NI 41-101:** The amendments to subsection 12(2) of Part A of Form 41-101F3 *Information Required in a Scholarship Plan Prospectus* did not include “and” between the final two items in a list of means by which an investment fund manager could be contacted. The Local Amendments include the missing “and”.
- **Workstream Three, NI 81-106:** The references to paragraph 12.2.1(1)(g)(ii) in the new subsections 12.2.2(2) and 12.2.3(1)-(2) of NI 81-106 should instead have been to paragraph 12.2.1(g)(ii), since there is no subsection (1) in the new section 12.2.1. The Local Amendments delete the unnecessary “(1)”.
- **Workstream Four, NI 41-101:** An unnecessary “and” was included at the end of the replacement for subparagraph 9.1(1)(b)(ii) of NI 41-101. The Local Amendments remove the unnecessary “and”.
- **Workstream Five, NI 81-107:** When section 6.2 was replaced, the section heading was not carried over. The Local Amendments carry over the heading.

The Local Amendments are set out in Annexes A, C, and D to this Notice.

Local Changes

The Local Changes make the following non-material change to the Project RID Amendments and Changes:

- **Workstream Five, Commentary in NI 81-107:** The amendments to NI 81-107 codify an exemption from the inter-fund self-dealing investment prohibitions and the self-dealing restrictions set out in section 4.2 of National Instrument 81-102 *Investment Funds* and paragraph 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, to permit investment funds and managed accounts to trade debt securities with a related dealer. The codified exemption includes a new paragraph 6.5(1)(d), which sets out the following condition: “the bid and ask price of the security transacted is readily available”. This condition is intended to mirror the condition in former paragraph 6.1(2)(c), (“the bid and ask price of the security is readily available”), as accompanied by Commentary 7 to section 6.1. The former paragraph 6.1(2)(c) is now paragraph 6.1(2)(d). Equivalent commentary was inadvertently not included as an accompaniment to the new paragraph 6.5(1)(d), and therefore it is being added at this time through a Local Change to the commentary in NI 81-107.

This Local Change is set out in Annex E to this Notice.

Prohibition of Deferred Sales Charges for Mutual Funds

Local Amendments

There are no Local Amendments associated with the OSC DSC Ban Notice.

Local Changes

Amendments in the OSC DSC Ban Notice removed references to the DSC option from Form 81-101F3 *Contents of Fund Facts Document* and corresponding consequential local changes were made to the sample fund facts document in Appendix A of 81-101CP. However, the sample fund facts document published in the OSC DSC Ban Notice did not remove the DSC reference under the sub-heading “More about trailing commissions”.

Annex B to this Notice sets out a non-material consequential local change to the sample fund facts document in Appendix A of 81-101CP to remove the DSC reference under the sub-heading “More about trailing commissions”.

Effective Dates

The Local Amendments are exempt from the requirement to publish for comment pursuant to paragraph 143.2(5)(c) of the *Securities Act* (Ontario) (the **Act**), and the Local Changes are exempt from the requirement to publish for comment pursuant to subsection 143.8(6) of the Act.

The Local Amendments, as well as other required materials, will be delivered to the Ontario Minister of Finance on or about January 13, 2022. The Minister may approve the Local Amendments, reject them, or return them for further consideration. If the Minister approves the Local Amendments or does not take any further action, the Local Amendments will come into force on April 13, 2022.

The Local Change in Annex B will become effective on June 2, 2022. The Local Change in Annex E will become effective on April 13, 2022.

Contents of Annexes

Annex A: Local Amendments to National Instrument 41-101 *General Prospectus Requirements* in Ontario

Annex B: Local Change to Companion Policy 81-101 *Mutual Fund Prospectus Disclosure* in Ontario

Annex C: Local Amendments to National Instrument 81-106 *Investment Fund Continuous Disclosure* in Ontario

Annex D: Local Amendment to National Instrument 81-107 *Independent Review Committee for Investment Funds* in Ontario

Annex E: Local Change to the Commentary in National Instrument 81-107 *Independent Review Committee for Investment Funds* in Ontario

Questions

Please refer your questions to any of the following OSC staff:

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ANNEX A

LOCAL AMENDMENTS TO
NATIONAL INSTRUMENT 41-101 *GENERAL PROSPECTUS REQUIREMENTS*
IN ONTARIO

1. ***National Instrument 41-101 General Prospectus Requirements is amended by this Instrument.***
2. ***Form 41-101F2 Information Required in an Investment Fund Prospectus is amended by replacing in Item 19.4(c) “available on the [investment fund’s/investment fund family’s] Internet site at [insert investment fund’s Internet site address]” with “available on the investment fund’s website at [insert the investment fund’s designated website address]”.***
3. ***Form 41-101F3 Information Required in a Scholarship Plan Prospectus is amended by replacing Item 12(2) of Part A with the following:***
 - (2) State the name, address, toll-free telephone number and email address of the investment fund manager of the plan and the scholarship plan’s designated website address. If applicable, also state the website address of the investment fund manager of the plan..
4. ***Subparagraph 9.1(1)(b)(ii) is amended by deleting “and” following subclause 9.1(1)(b)(ii)(C)(II).***

Transition

5. Before September 6, 2022, an investment fund is not required to comply with National Instrument 41-101 *General Prospectus Requirements*, as amended by sections 2 and 3 of this Instrument, if the investment fund complies with *National Instrument 41-101 General Prospectus Requirements* as it was in force on January 5, 2022.


Effective Date

6. This Instrument comes into force in Ontario on April 13, 2022.

ANNEX B

LOCAL CHANGE TO
COMPANION POLICY 81-101 MUTUAL FUND PROSPECTUS DISCLOSURE
IN ONTARIO

1. Companion Policy 81-101 Mutual Fund Prospectus Disclosure is changed by this document.
2. The Sample Fund Facts Document in Appendix A – Sample Fund Facts Document is replaced by the following:



XYZ Canadian Equity Fund – Series B

FUND FACTS

June 30, 20XX

This document contains key information you should know about XYZ Canadian Equity Fund. You can find more details in the fund's simplified prospectus. Ask your representative for a copy, contact XYZ Mutual Funds at 1-800-555-5556 or investing@xyzfunds.com, or visit www.xyzfunds.com.

Before you invest in any fund, consider how the fund would work with your other investments and your tolerance for risk.

Quick facts

Fund code:	XYZ123	Fund manager:	XYZ Mutual Funds
Date series started:	March 31, 2000	Portfolio manager:	Capital Asset Management Ltd.
Total value of fund on June 1, 20XX:	\$1 billion	Distributions:	Annually, on December 15
Management expense ratio (MER):	2.25%	Minimum investment:	\$500 initial, \$50 additional

What does the fund invest in?

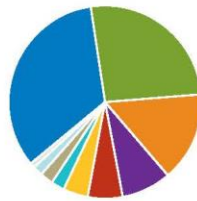
The fund invests in a broad range of stocks of Canadian companies. They can be of any size and from any industry. The charts below give you a snapshot of the fund's investments on June 1, 20XX. The fund's investments will change.

Top 10 investments (June 1, 20XX)

1. Royal Bank of Canada	7.5%
2. Toronto-Dominion Bank	7.1%
3. Canadian Natural Resources	5.8%
4. The Bank of Nova Scotia	4.1%
5. Cenovus Energy Inc.	3.7%
6. Suncor Energy Inc.	3.2%
7. Enbridge Inc.	3.1%
8. Canadian Imperial Bank of Commerce	2.9%
9. Manulife Financial Corporation	2.7%
10. Canadian National Railway Company	1.9%
Total percentage of top 10 investments	42.0%

Total number of investments	93
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Investment mix (June 1, 20XX)



Industry	Percentage
Financial services	34.0%
Energy	26.6%
Industrial goods	16.5%
Business services	6.4%
Telecommunication	5.9%
Hardware	3.7%
Healthcare services	2.3%
Consumer services	2.1%
Media	1.9%
Consumer goods	0.6%

How risky is it?

The value of the fund can go down as well as up. You could lose money.

One way to gauge risk is to look at how much a fund's returns change over time. This is called "volatility".

In general, funds with higher volatility will have returns that change more over time. They typically have a greater chance of losing money and may have a greater chance of higher returns. Funds with lower volatility tend to have returns that change less over time. They typically have lower returns and may have a lower chance of losing money.

Risk rating

XYZ Mutual Funds has rated the volatility of this fund as **medium**.

This rating is based on how much the fund's returns have changed from year to year. It doesn't tell you how volatile the fund will be in the future. The rating can change over time. A fund with a low risk rating can still lose money.

Low	Low to medium	Medium	Medium to high	High
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For more information about the risk rating and specific risks that can affect the fund's returns, see the Risk section of the fund's simplified prospectus.

No guarantees

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

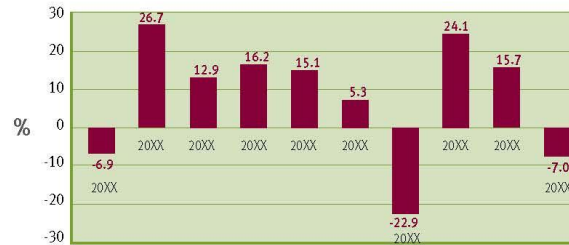


How has the fund performed?

This section tells you how Series B units of the fund have performed over the past 10 years. Returns are after expenses have been deducted. These expenses reduce the fund’s returns.

Year-by-year returns

This chart shows how Series B units of the fund performed in each of the past 10 years. The fund dropped in value in 3 of the 10 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.



Best and worst 3-month returns

This table shows the best and worst returns for Series B units of the fund in a 3-month period over the past 10 years. 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.

	Return	3 months ending	If you invested \$1,000 at the beginning of the period
Best return	32.6%	April 30, 2003	Your investment would rise to \$1,326.
Worst return	-24.7%	November 30, 2008	Your investment would drop to \$753.

Average return

The annual compounded return of Series B units of the fund was 6.8% over the past 10 years. If you had invested \$1,000 in the fund 10 years ago, your investment would now be worth \$1,930.

Who is this fund for?

Investors who:

- are looking for a long-term investment
- want to invest in a broad range of stocks of Canadian companies
- can handle the ups and downs of the stock market.

! Don’t buy this fund if you need a steady source of income from your investment.

A word about tax

In general, you’ll have to pay income tax on any money you make on a fund. How much you pay depends on the tax laws where you live and whether or not you hold the fund in a registered plan, such as a Registered Retirement Savings Plan or a Tax-Free Savings Account.

Keep in mind that if you hold your fund in a non-registered account, fund distributions are included in your taxable income, whether you get them in cash or have them reinvested.



How much does it cost?

The following tables show the fees and expenses you could pay to buy, own and sell Series B units of the fund. The fees and expenses — including any commissions — can vary among series of a fund and among funds. Higher commissions can influence representatives to recommend one investment over another. Ask about other funds and investments that may be suitable for you at a lower cost.

1. Sales charges

You may pay a sales charge when you buy the fund.

Sales charge option	What you pay		How it works
	in per cent (%)	in dollars (\$)	
Initial sales charge	0% to 4% of the amount you buy	\$0 to \$40 on every \$1,000 you buy	<ul style="list-style-type: none"> You and your representative decide on the rate. The initial sales charge is deducted from the amount you buy. It goes to your representative's firm as a commission.

2. Fund expenses

You don't pay these expenses directly. They affect you because they reduce the fund's returns.

As of March 31, 20XX, the fund's expenses were 2.30% of its value. This equals \$23 for every \$1,000 invested.

Annual rate (as a % of the fund's value)

Management expense ratio (MER)

This is the total of the fund's management fee (which includes the trailing commission) and operating expenses. XYZ Mutual Funds waived some of the fund's expenses. If it had not done so, the MER would have been higher.

2.25%

Trading expense ratio (TER)

These are the fund's trading costs.

0.05%

Fund expenses

2.30%

More about the trailing commission

The trailing commission is an ongoing commission. It is paid for as long as you own the fund. It is for the services and advice that your representative and their firm provide to you.

XYZ Mutual Funds pays the trailing commission to your representative's firm. It is paid from the fund's management fee and is based on the value of your investment. The rate depends on the sales charge option you choose.

Sales charge option	Amount of trailing commission	
	in per cent (%)	in dollars (\$)
Initial sales charge	0% to 1% of the value of your investment each year	\$0 to \$10 each year on every \$1,000 invested



How much does it cost? cont'd

3. Other fees

You may have to pay other fees when you buy, hold, sell or switch units of the fund.

Fee	What you pay
Short-term trading fee	1% of the value of units you sell or switch within 90 days of buying them. This fee goes to the fund.
Switch fee	Your representative's firm may charge you up to 2% of the value of units you switch to another XYZ Mutual Fund.
Change fee	Your representative's firm may charge you up to 2% of the value of units you switch to another series of the fund.

What if I change my mind?

Under securities law in some provinces and territories, you have the right to:

- withdraw from an agreement to buy mutual fund units within two business days after you receive a simplified prospectus or Fund Facts document, or
- cancel your purchase within 48 hours after you receive confirmation of the purchase.

In some provinces and territories, you also have the right to cancel a purchase, or in some jurisdictions, claim damages, if the simplified prospectus, annual information form, Fund Facts document or financial statements contain a misrepresentation. You must act within the time limit set by the securities law in your province or territory.

For more information, see the securities law of your province or territory or ask a lawyer.

For more information

Contact XYZ Mutual Funds or your representative for a copy of the fund's simplified prospectus and other disclosure documents. These documents and the Fund Facts make up the fund's legal documents.

XYZ Mutual Funds
123 Asset Allocation St.
Toronto, ON M1A 2B3

Phone: (416) 555-5555
Toll-free: 1-800-555-5556
Email: investing@xyzfunds.com
www.xyzfunds.com

To learn more about investing in mutual funds, see the brochure **Understanding mutual funds**, which is available on the website of the Canadian Securities Administrators at www.securities-administrators.ca.

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3. This change becomes effective in Ontario on June 2, 2022.

ANNEX C

LOCAL AMENDMENTS TO
NATIONAL INSTRUMENT 81-106 *INVESTMENT FUND CONTINUOUS DISCLOSURE*
IN ONTARIO

1. *National Instrument 81-106 Investment Fund Continuous Disclosure is amended by this Instrument.*
2. *Subsections 12.2.2(2), 12.2.3(1) and 12.2.3(2) are amended by replacing “12.2.1(1)(g)(ii)” with “12.2.1(g)(ii)”.*

Effective Date

3. This Instrument comes into force in Ontario on April 13, 2022.

ANNEX D

LOCAL AMENDMENT TO
NATIONAL INSTRUMENT 81-107 *INDEPENDENT REVIEW COMMITTEE FOR INVESTMENT FUNDS*
IN ONTARIO

1. *National Instrument 81-107 Independent Review Committee for Investment Funds is amended by this Instrument.*
2. *Section 6.2 is amended by adding the following section heading:*
 - 6.2 Transactions in securities of related issuers .

Effective Date

3. This Instrument comes into force in Ontario on April 13, 2022.

ANNEX E

LOCAL CHANGE TO
COMMENTARY IN
NATIONAL INSTRUMENT 81-107 INDEPENDENT REVIEW COMMITTEE FOR INVESTMENT FUNDS
IN ONTARIO

1. ***The Commentary to National Instrument 81-107 Independent Review Committee for Investment Funds is changed by this Document.***
2. ***Commentary 1 to section 6.5 is changed by adding the following at the end of the second paragraph:***

Paragraph 1(d) requires that the market quotations for the transactions be transparent. The CSA expect that if the price information is publicly available from a marketplace, newspaper or through a data vendor, for example, this will be the price. If the price is not publicly available, the CSA expect the investment fund to obtain at least one quote from an independent, arm's-length purchaser or seller, immediately before the purchase or sale..
3. This change becomes effective in Ontario on April 13, 2022.