

**CSA Notice of Amendments to
National Instrument 41-101 *General Prospectus Requirements*,
National Instrument 81-101 *Mutual Fund Prospectus Disclosure*,
and
Related Consequential Amendments and Changes**

Modernization of the Prospectus Filing Model for Investment Funds

November 28, 2024

Introduction

The Canadian Securities Administrators (the **CSA** or **we**) are adopting amendments to National Instrument 41-101 *General Prospectus Requirements* (**NI 41-101**), National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (**NI 81-101**), related consequential amendments to NI 41-101, NI 81-101 and National Instrument 81-106 *Investment Fund Continuous Disclosure* (**NI 81-106**) and related consequential changes to Companion Policy 41-101 *General Prospectus Requirements* (**41-101CP**), and Companion Policy 81-101 *Mutual Fund Prospectus Disclosure* (**81-101CP**) (collectively, the **Amendments**).

The Amendments

- extend the lapse date for investment funds in continuous distribution from 12 months to 24 months, which will allow investment funds in continuous distribution to file their pro forma prospectuses biennially, rather than annually (**Lapse Date Extension**), and
- repeal the requirement to file a final prospectus no more than 90 days after the issuance of a receipt for a preliminary prospectus (**90-Day Rule Repeal**) for all investment funds.

Implementation of the Amendments will modernize the prospectus filing model for investment funds, with a particular focus on investment funds in continuous distribution. The CSA's modernization will better reflect the shift from the delivery of the prospectus to the delivery of the Fund Facts and ETF Facts to investors and reduce unnecessary regulatory burden imposed by the current prospectus filing requirements under securities legislation on investment funds without affecting the currency or accuracy of the information available to investors to make an informed investment decision. The fund facts document (**Fund Facts**) and the ETF facts document (**ETF Facts**) will continue to be filed annually and will continue to be delivered to investors under the current delivery requirements.

In some jurisdictions, ministerial approvals are required for the implementation of the Amendments. Provided all ministerial approvals are obtained, the Amendments to NI 81-101, NI 41-101 and NI 81-106 will come into force on March 3, 2025 (the **Effective Date**).

The text of the Amendments is contained in Annexes B through F of this notice and will also be available on websites of the following CSA jurisdictions:

www.bcsc.bc.ca
www.asc.ca
www.fcaa.gov.sk.ca
www.mbsecurities.ca
www.osc.gov.on.ca
www.lautorite.qc.ca
www.fcncb.ca
nssc.novascotia.ca

Substance and Purpose

The purpose of the Amendments is to modernize the prospectus filing model for investment funds without affecting the currency or accuracy of the information available to investors to make an informed investment decision. The current prospectus filing model was based on an investment fund prospectus being filed every 12 months in order to remain in continuous distribution and the prospectus being delivered to investors in connection with a purchase. With the introduction of the Fund Facts and the ETF Facts as summary disclosure documents that are now delivered to investors instead of the prospectus, investors are provided with key information about a fund in a simple, accessible and comparable format. The Fund Facts and ETF Facts are required to be filed annually and provide disclosure that changes from year to year. In contrast, a prospectus is also filed annually but the disclosure in the prospectus does not generally change materially from year to year.

Implementation of the Amendments will better reflect the shift from the delivery of the prospectus to the delivery of the Fund Facts and ETF Facts to investors and reduce unnecessary regulatory burden imposed by the current prospectus filing requirements under securities legislation on investment funds.

Background

On January 27, 2022, the CSA published proposed amendments (the **Proposed Amendments**) as part of the CSA's staged approach to implementation of a new prospectus filing model for investment funds in continuous distribution:

- **Stage 1** – The Proposed Amendments would implement the Lapse Date Extension and the 90-Day Rule Repeal. There would be no change to when Fund Facts and the ETF Facts must be filed and delivered. The adoption of this change will be contingent on not having a negative impact on filing fees.
- **Stage 2** – We published a consultation paper (the **Consultation Paper**) to provide a forum for discussing possible adaptations to the shelf prospectus filing model that could apply to all investment funds in continuous distribution.

The 90-day comment period ended on April 27, 2022.

The Proposed Amendments were also in response to comments received on the Project RID Consultation (as defined below), as well as the OSC Burden Reduction Consultation (as defined below):

- On September 12, 2019, the CSA published for consultation Reducing Regulatory Burden for Investment Fund Issuers – Phase 2, Stage 1, as part of the CSA’s efforts to reduce regulatory burden for investment fund issuers (**Project RID Consultation**). On October 7, 2021, the CSA published final amendments for Reducing Regulatory Burden for Investment Fund Issuers – Phase 2, Stage 1 (**Project RID amendments**).
- On January 14, 2019, the Ontario Securities Commission (**OSC**) published OSC Staff Notice 11-784 *Burden Reduction* to seek suggestions from stakeholders on ways to further reduce unnecessary regulatory burden (**OSC Burden Reduction Consultation**).

Summary of Written Comments Received by the CSA

The CSA received 14 comment letters on the Proposed Amendments. We have considered the comments received and thank everyone who provided comments. A summary of the comments together with our responses are set out in Annex A. The names of the commenters are also set out in Annex A.

Copies of the comment letters are posted on the websites of the Alberta Securities Commission at www.asc.ca, the Ontario Securities Commission at www.osc.gov.on.ca, and the Autorité des marchés financiers at www.lautorite.qc.ca.

The Consultation Paper

While stakeholders expressed general support for a base shelf model for investment funds, they also expressed concerns about the timing of the proposal, given the recent regulatory changes with Client Focused Reforms, and Project RID amendments to NI 81-101. Further, some stakeholders commented that a base shelf model for investment funds would impose an initial regulatory burden on industry while other stakeholders requested additional details on the proposal for further consultation.

Beyond the concerns raised, and although there were specific questions on the Consultation Paper for stakeholders to consider, we did not receive sufficient data and information that could be used to formulate appropriate adaptations to the shelf prospectus model for use by all investment funds in continuous distribution.

Given the stakeholder feedback on the Consultation Paper, we will not be proceeding with further plans to introduce a base shelf model for investment funds as this time. The CSA may revisit this proposal at a future date upon further consultation with stakeholders.

Summary of Changes to the Proposed Amendments

After considering the comments received, we have made some non-material changes to the Proposed Amendments. These changes are reflected in the Amendments that we are publishing as Annexes B, C, D, E and F to this notice. As these changes are not material, we are not republishing the Amendments for a further comment period.

The following is a summary of the key changes made to the Proposed Amendments:

**(a) Extended Filing Window for Year 2 Fund Facts and Year 2 ETF Facts
(Paragraph 17.3(4)(a) of NI 41-101 and Paragraph 2.5(3)(a) of NI 81-101)**

We received comments from stakeholders that it may be challenging to update the variable information within a limited time period contemplated by the Proposed Amendments given that certain variable information disclosed in the Fund Facts and the ETF Facts must be within 60 days of the date of the Fund Facts/ETF Facts. As a result, we have extended the filing window for the Year 2 Fund Facts/ETF Facts to 2 months in the Amendments. This means the Year 2 Fund Facts/ETF Facts must be filed no earlier than 13 months and no later than 11 months before the lapse date of the previous prospectus in order to rely on the Lapse Date Extension.

(b) No Requirement to File an Amended and Restated Prospectus for Prospectus Amendments

We received comments from stakeholders that requiring an amended and restated prospectus for all prospectus amendments would increase regulatory burden, without making it easier for investors to trace amendments to prospectus disclosure. Stakeholders requested that issuers continue to have the option of filing a prospectus amendment as a slip sheet amendment or as an amended and restated prospectus. Accordingly, the Amendments do not include a requirement to file an amended and restated prospectus for every prospectus amendment as contemplated in the Proposed Amendments.

**(c) Additional Guidance on Prospectus Amendments
(Section 5A.7 of 41-101CP and Subsection 2.7(9) of 81-101CP)**

We provided additional guidance on prospectus amendments to indicate that an amendment to a simplified prospectus or a fund facts document should be easily understood by an investor. In determining whether a prospectus amendment should be filed as a slip sheet amendment or an amended and restated simplified prospectus, consideration should be given to the number of mutual funds in the simplified prospectus that are impacted by the amendment, the extent to which the prospectus disclosure is amended, and the form of amendment that would be most easily understood by investors.

Slip sheet amendments should clearly identify the mutual funds impacted, provide an explanation or a brief summary of the amendment and restate a sentence or a paragraph

with the amended disclosure rather than replacing certain words in a sentence or a paragraph, along with page references of the amended disclosure.

An amended and restated prospectus should be filed for substantial amendments that extensively impact prospectus disclosure. Where a mutual fund has filed multiple slip sheet amendments, a mutual fund should consider filing an amended and restated prospectus to consolidate the previously filed amendments to make it easier for investors to trace through how disclosure pertaining to a particular fund has been modified.

(d) Clarification about Changes to Investment Risk Levels

We removed the reference to “the risk rating” in section 5A.6 of 41-101CP and section 4.1.6 of 81-101CP as contemplated in the Proposed Amendments. As set out in the Commentary (2) to Item 1 of Appendix F – Investment Risk Classification Methodology of National Instrument 81-102 *Investment Funds*, a change to a mutual fund’s investment risk level disclosed on the most recently filed Fund Facts or ETF Facts, as applicable, would be a material change under NI 81-106 (**Material Change**). This is consistent with s.2.7(2) of 81-101CP and s.5A.3(4) of 41-101CP.

Additional Consequential Amendments

We are adopting additional consequential amendments (**Additional Consequential Amendments**) to:

- (a) Form 41-101F2 *Information Required in an Investment Fund Prospectus* (**Form 41-101F2**) and Form 81-101F1 *Contents of Simplified Prospectus* (**Form 81-101F1**) to change certain prospectus disclosure requirements to prevent gaps or duplication in prospectus disclosure for investment funds in continuous distribution once the lapse date extension is implemented. The Additional Consequential Amendments to Form 41-101F2 and Form 81-101F3 do not introduce new disclosure requirements but modify or remove current prospectus disclosure requirements to align with the adjusted disclosure period for biennial prospectus filings in order to maintain existing prospectus disclosure levels.
- (b) Form 41-101F4 *Information Required in an ETF Facts Document* (**Form 41-101F4**) and Form 81-101F3 *Contents of Fund Facts Document* (**Form 81-101F3**) to extend the instructions for dating the Fund Facts and the ETF Facts to include the Year 2 Fund Facts and the Year 2 ETF Facts. The Additional Consequential Amendments are consistent with the current instructions for dating the Fund Facts and the ETF Facts.

Accordingly, we do not consider the Additional Consequential Amendments to be material.

The following is a summary of the Additional Consequential Amendments to Form 41-101F2, Form 81-101F1, Form 41-101F4 and Form 81-101F3:

1. Form 41-101F2

(a) Trading Price and Volume (Item 17.2 of Form 41-101F2)

We added a carve-out for an investment fund in continuous distribution from Item 17.2 of Form 41-101F2 because similar disclosure is already provided in the ETF Facts in accordance with Item 2 of Form 41-101F4.

(b) Compensation of Directors, Board Members, Independent Review Committee and Trustees of the Investment Fund (Item 19.1(12) and (13) of Form 41-101F2)

For the requirements in Item 19.1(12) and (13) of Form 41-101F2 to disclose compensation arrangements paid or payable by the investment fund for services of directors, members of an independent board of governors or advisory board, members of the independent review committee and trustees of the investment fund, we amended the disclosure period from the most recently completed financial year of the investment fund to each of the two most recently completed financial years of the investment fund.

2. Form 81-101F1

(a) Compensation of Directors, Board Members, Independent Review Committee and Trustees of the Mutual Fund (Part A, Item 4.16(2) and (3) of Form 81-101F1)

For the requirements in Part A, Item 4.16(2) and (3) of Form 81-101F1 to disclose compensation arrangements paid or payable by the mutual fund for services of directors, members of an independent board of governors or advisory board, members of the independent review committee and trustees of the mutual fund, we amended the disclosure period from the most recently completed financial year of the mutual fund to each of the two most recently completed financial years of the mutual fund.

(b) Index Mutual Funds (Part B, Item 5(7) of Form 81-101F1)

For the requirement in Part B, Item 5(7) of Form 81-101F1 to provide disclosure relating to securities that represented more than 10% of the permitted index or indices, we amended the disclosure period from the 12-month period immediately preceding the date of the simplified prospectus to the 24-month period immediately preceding the date of the simplified prospectus.

**(c) Deviations from the *Income Tax Act* (Canada)
(Part B, Item 6(7) of Form 81-101F1)**

For the requirement in Part B, Item 6(7) of Form 81-101F1 to disclose whether the mutual fund deviated from the provisions of the *Income Tax Act* (Canada) (**ITA**) in order for the fund's securities to be either qualified investments within the meaning of the ITA for registered plans or registered investments within the meaning of the ITA, we amended the disclosure period from the last year to each of the last two years.

**(d) Concentration Risk for Mutual Funds
(Part B, Item 9(8) of Form 81-101F1 and Instruction (5))**

For the requirement in Part B, Item 9(8) of Form 81-101F1 to disclose whether more than 10% of the net asset value of a mutual fund was invested in the securities of an issuer, other than a government security or a security issued by a clearing corporation, we amended the disclosure period from the 12-month period immediately preceding the date that is 30 days before the date of the simplified prospectus to the 24-month period immediately preceding the date that is 30 days before the date of the simplified prospectus. We also made a corresponding amendment to Instruction (5) for this requirement.

3. Form 41-101F4

**(a) Date of the ETF Facts
(Part I, Item 1, Instruction (1) of Form 41-101F4)**

For dating the ETF Facts, we amended the instruction to require a Year 2 ETF Facts that does not include a material change to be dated within 3 business days of the filing. We also amended the instruction to require a Year 2 ETF Facts that does include a material change to be dated the same date on which it is filed.

4. Form 81-101F3

**(a) Date of the Fund Facts
(Part I, Item 1, Instruction of Form 81-101F3)**

For dating the Fund Facts, we amended the instruction to require a Year 2 Fund Facts that does not include a material change to be dated within 3 business days of the filing. We also amended the instruction to require a Year 2 Fund Facts that does include a material change to be dated the same date as the certificate contained in the related amended simplified prospectus.

Local Fee Changes

The adoption of the Lapse Date Extension is contingent on not having a negative impact on filing fees. Accordingly, the CSA jurisdictions have made concurrent changes to their fee rules to ensure that the Lapse Date Extension will not have a negative impact on filing fees. Given that fee rule changes are local matters, the necessary processes in each jurisdiction ran separately from consultation on the Proposed Amendments. The local fee rules will change such that current filing fees for prospectuses for investment funds in continuous distribution will instead be replaced with filing fees for the Fund Facts and ETF Facts. For additional clarity, filing fees for the Fund Facts and ETF Facts in the years when a “renewal” prospectus is not being filed will be the same as in the years when a “renewal” prospectus is being filed.

Effective Date and Transition

The Amendments will take effect on the Effective Date, March 3, 2025.

- ***Lapse Date Extension***

Under the transition provisions, all final prospectuses for investment funds in continuous distribution that are issued a receipt before the Effective Date will be subject to a lapse date of 12 months. The Lapse Date Extension would apply to all final prospectuses for investment funds in continuous distribution that are issued a receipt on or after the Effective Date. However, filers may choose to file their prospectus at any time prior to their lapse date and such a filing would be considered an early renewal. Amendment filing fees, where applicable, would apply. The amendment filing fees are determined by local fee rules. In some CSA jurisdictions, such as Ontario, there are no fees payable for filing amendments.

In terms of filing processes for prospectuses on and after the Effective Date, for the years when a “renewal” prospectus is not being filed, a Fund Facts or ETF Facts, as applicable, should be filed under the appropriate SEDAR+ filing sub-type according to whether there are Material Changes to the disclosure from the most recently filed Fund Facts or ETF Facts.

(a) Material Changes to the Fund Facts/ETF Facts when filing without a Prospectus

When a renewal prospectus is not being filed and a Fund Facts or an ETF Facts is being filed with a Material Change(s), a blackline would also be filed showing changes from the most recently filed version of the Fund Facts or ETF Facts, as applicable, along with a prospectus certificate. The Fund Facts or ETF Facts filing would be private and would trigger a “prospectus review process” of any Material Changes made to the disclosure since the most recently filed Fund Facts or ETF Facts, respectively, which would conclude with the issuance of a receipt in connection with the filing. If the Material Change(s) relates to the information contained in the corresponding prospectus, then a prospectus amendment and a blackline of the prospectus would also be filed, along with any changes to personal information forms, if applicable.

(b) No Material Changes to the Fund Facts/ETF Facts when filing without a Prospectus

When a renewal prospectus is not being filed and a Fund Facts or an ETF Facts is being filed with no Material Change(s) but with changes limited to updates of the variable data (i.e., date, top 10 holdings, investment mix, past performance, MER, TER and fund expenses), a blackline would also be filed showing changes from the most recently filed version of the Fund Facts or ETF Facts, as applicable, and a prospectus certificate would not be required to be filed. The Fund Facts or ETF Facts will be made public without being subject to a prospectus review process.

- ***90-Day Rule Repeal***

As of the Effective Date, the 90-day rule will no longer apply to investment funds, including investment funds that have been issued a receipt for a preliminary prospectus but have not yet filed a final prospectus.

Local Matters

Annex G is being published in any local jurisdiction that is making related changes to local securities laws, including local notices or other policy instruments in that jurisdiction. It also includes any additional information that is relevant to that jurisdiction only.

Content of Annexes

This Notice contains the following annexes:

- Annex A: Summary of Comments on the Proposed Amendments and Responses
- Annex B: Amendments to National Instrument 41-101 *General Prospectus Requirements*
- Annex C: Changes to Companion Policy 41-101 *General Prospectus Requirements*
- Annex D: Amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure*
- Annex E: Changes to Companion Policy 81-101 *Mutual Fund Prospectus Disclosure*
- Annex F: Amendments to National Instrument 81-106 *Investment Fund Continuous Disclosure*
- Annex G: Local Matters

Questions

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