

Appendix A

Summary of Changes to the 2009 Proposal

This appendix describes the key changes we made to the 2009 Proposal. Most of these changes reflect the CSA's decision to proceed with a staged implementation of the POS initiative. The Instrument only finalizes those parts of the 2009 Proposal that are necessary to proceed with the first stage of the staged implementation described in the Staff Notice.

The first stage mandates the production of the Fund Facts document and requires it to be made available on a mutual fund's or mutual fund manager's website. The Fund Facts must also be delivered free of charge to an investor upon request.

As the CSA's implementation of the point of sale disclosure framework progresses, we expect to publish for further comment requirements related to the other aspects of the 2009 Proposal.

Fund Facts

Content

We have made a number of revisions to the content of the Fund Facts document. We sought specific feedback on some of these changes in the 2009 Proposal. Many of the changes respond to investor advocate comments to provide greater detail or clarity to the disclosure. The changes include the following:

- We added an introductory heading to the Fund Facts to give greater emphasis that the Fund Facts may not contain all the information an investor wants, and that more detailed information is available in the simplified prospectus. Some of this wording was located under the section 'For more information' in the 2009 Proposal.
- We have added a cross-reference in the section of the Fund Facts called 'How risky is it?' to refer to the simplified prospectus. This highlights for investors that they can find more detailed information about the mutual fund's specific risks in the fund's simplified prospectus.
- We created a new section in the Fund Facts called 'A word about tax' to provide investors with some general information on the impact of income tax on their mutual fund investments.
- We added the requirement to disclose the trading expense ratio (TER) under 'Ongoing Fund expenses' (renamed 'Fund expenses') to give a more complete picture of the costs associated with an investment in a mutual fund. As a result of the inclusion of the TER, to maintain simplicity and accessibility, we removed the

requirement to show the components of the management expense ratio (MER) in addition to the MER.

- For greater clarity, we added the requirement in the section ‘Ongoing fund expenses’ (renamed ‘Fund expenses’) to disclose the combined total of MER and TER costs as a percentage of the mutual fund’s value. We have named this combined total ‘Fund expenses’.
- We added dollars and cents illustrations of the sales charges, fund expenses and trailing commissions in the Fund Facts to better convey to investors the impact of the costs of investing in a mutual fund.
- We amended the disclosure in the Fund Facts in the section called ‘What if I change my mind?’ to reflect the current withdrawal and rescission rights under securities legislation.

Flesch-Kincaid grade level

We have not carried forward the requirement that the Fund Facts be written at a grade level of 6.0 or less on the Flesch-Kincaid grade level scale because we were told there is no French language equivalent to the scale. However, the Fund Facts is still required to be prepared using plain language and in a format that assists in readability and comprehension.

We have added guidance in the Companion Policy that the CSA will generally consider a grade level of 6.0 or less on the Flesch-Kincaid grade level scale to demonstrate that the Fund Facts is written in plain language.

Length

In light of the changes we have made to the Fund Facts, we amended the requirement that the Fund Facts not exceed three pages in length, to allow the Fund Facts to be four pages in length if the required information in each section of the Fund Facts causes the disclosure to extend to two pages, double-sided.

Filing Requirements

Voluntary Updating of Fund Facts

We removed the section in the Instrument that permitted a mutual fund to file on SEDAR an updated Fund Facts at regular intervals of either six or three months. If a material change to the mutual fund relates to a matter that requires a change to the disclosure in the Fund Facts, an amendment to the Fund Facts must be filed. If managers want to provide more current information in the Fund Facts, they may choose to file an amended Fund Facts at any time.

Websites

We revised the Instrument to clarify that the Fund Facts can be posted to either the website of the mutual fund, the mutual fund's family, or the website of the manager of the mutual fund.

Binding

We revised the Instrument to limit the requirements on binding of the Fund Facts with other Fund Facts and with other documents to website postings, SEDAR filings and instances where the Fund Facts is delivered with the simplified prospectus. We further clarified that if the Fund Facts is bound with a single or multiple simplified prospectus for delivery, the Fund Facts must be the first document in the package.

Delivery

We removed the requirements in the Instrument that were related to point of sale delivery options and the regulatory requirements for point of sale delivery of the Fund Facts. These aspects of the 2009 Proposal will be considered further as the CSA's implementation of the point of sale disclosure framework progresses.

Investor rights

At this time, we are not proceeding with replacing the current withdrawal and rescission rights under securities legislation with a single, harmonized two-day cooling-off right for investors. This aspect of the 2009 Proposal may be considered further as the CSA's implementation of the point of sale disclosure framework progresses.

The Instrument contemplates that a Fund Facts, once filed with the mutual fund's simplified prospectus and annual information form, will be incorporated by reference into the simplified prospectus. This means that existing statutory rights for misrepresentations in a prospectus will apply to misrepresentations in the Fund Facts.

Transition

We have removed the transition provisions in the Instrument that were related to point of sale delivery of the Fund Facts.

We amended the Instrument to provide a three month transition period following the Instrument coming into force. At the end of the three month transition period, a mutual fund that files a preliminary or pro forma simplified prospectus and annual information form must concurrently file a Fund Facts for each class or series of the mutual fund offered under the simplified prospectus and post the Fund Facts to the mutual fund's or mutual fund manager's website.

To implement the Instrument within a reasonable time period, we further amended the Instrument to require that a mutual fund must, if it has not already done so, file a Fund Facts within six months of the Instrument coming into force. This may occur either as part of the mutual fund's simplified prospectus and annual information form filing, or by the mutual fund initially filing a Fund Facts separately on SEDAR.

A mutual fund that chooses to file a Fund Facts for the mutual fund following the Instrument coming into force may do so either concurrently with the mutual fund's filing of its simplified prospectus and annual information form during the transition period, or by the mutual fund initially filing a Fund Facts separately on SEDAR. Once filed, the Fund Facts must be posted to the mutual fund's or the mutual fund manager's website.