

CSA Notice 81-311

Report on Consultation Paper 81-403

Rethinking Point of Sale Disclosure for Mutual Funds and Segregated Funds

Introduction

The Canadian Securities Administrators (the CSA or we) are publishing a summary of the comments we received on Consultation Paper 81-403 *Rethinking Point of Sale Disclosure for Mutual Funds and Segregated Funds (the consultation paper)* together with our responses. We published the consultation paper for comment on February 14, 2003. It described a new approach to mutual fund and segregated fund disclosure that would:

- introduce a new fund summary document that we would require be delivered to investors prior to investing in a mutual fund
- make available a consumers' guide geared at novice investors that would explain mutual funds and segregated funds, and the difference between them
- enhance continuous disclosure
- develop a new foundation document that would contain the detailed information about the mutual fund.

While the comments generally supported our proposals, commenters also raised a number of issues that we are still considering.

When in force, our proposed rule NI 81-106 *Investment Fund Continuous Disclosure*, will implement an enhanced continuous disclosure regime for investment funds that meets this objective in the concept proposal. Accordingly, we will not be doing any additional work in this area as part of this initiative.

Through the Joint Forum of Financial Markets Regulators, we will continue to work with the Canadian Council of Insurance Regulators to coordinate the development and implementation of the consultation paper in a similar fashion for both segregated funds and investment funds.

Implementation

Within the next few months, the CSA will begin drafting the rules that would implement the consultation paper. The work will be done in two phases.

Phase I — Spring 2004 to Spring 2005:

We will:

- refine the consumers' guide,
- develop a new right of withdrawal to replace existing rights of withdrawal and rescission and consider what Act amendments and rules we might need to give effect to this new right

- develop and test a fund summary document with consumers, and
- develop new delivery mechanisms to replace existing prospectus delivery requirements.

We will publish for comment the proposed fund summary document, the consumers' guide and the rule amendments that will give effect to the new right of withdrawal, the adoption of the fund summary document and the changes to the prospectus delivery requirements in spring 2005.

Phase II — Beginning Spring 2005:

We will examine the need to develop a new foundation document that would replace the existing simplified prospectus and annual information form.

As we complete each phase, we will publish our proposals for public comment.

Questions

Please refer your questions to any of the following people:

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