

## **Proposed Registration and Prospectus Exemption for Trades in Certain Capital Accumulation Plans**

### **PART 1 DEFINITIONS**

“**capital accumulation plan**” means a tax assisted investment or savings plan, including a defined contribution registered pension plan, a group registered retirement savings plan, a group registered education savings plan, or a deferred profit sharing plan, established by a plan sponsor that permits a member to make investment decisions among two or more investment options offered within the plan.

“**member**” means a current or former employee of an employer, or a person who belongs, or did belong to a trade union or association, or

- (a) his or her spouse,
- (b) a trustee, custodian or administrator who is acting on his or her behalf, or for his or her benefit, or on behalf of, or for the benefit of, his or her spouse, or
- (c) his or her holding entity, or a holding entity of his or her spouse,

that has assets in a capital accumulation plan.

“**plan sponsor**” means an employer, trustee, trade union or association or a combination of them that establishes a capital accumulation plan.

### **PART 2 EXEMPTIONS**

2.1 The dealer registration requirement does not apply to a person or company with respect to a trade<sup>1</sup> in a security of a mutual fund to a capital accumulation plan, or to a member of a capital accumulation plan as part of the member’s participation in the capital accumulation plan, if the following conditions are met:

- (a) the plan sponsor selects the mutual funds that members will be able to invest in under the capital accumulation plan,
- (b) the plan sponsor establishes a policy, and provides members with a copy of the policy and any amendments to it, describing what happens if a member does not make an investment decision,
- (c) in addition to any other information that the plan sponsor believes is reasonably necessary for the member to make an investment decision within the capital accumulation plan, the plan sponsor provides each member with the following information about each mutual fund the member may invest in,

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<sup>1</sup> The dealer registration exemption will be adapted in Québec to conform with the “business trigger” for registration applicable in this jurisdiction.

- (i) the name of the mutual fund,
  - (ii) the name of the manager of the mutual fund and its portfolio adviser
  - (iii) the investment objective of the mutual fund,
  - (iv) the types of investments the mutual fund may hold,
  - (v) a description of the risks associated with investing in the mutual fund,
  - (vi) where a member can obtain more information about each mutual fund's portfolio holdings
  - (vii) where a member can obtain more information generally about each mutual fund, including any continuous disclosure, and
  - (viii) whether the mutual fund is considered foreign property for income tax purposes, and if so, a summary of the implications of that status for a member who invested in that mutual fund,
- (d) the plan sponsor provides an explanation to members about any fees or costs associated with making an investment decision, including any fees or costs associated with each mutual fund the members may invest in,
- (e) at least annually, the plan sponsor provides members with, or informs members how they can obtain, performance information about each mutual fund the members may invest in, including,
- (i) the name of the mutual fund for which the performance is being reported,
  - (ii) the performance of the mutual fund, including historical performance for one, three, five and 10 years if available,
  - (iii) a performance calculation that is net of investment management fees and mutual fund expenses,
  - (iv) the method used to calculate the mutual fund's performance return calculation,
  - (v) the name and description of a broad-based securities market index, selected in accordance with NI 81-102 *Mutual Funds*, or when in force, NI 81-106 *Investment Fund Continuous Disclosure*, for the mutual fund, and corresponding performance information for that index, and
  - (vi) a statement that past performance of the mutual fund is not necessarily an indication of future performance.
- (f) the plan sponsor informs members at least annually of any changes in the mutual funds that members may invest in and where there is a change, provides information about what members must do to change their investment decision, or make a new investment, and
- (g) the plan sponsor provides members with investment decision-making tools that the plan sponsor reasonably believes are sufficient to assist them in making an investment decision within the capital accumulation plan.

2.2 If the plan sponsor makes investment advice from a registrant available to members, the plan sponsor must provide members with information about how they can contact the registrant.

2.3 The prospectus requirement does not apply to a distribution of a security of a mutual fund that complies with the conditions set out in section 2.1, provided that

- (i) the mutual fund also complies with the investment restrictions in National Instrument 81-102 *Mutual Funds*, and
- (ii) the mutual fund is also advised, in whole or in part, by a registrant or a person who is not required to be registered under securities legislation.

### **Part 3 FILING REQUIREMENTS**

3.1 A mutual fund that distributes a security under the exemption in section 2.3, must file a report in the form found in Appendix A in the jurisdiction in which the distribution takes place, on or before the 30<sup>th</sup> day after the end of the calendar year in which the distribution takes place.