

Ontario Securities Commission

Ontario Instrument 81-506

Temporary Exemptions from National Instrument 81-104 Alternative Mutual Funds

The Ontario Securities Commission, considering that to do so would not be prejudicial to the public interest, orders that effective January 28, 2021 Ontario Instrument 81-506 entitled *Temporary Exemptions from National Instrument 81-104 Alternative Mutual Funds* is made.

January 18, 2021

"D. Grant Vingoe"
D. Grant Vingoe

"Timothy Moseley"
Timothy Moseley

Authority under which the order is made:

Act and Section: *Securities Act* (Ontario), subsection 143.11(2)

Ontario Securities Commission

Ontario Instrument 81-506

Temporary Exemptions from National Instrument 81-104 Alternative Mutual Funds (the Order)

Definitions

1. Terms defined in the *Securities Act* (Ontario) (the **Act**), National Instrument 81-102 *Investment Funds* (**NI 81-102**) and National Instrument 81-104 *Alternative Mutual Funds* (**NI 81-104**) have the same meaning in this Order.

Background

2. Under Part 4 of NI 81-104, no mutual fund restricted individual may trade in a security of an alternative mutual fund unless the mutual fund restricted individual meets the proficiency requirements in subsection 4.1(1) (the **Proficiency Requirements**), and no principal distributor or participating dealer may trade in a security of an alternative mutual fund in a local jurisdiction unless the individual designated by a principal distributor or participating dealer to be responsible for the supervision of trades of those securities in the local jurisdiction (the **Supervisor**) meets the supervisory requirements in subsection 4.1(2) (the **Supervisory Requirements**). As part of the regulatory burden reduction initiative, the Ontario Securities Commission (the **Commission**) has recognized that the Proficiency Requirements and Supervisory Requirements have limited retail investor access to alternative investment strategies through the Mutual Fund Dealers Association of Canada dealer channel.
3. In recognition of the challenges the Proficiency Requirements and Supervisory Requirements have created for the distribution of alternative mutual funds, providing mutual fund restricted individuals and Supervisors with additional course options that offer updated and relevant information on alternative mutual funds that would satisfy their Proficiency Requirements or Supervisory Requirements, respectively, will facilitate access to alternative investment strategies for retail investors while maintaining investor protection. These additional course options will expedite retail investor access to alternative mutual funds and better enable retail investors to benefit from additional portfolio diversification opportunities through alternative investment strategies.
4. Under subsection 143.11(2) of the Act, if the Commission considers that it would not be prejudicial to the public interest to do so, the Commission may, on application by an interested person or company or on its own initiative, make an order exempting a class of persons or companies, trades, intended trades, securities or derivatives from any requirement of Ontario securities law on such terms or conditions as may be set out in the order, effective for a period of no longer than 18 months after the day on which it comes into force unless extended pursuant to paragraph (b) of subsection 143.11(3) of the Act.
5. The Commission is satisfied that, subject to the conditions of this Order, it would not be prejudicial to the public interest to provide, on an interim basis, exemptions to the Proficiency Requirements and the Supervisory Requirements that will assist mutual fund restricted individuals, principal distributors and participating dealers in the distribution of alternative mutual funds and facilitate investment diversification for retail investors while continuing to provide investor protection.

Order

6. Consequently, this Order provides for the following temporary exemptions.
7. Subject to the terms and conditions listed below, a mutual fund restricted individual may satisfy their Proficiency Requirements by complying with subsection 4.1(1) of NI 81-104, or by receiving a passing grade in any one of the following courses:
 - a. Canadian Securities Institute (**CSI**) – Alternative Strategies: Hedge Funds and Liquid Alternatives for Mutual Fund Representatives Course (the **CSI Bridge Course**);
 - b. IFSE Institute – Investing in Alternative Mutual Funds and Hedge Funds (the **IFSE Bridge Course**);
 - c. CSI – Investment Funds in Canada Course, provided that the passing grade was received upon course materials and an examination that substantially contains the content of the CSI Bridge Course (the **Updated CSI Mutual Funds Course**);
 - d. IFSE Institute – Canadian Investment Funds Course, provided that the passing grade was received upon course materials and an examination that substantially contains the content of the IFSE Bridge Course (the **Updated IFSE Mutual Funds Course**);

(the CSI Bridge Course, the IFSE Bridge Course, the Updated CSI Mutual Funds Course, and the Updated IFSE Mutual Funds Course are collectively referred to as the **Alternative Mutual Fund Courses**).
8. Subject to the terms and conditions listed below, a Supervisor may satisfy their Supervisory Requirements by complying with the relevant requirements in subsection 4.1(2) of NI 81-104, or by receiving a passing grade in any one of the Alternative Mutual Fund Courses.

Terms and Conditions

9. A mutual fund restricted individual may rely on the exemption provided in this Order, provided that
 - a. the mutual fund restricted individual trades only in securities of alternative mutual funds that are approved for sale by their registered dealer, and
 - b. prior to the mutual fund restricted individual relying on this Order, the mutual fund restricted individual's registered dealer provides a one-time notification to the Director of the Investment Funds and Structured Products Branch at the Commission by email at IFSPDirector@osc.gov.on.ca stating that mutual fund restricted individuals registered with the registered dealer intend to rely on this Order.
10. A Supervisor may rely on the exemption provided in this Order, provided that
 - a. prior to the Supervisor relying on this Order, the principal distributor or participating dealer provides a one-time notification to the Director of the Investment Funds and Structured Products Branch at the Commission by email at IFSPDirector@osc.gov.on.ca stating that Supervisors registered with the principal distributor or participating dealer intend to rely on this Order.

Effective Date and Term

11. This order comes into effect on January 28, 2021 and will cease to be effective on July 28, 2022.