
B. Ontario Securities Commission

B.1 Notices

B.1.1 OSC Staff Notice 81-738 – Next Steps Following OSC Consultation Paper 81-737 Opportunity to Improve Retail Investor Access to Long-Term Assets through Investment Fund Product Structures

OSC STAFF NOTICE 81-738
NEXT STEPS FOLLOWING OSC CONSULTATION PAPER 81-737
OPPORTUNITY TO IMPROVE RETAIL INVESTOR ACCESS TO LONG-TERM ASSETS
THROUGH INVESTMENT FUND PRODUCT STRUCTURES

May 29, 2025

Introduction

On October 10, 2024, the Ontario Securities Commission (**OSC**) published OSC Consultation Paper 81-737 *Opportunity to Improve Retail Investor Access to Long-Term Assets through Investment Fund Product Structures* (the **Consultation Paper**) which set out a proposed framework for a new type of investment fund product structure (an **Ontario Long-Term Fund** or **OLTF**) to facilitate long-term asset investment opportunities for retail investors (the **Proposal**). The Proposal sought to foster conditions for capital formation and innovation in both public and private markets that could lead to increased investment in venture capital, private equity, private debt, real estate, infrastructure, and natural resource projects, while enhancing the experience of individual investors by giving them access to these asset classes in a structured way with appropriate investor protections. The Proposal described several threshold structural and investor protection elements and sought stakeholder feedback regarding these elements. The comment period closed on February 7, 2025, and the OSC received approximately 40 letters from various stakeholders.

The purpose of this notice is to provide an update on next steps, which includes the development of an OSC LaunchPad project aimed at bringing to market new investment fund products that provide exposure to long-term assets.

Summary of Stakeholder Comments

Many commenters expressed general support for the Proposal, conveying that it has the potential to provide retail investors with valuable opportunities to invest in long-term assets, while diversifying their portfolios. They also note that, if successfully implemented, OLTFs could provide a new source of capital for businesses and infrastructure projects seeking investment.

Many industry commenters, however, cautioned that some of the suggested structural elements of the Proposal are too restrictive and would have an adverse impact on the potential market for OLTFs. In particular, they noted that a national framework would have a greater impact on retail investor opportunities. Moreover, these commenters suggested that the costs of complying with certain prescriptive elements of the Proposal could offset any illiquidity premium. As an alternative, they advocated for a principles-based approach that sets out practices typically expected but provide options for fund managers to apply different approaches in different circumstances.

Investor advocate commenters do not support the Proposal and questioned whether there is sufficient evidence of retail investor demand for these types of investments or the investor benefit that might be derived from the opportunity to invest in long-term assets through an investment fund product structure. These commenters highlighted several ways retail investors already have exposure to long-term assets. They raised concerns regarding the adequacy of the investor protection elements given the risks of holding long-term assets, the complexity of an OLTF structure, the potential for conflicts, and the potential for higher regulatory costs. In particular, they noted that distribution of OLTF securities under existing Know-Your-Client, Know-Your-Product, and suitability frameworks may not be sufficient to protect retail investors from inappropriate exposure to long-term assets through an OLTF framework.

Next Steps – Long-Term Asset Fund Project

The investment landscape is shifting, and investors are increasingly looking for ways to diversify their portfolios with alternative investments. The Consultation Paper states that the anticipated next step would be the publication for comment of a proposed rule to codify the framework described in the Proposal taking stakeholder comments into consideration. OSC staff (**we**) remain committed to exploring ways in which retail investors could benefit from more opportunities to invest in long-term assets through investment fund product structures. To this end, while we will continue to consider rulemaking in this area, we think there is an

opportunity to work with interested parties that are seeking to develop investment fund products that would provide exposure to long-term assets. Within the OSC, the Investment Management Division is partnering with the Office of Economic Growth and Innovation (the **Innovation Office**) to consider novel exemptive relief requests to permit alternative investment fund structures that provide retail investors with exposure to long-term assets.

We are committed to explore and require bespoke investor protection controls based on specific structure and product concepts.

Long-Term Asset Fund Project Overview

The Long-Term Asset Fund Project is being launched through OSC LaunchPad within the Innovation Office. During the term of the project, we will provide expanded support through OSC LaunchPad for applications for novel exemptive relief where the application is proposing an investment fund solution to give retail investors access to long-term assets while maintaining appropriate investor protections.

Throughout the project we will collect data, feedback and perspectives from key stakeholders, including investors, investment fund managers, portfolio managers, and investments dealers, on various topics related to retail investor access to long-term assets through investment fund structures. This data will provide insight into issues such as market demand and the investor experience across different fund structures and different long-term assets. We will also closely monitor the developments, including products launched, in other jurisdictions that have adopted, or propose to adopt, regulatory frameworks that facilitate long-term asset investment opportunities for retail investors through investment fund structures.

We expect that exemptive relief decisions granted under the project will be subject to bespoke investor protection conditions and ongoing monitoring and review to identify, on a timely basis, any regulatory or business outcomes that will inform next steps, including potential rulemaking initiatives. As part of the project, we will work closely with our CSA partners to consider multijurisdictional or national exemptive relief in appropriate circumstances.

We encourage stakeholders to contact us regarding possible investment fund product structures that could increase opportunities for retail investor holdings of long-term assets while maintaining appropriate investor protections, and the exemptive relief that may be necessary to facilitate product launches. Stakeholders should be prepared to discuss the threshold structural and investor protection mechanisms set out in the Consultation Paper.

Questions

Please refer your questions to any of the following:

Michael Tang
Senior Legal Counsel, Investment Management Division
416-593-2330
mtang@osc.gov.on.ca

Stephen Paglia
Vice-President, Investment Management Division
416-593-2393
spaglia@osc.gov.on.ca

Carlo Rossi
Head of Innovation Outreach and Engagement
647-501-8208
crossi@osc.gov.on.ca

Amanda Ramkissoon
Senior Regulatory Advisor, Legal, Office of Economic Growth and Innovation
437-221-3617
aramkissoon@osc.gov.on.ca