

## CSA NOTICE AND REQUEST FOR COMMENTS

### SCHOLARSHIP PLAN PROSPECTUS FORM

#### CHANGES TO PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 41-101 GENERAL PROSPECTUS REQUIREMENTS AND FORM 41-101F2 INFORMATION REQUIRED IN AN INVESTMENT FUND PROSPECTUS, PROPOSED FORM 41- 101F3 INFORMATION REQUIRED IN A SCHOLARSHIP PLAN PROSPECTUS AND RELATED AMENDMENTS (SECOND PUBLICATION)

AND

#### NOTICE OF AMENDMENTS TO COMPANION POLICY 41-101CP COMPANION POLICY TO NATIONAL INSTRUMENT 41-101 GENERAL PROSPECTUS REQUIREMENTS

### Introduction

We, the members of the Canadian Securities Administrators (the CSA), are publishing for a 60-day comment period a revised version of proposed amendments (the Proposed Amendments) to National Instrument 41-101 *General Prospectus Requirements* (the Rule), Form 41-101F2 *Information Required in an Investment Fund Prospectus* (Form 41-101F2), and proposed Form 41-101F3 *Information Required in a Scholarship Plan Prospectus* (the Form). We are also proposing amendments to Companion Policy 41-101CP *Companion Policy to National Instrument 41-101 General Prospectus Requirements* (the Proposed CP Amendments). We refer to the Proposed Amendments and the Proposed CP Amendments as the Instrument.

The Instrument aims to improve the prospectus disclosure provided by scholarship plans by introducing a prospectus form tailored to reflect the unique features of scholarship plans. This is an important investor-focused initiative. We know that many investors have trouble understanding the unique features and complexity of scholarship plans. The Form will require scholarship plans to provide investors with key information in a simple, accessible and comparable format to assist them in making a more informed investment decision.

The amendments were first published for comment on March 24, 2010 (the 2010 Proposal). We received 13 comment letters on the 2010 Proposal. After reviewing the comments received and further considering the Instrument, we are proposing a number of amendments to the 2010 Proposal.

The Instrument and related documents are contained in the following Appendices to this Notice. Certain jurisdictions may include additional local information in Annex I.

**Appendix A:** Sample Plan Summary

**Appendix B:** Summary of Changes to the 2010 Proposal

**Appendix C:** Summary of Comments on the 2010 Proposal

**Appendix D:** Proposed Amendments to National Instrument 41-101 *General Prospectus Requirements*

**Schedule 1:** Proposed Consequential Amendments to National Instrument 41-101 *General Prospectus Requirements* and Form 41-101F2 *Information Required in a Scholarship Plan Prospectus*

**Schedule 2:** Proposed Form 41-101F3 *Information Required in a Scholarship Plan Prospectus*

**Appendix E:** Proposed Changes to Companion Policy 41-101CP *Companion Policy to National Instrument 41-101 General Prospectus Requirements*

**Annex I:** Saskatchewan Local Information

## **Background**

The disclosure requirements for scholarship plan prospectuses are currently found in the Rule and in Form 41-101F2. The Rule came into force in March 2008 and introduced Form 41-101F2, a new prospectus disclosure form for all investment funds other than those that file a simplified prospectus under National Instrument 81-101 *Mutual Fund Prospectus Disclosure*.

While Form 41-101F2 was an improvement over the predecessor prospectus forms for scholarship plans, it nonetheless contained many aspects that are not applicable to scholarship plans. As a result, scholarship plans were given flexibility to modify the disclosure items in Form 41-101F2 in order to reflect their unique product features.<sup>1</sup>

Consequently, while scholarship plans today disclose their features in their prospectuses, the information is not disclosed in a consistent manner. Many investors have trouble finding and understanding key information about the unique features of scholarship plans and have difficulty comparing information about different scholarship plans. These shortcomings result in less meaningful and effective disclosure for investors, and make it difficult for some investors to understand the possible outcomes and risks associated with scholarship plans.

By implementing a prospectus form tailored to scholarship plans, we expect the Instrument will lead to more understandable and effective disclosure for investors, enabling them to make more informed investment decisions. Additional background information on the Instrument and the substance and purpose of the Instrument is in the notice published on March 24, 2010 with the 2010 Proposal, which is available on the websites of members of the CSA.

## **Summary of the Instrument**

The Instrument requires scholarship plans to prepare their prospectuses in accordance with the Form. The Form consists of four parts:

- Part A: the Plan Summary;
- Part B: a general description of scholarship plans and features common to all the scholarship plans offered under the prospectus;
- Part C: a description of the specific features of each plan offered under the prospectus; and
- Part D: a description of the organization and management of the scholarship plan.

The Form requires scholarship plans to use prescribed headings and sub-headings to help ensure that the information in the prospectus is presented in a meaningful order for investors and to make it easier for them to compare information about different scholarship plans.

A central feature of the Form is the Plan Summary. It is written in plain language and uses a question-and-answer format to help investors more easily find key information about the potential benefits, risks

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<sup>1</sup> See General Instruction (7) to Form 41-101F2.

and costs of investing in the scholarship plan. To make the Plan Summary easily accessible for investors, it is required to be bound separately from, and placed in front of, the rest of the prospectus. See Appendix A for a sample of the Plan Summary prepared in accordance with the Instrument.

## **Summary of Written Comments Received by the CSA**

The 2010 Proposal elicited comments from industry participants and investor groups. Many commenters expressed support for the overall aim of the 2010 Proposal of providing more meaningful and effective information to investors. Several commenters, in particular, scholarship plan issuers, provided detailed comments regarding the Form. We have considered all comments received and thank everyone who took the time to comment.

A summary of the comments we received and our responses to those comments are in Appendix C.

## **Summary of Changes to the Original Proposal**

After considering the comments received, we are proposing a number of amendments to the Instrument, and in particular, to the Form. In light of the number of changes to the Form, the CSA is publishing the Instrument for a second comment period. See Appendix B for a description of the key changes made to the 2010 Proposal.

## **Local Amendments**

If necessary, we propose to amend elements of local securities legislation in conjunction with the implementation of the Instrument. These amendments may be to rules or to statutes in a jurisdiction. The provincial or territorial securities regulatory authority will publish these proposed local amendments separately in its jurisdiction. If statutory amendments are necessary, they will be initiated and published by the local provincial or territorial government.

Any proposed consequential amendments to rules or regulations specific to a jurisdiction can be found in the version of Annex I of this Notice published in that jurisdiction. Annex I also contains any publication requirements required by the jurisdiction.

Some jurisdictions may need to implement the Instrument using a local implementing regulation. Jurisdictions that must do so will separately publish the implementing rule.

## **Request for Comments**

We welcome your comments on the Instrument.

All comments will be posted on the OSC website at [www.osc.gov.on.ca](http://www.osc.gov.on.ca). We cannot keep submissions confidential because securities legislation in certain provinces requires publication of a summary of the written comments received during the comment period.

Your comments must be submitted in writing by **January 24, 2012**. Please send your comments electronically in Word, Windows format. We thank you in advance for your comments.

## **Where to Send Your Comments**

Please address your comments to all CSA members, as follows:

British Columbia Securities Commission

Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
New Brunswick Securities Commission  
Registrar of Securities, Prince Edward Island  
Nova Scotia Securities Commission  
Superintendent of Securities, Newfoundland and Labrador  
Superintendent of Securities, Northwest Territories  
Superintendent of Securities, Yukon Territory  
Superintendent of Securities, Nunavut

Please send your comments **only** to the addresses below. Your comments will be forwarded to the remaining CSA member jurisdictions.

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## Questions

Please refer your questions to any of:

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