Canadian Regulators Unveil Draft Rules to Permit the Offering of Alternative Funds to Retail Investors

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The Canadian Securities Administrators (CSA) has ushered in a bold new era for Canadian investors in its final push to modernize the regulation of investment funds. On September 22, 2016, the CSA published proposed amendments to National Instrument 81-102 *Investment Funds* (NI 81-102), Companion Policy 81-102CP and related national instruments available here which, when adopted in final form, will permit alternative mutual funds to be offered to retail investors in Canada in much the same manner as conventional mutual funds are currently offered. With these rule amendments, the CSA are finalizing their investment fund modernization rule review project that was launched in 2010 and described in some detail in 2011.

The ultimate effect of the proposed amendments will be to bring conventional mutual funds, "alternative funds" and closed-end funds (non-redeemable investment funds) under the same regulatory umbrella, with much the same regulation, but with important and significant differences, especially as it applies to investment restrictions for each of these categories of funds.

The proposed amendments will provide managers with a promising opportunity to bring alternative fund strategies to retail investors and include some positive changes for conventional mutual funds, including exchange traded funds (ETFs), but may also present new challenges to some closed end funds (non-redeemable investment funds), given the proposal to add new investment restrictions to these funds.

The comment period on the proposed amendments ends on December 22, 2016.

The complete report is available.

By

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