

NATIONAL POLICY No. 24
MUTUAL FUNDS: CONTRACTUAL PLANS:
(1) Rate of Sale Charges
(2) Additional Rights of Rescission

Note: Where the mutual fund is affected by the Securities Act (Ontario) compliance with the relevant provisions of that Act and the regulations will be accepted in lieu of compliance with paragraphs (g) and (h) of this policy.

Where it is proposed to deduct an amount from any periodic payment under a contractual plan by way of sales charges which exceed the maximum sales charge from time to time prevailing for a single payment or lump sum purchase, effective with all annual refilings or new filings made for mutual funds after March 1st, 1972, the contractual plan will be unacceptable unless it complies with the following terms and conditions:

- a) The payments shall be scheduled in equal amounts on a weekly, monthly, quarterly, half-yearly or yearly basis. Where a double instalment is required as the first payment of a plan it shall be regarded as one of the scheduled payments.
- b) Subject to paragraph (f), the sales charges levied against any payment scheduled to be made during the first twelve months of the plan shall in no case exceed 50% of the individual payments.
- c) The sales charges levied against the remaining payments made under the plan shall to the extent reasonably practicable be levied at an equal rate or percentage, the size of the payment for sales charges varying only with the size of the individual payment made by the plan holder, with the total sales charges levied during the term of the plan in no case to exceed 12% of the face amount of the plan.
- d) Where the sales charges levied against the first 12 payments under (b) are less than 50% of the individual payments therefore making a larger sum available for investment, it will be permissible in respect of the second twelve payments of the plan to impose a sales charge, which, when combined with the sales charges levied against the first twelve payments of plan, shall not be greater than 50% of the total payments scheduled to be made during the first twelve months of the plan, provided that the percentage deducted from any payment for sales charges shall not exceed the percentage deducted from any previous payment.
- e) Where the option available under (d) is followed, the sales charges shall be levied during the remainder of the contract in accordance with (c).
- f) Where a plan calls for an initial payment to be retained by the plan sponsor or distributor such initial payment shall not exceed three times the scheduled monthly payment of the plan. Such a plan must provide that to each monthly payment scheduled and made under the plan for investment, there be added a pro rata portion of the initial payment, such pro rata portion being based on the term of the plan. Sales charges levied against payments of such a plan shall be in accordance with (c).

- g) Every plan holder shall have the right to withdraw from the plan within 60 days of the date of the plan contract on the following basis:
 - i. all payments scheduled to be made and made during the 60 days of the plan are to be refunded in full.
 - ii. in the case of prepayments of additional payments under the plan within the first 60 days of the contract, there shall be refunded the net asset value of such payments together with the sales charges levied against such payments, provided that in no case shall the total refund exceed the total amount of the prepayments made under the plan.
 - iii. the refunds made under (i) and (ii) need not include insurance premiums and fees of trustees of Registered Retirement Savings Plans applicable to the payments in question.
- h) Where the plan holder terminates his plan after 60 days but within 12 months of the date of the plan contract, he shall be entitled to a refund of the net asset value of payments made during that period, plus a refund of that portion of the sales charge (exclusive of insurance premiums and fees to trustees of Registered Retirement Savings Plans) which exceeds 30% of the payments scheduled to be made and made during the period. This means that prepayments of instalments normally falling due during the second and subsequent years of the plan may not be taken into account in arriving at the 30% penalty.
- i) These rights and privileges shall be clearly set out in the prospectus and , in addition, a document clearly setting out these rights and privileges shall accompany or form a part of the copy of the contractual plan supplied to the contractual plan holder.
- j) Plan sponsors and distributors shall maintain adequate records of plan cancellations to clearly show cancellations, sales charge rebates etc. on a month-by-month basis.
- k) “Sales Charges” for the purpose of this policy means sales commission and all other charges, excluding insurance premiums and fees to trustees of Registered Retirement Savings Plans.

New: 6th December, 1971

EFFECTIVE DATE: ALL MUTUAL FUND PROSPECTUS FILINGS MADE Ontario OR AFTER 1ST MARCH, 1972.