



July 21, 2022

MFDA POLICY NO. 11

PROFICIENCY STANDARDS FOR THE SALE OF ALTERNATIVE MUTUAL FUNDS

Purpose

The purpose of this Policy is to set out minimum requirements that Members and Approved Persons must meet to ensure that advice and transactions in respect of alternative mutual funds satisfy the proficiency, experience, and related requirements under Rule 1.2.3, and Member responsibilities under Rule 2.5.1.

Alternative mutual funds are allowed to invest in alternative assets and employ strategies that are not generally permitted by conventional mutual funds. Alternative mutual funds may be sold under a prospectus, or on a prospectus exempt basis.

Alternative mutual funds sold on a prospectus exempt basis (i.e. hedge funds), have no investment restrictions, are less transparent than alternative mutual funds sold under a prospectus, and can only be sold to investors who meet certain criteria.

Alternative mutual funds sold pursuant to a prospectus (i.e. “liquid alts”) have investment restrictions, provide a greater degree of transparency and liquidity than prospectus exempt alternative funds and can be sold to the general public.

The requirements of this Policy apply to both alternative mutual funds sold under a prospectus (i.e. liquid alts), and alternative mutual funds sold pursuant to a prospectus exemption (i.e. hedge funds).

Definitions

For the purposes of this Policy:

“**alternative mutual fund**” has the same meaning as the definition in National Instrument 81-102 (NI 81-102). An alternative mutual fund is a mutual fund, other than a precious metals fund, that has adopted fundamental investment objectives that permit it to invest in physical commodities or specified derivatives, to borrow cash or engage in short selling in a manner not permitted for other mutual funds under NI 81-102.

“**bridge course**” means either the Investing in Alternative Mutual Funds and Hedge Funds Course administered by the IFSE Institute, or the Alternative Strategies: Hedge Funds & Liquid Alts for Mutual Fund Representatives Course Exam administered by CSI Global Education Inc.

Proficiency Requirements

An Approved Person trading or advising in alternative mutual funds, and an individual designated by the Member to supervise trading in alternative mutual funds, as required by MFDA Policy No. 2, must have:

- a) passed a bridge course exam;
- b) passed the Derivatives Fundamentals Course Exam administered by CSI Global Education Inc.;
- c) passed the Canadian Securities Course Exam administered by the CSI Global Education Inc.; or
- d) passed the courses required to be registered as a Portfolio Manager – Advising Representative pursuant to section 3.11 of National Instrument 31-103.

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