

CSA Notice and Request for Comment

Reducing Regulatory Burden for Investment Fund Issuers – Phase 2, Stage 1

September 12, 2019

Introduction

The Canadian Securities Administrators (the **CSA** or **we**) are publishing for a 90-day comment period

- proposed amendments to
 - National Instrument 14-101 *Definitions* (**NI 14-101**),
 - National Instrument 41-101 *General Prospectus Requirements* (**NI 41-101**),
 - National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (**NI 81-101**),
 - National Instrument 81-102 *Investment Funds* (**NI 81-102**),
 - National Instrument 81-106 *Investment Fund Continuous Disclosure* (**NI 81-106**), and
 - National Instrument 81-107 *Independent Review Committee for Investment Funds* (**NI 81-107**),
- proposed consequential amendments to
 - National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)*, and
 - Multilateral Instrument 13-102 *System Fees for SEDAR and NRD*(collectively, the **Proposed Amendments**), and
- proposed changes to
 - National Policy 11-202 *Process for Prospectus Reviews in Multiple Jurisdictions*,

- Companion Policy 41-101CP to National Instrument 41-101 *General Prospectus Requirements*,
- Companion Policy 81-101CP to National Instrument 81-101 *Mutual Fund Prospectus Disclosure*,
- Companion Policy 81-102CP to National Instrument 81-102 *Investment Funds*,
- Companion Policy 81-106CP to National Instrument 81-106 *Investment Fund Continuous Disclosure (81-106CP)*, and
- Commentary in National Instrument 81-107 *Independent Review Committee for Investment Funds*

(collectively, the **Proposed Changes**).

The Proposed Amendments and Proposed Changes are part of the first stage of Phase 2 of the CSA's efforts to reduce regulatory burden for investment fund issuers. On May 24, 2018, CSA Staff published CSA Staff Notice 81-329 *Reducing Regulatory Burden for Investment Fund Issuers*, which provided an overview of the CSA's work to date and indicated that the Proposed Amendments and Proposed Changes were forthcoming.

The text of the Proposed Amendments and Proposed Changes is contained in Appendix B and will also be available on the websites of CSA jurisdictions, including

www.bcsc.bc.ca,
www.albertasecurities.com,
www.fcaa.gov.sk.ca,
www.mbsecurities.ca,
www.osc.gov.on.ca,
www.lautorite.qc.ca,
www.fcnb.ca, and
<https://nssc.novascotia.ca>.

Substance and Purpose

The Proposed Amendments and Proposed Changes represent the first stage of the CSA's initiative to reduce the regulatory burden for investment fund issuers. Specifically, the objectives of the Proposed Amendments are to

- remove redundant information in selected disclosure documents,
- use web-based technology to provide certain information about investment funds,
- codify exemptive relief that is routinely granted, and

- minimize the filing of documents that may contain duplicative information, such as Personal Information Forms (PIFs).

Background

The CSA have identified reviewing regulatory burden for reporting issuers as a key priority for the 2016-2019 period.¹ The focus of the CSA's review is to identify areas that would benefit from a reduction of any undue regulatory burden and to streamline those requirements without negatively impacting investor protection or efficiency of the capital markets.

Efforts aimed at identifying opportunities for the reduction of regulatory burden on investment fund issuers began in March 2017.² The efforts are being carried out in two phases.

Phase 1

In Phase 1, CSA Staff conducted a comprehensive review of the current investment fund disclosure regime, evaluated disclosure elements borrowed from the non-investment fund reporting issuer regime, gathered information on relevant regulatory reforms conducted by other regulators internationally, and received feedback from stakeholders. Based on these efforts, CSA Staff identified potential areas of focus for development of proposals aimed at reducing regulatory burden for investment fund issuers while maintaining investor protection and efficiency of the capital markets.

Phase 2

In Phase 2, CSA Staff decided to prioritize, investigate and develop proposals regarding the areas of focus identified in Phase 1. Prioritization was based on whether the proposed changes could be implemented in the near term and at limited cost to stakeholders, without compromising investor protection or efficiency of the markets. The scope was later broadened to consider the burden associated with not only disclosure requirements but some operational matters as well. Phase 2 will be carried out in several stages.

As part of the first stage of Phase 2, CSA Staff are now publishing for comment the Proposed Amendments and Proposed Changes.

Summary of Proposed Amendments and Proposed Changes

CSA Staff have organized the Proposed Amendments and Proposed Changes into eight separate workstreams. A summary of each workstream is set out below.

¹ https://www.securities-administrators.ca/uploadedFiles/General/pdfs/CSA_Business_Plan_2016-2019.pdf

² The CSA is pursuing a separate project to reduce burden for non-investment fund reporting issuers and issued CSA Staff Notice 51-353 *Update on CSA Consultation Paper 51-404 Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers* on March 27, 2018.

Workstream One: Consolidate the Simplified Prospectus and the Annual Information Form

The CSA propose to repeal the requirement for a mutual fund in continuous distribution to file an annual information form (**AIF**). In lieu of an AIF, the CSA proposes to consolidate Form 81-101F2 *Contents of Annual Information Form* (**Form 81-101F2**) and Form 81-101F1 *Contents of Simplified Prospectus* (**Form 81-101F1**).

Currently, a simplified prospectus (**SP**) and an AIF must each be filed with regulators annually by conventional mutual funds in continuous distribution. The CSA propose a revised Form 81-101F1 which consolidates the requirements of Form 81-101F2 by removing overlapping disclosure between the two forms,³ repealing requirements that are not meaningful to investors and are difficult to produce,⁴ and repealing requirements for disclosure that are available in other regulatory documents.⁵ Repealing the AIF filing requirement and adding unique requirements from Form 81-101F2 into Form 81-101F1 eliminates the requirement to file two separate disclosure documents (the SP and the AIF) and replaces it with a requirement to file one (the SP) instead.

Originally, the SP was the disclosure document delivered to mutual fund investors, and consolidation of some of the disclosure requirements from Form 81-101F2 may not have been desirable. However, given that the fund facts document (the **Fund Facts**) is now delivered to mutual fund investors instead of the SP, consolidating certain AIF disclosure requirements into the SP will reduce regulatory burden for investment fund managers without impacting the Fund Facts disclosure provided to mutual fund investors.

Investment Funds Not in Continuous Distribution

The CSA propose to require an investment fund that has not obtained a receipt for a prospectus during the last 12 months preceding its financial year-end to file a document prepared in accordance with Form 81-101F1 or Form 41-101F2 *Information Required in an Investment Fund Prospectus* (**Form 41-101F2**) to meet its obligation to file an AIF under section 9.2 of NI 81-106. We also propose to exempt such investment funds from several sections of Form 81-101F1 and Form 41-101F2 while requiring that all references to “prospectus” be replaced with “annual information form”.

³ For example: Item 4(3) of Form 81-101F2 has not been carried over into the proposed Form 81-101F1 on the basis that the requirement duplicates the existing Form 81-101F1, Part B, Item 6(2); Items 8(1) and 8(2) of Form 81-101F2 have not been carried over on the basis that the requirements are similar to those set out in the existing Form 81-101F1, Part A, Item 6(1); and Item 8(4) of Form 81-101F2 has not been carried over on the basis that the requirement is similar to those set out in the existing Form 81-101F1, Part A, Item 6(4).

⁴ Subsections (3)-(6) of Item 11.1(Principal Holders of Securities) of Form 81-101F2 have not been carried over into the proposed Form 81-101F1. The CSA are of the view that the information required by these subsections may not be of sufficient benefit to justify the significant time and cost associated with producing it.

⁵ The CSA notes two items in this regard. Form 81-101F1, Part A, Item 8.2 (Illustrations of Different Purchase Options) has not been carried forward on the basis that Form 81-101F3, Part II, Item 1.2 (Illustrations of Different Sales Charge Options) provides similar information in a more easily accessible location. Item 9.2 (Dealer Compensation from Management Fees) of the existing Part A of Form 81-101F1 has also not been carried over into the proposed Form 81-101F1. The CSA are of the view that disclosure of this nature is made available to investors by, for example, section 14.17 (Report on charges and other compensation) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. The CSA has not identified similar requirements in Form 41-101F2 *Information Required in an Investment Fund Prospectus* that would also need to be deleted to ensure that Form 41-101F2 and the proposed SP remain comparable.

Workstream Two: Investment Fund Designated Website

Given the widespread use of Internet-based technology in communications, we propose to add Part 16.1 to NI 81-106 to require reporting investment funds to designate a qualifying website on which the investment fund intends to post regulatory disclosure. Under the proposed section 16.1.2 of NI 81-106, a qualifying website will have to meet two requirements, namely that (i) it is publicly accessible, and (ii) it is established and maintained either by the investment fund, or by its investment fund manager, an affiliate or an associate of its investment fund manager, or another investment fund that is a part of its investment fund family⁶ (a **Related Person**).

The purpose of this proposed requirement is to improve the accessibility of disclosure for investors while taking into account the current way investment funds or Related Persons generally structure their websites. We are of the view that this requirement will create possibilities for regulatory disclosure that is currently found in printed documents to be moved to the designated qualifying website, which can potentially reduce burden and costs for investment fund managers and investment funds.

While the proposed requirement will create a new obligation on investment funds, it aims to provide reporting investment funds flexibility in meeting the obligation. Consequently, the Proposed Amendments will allow a reporting investment fund to post its regulatory disclosure on either its website or the website of a Related Person. In the latter case, the CSA will expect that the website identifies and differentiates between the documents and information that are specific to various investment funds.

The CSA is of the view that such a requirement would not unduly impose an additional regulatory burden on investment funds and their investment fund managers since it would formalize a commercial practice adopted by most investment funds and their investment fund managers. Indeed, most investment funds now post regulatory disclosure and other information (e.g. fund profiles) on a website that is established by the investment fund, or a Related Person, since it allows them to better reach and inform current and potential investors. Consequently, we expect that the incremental costs of this new requirement for reporting investment funds and their investment fund managers would be minimal.

Several provisions within the regulatory framework applicable to investment funds already provide that certain regulatory disclosure⁷ must be posted to the website of the investment fund, investment fund family or investment fund manager, if one exists. In addition, several investment funds are currently sending their securityholders hyperlinks that lead them to specific documents posted on their website or the website of a Related Person. Despite these provisions to facilitate electronic delivery of documents, there is no regulatory requirement to mandate that an investment fund establish and maintain a website for the purpose of posting regulatory disclosure.

⁶ In accordance with subsection 1.3(3) of NI 81-106, the term “investment fund family” used in NI 81-106 has the same meaning ascribed to the term “mutual fund family” defined in section 1.1 of NI 81-105 *Mutual Fund Sales Practices*, except that the reference in this definition to “mutual fund” must be read as a reference to “investment fund”. Therefore, “investment fund family” means two or more investment funds that have (a) the same manager, or (b) managers that are affiliates of each other.

⁷ For example, the following regulatory disclosure must be posted to a website if the investment fund has one: prospectuses, Fund Facts and ETF Facts documents, quarterly portfolio disclosure, annual financial statements, interim financial reports, annual and interim management reports of fund performance and reports of the independent review committee.

Concurrent with the requirement to designate an investment fund website, we propose certain consequential amendments to provisions in NI 41-101, NI 81-101, NI 81-106 and NI 81-107 to reflect the proposed requirement. Since several national instruments would include requirements for investment funds to post regulatory disclosure on a designated website, we propose to introduce a definition of “designated website” of an investment fund in NI 14-101 for clarity.

We also propose to add Part 11 in 81-106CP to provide guidance to investment funds and their investment fund managers on how a designated website should be maintained.⁸ Among other things, we clarify that supervision of the website and its content should be taken into account in the existing compliance systems of the investment fund and its investment fund manager. We note that the establishment and maintenance of a compliance system by investment fund managers is required under section 11.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103).

Workstream Three: Codify Exemptive Relief Granted in Respect of Notice-and-Access Applications

The CSA propose to introduce, in sections 12.2.1 to 12.2.6 of NI 81-106, a notice-and-access system for the solicitation of proxies under subsection 12.2(2) of NI 81-106 and section 2.7 of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* (NI 54-101). This follows earlier CSA implementation of a notice-and-access system for non-investment fund reporting issuers.

In 2012, the CSA adopted amendments for non-investment fund reporting issuers to improve the investor voting communication process by which proxies and voting instructions are solicited.⁹ These amendments came into force in 2013.¹⁰ The introduction of a notice-and-access system was one of the most significant features of the amendments. Notice-and-access permits delivery of proxy-related materials by sending a notice providing registered holders or beneficial owners, as the case may be, with summary information about the proxy-related materials and instructions on how to access them. The 2013 amendments applied to both management and non-management solicitations.¹¹ Following comments received that recommended enabling the use of notice-and-access by investment funds, the CSA determined that it would consider the issue at a later date.¹²

In 2016, the CSA began granting exemptive relief from the requirement in paragraph 12.2(2)(a) of NI 81-106 to deliver a completed Form 51-102F5 *Information Circular* (**Information Circular**) to permit use of notice-and-access for solicitation of proxies by or on behalf of management of an investment fund.¹³ This exemptive relief was drafted with reference to the notice-and-access system set out for non-investment fund reporting issuers in sections 9.1.1 to 9.1.4 of National

⁸ This guidance is consistent with the guidance currently provided under section 4.6 of 81-106CP and section 6.11 of National Policy 51-201 *Disclosure Standards*.

⁹ http://www.osc.gov.on.ca/en/SecuritiesLaw_csa_20121129_54-101_amendments.htm

¹⁰ https://www.osc.gov.on.ca/en/SecuritiesLaw_ni_20130214_54-101_nma-amendments.htm

¹¹ See section 2.7.7 of NI 54-101 and CSA Notice of Amendments to National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* and Companion Policy 54-101CP *Communication with Beneficial Owners of Securities of a Reporting Issuer* and Amendments to National Instrument 51-102 *Continuous Disclosure Obligations* and Companion Policy 51-102CP *Continuous Disclosure Obligations* (November 29, 2012) at page 10712 which notes that the notice-and-access provisions in NI 51-102 contain an equivalent concept.

¹² https://www.osc.gov.on.ca/en/SecuritiesLaw_csa_20121129_54-101_amendments.htm

¹³ *In the Matter of Desjardins Investments Inc., Fiera Capital Corporation, IA Clarington Investments Inc., National Bank Investments Inc.*, September 8, 2016.

Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102) and sections 2.7.1 to 2.7.8 of NI 54-101, with adaptations for investment funds. In this way, the exemptive relief placed investment funds with relief in a similar position as non-investment fund reporting issuers, with respect to proxy-related materials.

The CSA now propose to codify this frequently-granted exemptive relief and extend its availability to non-management solicitation of proxies, consistent with the notice-and-access system set out for non-investment fund reporting issuers. The Proposed Amendments and Proposed Changes are consistent with the conditions of recently granted notice-and-access exemptive relief and the notice-and-access provisions in NI 51-102 and NI 54-101. The Proposed Amendments do not change the requirement to prepare an Information Circular.

Workstream Four: Minimize Filings of Personal Information Forms

The CSA propose to eliminate the PIF requirements for specified individuals in NI 41-101¹⁴ and NI 81-101¹⁵ for investment fund issuers. Specified individuals are individual registrants and permitted individuals who have already submitted a Form 33-109F4 *Registration of Individuals and Review of Permitted Individuals* (Form F4).¹⁶ This would eliminate the need for similar information to be provided to securities regulators in both a PIF and a Form F4 to achieve regulatory oversight of such individuals.

The Proposed Amendments would not affect investor protection as information provided to the regulators, either upon application for registration or as an ongoing matter, is required to be kept up-to-date. In particular, securities regulators must receive notification of certain changes, generally within 10 to 30 days of a change under National Instrument 33-109 *Registration Information* (NI 33-109).

Workstream Five: Codify Exemptive Relief Granted in Respect of Conflicts Applications

The CSA are proposing amendments to NI 81-102 and NI 81-107 to codify frequently granted exemptive relief in respect of conflict of interest prohibitions contained under securities legislation, NI 81-102 and NI 31-103.

In 2000, the CSA adopted NI 81-102, which included certain conflict of interest prohibition exemptions in respect of which exemptive relief had been previously provided. In 2006, the CSA adopted NI 81-107, which included further conflict of interest prohibition exemptions of the same nature. NI 81-107 was adopted with a view to

- continuing to monitor what other exemptions may be appropriate based on applications received, and

¹⁴ Subparagraph 9.1(1)(b)(ii) of NI 41-101.

¹⁵ Subparagraphs 2.3(1)(b)(ii) and 2.3(2)(b)(iv) of NI 81-101.

¹⁶ Part 4 (Changes to Registered Individual and Permitted Individual Information) of NI 33-109, prescribe requirements to update the information in the Form F4 by filing a Form 33-109F5 *Change of Registration Information*.

- further reviewing the appropriateness of more exemptions applying to different types of transactions involving investment funds and related entities.

The CSA now propose to codify eight types of exemptions, subject to conditions, that will permit

- (a) fund-on-fund investments by investment funds that are not reporting issuers,
- (b) investment funds that are reporting issuers to purchase non-approved rating debt under a related underwriting,
- (c) *in specie* subscriptions and redemptions involving related managed accounts and mutual funds,
- (d) inter-fund trades of portfolio securities between related reporting investment funds, investment funds that are not reporting issuers and managed accounts at last sale price,
- (e) investment funds that are not reporting issuers to invest in securities of a related issuer over an exchange,
- (f) reporting investment funds and investment funds that are not reporting issuers to invest in debt securities of a related issuer in the secondary market,
- (g) reporting investment funds and investment funds that are not reporting issuers to invest in long-term debt securities of a related issuer in primary market distributions, and
- (h) reporting investment funds, investment funds that are not reporting issuers and managed accounts to trade debt securities with a related dealer.

Investment fund managers have generally been able to demonstrate that the above transactions are beneficial to investors despite evidencing a potential conflict of interest. The exemptions are codified based on conditions the CSA have incorporated into numerous discretionary exemptive relief decisions. The conditions are designed to mitigate the investor protection concerns and potential risks associated with these transactions, largely by promoting transparency, objective pricing, and, in some cases, oversight by an independent review committee (**IRC**).

The Proposed Amendments aim at codifying exemptions to the “investment fund conflict of interest restrictions” defined in NI 81-102 and the “inter-fund self-dealing investment prohibitions” defined in NI 81-107. Those restrictions and prohibitions include certain restrictions for registered advisers set out in subsection 13.5(2) of NI 31-103.¹⁷ We also propose to extend the

¹⁷ Subsection 13.5(2) of NI 31-103 prohibits a registered adviser from knowingly causing an investment portfolio managed by it, including an investment fund for which it acts as an adviser, to do any of the following: (a) purchase a security of an issuer in which a responsible person or an associate of a responsible person is a partner, officer or director unless (i) this fact is disclosed to the client, and (ii) the written consent of the client to the purchase is obtained before the purchase; (b) purchase or sell a security from or to the investment portfolio of any of the following: (i) a responsible person; (ii) an associate of a responsible person; (iii) an investment fund for which a responsible person acts as an adviser.

scope of the “investment fund conflict of interest restrictions” defined in NI 81-102 to include the restrictions for dealer managed investment funds set out in subsection 4.1(2) of NI 81-102.¹⁸

a) *Fund-on-Fund Investments by Investment Funds that are not Reporting Issuers*

We propose to add section 2.5.1 to NI 81-102 to provide an exemption to permit investment funds that are not reporting issuers to invest in other related investment funds.

Section 2.5 of NI 81-102 currently permits investment funds that are reporting issuers to invest in other investment funds that are reporting issuers. Subsection 2.5(7) of NI 81-102 provides an exemption from the investment fund conflict of interest investment restrictions and reporting requirements listed in Appendix D and Appendix E to NI 81-102 in cases where the underlying fund may be a related fund. Most commonly this occurs when the top fund, or a group of related top funds, are substantial securityholders in the underlying fund. Top funds that are reporting issuers must comply with the fund-on-fund regime prescribed under section 2.5 as a condition of relying on the exemption set out in subsection 2.5(7).

The CSA have frequently granted exemptive relief from the investment fund conflict of interest investment restrictions and reporting requirements to facilitate investment funds that are not reporting issuers investing in related investment funds. The benefits of permitting these transactions are the same as those recognized by the CSA in the existing fund-on-fund regime for publicly offered funds which include more efficient and cost-effective portfolio diversification. The exemptions have typically been granted by analogy to the prescribed fund-on-fund regime in section 2.5 of NI 81-102 with additional conditions, as necessary, to address that the funds are not reporting issuers subject to NI 81-102.

To implement this exemption in NI 81-102, we propose all of the following:

- to add subsection 1.2(2.1) to NI 81-102 so that the new exemption in section 2.5.1 will apply to investment funds that are not reporting issuers;
- to add section 2.5.1 to NI 81-102 to provide a new exemption from the investment fund conflict of interest investment restrictions and reporting requirements. Subject to several conditions to be met, the new exemption would permit top funds that are not reporting issuers to invest in all of the following:
 - investment funds that are reporting issuers;
 - investment funds that are not reporting issuers.

¹⁸ Subsection 4.1(2) of NI 81-102 prohibits a dealer managed investment fund from knowingly making an investment in a class of securities of an issuer of which a partner, director, officer or employee of the dealer manager of the investment fund, or a partner, director, officer or employee of an affiliate or associate of the dealer manager, is a partner, director or officer, unless the partner, director, officer or employee (a) does not participate in the formulation of investment decisions made on behalf of the dealer managed investment fund; (b) does not have access before implementation to information concerning investment decisions made on behalf of the dealer managed investment fund; and (c) does not influence, other than through research, statistical and other reports generally available to clients, the investment decisions made on behalf of the dealer managed investment fund.

b) Investment Funds that are Reporting Issuers to Purchase Non-Approved Rating Debt Under a Related Underwriting

Subsection 4.1(4) of NI 81-102 provides a statutory exemption to subsection 4.1(1) of NI 81-102 for dealer managed investment funds¹⁹ to invest in certain offerings that are underwritten by the fund's dealer manager if certain conditions are met. We propose to amend subsection 4.1(4) to permit a dealer managed investment fund to invest in offerings of debt securities of reporting issuers that do not have an approved rating, if the offerings are underwritten by the fund's dealer manager. We also propose to expand the scope of subsection 4.1(4) to permit a dealer managed fund to invest in other offerings of reporting issuers underwritten by the fund's dealer manager that are made under an exemption from the prospectus requirement.

The CSA have frequently granted exemptive relief from the prohibition in subsection 4.1(1) to permit dealer managed investment funds to participate in offerings of debt securities that do not have a designated rating, as required under paragraph 4.1(4)(b) of NI 81-102. This exemptive relief has been granted by analogy to the existing exemptions under subsection 4.1(4) for debt securities. The exemptive relief recognizes that there tends to be a limited supply of debt securities such that a dealer managed investment fund may be unduly restricted in the pursuit of its investment objectives where it has a dealer manager that is an underwriter in this market. One of the conditions for this exemptive relief is that there be independent oversight provided by the fund's IRC as provided in paragraph 4.1(4)(a) of NI 81-102.

The CSA have also granted exemptive relief from the prohibition in subsection 4.1(4) to permit dealer managed funds to participate in offerings of other securities by reporting issuers where the distribution proceeds under an exemption from the prospectus requirement. The exemptive relief recognizes that there is still adequate transparency so long as the issuer is a reporting issuer.

To implement these exemptions in NI 81-102, we propose all of the following:

- to amend subsection 4.1(4) of NI 81-102 so that the provision applies to investments in securities of a reporting issuer;
- to remove the designated rating requirement in paragraph 4.1(4)(b) of NI 81-102;
- to add a qualifier in paragraph 4.1(4)(b.1) of NI 81-102 to permit offerings to be made under an exemption from the prospectus requirement in addition to prospectus qualified offerings;
- to add a pricing condition in paragraph 4.1(4)(c.1) of NI 81-102 for purchases of debt securities that do not trade on an exchange and which are made during the 60-day period following the distribution.

¹⁹ In accordance with section 1.1 of NI 81-102, a "dealer managed investment fund" means an investment the portfolio adviser of which is a dealer manager.

c) *In Specie Subscriptions and Redemptions Involving Related Managed Accounts and Mutual Funds*

We propose to add subsections 9.4(7) and (8) to NI 81-102 to provide the necessary exemptions to facilitate the *in specie* payment of the issue price of the securities of a mutual fund, including a mutual fund that is not a reporting issuer, by a related mutual fund or managed account under paragraph 9.4(2)(b) of NI 81-102.²⁰ We also propose to add subsections 10.4(6) and (7) to provide the necessary exemptions to facilitate the *in specie* payment of redemption proceeds by mutual funds, including mutual funds that are not reporting issuers, to related mutual funds and managed accounts under paragraph 10.4(3)(b) of NI 81-102.²¹

The CSA have frequently granted exemptive relief to facilitate *in specie* subscriptions and redemptions between related mutual funds and managed accounts. These transactions have been interpreted to be prohibited trades in portfolio securities under the investment portfolio conflict of interest restrictions set out at paragraph 13.5(2)(b) of NI 31-103. The main benefit of permitting these transactions is to minimize brokerage and trading costs between related mutual funds and managed accounts. The exemptive relief has generally been granted by analogy to the *in specie* subscription and redemption provisions already contained in sections 9.4 and 10.4 of NI 81-102 with additional conditions designed to mitigate the risks associated with conducting these transactions between related investment funds and managed accounts.

To implement these exemptions in NI 81-102, we propose all of the following:

- to amend section 1.2 of NI 81-102 so that the new exemptions will also apply in connection with *in specie* subscriptions to mutual funds that are not reporting issuers and the payment of redemption proceeds *in specie* by investment funds that are not reporting issuers including subscriptions by, or payments to, related managed accounts;
- to add subsection 9.4(7) to NI 81-102 to provide a new exemption from the investment fund conflict of interest investment restrictions. The new exemption would permit mutual funds, including mutual funds that are not reporting issuers, to subscribe *in specie* to related mutual funds, including mutual funds that are not reporting issuers, if certain conditions are met;
- to add subsection 9.4(8) to NI 81-102 to provide a new exemption from the investment fund conflict of interest investment restrictions. The new exemption would permit managed accounts to subscribe *in specie* to related mutual funds, including mutual funds that are not reporting issuers, if certain conditions are met;
- to add subsection 10.4(6) to NI 81-102 to provide a new exemption from the investment fund conflict of interest investment restrictions. The new exemption would permit mutual funds, including mutual funds that are not reporting issuers, to pay redemption proceeds *in*

²⁰ Paragraph 9.4(2)(b) of NI 81-102 provides, among other things, that the payment of the issue price of the securities of a mutual fund may be made to the mutual fund by making good delivery of securities ("*in specie* payment") if certain conditions are met.

²¹ Paragraph 10.4(3)(b) of NI 81-102 provides, among other things, that an investment fund must pay the redemption proceeds for a redeemed security by making good delivery to the securityholders of portfolio assets if certain conditions are met.

specie to related mutual funds, including mutual funds that are not reporting issuers, if certain conditions are met;

- to add subsection 10.4(7) to NI 81-102 to provide a new exemption from the investment fund conflict of interest investment restrictions. The new exemption would permit mutual funds, including mutual funds that are not reporting issuers, to pay redemption proceeds *in specie* to related managed accounts, if certain conditions are met.

d) *Inter-Fund Trades of Portfolio Securities between Related Reporting Investment Funds, Investment Funds that are not Reporting Issuers and Managed Accounts at Last Sale Price*

We propose to amend the conditions to the exemption from the inter-fund self-dealing investment prohibitions in subsection 6.1(2) of NI 81-107 so that it will apply to inter-fund trades involving related investment funds that are not reporting issuers, and managed accounts. The exemption would continue to apply to trades between related investment funds that are reporting issuers. We will also amend the conditions in section 6.1 of NI 81-107 so that all inter-fund trades of exchange-traded securities may occur at last sale price.

The CSA have frequently granted exemptive relief to expand the existing codified exemption and permit inter-fund trades between related investment funds, including funds that are not reporting issuers, and managed accounts. These transactions have been interpreted to be prohibited trades for registered advisers in investment portfolios under paragraph 13.5(2)(b) of NI 31-103. The main benefit of permitting these transactions is to minimize brokerage and trading costs on behalf of the related funds and managed accounts. The exemptive relief has generally been granted by analogy to the inter-fund self-dealing investment prohibitions already contained in subsection 6.1(2) of NI 81-107.

The CSA have also frequently granted exemptive relief to permit inter-fund trades of exchange-traded securities to occur at last sale price as defined under the Universal Market Integrity Rules (UMIR) published by the Investment Industry Regulatory Organization of Canada (IIROC) in lieu of closing sale price, as currently required under section 6.1 of NI 81-107. The main benefit of permitting the use of last sale price is to obtain a more accurate price that is closer to the market price at the time the trade decision is made.

To implement the expansion of the inter-fund trading exemption in NI 81-107, we propose all of the following:

- to amend subsection 1.1(1) of NI 81-107 so that the inter-fund trade exemption will apply in connection with trades involving investment funds that are not reporting issuers and managed accounts;
- to amend the definition of current market price under paragraph 6.1(1)(a) of NI 81-107 to include last sale price;
- to add a definition of managed account under paragraph 6.1(1)(c) of NI 81-107;

- to amend subsection 6.1(2) of NI 81-107 so that the conditions include trades involving investment funds that are not reporting issuers and managed accounts;
- to amend subsection 6.1(3) of NI 81-107 so that the exemptions from National Instrument 21-101 *Marketplace Operation*, and Part 6 and Part 8 of National Instrument 23-101 *Trading Rules* apply in connection with trades involving investment funds that are not reporting issuers and managed accounts;
- to amend subsection 6.1(4) of NI 81-107 so that the exemption from the inter-fund self-dealing investment prohibitions does not apply in connection with trades involving investment funds that are not reporting issuers and managed accounts.

e) Investment Funds that are Not Reporting Issuers to Invest in Securities of a Related Issuer Over an Exchange

We propose to amend the exemption contained in section 6.2 of NI 81-107 that permits reporting investment funds to invest in securities of related issuers if certain conditions are met, so that it will also apply to investments made by investment funds that are not reporting issuers. The exemption would continue to apply to investment funds that are reporting issuers.

The CSA have frequently granted exemptive relief from investment fund conflict of interest investment restrictions to permit fund families that include investment funds that are not reporting issuers to invest in securities of related issuers on similar conditions, including IRC oversight and that the purchase is made over an exchange. The benefit of permitting these transactions is the same as for investment funds that are reporting issuers. In some instances, an investment fund's related issuer may be a good investment for the investment fund based on its investment objectives.

To implement expansion of the exemption in section 6.2 of NI 81-107 to include investments by investment funds that are not reporting issuers, we propose all of the following:

- to amend subsection 1.1(1) of NI 81-107 so that the related issuer purchase exemption will apply in connection with trades involving investment funds that are not reporting issuers;
- to amend subsection 6.2(1) of NI 81-107 so that it includes investment funds that are not reporting issuers in addition to investment funds that are reporting issuers;
- to amend subsection 6.2(2) of NI 81-107 so that the exemption from the investment conflict of interest investment restrictions applies in connection with investments made by investment funds that are not reporting issuers.

f) Reporting Investment Funds and Investment Funds that are not Reporting Issuers to Invest in Debt Securities of a Related Issuer in the Secondary Market

We propose to create a new exemption by adding section 6.3 to NI 81-107 in order to permit investment funds to invest in non-exchange traded debt securities of a related issuer in the secondary market if certain conditions are met.

The CSA have frequently granted exemptive relief from the conflict of interest investment restrictions, particularly in connection with funds managed by an affiliate of a financial institution, to permit these investments. Because the debt securities are not traded on an exchange, the investment fund cannot benefit from the exemption provided in section 6.2 of NI 81-107. Several exemptive relief decisions have been granted in cases where one investment fund manager purchases the business of another.

In granting the exemptive relief, the CSA have generally accepted the submission that there tends to be a relative lack of supply of debt securities in the market and an investment fund may be unduly restricted in the pursuit of its fixed-income investment objectives if it cannot purchase debt securities of a related issuer. The exemptive relief has been granted based on conditions that include IRC oversight, including for funds that are not reporting issuers, and objective pricing and transparency.

To implement this new exemption in NI 81-107, we propose all of the following:

- to amend subsection 1.1(1) of NI 81-107 so that the exemption will apply in connection with investments by investment funds that are not reporting issuers;
- to add section 6.3 to NI 81-107, which would set out the conditions of the exemption from the investment fund conflict of interest investment restrictions;
- to amend Appendix D of NI 81-102 to refer to subsection 4.1(2) of NI 81-102 in the list of investment fund conflict of interest investment restrictions.

g) Reporting Investment Funds and Investment Funds that are not Reporting Issuers to Invest in Long-Term Debt Securities of a Related Issuer in Primary Market Distributions

We propose to add section 6.4 to NI 81-107 to provide an exemption from the investment fund conflict of interest investment restrictions which would permit investment funds to purchase non-exchange traded long-term debt securities of a related issuer under a primary distribution by that issuer.

The CSA have frequently granted exemptive relief, particularly in connection with funds managed by an affiliate of a financial institution, to permit these investments. Similar to the new exemption in section 6.3 of NI 81-107, the CSA have generally accepted the submission that there tends to be a relative lack of supply of debt securities in the market and a related fund may be unduly restricted in the pursuit of its fixed-income investment objectives if it cannot purchase debt securities of its related issuer. The exemptive relief has been granted based on conditions that include IRC

oversight, including for funds that are not reporting issuers, and objective pricing and transparency. There are also additional conditions to mitigate the potential risk of the related issuer attempting to use the funds as a captive finance company.

To implement this exemption in NI 81-107, we propose all of the following:

- to amend subsection 1.1(1) of NI 81-107 so that the exemption would apply in connection with investments by investment funds that are not reporting issuers;
- to add section 6.4 to NI 81-107 which would set out the conditions of the exemption and provide the necessary exemption from the investment fund conflict of interest investment restrictions;
- to amend Appendix D of NI 81-102 to refer to subsection 4.1(2) of NI 81-102 in the list of investment fund conflict of interest investment restrictions.

h) Reporting investment funds, investment funds that are not reporting issuers and managed accounts to trade debt securities with a related dealer

We propose to add section 6.5 to NI 81-107 to provide the necessary exemptions to the inter-fund self-dealing investment prohibitions and the self-dealing restrictions set out in section 4.2 of NI 81-102 to permit investment funds and managed accounts to trade debt securities with a related dealer.

The CSA have frequently granted exemptive relief, particularly in connection with funds managed by an affiliate of a financial institution, to permit these trades. This exemptive relief pre-dates the coming into force of NI 81-107, in some cases, and should be re-issued. There has also been further exemptive relief granted, particularly when one fund manager purchases the business of another.

In granting those exemptions, the CSA have generally accepted the submission that there tends to be a relative lack of supply of debt securities in the market and a related fund may be unduly restricted in the pursuit of its fixed-income investment objectives if it cannot purchase debt securities from its related dealer. The exemptive relief has been granted based on conditions, among others, that include IRC oversight, including for funds that are not reporting issuers, and objective pricing and transparency. In addition, trades between managed accounts and a related dealer must be authorized by the client in its investment management agreement.

To implement this exemption in NI 81-107, we propose all of the following:

- to amend subsection 1.1(1) of NI 81-107 so that the exemption will apply in connection with investments by investment funds that are not reporting issuers;
- to add section 6.5 to NI 81-107 which would set out the conditions of the exemption and provide the necessary exemption from the inter-fund self-dealing investment prohibitions;

- to amend Appendix B of NI 81-107 so that it includes necessary references to section 4.2 of NI 81-102.

Workstream Six: Broaden Pre-Approval Criteria for Investment Fund Mergers

The CSA propose to introduce amendments to NI 81-102 to broaden the pre-approval criteria for investment fund mergers contained in section 5.6 of NI 81-102. The Proposed Amendments codify a type of regulatory approval that is frequently granted when a proposed merger does not satisfy all of the pre-approval criteria in section 5.6 of NI 81-102. More specifically, the Proposed Amendments will apply to an investment fund merger that does not qualify under either of the following provisions:

- subparagraph 5.6(1)(a)(ii) of NI 81-102 because a reasonable person may not consider the continuing fund to have substantially similar fundamental investment objectives, valuation procedures and fee structure;
- paragraph 5.6(1)(b) of NI 81-102 because the transaction is not a qualifying exchange or tax-deferred transaction.

Since implementation of the merger approval requirement under paragraph 5.5(1)(b) of NI 81-102, the CSA have approved numerous investment fund mergers that do not comply with the above-mentioned pre-approval criteria in section 5.6 because investment fund managers have generally been able to demonstrate that the proposed mergers are beneficial to investors despite not meeting the pre-approval criteria.

The existing pre-approval criteria in section 5.6 of NI 81-102 will be broadened based on conditions and representations found in past discretionary merger approval decisions. In particular, when granting discretionary merger approval, the CSA requires clear disclosure in an Information Circular that explains to investors why a proposed merger remains in securityholders' best interests despite the proposed merger not meeting the pre-approval criteria. We are proposing to include these explanations as required disclosure elements for pre-approval under the Proposed Amendments.

We propose to amend the pre-approval criteria in subparagraph 5.6(1)(a)(ii) and paragraph 5.6(1)(b) so long as the fund manager obtains securityholder approval and provides prescribed disclosure in an Information Circular. The proposed merger must also comply with all other pre-approval criteria under section 5.6, as applicable.

More specifically, the CSA propose to amend subsection 5.6(1) of NI 81-102 to add a disclosure alternative

- where a reasonable person would not consider the terminating investment fund to have substantially similar fundamental investment objectives, valuation procedures and fee structure as the continuing investment fund in the proposed merger, and

- that applies if the proposed merger is neither a “qualifying exchange” under section 132.2 of the ITA nor a tax-deferred transaction under subsection 85(1), 85.1(1), 86(1) or 87(1) of the ITA.

In the former case, the Information Circular must disclose the differences and explain the investment fund manager’s view that the transaction is in the best interests of securityholders despite the differences. In the latter case, the Information Circular must disclose why the proposed merger is structured as it is and explain the investment fund manager’s view that the transaction is in the best interests of securityholders despite the tax treatment of the proposed merger.

Workstream Seven: Repeal Regulatory Approval Requirements for Change of Manager, Change of Control of a Manager, and Change of Custodian that Occurs in Connection with a Change of Manager

The CSA propose to repeal the regulatory approval requirements in section 5.5 for a change of manager, a change of control of a manager, or a change of custodian that occurs in connection with a change of manager. Since the implementation of these requirements, the CSA has granted regulatory approvals to numerous changes of managers and changes of control of managers. The purpose of these requirements is to provide the CSA with an opportunity to assess the integrity and proficiency of a proposed new person in a change of manager, change of control of a manager and change of custodian with a change of manager, as well as to ensure that adequate disclosure is given to securityholders regarding such a change. This is generally satisfied by conducting background checks on the officers and directors of the proposed new person and where there is a change of manager, by reviewing the Information Circular prepared in connection with the requisite securityholder vote.

Since the CSA’s adoption of these requirements, NI 31-103 has implemented registration requirements for investment fund managers. The registration process provides an opportunity for the CSA to assess that new investment fund managers have sufficient integrity, proficiency and solvency to adequately carry out their functions. The registration processes include all of the following:

- background checks, including obtaining information on any criminal offences, civil actions alleging fraud, theft, deceit, misrepresentation or similar misconduct, financial information on prior bankruptcies, and other detrimental information from other securities regulatory proceedings or investigations;
- an examination of the individuals’ relevant securities industry experience, including employment history.

Once registered, firms and individuals must report changes in the information they provided at the time of registration by filing Form 33-109F5 *Change of Registration Information* within required timeframes. This allows the CSA to continue assessing suitability for investment fund manager registration.

A change of manager will continue to be subject to securityholder approval and the requirement to prepare an Information Circular. In order to help investment funds meet their disclosure obligations, we have also added certain disclosure requirements that will apply to the Information Circular when there is a change of manager.

To implement the foregoing changes in NI 81-102, we propose all of the following:

- to amend subsection 5.4(2) of NI 81-102 to clarify that certain disclosure regarding a change of investment fund manager must be made in an Information Circular;
- to repeal paragraph 5.5(1)(a) of NI 81-102 with respect to a change of manager;
- to repeal paragraph 5.5(1)(a.1) of NI 81-102 with respect to a change of control of a manager;
- to repeal paragraph 5.5(1)(c) of NI 81-102 with respect to a change of custodian that occurs in connection with a change of manager;
- to repeal paragraph 5.7(1)(a) of NI 81-102 with respect to the requirement to file an application for a change of manager and a change of control of a manager.

As noted in Appendix A, Schedule 1, the CSA are seeking comments on whether additional measures are necessary to ensure investor protection in the event of a change of manager or a change of control of a manager, and whether securityholders are currently receiving adequate disclosure in these circumstances. We are also seeking comments on whether the CSA should streamline the approval process for a change of manager and a change of control of a manager instead of repealing paragraphs 5.5(1)(a) and 5.5(1)(a.1).

Workstream Eight: Codify Exemptive Relief Granted in Respect of Fund Facts Delivery Applications

a) Managed Accounts and Permitted Clients

The CSA propose to introduce an exemption from the fund facts delivery requirement²² for conventional mutual fund purchases made in managed accounts or by permitted clients that are not individuals. The Fund Facts is a summary disclosure document that provides key information about a mutual fund to investors in a simple, accessible and comparable format, before investors make their investment decision.

In the final amendments published on December 11, 2014 to implement pre-sale delivery of Fund Facts (the **POS Amendments**), the CSA provided an exemption from the pre-sale delivery requirements for purchases of mutual fund securities made in managed accounts or by permitted clients that are not individuals in section 3.2.04 of NI 81-101. For these purchases, the Fund Facts are required to be delivered or sent to the purchaser within two days of buying the mutual fund.

²² Section 3.2.01 of National Instrument 81-101 *Mutual Fund Prospectus Disclosure*.

Subsequent to the publication of the POS Amendments, the CSA received feedback from portfolio managers that post-sale delivery of the Fund Facts is not necessary for purchases made in managed accounts or by permitted clients, and that an exception from the Fund Facts delivery requirement should be provided. The CSA agree with this feedback and propose to amend section 3.2.04 of NI 81-101 to introduce an exemption from the fund facts delivery requirement for purchases of mutual fund securities made in managed accounts or by permitted clients that are not individuals.

b) Portfolio Rebalancing Plans

The CSA propose to codify exemptive relief from the Fund Facts delivery requirement for subsequent purchases of conventional mutual fund securities under model portfolio products and portfolio rebalancing services.

In finalizing the POS Amendments, the CSA did consider stakeholder comments that asked for an exemption for model portfolio products from the pre-sale delivery requirement on terms similar to the exemption from the Fund Facts delivery requirement for pre-authorized purchase plans set out in section 3.2.03 of NI 81-101 (the **PAC Exception**). At the time, the CSA determined that exemptive relief should only be granted to model portfolio products with rebalancing features on a case-by-case basis and indicated its position in the summary of comments published with the POS Amendments.

Since the publication of the POS Amendments, exemptive relief has been routinely granted from the Fund Facts delivery requirement for subsequent purchases made pursuant to rebalancing in the context of model portfolio products and portfolio rebalancing services. Generally, model portfolio products are offered by investment fund managers and each model portfolio is comprised of a number of mutual funds with target asset allocation levels for each fund in the portfolio. On rebalancing dates, each fund in the portfolio is rebalanced back to the target asset allocation level. Generally, portfolio rebalancing services are offered by dealers for a portfolio of mutual funds selected by an investor with target asset allocation levels for each fund in the portfolio. On rebalancing dates, each fund in the portfolio is rebalanced back to the target asset allocation level.

Each subsequent purchase of mutual fund securities in model portfolio products and portfolio rebalancing services triggers the Fund Facts delivery requirement.

An investor with a model portfolio product or portfolio rebalancing service makes an investment decision at the outset and subsequent purchases do not reflect new investment decisions. This is similar to subsequent purchases made under a pre-authorized purchase plan, which is a contract or other arrangement, where an investor purchases mutual fund securities, by payment of a specified amount, on a regularly scheduled basis, and which can be terminated at any time. However, model portfolios and portfolio rebalancing services cannot rely on the PAC Exception as these products/services do not meet the “pre-authorized purchase plan” definition.

The CSA propose to amend section 3.2.03 of NI 81-101 to codify exemptive relief from the Fund Facts delivery requirement for subsequent purchases made in model portfolio products and portfolio rebalancing services. The Proposed Amendments and Proposed Changes expand the

current PAC Exception to add “portfolio rebalancing plans”, which are defined to include both model portfolio products and portfolio rebalancing services.

c) Automatic Switch Programs

The CSA propose to codify exemptive relief from the Fund Facts delivery requirement for purchases of conventional mutual fund securities made under automatic switch programs, which are offered by investment fund managers. Generally, investors in automatic switch programs purchase a class or series of securities of a mutual fund, and on predetermined dates, automatic switches are made to a different class or series of the same fund based on the balance in the investor’s account or group of accounts meeting the minimum investment amount of the other class or series.

Mutual funds in an automatic switch program offer two or more series with the only differences between the classes or series being progressively lower management fees and progressively higher minimum investment thresholds. Automatic switch programs benefit investors because they automatically switch investors into another class or series of securities of the same mutual fund as soon as they meet the minimum investment threshold.

The investor’s investment amount may change based on purchases, redemptions and changes in market value. Each automatic switch entails a redemption of a class or series of mutual fund securities, immediately followed by a purchase of another class or series of securities of the same mutual fund. Each purchase made pursuant to an automatic switch triggers the Fund Facts delivery requirement. However, because the switches are automatic in nature, it is often very difficult or impractical for an investment fund manager to deliver the Fund Facts prior to an automatic switch.

The CSA have routinely granted exemptive relief from the Fund Facts delivery requirement for purchases made under an automatic switch program. In many instances, exemptive relief has also been granted from the form requirements of Form 81-101F3 *Contents of Fund Facts Document (Form 81-101F3)*, which allows mutual funds in an automatic switch program to file a single consolidated Fund Facts for all the classes or series of securities of the fund that are in the automatic switch program.

The CSA propose to introduce amendments to NI 81-101 to codify exemptive relief from all of the following:

- the Fund Facts delivery requirement for purchases made under automatic switch programs, which are offered by investment fund managers;
- the form requirements in Form 81-101F3 to allow a single consolidated Fund Facts to be filed for all the classes or series of securities of a mutual fund offered in an automatic switch program.

The Proposed Amendments reflect the conditions of recently granted exemptive relief for automatic switch programs, including notices to investors and modified form requirements for a single, consolidated Fund Facts. The exemption would apply to purchases of a class or series of

securities of a mutual fund as a result of the purchaser meeting the minimum investment amount of a class or series of securities of the mutual fund due to additional purchases, redemptions or positive market movement. The exemption would not apply to purchases of a class or series of securities of a mutual fund as a result of the purchaser no longer meeting the minimum investment amount of a class or series of securities of the mutual fund due to negative market movement. The new exemption will be introduced in section 3.2.05 of NI 81-101 while the provisions for electronic delivery of the Fund Facts will be moved to section 3.2.06 of NI 81-101.

d) Proposed Amendments to Conform Form 81-101F3 Contents of Fund Facts Document with Form 41-101F4 Information Required in an ETF Facts Document

The CSA propose amendments to Form 81-101F3 to conform with certain disclosure requirements in Form 41-101F4 *Information Required in an ETF Facts Document*. The Proposed Amendments set out the disclosure requirements for a newly established mutual fund, a mutual fund that has not yet completed a calendar year and a mutual fund that has not yet completed 12 consecutive months under the sub-headings “Top 10 investments”, “Investment mix”, and “How has the fund performed?” in the Fund Facts, as applicable.

Additional Amendments

The CSA propose consequential amendments to certain instruments for reasons not directly related to efforts to reduce regulatory burden for investment funds.

Transition/Coming into Force

Subject to the nature of comments we receive, as well as any applicable regulatory requirements, we are proposing that if approved, the Proposed Amendments and Proposed Changes would come into force approximately 3 months after the final publication date.

Adoption Procedures

We expect the Proposed Amendments and Proposed Changes to be incorporated as part of rules in each of British Columbia, Alberta, Manitoba, Ontario, Nova Scotia, Prince Edward Island, New Brunswick, Newfoundland and Labrador, Northwest Territories, Yukon and Nunavut, and incorporated as part of commission regulations in Saskatchewan and regulations in Québec. The Proposed Amendments and Proposed Changes involving changes to companion policies are expected to be adopted as part of policies in each of the CSA jurisdictions.

Alternatives Considered to the Proposed Amendments and Proposed Changes

An alternative to the Proposed Amendments and Proposed Changes would be not to implement any changes to the regulatory regime governing investment fund issuers and instead maintain the *status quo*.

Not proceeding with the Proposed Amendments and Proposed Changes would be a missed opportunity to reduce regulatory burden for investment fund reporting issuers in a way that

maintains investor protection and market efficiency. Reducing regulatory burden through the Proposed Amendments and Proposed Changes would have the benefits of reducing associated costs to investment fund managers and investment funds and where applicable, providing investors with more focused disclosure to review.

Anticipated Costs and Benefits of the Proposed Amendments and Proposed Changes

The CSA are of the view that the Proposed Amendments and the Proposed Changes strike the right balance between protecting investors and fostering fair and efficient capital markets. The Proposed Amendments and Proposed Changes would provide streamlined disclosure for investors and generate cost savings for investment fund managers and investment funds.

Anticipated Benefits

Workstream One: Consolidate the Simplified Prospectus and the Annual Information Form

For investment funds in continuous distribution, the anticipated benefits include a reduction in the amount of disclosure required to be prepared and filed by investment fund managers. This should reduce costs and cost savings may be passed on to securityholders of conventional mutual funds. The consolidation of certain AIF disclosure into an SP would lead to more streamlined disclosure for investors. In addition to the Fund Facts, investors and dealers will only need to consult the SP instead of both the SP and the AIF.

Workstream Two: Investment Fund Designated Website

This proposed requirement may lay the foundation for migrating information that is currently included in the prospectus and other regulatory documents, to the investment fund's designated website. The anticipated benefits include: (i) easier and more streamlined access to investment fund regulatory disclosure and information for investors, and (ii) potential cost savings for investment fund managers and investment funds in the printing and delivery of various documents if the disclosure is instead permitted to be posted on the designated website.

Workstream Three: Codify Exemptive Relief Granted in Respect of Notice-and-Access Applications

The anticipated benefits of codifying use of a notice-and-access system for investment funds include cost savings in the printing and delivery of meeting materials sent to securityholders for persons or companies soliciting proxies. Additional benefits include more focused disclosure for investors to review, while still providing a way for investors to access additional information if required. We will continue to monitor any CSA policy initiatives impacting the notice-and-access model for non-investment fund reporting issuers made as part of the CSA's efforts to enhance electronic delivery of documents for non-investment fund reporting issuers.²³

²³ CSA Consultation Paper 51-404 *Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers* published April 6, 2017.

Workstream Four: Minimize Filings of Personal Information Forms

The anticipated benefits of this Proposed Amendment include cost savings from not having to prepare and submit a PIF with an investment fund prospectus filing for registrants and permitted individuals who have already submitted a Form F4.

Workstream Five: Codify Exemptive Relief Granted in Respect of Conflicts Applications

The anticipated benefits of codifying exemptions for these conflict of interest transactions, which have frequently been granted in the past, include cost savings from not having to prepare and file exemptive relief applications. Furthermore, codification of these exemptions will centralize the different exemptions with respect to investment fund conflict of interest matters in NI 81-102 and NI 81-107.

Workstream Six: Broaden Pre-Approval Criteria for Investment Fund Mergers

The anticipated benefits of broadening the investment fund merger pre-approval criteria include cost savings from not having to prepare and file regulatory approval applications under paragraph 5.5(1)(b) of NI 81-102.

Workstream Seven: Repeal Regulatory Approval Requirements for Change of Manager, Change of Control of a Manager, and Change of Custodian that Occurs in Connection with a Change of Manager

The anticipated benefits of repealing the requirements relating to a change of manager, a change of control of a manager and a change of custodian related to a change of manager, include cost savings from not having to prepare and file regulatory approval applications under paragraphs 5.7(1)(a), 5.7(1)(b) and 5.7(1)(c) of NI 81-102.

Workstream Eight: Codify Exemptive Relief Granted in Respect of Fund Facts Delivery Applications

The anticipated benefits of introducing an exemption from the fund facts delivery requirement for mutual fund purchases made in managed accounts or by permitted clients that are not individuals, include cost savings in the printing and delivery of Fund Facts.

The anticipated benefits of codifying exemptive relief from the Fund Facts delivery requirement by expanding the PAC Exception for subsequent purchases under model portfolio products and portfolio rebalancing services include cost savings in the printing and delivery of Fund Facts.

Other anticipated benefits include enhanced disclosure to investors with a single consolidated Fund Facts for all the classes or series of securities of the mutual fund in the automatic switch program, and cost savings in the printing and delivery of Fund Facts for investors in an automatic switch program.

Anticipated Costs

Overall, the CSA are of the view that the Proposed Amendments and Proposed Changes would not create substantial costs for investment funds, investment fund managers or securityholders.

Regarding the Proposed Amendments for Workstream One: Consolidate the Simplified Prospectus and the Annual Information Form, while investment fund managers and investment funds may incur some upfront costs in modifying SPs based on the revised Form 81-101F1, these initial costs will be outweighed by the cost savings in the long term from not having to prepare and file an AIF. Where investment funds are currently not in continuous distribution and have already filed an AIF, costs may be incurred in revising their AIF to meet the proposed disclosure requirements.

Overall, we think the anticipated benefits of the Proposed Amendments and Proposed Changes outweigh their anticipated costs. We seek feedback on whether you agree or disagree with our view on the cost burden of the Proposed Amendments and Proposed Changes. Specific quantitative data in support of your views in this context would be particularly helpful.

Next Steps: Later Stages of Phase 2

Further proposals to reduce regulatory burden for investment fund issuers that require additional analysis will be developed in the medium to long term and will be published for comment as part of subsequent stages of Phase 2. Areas that will receive consideration for the development of further proposals will include all of the following:

- continuous disclosure obligations;
- securityholder meetings and information circular requirements;
- prescribed notices and reporting requirements;
- prospectus regime provisions;
- methods used to communicate with investors.

Local Matters

Appendix C is being published in any local jurisdiction that is making related changes to local securities laws, including local notices or other policy instruments in that jurisdiction. It also includes any additional information that is relevant to that jurisdiction only.

Unpublished Materials

In developing the Proposed Amendments and Proposed Changes, we have not relied on any significant unpublished study, report or other written materials.

Request for Comments and Feedback

We welcome your comments on the Proposed Amendments and Proposed Changes. While we welcome comments on any aspect of this publication, we also invite responses to the specific questions in Appendix A, Schedule 1 to this Notice.

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. All comments will be posted on the websites of each of the Ontario Securities Commission at www.osc.gov.on.ca, the Alberta Securities Commission at www.albertasecurities.com and the Autorité des marchés financiers at www.lautorite.qc.ca. Therefore, you should not include personal information directly in comments to be published. It is important you state on whose behalf you are making the submissions.

Deadline for Comments

Please submit your comments in writing on or before **December 11, 2019**. If you are not sending your comments by email, please send a USB flash drive containing the submissions.

Please note that some CSA jurisdictions may also host roundtables to discuss the Proposed Amendments and Proposed Changes. We encourage interested stakeholders to participate.

Where to Send Your Comments

Address your submission to all of the CSA as follows:

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumers Services Commission, New Brunswick
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Superintendent of Securities, Nunavut

Please send your comments only to the addresses below. Your comments will be forwarded to the other CSA members.

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Fax: 416-593-2318
Email: comments@osc.gov.on.ca

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Autorité des marchés financiers
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Contents of Appendices

The text of the Proposed Amendments and Proposed Changes is contained in Appendix B to this Notice and is available on the websites of members of the CSA:

Appendix A - General

Schedule 1 Specific Questions for Comment Relating to the Proposed Amendments and Proposed Changes

Appendix B – Proposed Amendments and Proposed Changes

Workstream One: Consolidate the Simplified Prospectus and the Annual Information Form

Schedule 1-A Proposed Amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure*

Schedule 1-B Proposed Changes to Companion Policy 81-101CP to National Instrument 81-101 *Mutual Fund Prospectus Disclosure*

Schedule 1-C Proposed Amendments to National Instrument 81-102 *Investment Funds*

Schedule 1-D Proposed Changes to Companion Policy 81-102CP to National Instrument 81-102 *Investment Funds*

Schedule 1-E Proposed Amendments to National Instrument 81-106 *Investment Fund Continuous Disclosure*

Schedule 1-F Proposed Changes to Companion Policy 81-106CP to National Instrument 81-106 *Investment Fund Continuous Disclosure*

Schedule 1-G Proposed Changes to National Policy 11-202 *Process for Prospectus Reviews in Multiple Jurisdictions*

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Workstream Two: Investment Fund Designated Website

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Schedule 2-B Proposed Amendments to National Instrument 41-101 *General Prospectus Requirements*

- Schedule 2-C** Proposed Changes to Companion Policy 41-101CP to National Instrument 41-101 *General Prospectus Requirements*
- Schedule 2-D** Proposed Amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure*
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- Schedule 2-H** Proposed Changes to Companion Policy 81-106CP to National Instrument 81-106 *Investment Fund Continuous Disclosure*
- Schedule 2-I** Proposed Amendments to National Instrument 81-107 *Independent Review Committee for Investment Funds*
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Workstream Three: Codify Exemptive Relief Granted in Respect of Notice-and-Access Applications

- Schedule 3-A** Proposed Amendments to National Instrument 81-106 *Investment Fund Continuous Disclosure*
- Schedule 3-B** Proposed Changes to Companion Policy 81-106CP to National Instrument 81-106 *Investment Fund Continuous Disclosure*

Workstream Four: Minimize Filings of Personal Information Forms

- Schedule 4-A** Proposed Amendments to National Instrument 41-101 *General Prospectus Requirements*
- Schedule 4-B** Proposed Amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure*

Workstream Five: Codify Exemptive Relief Granted in Respect of Conflicts Applications

- Schedule 5-A** Proposed Amendments to National Instrument 81-102 *Investment Funds*
- Schedule 5-B** Proposed Changes to Companion Policy 81-102CP to National Instrument 81-102 *Investment Funds*

Schedule 5-C Proposed Amendments to National Instrument 81-107 *Independent Review Committee for Investment Funds*

Schedule 5-D Proposed Changes to Commentary in National Instrument 81-107 *Independent Review Committee for Investment Funds*

Workstream Six: Broaden Pre-Approval Criteria for Investment Fund Mergers

Schedule 6 Proposed Amendments to National Instrument 81-102 *Investment Funds*

Workstream Seven: Repeal Regulatory Approval Requirements for Change of Manager, Change of Control of a Manager, and Change of Custodian that Occurs in Connection with a Change of Manager

Schedule 7 Proposed Amendments to National Instrument 81-102 *Investment Funds*

Workstream Eight: Codify Exemptive Relief Granted in Respect of Fund Facts Delivery Applications

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Additional Amendments

Schedule 9 Proposed Amendments to National Instrument 41-101 *General Prospectus Requirements*

Appendix C – Local Matters

**APPENDIX A
GENERAL**

**SCHEDULE 1
SPECIFIC QUESTIONS FOR COMMENT RELATING TO THE PROPOSED
AMENDMENTS AND PROPOSED CHANGES**

General

1. Are there any areas that would benefit from a reduction of undue regulatory burden or streamlining of requirements, while preserving investor protection and market efficiency, which we should consider as part of Phase 2, Stage 2 (and onwards)? Please prioritize any suggestions you may have.
2. With the exception of Workstreams 1, 2 and 3, the Proposed Amendments and Proposed Changes do not introduce any new requirements for investment funds. Instead, we are either removing requirements or introducing exemptions that are permissive in nature. As a result, we do not contemplate any prolonged transition period following the in-force date of the proposals. Are there any specific elements of the Proposed Amendments and Proposed Changes which investment funds and their managers would require additional time to comply with? If so, please explain why and provide suggestions for an appropriate transition period.

Workstream One: Consolidate the Simplified Prospectus and the Annual Information Form

Consolidation of Form 81-101F2 into Form 81-101F1

3. As described in footnotes 3 to 5 of the Notice, certain specific requirements from the existing Form 81-101F1 and Form 81-101F2 were not carried over into the proposed Form 81-101F1. Do you support or disagree with these changes? If so, please explain.
4. Are there any disclosure requirements from the proposed Form 81-101F1 that are redundant or unnecessary and that can be removed or modified without impacting investor protection or market efficiency? If so, what are the reasons why the disclosure requirements should be removed or modified and how will investor protection and market efficiency be maintained? Are there any significant cost implications associated with sourcing the required disclosure? If so, please explain. Please comment in particular on the proposed Item 4.14 (Ownership of Securities of the Mutual Fund and the Manager) of Part A and whether it should be narrowed in scope or removed entirely.
5. As an alternative to complete removal, are there any disclosure requirements from the proposed Form 81-101F1 that could be relocated to another required disclosure document or to the proposed “designated website” for investment funds, while still maintaining investor protection and market efficiency? If so, why should these disclosure requirements be relocated and where should they be relocated to? Please comment in particular on any of the following proposed Items:

- (a) Part A, Item 4 (Responsibility for Mutual Fund Operations);
 - (b) Part A, Item 7 (Purchases, Switches and Redemptions);
 - (c) Part A, Item 8 (Optional Services Provided by the Mutual Fund Organization);
 - (d) Part B, Item 8 (Name, Formation and History of the Mutual Fund).
6. The proposed Item 7(2) of Part A of Form 81-101F1 requires a description of the circumstances when the suspension of redemption rights could occur. We are considering, however, whether to require specific disclosure in the prospectus regarding any liquidity risk management policies that have been put in place for the investment fund. This would include a list of any liquidity risk management tools that have been adopted as permitted by securities regulations, along with a brief description of how and when they will be employed and the effect of their use on redemption rights. Would the prospectus be the most appropriate place for this type of disclosure, or are there other alternatives that we should consider?
7. The current prospectus disclosure rules were drafted at a time when inventories of physically printed prospectuses were required to satisfy prospectus delivery requirements. In recognition of this, flexibility exists in terms of how to deal with amendments to avoid significant costs that might be associated with having to reprint large quantities of commercially prepared copies of the prospectus. With the transition to delivery of the Fund Facts and the ETF Facts documents in place of the prospectus, along with the advent of print-on-demand technology and electronic delivery, is it still necessary to maintain this flexibility? Would it be less burdensome for investment funds and investment fund managers to follow the approach taken with the Fund Facts document and ETF Facts document by requiring that all amendments be in the form of an amended and restated prospectus, prepared in accordance with the proposed Form 81-101F1? Why or why not?
8. Item 11.2 (Publication of Material Change) of NI 81-106 sets out requirements that an investment fund must satisfy where a material change occurs in its affairs. Can these requirements be streamlined or modified in any way while maintaining investor protection and market efficiency?
9. Will any exemptive relief decisions be rendered ineffective as a result of the repeal of Form 81-101F2? If so, are there any transitional issues that need to be considered? Please explain.
10. Are there any disclosure requirements in the proposed Form 81-101F1 that require additional guidance or clarity?
11. Currently a final prospectus must be filed within 90 days of receiving a receipt for a preliminary prospectus. We are of the view that this requirement is more relevant to non-investment fund issuers and is not necessarily applicable to investment funds, particularly to investment funds in continuous distribution. As a result, we are currently considering whether to either extend the final filing deadline or remove this requirement entirely. Do

you have any views on the applicability of this provision to investment fund issuers? If you agree that the provision is not required, please explain whether it would be preferable to extend or eliminate the filing deadline, including the reason for your preference. If an extension is preferred, would 180 days be sufficient?

Investment Funds Not in Continuous Distribution

12. Should investment funds not in continuous distribution that have already prepared and filed an AIF using Form 81-101F2 be permitted to continue using that Form? If so, why?
13. Should investment funds not in continuous distribution be relieved entirely of the requirement to file an AIF? If so, what impact would this have on an investor's ability to access an up-to-date consolidated disclosure record for an investment fund not in continuous distribution? Alternatively, please comment on whether elements from the current Form 81-101F2 should be incorporated into any of the following:
 - (a) Form 81-106F1 *Contents of Annual and Interim Management Report of Fund Performance*;
 - (b) a designated website;
 - (c) other forms of disclosure (please specify).

Workstream Two: Investment Fund Designated Website

14. The proposed Part 16.1 of NI 81-106 requires reporting investment funds to designate a qualifying website on which the investment fund must post regulatory disclosure documents. This proposal represents the first stage of a broader initiative to both improve the accessibility of disclosure to investors and enhance the efficiency with which investment funds can meet their disclosure obligations. The CSA, however, recognize that electronic methods of providing access to information and documents besides websites may be used to provide information regarding investment funds. As a result, we ask for specific feedback on the following questions related to the issue of making the proposed Part 16.1 more technologically neutral:
 - (a) Should the proposed Part 16.1 be revised to provide investment funds with the option to designate other technological means of providing public access to regulatory disclosure besides websites? In your response, please comment on the following issues: any potential investor protection concerns, consistency with securities instruments outside of the investment fund regime, and the benefits of making such a change.
 - (b) What other technological means of providing public access to regulatory disclosure should be captured by the proposed amendments? Please be specific. Of these means, please identify which are currently in use and which are expected to be used in the future.

- (c) Should any parameters (e.g. free to access, accessible to the public) be applied to limit which technological means of providing public access to regulatory disclosure besides websites should be included in the proposed Part 16.1? If so, please state which parameters should apply and why.
 - (d) If you agree that technological means of providing public access to regulatory disclosure besides websites should be included in the proposed Part 16.1, what terms could be used to refer to these means? What are the benefits and drawbacks of each possible option? Some examples include “digital platform”, “electronic platform”, and “online platform”.
 - (e) Are there any elements of the current proposed amendments and proposed changes under Workstream Two that would not work if an investment fund could designate other technological means of providing public access to regulatory disclosure besides websites?
15. Are there unintended consequences arising from the proposed section 16.1.2 of NI 81-106 that we should consider? For example, under the proposed section, an investment fund may designate a website that is maintained by a Related Person. We are of the view that this would avoid circumstances where an investment fund would have to create an entirely new and separate website, where to do so would not be desirable. Are there any practical issues associated with this that we should consider?
16. Are there any aspects of the proposed guidance provided in 81-106CP that are impractical or misaligned with current market practices?
17. Some investment funds may maintain a website that is accessible only by securityholders with an access code and a password (i.e. a private website). Would an investment fund currently maintaining a private website accessible only to its securityholders encounter any issues with the proposed requirement to post regulatory disclosure required by securities legislation on a designated website that is publicly accessible?

Workstream Three: Codify Exemptive Relief Granted in Respect of Notice-and-Access Applications

18. Will participation rates for investment fund securityholder meetings change under the notice-and-access system? In particular, is it anticipated that participation rates would change? Please provide an explanation for your answer.

Workstream Four: Minimize Filings of Personal Information Forms

No questions.

Workstream Five: Codify Exemptive Relief Granted in Respect of Conflicts Applications

19. The Proposed Amendments include new exemptions in sections 6.3 and 6.5 of NI 81-107 to permit secondary market trades in debt securities of related issuers and secondary market trades in debt securities with a related dealer, respectively. The exemptions are based on discretionary relief granted to date that includes pricing conditions. The pricing conditions are not the same under each exemption and also differ from what is currently codified under section 6.1 of NI 81-107.
- In accordance with subsection 6.1(2) of NI 81-107, for inter-fund trades of portfolio securities between related reporting investment funds, non-reporting investment funds and managed accounts, the portfolio manager may purchase or sell a debt security if, among other conditions, all of the following apply:
 - the bid and ask price of the security is readily available as provided under paragraph 6.1(2)(c);
 - the transaction is executed at a price, which is the average of the highest current bid and lowest current ask determined on the basis of reasonable inquiry as provided under paragraph 6.1(2)(e) and subparagraph 6.1(1)(a)(ii).
 - In accordance with the proposed paragraph 6.3(1)(d) of NI 81-107, reporting and non-reporting investment funds would be able to invest in non-exchange traded debt securities of a related issuer in the secondary market if, among other conditions, all of the following apply:
 - where the purchase occurs on a marketplace, the price is determined in accordance with the requirements of that marketplace as provided under the proposed subparagraph 6.3(1)(d)(i) of NI 81-107;
 - where the purchase does not occur on a marketplace, as provided under the proposed subparagraph 6.3(1)(d)(ii), the price is either of the following:
 - the price at which an arm's length seller is willing to sell the security;
 - not more than the price quoted publicly by an independent marketplace or the price quoted, immediately before the purchase, by an arm's length purchaser or seller.
 - In accordance with the proposed subsection 6.5(1), reporting investment funds, non-reporting investment funds and managed accounts, may trade debt securities with a related dealer if, at the time of the transaction, among other conditions, all of the following apply:
 - the bid and ask price of the security transacted is readily available as provided under the proposed paragraph 6.5(1)(d);

- the purchase is not executed at a price which is higher than the available ask price and the sale is not executed at a price which is lower than the available bid price, as provided in the proposed paragraph 6.5(1)(e).

Should these pricing conditions be revised? Should they be more harmonized? Are there any self-regulatory organization rules or guidance for pricing methods that we should consider in such cases?

Workstream Six: Broaden Pre-Approval Criteria for Investment Fund Mergers

20. We propose to mandate new disclosure requirements in the Information Circular in subparagraph 5.6(1)(a)(ii) and paragraph 5.6(1)(b) of NI 81-102 as pre-approval criteria for investment fund mergers. Are there any additional disclosure elements that we should require beyond what has been proposed? If so, please provide details.

Workstream Seven: Repeal Regulatory Approval Requirements for Change of Manager, Change of Control of a Manager, and Change of Custodian that Occurs in Connection with a Change of Manager

21. Given the oversight regime in place for investment fund managers, we are proposing to repeal the requirement for regulatory approval of a change of manager or a change of control of a manager under Part 5 (Fundamental Changes) of NI 81-102. Does this proposal raise any investor protection issues? If so, explain what measures, if any, securities regulators should consider in order to mitigate such issues. Alternatively, should we maintain the requirements for regulatory approval of these matters and seek to streamline the approval process by eliminating certain requirements in subsection 5.7(1) of NI 81-102? If so, please comment on whether such an approach would be preferable to the existing proposal, which has been put forward with consideration given to the presence of the investment fund manager registration regime.
22. When there is a change of manager or a change of control of a manager, should securityholders have the right to redeem their securities without paying any redemption fees before the change? If so, what should be the period after the announcement of the change during which securityholders should be allowed to redeem their securities without having to pay any redemption fees?
23. We propose to add to subsection 5.4(2) of NI 81-102 certain disclosure requirements in the Information Circular regarding a change of manager. Is there any other disclosure in the Information Circular that we should mandate, beyond what has been proposed? If so, please provide details.
24. When a change of manager is planned, we are considering requiring that the related draft Information Circular be sent to securities regulators for approval before it is sent to securityholders in accordance with subsection 5.4(1) of NI 81-102. What concerns, if any, would arise from introducing this requirement? We expect that securities regulators would establish a process to review the Information Circular. If securities regulators took 10

business days to approve the Information Circular as part of the review process, would that create any issues with respect to the organization of the securityholder meeting?

25. Investment funds currently rely on the form of Information Circular provided for in Form 51-102F5 *Information Circular* of NI 51-102, which was developed primarily for non-investment fund issuers.
- (a) Should Form 51-102F5 of NI 51-102 be replaced with an Information Circular form that is tailored to investment funds?
 - (b) If investment funds had their own form of Information Circular, would this reduce costs or make it easier to comply with requirements to produce an Information Circular?
 - (c) If investment funds had their own form of Information Circular, are there certain form requirements that should be added which would provide investors with useful disclosure that is not currently required by Form 51-102F5? Alternatively, are there disclosure requirements that could be removed? Please provide details.
 - (d) Should investors receive additional tailored disclosure adapted to their needs? Would investors benefit from receiving a summary of key information from the Information Circular in a simple and comparable format, in addition to the Information Circular itself or as a distinctive part of the Information Circular (e.g. as a summary appearing at the front of the document)?

Workstream Eight: Codify Exemptive Relief Granted in Respect of Fund Facts Delivery Applications

26. Currently, a separate Fund Facts or ETF Facts must be filed for each class or series of a mutual fund or ETF that is subject to NI 81-101, or NI 41-101 respectively. The Proposed Amendments contemplate allowing a mutual fund to prepare a single consolidated Fund Facts that includes all the classes or series covered by certain automatic switch programs on the basis that the only distinction between the classes or series relates to fees.
- (a) Should the CSA consider allowing the preparation and filing of consolidated Fund Facts and ETF Facts where there are no distinguishing features between classes or series other than fees, even in circumstances where there is no automatic switch program? Alternatively, should the CSA consider mandating consolidation in such circumstances? In either case, we anticipate revising the form requirements of Form 81-101F3 to be consistent with paragraph 3.2.05(e) of NI 81-101 as set out in Appendix B, Schedule 8 of this publication.
 - (b) Are there other circumstances where consolidation should be allowed or mandated? If so, what parameters should be placed on such consolidation? Additionally, what disclosure changes would need to be made to Form 81-101F3 to accommodate the consolidation?

**APPENDIX B
PROPOSED AMENDMENTS AND PROPOSED CHANGES**

**SCHEDULE 1-A
PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 81-101 MUTUAL FUND
PROSPECTUS DISCLOSURE**

1. National Instrument 81-101 Mutual Fund Prospectus Disclosure is amended by this Instrument.

2. Section 1.1 is amended

(a) in the definition of “material contract” by replacing

(i) “annual information form” with “simplified prospectus”, and

(ii) “Item 16 of Form 81-101F2 Contents of Annual Information Form” with “Part A, Item 4.19 Material Contracts of Form 81-101F1 Contents of Simplified Prospectus”;

(b) by repealing the definition of “multiple AIF”, and

(c) by repealing the definition of “single AIF”.

3. Section 2.1 is amended

(a) by repealing paragraphs 2.1(1)(a), (b) and (c) and replacing those provisions with the following:

(a) that files a preliminary prospectus must file the preliminary prospectus in the form of a preliminary simplified prospectus prepared and certified in accordance with Form 81-101F1 and concurrently file a preliminary fund facts document for each class or series of securities of the mutual fund prepared in accordance with Form 81-101F3;

(b) that files a *pro forma* prospectus must file the *pro forma* prospectus in the form of a *pro forma* simplified prospectus prepared and certified in accordance with Form 81-101F1 and concurrently file a *pro forma* fund facts document for each class or series of securities of the mutual fund prepared in accordance with Form 81-101F3;

(c) that files a prospectus must file the prospectus in the form of a simplified prospectus prepared and certified in accordance with Form 81-101F1 and concurrently file a fund facts document for each class or series of securities of the mutual fund prepared in accordance with Form 81-101F3; **and**

(b) by repealing subparagraph (1)(d)(i).

4. Section 2.2 is amended

- (a) by deleting “or to an annual information form” in subsection (1),**
- (b) by deleting “or annual information form” in paragraph (1)(a),**
- (c) by deleting “or annual information form” in paragraph (1)(b),**
- (d) by deleting “or to an annual information form” in subsection (3),**
- (e) by deleting “or annual information form” in paragraph (3)1., and**
- (f) by deleting “, or annual information form” in paragraph (3)2.**

5. Section 2.3 is amended

- (a) by deleting “, a preliminary annual information form”, wherever it occurs,**
- (b) by replacing “preliminary annual information form” with “preliminary simplified prospectus” in subparagraph (1)(a)(i),**
- (c) by deleting “, preliminary annual information form”, wherever it occurs,**
- (d) by deleting “, a pro forma annual information form”, wherever it occurs,**
- (e) by repealing subparagraph (2)(b)(ii),**
- (f) by deleting “, pro forma annual information form” wherever it occurs,**
- (g) by deleting “, an annual information form” wherever it occurs,**
- (h) by replacing “annual information form” and with “simplified prospectus” in subparagraph (3)(a)(iii),**
- (i) by repealing subparagraph (3)(b)(ii),**
- (j) by deleting “and an amendment to the annual information form” in paragraph (4)(a),**
- (k) by replacing “annual information form” with “simplified prospectus” in subparagraph (4)(a)(i),**
- (l) by repealing subparagraph (4)(b)(ii),**
- (m) by repealing subsection (5),**
- (n) by deleting “or (5)” in paragraph (5.1)(a), and**

(o) *by replacing “annual information form” with “simplified prospectus” in subparagraph (5.1)(a)(i).*

6. *Paragraph (1) of section 3.1 is repealed.*

7. *Subsection 3.3(2) is repealed.*

8. *Section 3.5 is replaced with the following:*

3.5 Soliciting Expressions of Interest Prohibited - A multiple SP that includes both a *pro forma* simplified prospectus and a preliminary simplified prospectus may not be used to solicit expressions of interest..

9. *Section 4.1 is amended*

(a) *by deleting “, annual information form” in subsection (1), and*

(b) *by repealing paragraph (2)(c).*

10. *Section 4.2 is amended by deleting, “an annual information form”.*

11. *Section 5.4 is repealed.*

12. *Section 5.1.1 is replaced by the following:*

5.1.1 Interpretation For the purposes of this Part,

“manager certificate form” means a certificate in the form set out in Item 16 Certificate of the Manager of the Mutual Fund of Part A of Form 81-101F1 and attached to the simplified prospectus,

“mutual fund certificate form” means a certificate in the form set out in Item 15 Certificate of the Mutual Fund of Part A of Form 81-101F1 and attached to the simplified prospectus,

“principal distributor certificate form” means a certificate in the form set out in Item 18 Certificate of the Principal Distributor of the Mutual Fund of Part A of Form 81-101F1 and attached to the simplified prospectus, and

“promoter certificate form” means a certificate in the form set out in Item 17 Certificate of Each Promoter of the Mutual Fund of Part A of Form 81-101F1 and attached to the simplified prospectus..

13. *Section 5.1.2 is amended by deleting “, the amendment to the annual information form”.*

14. Section 6.2 is amended

(a) by replacing subsection (1) with the following:

6.2 Evidence of exemption (1) Subject to subsection (2) and without limiting the manner in which an exemption may be evidenced, the granting under this Part of an exemption from any form or content requirements relating to a simplified prospectus or fund facts document, may be evidenced by the issuance of a receipt for a simplified prospectus, or an amendment to a simplified prospectus.,

(b) by replacing “(2) The issuance of a receipt for a simplified prospectus and annual information form or an amendment to a simplified prospectus or annual information form is not evidence that the exemption has been granted unless” **with** “(2) The issuance of a receipt for a simplified prospectus or an amendment to a simplified prospectus is not evidence that the exemption has been granted unless”,

(c) by deleting “and annual information form” **in subparagraphs (2)(a)(i) and (iii), and**

(d) by deleting “or annual information form” **in subparagraph (2)(a)(ii).**

15. Form 81-101F1 Contents of Simplified Prospectus is replaced with the following:

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General Instructions

General

- (1) *This Form describes the disclosure required in a simplified prospectus of a mutual fund. Each Item of this Form outlines disclosure requirements. Instructions to help you provide this disclosure are printed in italic type.*
- (2) *Terms defined in National Instrument 81-101 Mutual Fund Prospectus Disclosure, National Instrument 81-102 Investment Funds or National Instrument 81-105 Mutual Fund Sales Practices and used in this Form have the meanings that they have in those national instruments.*
- (3) *A simplified prospectus must state the required information concisely and in plain language. Reference should be made to Part 3 of Companion Policy 81-101CP for a discussion concerning plain language and presentation.*
- (4) *Respond as simply and directly as is reasonably possible and include only as much information as is necessary for an understanding of the fundamental and particular characteristics of the mutual fund. Brevity is especially important in describing practices or aspects of a mutual fund's operations that do not differ materially from those of other mutual funds.*
- (5) *National Instrument 81-101 Mutual Fund Prospectus Disclosure requires the simplified prospectus to be presented in a format that assists in readability and comprehension. This Form does not mandate the use of a specific format to achieve these goals. However, mutual funds are encouraged to use, as appropriate, tables, captions, bullet points or other organizational techniques that assist in presenting the required disclosure clearly and concisely.*
- (6) *Each Item must be presented under the heading or sub-heading stipulated in this Form; references to the relevant Item number are optional. If no sub-heading for an Item is stipulated in this Form, a mutual fund may include sub-headings, under the required headings, at its option.*
- (7) *A simplified prospectus may contain photographs and artwork only if they are relevant to the business of the mutual fund, mutual fund family or members of the organization of the mutual fund and are not misleading.*
- (8) *Any footnotes to tables provided for under any Item in this Form may be deleted if the substance of the footnotes is otherwise provided.*

Contents of a Simplified Prospectus

- (9) *A simplified prospectus consists of two sections, a Part A section and a Part B section.*
- (10) *The Part A section of a simplified prospectus contains the response to the Items in Part A of this Form and contains introductory information about the mutual fund, general information about mutual funds and information applicable to the mutual funds managed by the mutual fund organization.*
- (11) *The Part B section of a simplified prospectus contains the response to the Items in Part B of this Form and contains specific information about the mutual fund to which the simplified prospectus pertains.*
- (12) *Despite securities legislation, a simplified prospectus must present each Item in the Part A section and each Item in the Part B section in the respective order provided for in this Form.*

Consolidation of Simplified Prospectuses into a Multiple SP

- (13) *Subsection 5.1(1) of National Instrument 81-101 Mutual Fund Prospectus Disclosure states that simplified prospectuses must not be consolidated to form a multiple SP unless the Part A sections of each simplified prospectus are substantially similar. The Part A sections in a consolidated document need not be repeated. These provisions permit a mutual fund organization to create a document that contains the disclosure for a number of mutual funds in the same family.*
- (14) *Subsection 5.1(4) of National Instrument 81-101 Mutual Fund Prospectus Disclosure states that a simplified prospectus of an alternative mutual fund must not be consolidated with a simplified prospectus of another mutual fund that is not an alternative mutual fund.*
- (15) *As with a single SP, a multiple SP will consist of two Parts:*
 - 1. A Part A section that contains general information about the mutual funds, or the mutual fund family, described in the document.*
 - 2. A number of Part B sections, each of which will provide specific information about one mutual fund. The Part B sections must not be consolidated with each other so that, in a multiple SP, information about each of the mutual funds described in the document must be provided on a fund by fund or catalogue basis and set out for each mutual fund separately the information required by Part B of this Form. Each Part B section starts on a new page.*
- (16) *Section 5.3 of National Instrument 81-101 Mutual Fund Prospectus Disclosure permits the Part B sections of a multiple SP to be bound separately from the Part A section of the document. If one Part B section is bound separately from the Part A section of the document, all Part B sections must be separate from the Part A section of the document.*

- (17) *Subsection 5.3(2) of National Instrument 81-101 Mutual Fund Prospectus Disclosure permits Part B sections that have been bound separately from the related Part A section to either be bound individually or together, at the option of the mutual fund organization. There is no prohibition against the same Part B section of a multiple SP being bound by itself for distribution to some investors, and also being bound with the Part B section of other mutual funds for distribution to other investors.*
- (18) *Section 3.2 of National Instrument 81-101 Mutual Fund Prospectus Disclosure provides that the requirement under securities legislation to deliver a prospectus for a mutual fund will be satisfied by the delivery of a simplified prospectus, either with or without the documents incorporated by reference. Mutual fund organizations that bind separately the Part B sections of a multiple SP from the Part A section are reminded that, since a simplified prospectus consists of a Part A section and a Part B section, delivery of both sections is necessary in order to satisfy the delivery obligations in connection with the sale of securities of a particular mutual fund.*
- (19) *Part A of this Form generally refers to disclosure required for “a mutual fund” in a “simplified prospectus”. This disclosure should be modified as appropriate to reflect multiple mutual funds covered by a multiple SP.*
- (20) *A mutual fund that has more than one class or series that are referable to the same portfolio may treat each class or series as a separate mutual fund for purposes of this Form, or may combine disclosure of one or more of the classes or series in one simplified prospectus. If disclosure pertaining to more than one class or series is combined in one simplified prospectus, separate disclosure in response to each item in this Form must be provided for each class or series unless the responses would be identical for each class or series.*
- (21) *As provided in National Instrument 81-102 Investment Funds, a section, part, class or series of a class of securities of a mutual fund that is referable to a separate portfolio of assets is considered to be a separate mutual fund. Those principles are applicable to National Instrument 81-101 Mutual Fund Prospectus Disclosure and this Form.*

Part A – General Disclosure

Item 1 - Front Cover Disclosure

1.1 - For a single SP or multiple SP in which the Part A section and the Part B sections are bound together

- (1) Indicate on the front cover whether the document is a preliminary simplified prospectus, a *pro forma* simplified prospectus or a simplified prospectus for each of the mutual funds to which the document pertains.
- (2) Indicate on the front cover the names of the mutual funds and, at the option of the mutual funds, the name of the mutual fund family, to which the document pertains. If the mutual fund has more than one class or series of securities, indicate the name of each of those

classes or series covered in the simplified prospectus.

- (3) If the mutual fund to which the simplified prospectus pertains is an alternative mutual fund, indicate that fact on the front cover.
- (4) Despite securities legislation, state on the front cover of a document that contains a preliminary simplified prospectus the following:

A copy of this document has been filed with [the securities authority(ies) in each of/certain of the provinces/provinces and territories of Canada] but has not yet become final for the purpose of a distribution. Information contained in this document may not be complete and may have to be amended. The [units/shares] described in this document may not be sold to you until receipts for this document are obtained by the mutual fund from the securities regulatory [authority(ies)].

- (5) If a commercial copy of the document that contains a preliminary simplified prospectus is prepared, print the legend referred to in subsection (4) in red ink.
- (6) If the document contains a preliminary simplified prospectus or a simplified prospectus, indicate the date of the document, which is the date of the certificates. This date must be within three business days of the date the document is filed with the securities regulatory authority. Write the date in full, writing the name of the month in words. A document that is a *pro forma* SP need not be dated, but may reflect the anticipated date of the SP.
- (7) State, in substantially the following words:

No securities regulatory authority has expressed an opinion about these [units/shares] and it is an offence to claim otherwise.

INSTRUCTION

Complete the bracketed information in subsection (4) above

- (a) *by inserting the name of each jurisdiction of Canada in which the mutual fund intends to offer securities under the prospectus,*
- (b) *by stating that the filing has been made in each of the provinces of Canada or each of the provinces and territories of Canada, or*
- (c) *by identifying the filing jurisdictions of Canada by exception (i.e. every province of Canada or every province and territory of Canada, except [excluded jurisdictions]).*

1.2 - For a multiple SP in which the Part A section is bound separately from the Part B sections

- (1) Comply with Item 1.1.

- (2) State prominently, in substantially the following words:

A complete simplified prospectus for the mutual funds listed on this page consists of this document and an additional disclosure document that provides specific information about the mutual funds in which you are investing. This document provides general information applicable to all of the [name of mutual fund family] funds. You must be provided with the additional disclosure document.

Item 2 - Table of Contents

2.1 - For a single SP or multiple SP in which the Part A section and the Part B sections are bound together

- (1) Include a table of contents.
- (2) Include in the table of contents, under the heading “Fund Specific Information”, a list of all of the mutual funds to which the document pertains, with the numbers of the pages where information about each mutual fund can be found.
- (3) Begin the table of contents on a new page, which may be the inside front cover of the document.

2.2 - For a multiple SP in which the Part A section is bound separately from the Part B sections

- (1) Include a table of contents for the Part A section of the SP.
- (2) Begin the table of contents on a new page, which may be the inside front cover of the document.
- (3) Include, immediately following the table of contents and on the same page, a list of the mutual funds to which the SP pertains and details on how the Part B disclosure for each mutual fund will be provided.

Item 3 - Introductory Disclosure

Provide, either on a new page or immediately under the table of contents, the following statements in substantially the following words:

- This document contains selected important information to help you make an informed investment decision and to help you understand your rights as an investor.
- This document is divided into two parts. The first part, [from pages through], contains general information applicable to all of the [name of fund family] Funds. The second part, [from pages through] [which is separately bound], contains specific information about each of the Funds described in this document.

- Additional information about each Fund is available in the following documents:
 - the most recently filed Fund Facts;
 - the most recently filed annual financial statements;
 - any interim financial report filed after those annual financial statements;
 - the most recently filed annual management report of fund performance; and
 - any interim management report of fund performance filed after that annual management report of fund performance.

These documents are incorporated by reference into this document, which means that they legally form part of this document just as if they were printed as a part of this document. You can get a copy of these documents, at your request, and at no cost, by calling [toll-free/collect] [insert the toll-free telephone number or telephone number where collect calls are accepted, as required by section 3.4 of the Instrument], or from your dealer.

- These documents are available on the mutual fund's designated website at [insert mutual funds' designated website address], or by contacting the [mutual funds/mutual fund family] at [insert e-mail address].
- These documents and other information about the Funds are available at www.sedar.com.

Item 4 - Responsibility for Mutual Fund Operations

4.1 - General

- (1) Describe how all of the following aspects of the operations of the mutual fund are administered and who administers those functions:
 - (a) the management and administration of the mutual fund, including valuation services, fund accounting and securityholder records, other than the management of the portfolio assets;
 - (b) the management of the portfolio assets, including the provision of investment analysis or investment recommendations and the making of investment decisions;
 - (c) the purchase and sale of portfolio assets by the mutual fund and the making of brokerage arrangements relating to the portfolio assets;
 - (d) the distribution of the securities of the mutual fund;
 - (e) if the mutual fund is a trust, the trusteeship of the mutual fund;

- (f) if the mutual fund is a corporation, the oversight of the affairs of the mutual fund by the directors of the mutual fund;
 - (g) the custodianship of the assets of the mutual fund.
- (2) For each entity listed in this Item, briefly describe the services provided by that entity and the relationship of that entity to the manager.
 - (3) For each entity listed in this Item provide the municipality and the province or country where it principally provides its services to the mutual funds. Provide the complete municipal address for the manager of the mutual funds.
 - (4) If the information required in this Item is not the same for substantially all of the mutual funds described in the document, provide only that information that is the same for substantially all of the mutual funds and provide the remaining disclosure in Part B, Item 3 of this Form.

INSTRUCTIONS:

- (1) *The information required to be disclosed in this Item must be presented prominently, using enough space so that it is easy to read.*
- (2) *The descriptions of the services provided by the listed entities should be brief. For instance, the manager may be described as “manages the overall business and operations of the funds”, a portfolio adviser may be described as “provides investment advice to the manager about the investment portfolio of the funds” or “manages the investment portfolio of the funds”, and a “principal distributor” may be described as “markets the securities of the funds and sells securities [through brokers and dealers] [or its own sales force]”.*
- (3) *The information about the independent review committee should be brief. For instance, its mandate may in part be described as “reviewing, and providing input on, the manager’s written policies and procedures which deal with conflict of interest matters for the manager and reviewing such conflict of interest matters.”*
- (4) *The disclosure required under (1) may be provided separately from, or combined with, the detailed disclosure concerning the persons or companies that provide services to the mutual fund required by Items 4.2 through 4.15.*

4.2 - Manager

- (1) State the name, address, telephone number, e-mail address and, if applicable, address of the mutual fund’s designated website.
- (2) List the names and home addresses in full or, alternatively, solely the municipality of residence or postal address, and the respective positions and offices held with the manager

and their respective principal occupations at, and within the five years preceding, the date of the simplified prospectus, of all partners, directors and executive officers of the manager of the mutual fund at the date of the simplified prospectus.

- (3) If a partner, director or executive officer of the manager of the mutual fund has held more than one office with the manager of the mutual fund within the past five years, state only the current office held.
- (4) If the principal occupation of a director or executive officer of the manager of the mutual fund is with an organization other than the manager of the mutual fund, state the principal business in which the organization is engaged.
- (5) Describe the circumstances under which any agreement with the manager of the mutual fund may be terminated, and include a brief description of the essential terms of this agreement.
- (6) At the option of the mutual fund, provide, under a separate sub-heading, details of the manager of the mutual fund, including the history and background of the manager and any overall investment strategy or approach used by the manager in connection with the mutual funds for which it acts as manager.
- (7) If a mutual fund holds, in accordance with section 2.5 of National Instrument 81-102 *Investment Funds*, securities of another mutual fund that is managed by the same manager or an affiliate or associate of the manager, disclose
 - (a) that the securities of the other mutual fund held by the mutual fund will not be voted, and
 - (b) if applicable, that the manager may arrange for the securities of the other mutual fund to be voted by the beneficial holders of the securities of the mutual fund.

4.3 - Portfolio Adviser

- (1) If the manager of the mutual fund provides the portfolio management services in connection with the mutual fund, so state.
- (2) If the manager does not provide portfolio management services, state the names and municipality of the principal or head office for each portfolio adviser of the mutual fund.
- (3) State
 - (a) the extent to which investment decisions are made by certain individuals employed by the manager or a portfolio adviser and whether those decisions are subject to the oversight, approval or ratification of a committee, and
 - (b) the name, title, and length of time of service of the person or persons employed by or associated with either the manager or a portfolio adviser of the mutual fund who

is or are principally responsible for the day-to-day management of a material portion of the portfolio of the mutual fund, implementing a particular material strategy or managing a particular segment of the portfolio of the mutual fund, and each person's business experience in the last five years.

- (4) Describe the circumstances under which any agreement with a portfolio adviser of the mutual fund may be terminated, and include a brief description of the essential terms of this agreement.

4.4 - Brokerage Arrangements

- (1) If any brokerage transactions involving the client brokerage commissions of the mutual fund have been or might be directed to a dealer in return for the provision of any good or service, by the dealer or a third party, other than order execution, state
 - (a) the process for, and factors considered in, selecting a dealer to effect securities transactions for the mutual fund, including whether receiving goods or services in addition to order execution is a factor, and whether and how the process may differ for a dealer that is an affiliated entity,
 - (b) the nature of the arrangements under which order execution goods and services or research goods and services might be provided,
 - (c) each type of good or service, other than order execution, that might be provided, and
 - (d) the method by which the portfolio adviser makes a good faith determination that the mutual fund, on whose behalf the portfolio adviser directs any brokerage transactions involving client brokerage commissions to a dealer in return for the provision of any order execution goods and services or research goods and services, by the dealer or a third party, receives reasonable benefit considering both the use of the goods or services and the amount of client brokerage commissions paid.
- (2) Since the date of the last simplified prospectus, if any brokerage transactions involving the client brokerage commissions of the mutual fund have been or might be directed to a dealer in return for the provision of any good or service, by the dealer or third party, other than order execution, state
 - (a) each type of good or service, other than order execution, that has been provided to the manager or the portfolio adviser of the mutual fund, and
 - (b) the name of any affiliated entity that provided any good or service referred to in paragraph (a), separately identifying each affiliated entity and each type of good or service provided by each affiliated entity.

- (3) If any brokerage transactions involving the client brokerage commissions of the mutual fund have been or might be directed to a dealer in return for the provision of any good or service, by the dealer or a third party, other than order execution, state that the name of any other dealer or third party that provided a good or service referred to in paragraph (2)(a), that was not disclosed under paragraph (2)(b), will be provided upon request by contacting the mutual fund or mutual fund family at [insert telephone number] or at [insert mutual fund or mutual fund family e-mail address].

INSTRUCTION:

Terms defined in NI 23-102 — Use of Client Brokerage Commissions have the same meaning where used in this Item.

4.5 - Principal Distributor

- (1) If applicable, state the name and address of the principal distributor of the mutual fund.
- (2) Describe the circumstances under which any agreement with the principal distributor of the mutual fund may be terminated, and include a brief description of the essential terms of this agreement.

4.6 - Directors, Executive Officers and Trustees

- (1) List the names and home addresses in full or, alternatively, solely the municipality of residence or postal address, and the principal occupations at, or within the five years preceding, the date of the simplified prospectus, of all directors or executive officers of an incorporated mutual fund or of the individual trustee or trustees, if any, of a mutual fund that is a trust.
- (2) State, for a mutual fund that is a trust, the names and municipality of residence for each person or company that is responsible for performing the trusteeship function of the mutual fund.
- (3) Indicate, for an incorporated mutual fund, all positions and offices with the mutual fund then held by each person named in response to subsection (1).
- (4) If the principal occupation of a director, executive officer or trustee is that of a partner, director or executive officer of a company other than the mutual fund, state the business in which the company is engaged.
- (5) If a director or executive officer of an incorporated mutual fund has held more than one position in the mutual fund, state only the first and last position held.
- (6) For a mutual fund that is a limited partnership, provide the information required by this Item for the general partner of the mutual fund, modified as appropriate.

- (7) For a mutual fund that is a trust and for an incorporated mutual fund, state the name and municipality of residence of the ultimate designated person and chief compliance officer of the mutual fund.

4.7 - Custodian

- (1) State the name, municipality of the principal or head office, and nature of business of the custodian and any principal sub-custodian of the mutual fund.
- (2) Describe generally the sub-custodian arrangements of the mutual fund.

INSTRUCTION:

A “principal sub-custodian” is a sub-custodian to whom custodial authority has been delegated in respect of a material portion or segment of the portfolio assets of the mutual fund.

4.8 - Auditor

State the name and municipality of the auditor of the mutual fund.

4.9 - Registrar

If applicable, state the name of the registrar of securities of the mutual fund and the municipalities in which the register of securities of the mutual fund are kept.

4.10 - Securities Lending Agent

- (1) State the name of each securities lending agent of the mutual fund and the municipality of each securities lending agent’s principal or head office.
- (2) State whether any securities lending agent of the mutual fund is an affiliate or associate of the manager of the mutual fund.
- (3) Briefly describe the essential terms of each agreement with each securities lending agent. Include the amount of collateral required to be delivered in connection with a securities lending transaction as a percentage of the market value of the loaned securities, and briefly describe any indemnities provided in, and the termination provisions of, each such agreement.

4.11 - Cash Lender

- (1) In the case of an alternative mutual fund, state the name of each person or company that has entered into an agreement to lend money to the alternative mutual fund or provides a line of credit or similar lending arrangement to the alternative mutual fund.

- (2) State whether any person or company named in subsection (1) is an affiliate or associate of the manager of the alternative mutual fund.

4.12 - Other Service Providers

State the name, municipality of the principal or head office, and the nature of business of each other person or company that provides services relating to portfolio valuation, securityholder records, fund accounting, or other material services, in respect of the mutual fund, and describe the material features of the contractual arrangements by which the person or company has been retained.

4.13 - Independent Review Committee and Fund Governance

- (1) Briefly describe the independent review committee of the mutual funds, including
 - an appropriate summary of its mandate,
 - its composition, and
 - that it prepares at least annually a report of its activities for securityholders which is available on the mutual fund's designated website at [insert mutual fund's designated website address], or at the securityholders request at no cost, by contacting the [mutual fund/mutual fund family] at [insert mutual fund's /mutual fund family's e-mail address].
- (2) Provide detailed information concerning the governance of the mutual fund, including information concerning
 - (a) the mandate and responsibilities of the independent review committee and the reasons for any change in the composition of the independent review committee since the date of the most recently filed simplified prospectus,
 - (b) any other body or group that has responsibility for fund governance and the extent to which its members are independent of the manager of the mutual fund, and
 - (c) descriptions of the policies, practices or guidelines of the mutual fund or the manager relating to business practices, sales practices, risk management controls and internal conflicts of interest, and if the mutual fund or the manager have no such policies, practices or guidelines, a statement to that effect.
- (3) Despite subsection (1), if the information required by subsection (1) is not the same for substantially all of the mutual funds described in the document, provide only that information that is the same for substantially all of the mutual funds and provide the remaining disclosure required by that subsection under Item 3 of Part B of this Form.

INSTRUCTION:

If the mutual fund has an independent review committee, state in the disclosure provided under paragraph (2)(c) that NI 81-107 requires the manager to have policies and procedures relating to conflicts of interest.

4.14 - Ownership of Securities of the Mutual Fund and the Manager

- (1) The information required in response to this Item shall be given as of a specified date within 30 days before the date of the simplified prospectus.
- (2) Disclose the number and percentage of securities of each class or series of voting securities of the mutual fund and of the manager of the mutual fund owned of record or beneficially, directly or indirectly, by each person or company that owns of record, or is known by the mutual fund or the manager to own beneficially, directly or indirectly, more than 10 percent of any class or series of voting securities, and disclose whether the securities are owned both of record and beneficially, of record only, or beneficially only.

4.15 - Affiliated Entities

- (1) State whether any person or company that provides services to the mutual fund or the manager in relation to the mutual fund is an affiliated entity of the manager, and show the relationships of those affiliated entities in the form of an appropriately labelled diagram.
- (2) State that disclosure of the amount of fees received from the mutual fund by each person or company described in subsection (1) is contained in the audited financial statements of the mutual fund.
- (3) Identify any individual who is a director or senior officer of the mutual fund or partner, director or officer of the manager and also of any affiliated entity of the manager described in response to subsection (1), and give particulars of the relationship.

INSTRUCTIONS:

- (1) *A person or company is an “affiliated entity” of another person or company if one is a subsidiary entity of the other or if both are subsidiary entities of the same person or company or if each of them is a controlled entity of the same person or company.*
- (2) *A person or company is a “controlled entity” of a person or company if any of the following apply:*
 - (a) *in the case of a person or company*
 - (i) *voting securities of the first-mentioned person or company carrying more than 50 percent of the votes for the election of directors are held, otherwise than by way of security only, by or for the benefit of the other person or*

company, and

- (ii) *the votes carried by the securities are entitled, if exercised, to elect a majority of the directors of the first-mentioned person or company;*
 - (b) *in the case of a partnership that does not have directors, other than a limited partnership, the second-mentioned person or company holds more than 50 percent of the interests in the partnership;*
 - (c) *in the case of a limited partnership, the general partner is the second-mentioned person or company.*
- (3) *A person or company is a “subsidiary entity” of another person or company if any of the following apply:*
 - (a) *it is a controlled entity of any of the following:*
 - (i) *that other;*
 - (ii) *that other and one or more persons or companies, each of which is a controlled entity of that other;*
 - (iii) *two or more persons or companies, each of which is a controlled entity of that other;*
 - (b) *it is a subsidiary entity of a person or company that is that other’s subsidiary entity.*
- (4) *For the purposes of subsection (1) the provision of services includes the provision of brokerage services in connection with execution of portfolio transactions for the mutual fund.*

4.16 - Dealer Manager Disclosure

If the mutual fund is dealer managed, disclose this fact and that the mutual fund is subject to the restrictions set out in section 4.1 of National Instrument 81-102 *Investment Funds*, and summarize section 4.1 of National Instrument 81-102 *Investment Funds*.

4.17 - Policies and Practices

- (1) If the mutual fund intends to use derivatives or sell securities short, describe the policies and practices of the mutual fund to manage the risks associated with engaging in those types of transactions.

- (2) In the disclosure provided under subsection (1), include disclosure pertaining to all of the following:
 - (a) whether there are written policies and procedures in place that set out the objectives and goals for derivatives trading and short selling and the risk management procedures applicable to those transactions;
 - (b) who is responsible for setting and reviewing the policies and procedures referred to in paragraph (a), how often are the policies and procedures reviewed, and the extent and nature of the involvement of the board of directors or trustee in the risk management process;
 - (c) whether there are trading limits or other controls on derivative trading or short selling in place and who is responsible for authorizing the trading and placing limits or other controls on the trading;
 - (d) whether there are individuals or groups that monitor the risks independent of those who trade;
 - (e) whether risk measurement procedures or simulations are used to test the portfolio under stress conditions.
- (3) If the mutual fund intends to enter into securities lending, repurchase of reverse repurchase transactions, describe the policies and practices of the mutual fund to manage the risks associated with those transactions.
- (4) In the disclosure provided under subsection (3), include disclosure of all of the following:
 - (a) the involvement of an agent to administer the transactions on behalf of the instructions provided by the mutual fund to the agent under the agreement between the mutual fund and the agent;
 - (b) whether there are written policies and procedures in place that set out the objectives and goals for securities lending, repurchase transactions or reverse repurchase transactions, and the risk management procedures applicable to the mutual fund's entering into of those transactions;
 - (c) who is responsible for setting and reviewing the agreement referred to in paragraph (a) and the policies and procedures referred to in paragraph (b), how often the policies and procedures are reviewed, and the extent and nature of the involvement of the board of directors or trustee in the risk management process;
 - (d) whether there are limits or other controls in place on the entering into of those transactions by the mutual fund and who is responsible for authorizing those limits or other controls on those transactions;

- (e) whether there are individuals or groups that monitor the risks independent of those who enter into those transactions on behalf of the mutual fund;
 - (f) whether risk measurement procedures or simulations are used to test the portfolio under stress conditions.
- (5) If the mutual fund held securities of other mutual funds during the year, provide details on how the manager of the mutual fund exercised its discretion with regard to the voting rights attached to the securities of the other mutual funds when the securityholders of the other mutual funds were called upon to vote.
- (6) Unless the mutual fund invests exclusively in non-voting securities, describe the policies and procedures that the mutual fund follows when voting proxies relating to portfolio securities including
- (a) the procedures followed when a vote presents a conflict between the interests of securityholders and those of the mutual fund's manager, portfolio adviser, or any affiliate or associate of the mutual fund, its manager or its portfolio adviser, and
 - (b) any policies and procedures of the mutual fund's portfolio adviser, or any other third party, that the mutual fund follows, or that are followed on the mutual fund's behalf, to determine how to vote proxies relating to portfolio securities.
- (7) State that the policies and procedures that the mutual fund follows when voting proxies relating to portfolio securities are available on request, at no cost, by calling [toll-free/collect call telephone number] or by writing to [address].
- (8) State that the mutual fund's proxy voting record for the most recent period ended June 30 of each year is available free of charge to any securityholder of the mutual fund upon request at any time after August 31 of that year. If the proxy voting record is available on the mutual fund's designated website, provide the website address.

INSTRUCTIONS:

- (1) *The disclosure provided under this Item should make appropriate distinctions between the risks associated with the intended use by the mutual fund of derivatives for hedging purposes as against the mutual fund's intended use of derivatives for non-hedging purposes.*
- (2) *The mutual fund's proxy voting policies and procedures must address the requirements of section 10.2 of National Instrument 81-106 Investment Fund Continuous Disclosure*

4.18 - Remuneration of Directors, Officers and Trustees

- (1) If the management functions of the mutual fund are carried out by employees of the mutual fund, provide for those employees the disclosure concerning executive compensation that

is required to be provided for executive officers of an issuer under securities legislation. The disclosure must be made in accordance with the disclosure requirements of Form 51-102F6 *Statement of Executive Compensation*.

- (2) Describe any arrangements under which compensation was paid or payable by the mutual fund during the most recently completed financial year of the mutual fund, for the services of directors of the mutual fund, members of an independent board of governors or advisory board of the mutual fund and members of the independent review committee of the mutual fund, including the amounts paid, the name of the individual and any expenses reimbursed by the mutual fund to the individual
 - (a) in that capacity, including any additional amounts payable for committee participation or special assignments, and
 - (b) as consultant or expert.
- (3) For a mutual fund that is a trust, describe the arrangements, including the amounts paid and expenses reimbursed, under which compensation was paid or payable by the mutual fund during the most recently completed financial year of the mutual fund for the services of the trustee or trustees of the mutual fund.

4.19 - *Material Contracts*

- (1) List and provide particulars pertaining to all of the following:
 - (a) the articles of incorporation, continuation or amalgamation, the declaration of trust or trust agreement of the mutual fund, the limited partnership agreement or any other constating or establishing documents of the mutual fund;
 - (b) any agreement of the mutual fund or trustee with the manager of the mutual fund;
 - (c) any agreement of the mutual fund, the manager or trustee with the portfolio adviser or portfolio advisers of the mutual fund;
 - (d) any agreement of the mutual fund, the manager or trustee with the custodian of the mutual fund;
 - (e) any agreement of the mutual fund, the manager or trustee with the principal distributor of the mutual fund;
 - (f) any other contract or agreement that is material to the mutual fund.
- (2) State a reasonable time at which and place where the contracts or agreements listed in response to subsection (1) may be inspected by prospective or existing securityholders.

- (3) Include, in describing particulars of contracts, the date of, parties to, consideration paid by the mutual fund under, termination provisions of, and general nature of, the contracts.

INSTRUCTION:

This Item does not require disclosure of contracts entered into in the ordinary course of business of the mutual fund.

4.20 - Legal and Administrative Proceedings

- (1) Describe briefly any ongoing legal and administrative proceedings material to the mutual fund, to which the mutual fund, its manager or principal distributor is a party.
- (2) For all matters disclosed under subsection (1), disclose all of the following:
 - (a) the name of the court or agency having jurisdiction;
 - (b) the date on which the proceeding was instituted;
 - (c) the principal parties to the proceeding;
 - (d) the nature of the proceeding and, if applicable, the amount claimed;
 - (e) whether the proceedings are being contested and the present status of the proceedings.
- (3) Provide similar disclosure about any proceedings known to be contemplated.
- (4) Describe the penalties or sanctions imposed and the grounds on which they were imposed or the terms of any settlement agreement and the circumstances that gave rise to the settlement agreement, if either of the following applies to the manager of the mutual fund, or a director or officer of the mutual fund or the partner, director or officer of the manager of the mutual fund:
 - (a) in the 10 years before the date of the simplified prospectus, been subject to any penalties or sanctions imposed by a court or securities regulator relating to trading in securities, promotion or management of a publicly-traded mutual fund, or theft of fraud, or been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in determining whether to purchase securities of the mutual fund;
 - (b) in the 10 years before the date of the simplified prospectus but after the date that National Instrument 81-101 *Mutual Fund Prospectus Disclosure* came into force, entered into a settlement agreement with a court, securities regulatory or other regulatory body, in relation to any of the matters referred to in paragraph (a).

- (5) If the manager of the mutual fund, or a director or officer of the mutual fund or the partner, director or officer of the manager of the mutual fund has, within the 10 years before the date of the simplified prospectus, been subject to any penalties or sanctions imposed by a court or securities regulator relating to trading in securities, promotion or management of a publicly traded mutual fund, or theft or fraud, or has entered into a settlement agreement with a regulatory authority in relation to any of these matters, describe the penalties or sanctions imposed and the grounds on which they were imposed or the terms of the settlement agreement.

Item 5 - Valuation of Portfolio Securities

- (1) Describe the methods used to value the various types or classes of portfolio assets of the mutual fund and its liabilities for the purpose of calculating net asset value.
- (2) If the valuation principles and practices established by the manager differ from Canadian GAAP, describe the differences.
- (3) If the manager has discretion to deviate from the mutual fund's valuation practices described in subsection (1), disclose when and to what extent that discretion may be exercised and, if it has been exercised in the past three years, provide an example of how it has been exercised or, if it has not been exercised in the past three years, so state.

Item 6 - Calculation of Net Asset Value

- (1) Describe the method followed or to be followed by the mutual fund in determining the net asset value.
- (2) State the frequency at which the net asset value is determined and the date and time of day at which it is determined.
- (3) Describe the manner in which the net asset value and net asset value per security of the mutual fund will be made available to the public and state that the information will be available at no cost to the public.
- (4) If a money market mutual fund intends to maintain a constant net asset value per security, disclose this intention and disclose how the mutual fund intends to maintain this constant net asset value.

Item 7 - Purchases, Switches and Redemptions

- (1) Briefly describe how an investor can purchase and redeem the securities of the mutual fund or switch them for securities of other mutual funds, how often the mutual fund is valued, and state that the issue and redemption price of those securities is based on the mutual fund's net asset value of a security of that class, or series of a class, next determined after the receipt by the mutual fund of the purchase order or redemption order.

- (2) State that, under extraordinary circumstances, the rights of investors to redeem securities may be suspended by the mutual fund, and describe the circumstances when the suspension of redemption rights could occur.
- (3) For a new mutual fund that is being sold on a best efforts basis, state whether the issue price will be fixed during the initial distribution period, and state when the mutual fund will begin issuing and redeeming securities based on the net asset value per security of the mutual fund.
- (4) Describe all available purchase options and state, if applicable, that the choice of different purchase options requires the investor to pay different fees and expenses and, if applicable, that the choice of different purchase options affects the amount of compensation paid by a member of the organization of the mutual fund to a dealer. Include cross-references to the disclosure provided under Items 9 and 10 of Part A of this Form.
- (5) Describe the adverse effects, if any, that short-term trades in securities of the mutual fund by an investor may have on other investors in the mutual fund;
- (6) Describe the restrictions, if any, that may be imposed by the mutual fund to deter short-term trades, including the circumstances, if any, under which such restrictions may not apply.
- (7) Where the mutual fund does not impose restrictions on short-term trades, state the specific basis for the view of the manager that it is appropriate for the mutual fund not to do so.
- (8) Describe the policies and procedures of the mutual fund relating to the monitoring, detection and deterrence of short-term trades of mutual fund securities by investors. If the mutual fund has no such policies and procedures, provide a statement to that effect.
- (9) Describe any arrangements, whether formal or informal, with any person or company, to permit short-term trades in securities of the mutual fund, including
 - (a) the name of such person or company, and
 - (b) the terms of such arrangements, including
 - (i) any restrictions imposed on the short-term trades, and
 - (ii) any compensation or other consideration received by the manager, the mutual fund or any other party pursuant to such arrangements.
- (10) Describe how the securities of the mutual fund are distributed. If sales are effected through a principal distributor, give brief details of any arrangements with the principal distributor.

- (11) Disclose that a dealer may make provision in arrangements that it has with an investor that will require the investor to compensate the dealer for any losses suffered by the dealer in connection with a failed settlement of a purchase of securities of the mutual fund caused by the investor.
- (12) Disclose that a dealer may make provision in arrangements that it has with an investor that will require the investor to compensate the dealer for any losses suffered by the dealer in connection with any failure of the investor to satisfy the requirements of the mutual fund or securities legislation for a redemption of securities of the mutual fund.

INSTRUCTION:

In the disclosure required by subsections (5) to (7), include a brief description of the short-term trading activities in the mutual fund that are considered by the manager to be inappropriate or excessive. Where the manager imposes a short-term trading fee, include a cross-reference to the disclosure provided under Item 9 of Part A of this Form.

Item 8 - Optional Services Provided by the Mutual Fund Organization

If applicable, under the heading “Optional Services”, describe the optional services that may be obtained by typical investors from the mutual fund organization.

INSTRUCTION:

Disclosure in this Item should include, for example, any asset allocation services, registered tax plans, foreign content monitoring plans, regular investment and withdrawal plans, U.S. dollar purchase plans, periodic purchase plans, contractual plans, periodic withdrawal plans or switch privileges.

Item 9 - Fees and Expenses

9.1 - General Disclosure

- (1) Set out information about the fees and expenses payable by the mutual fund and by investors in the mutual fund under the heading “Fees and Expenses”.
- (2) If the mutual fund holds securities of other mutual funds, disclose all of the following:
 - (a) any fees and expenses payable by the other mutual fund in addition to the fees and expenses payable by the mutual fund;
 - (b) no management fees or incentive fees are payable by the mutual fund that, to a reasonable person, would duplicate a fee payable by the other mutual fund for the same service;

- (c) no sales fees or redemption fees are payable by the mutual fund in relation to its purchases or redemptions of the securities of the other mutual fund if the other mutual fund is managed by the manager or an affiliate or associate of the manager of the mutual fund;
- (d) no sales fees or redemption fees are payable by the mutual fund in relation to its purchases or redemptions of securities of the other mutual fund that, to a reasonable person, would duplicate a fee payable by an investor in the mutual fund.

(3) The information required by this Item is a summary of the fees, charges and expenses of the mutual fund and investors presented in the form of the following table, appropriately completed, and introduced using substantially the following words:

This table lists the fees and expenses that you may have to pay if you invest in the [insert the name of the mutual fund]. You may have to pay some of these fees and expenses directly. The Fund may have to pay some of these fees and expenses, which will reduce the value of your investment in the Fund.

- (4) Include the fees for any optional services provided by the mutual fund organization, as described by Item 8 of Part A of this Form, in the table.
- (5) Under “Operating Expenses” in the table, include a description of the fees and expenses payable in connection with the independent review committee.
- (6) If management fees are payable directly by investors, add a line item in the table to disclose the maximum percentage that could be paid by investors.
- (7) If the manager permits negotiation of a management fee rebate, provide disclosure of these arrangements. If these arrangements are not available for each mutual fund described in the document, make this disclosure in the description of fees and expenses required for each fund by Item 3 of Part B of this Form and include a cross-reference to that information in the table required by this Item.

<i>Fees and Expenses Payable by the Fund</i>	
Management Fees	<i>[See Instruction (1)] [disclosure re management fee rebate program]</i>
Operating Expenses	<i>[See Instructions (2) and (3)] Fund[s] pay[s] all operating expenses, including</i>
<i>Fees and Expenses Payable Directly by You</i>	
Sales Charges	<i>[specify percentage, as a percentage of</i>
Switch Fees	<i>[specify percentage, as a percentage of, or specify amount]</i>
Redemption Fees	<i>[specify percentage, as a percentage of, or specify amount]</i>
Short-term Trading Fee	<i>[specify percentage, as a percentage of</i>

Registered Tax Plan Fees <i>[include this disclosure and specify the type of fees if the registered tax plan is sponsored by the mutual fund and is described in the simplified prospectus]</i>	<i>[specify amount]</i>
Other Fees and Expenses <i>[specify type]</i>	<i>[specify amount]</i>

- (8) Despite subsection (5), if the information required by subsection (5) is not the same for each mutual fund described in the document, make this disclosure in the description of fees and expenses required for each fund by Item 3 of Part B of this Form and include a cross-reference to that information in the table required by this Item.

INSTRUCTIONS:

- (1) *If the table pertains to more than one mutual fund and not all of the mutual funds pay the same management fees, under “Management Fees” in the table, do either of the following:*
- (a) *state that the management fees are unique to each mutual fund, include management fee disclosure for each mutual fund as a separate line item in the table required by Item 3 of Part B of this Form for that mutual fund, and include a cross-reference to that table;*
 - (b) *list the amount of the management fee, including any performance or incentive fee, for each mutual fund separately.*
- (2) *If the table pertains to more than one mutual fund and not all of the mutual funds have the same obligations to pay operating expenses, do either of the following:*
- (a) *state that the operating expenses payable by the mutual funds are unique to each mutual fund, include the description of the operating expenses payable by each mutual fund as a separate line item in the table required by Item 3 of Part B of this Form for that mutual fund, and include a cross-reference to that table;*
 - (b) *provide the disclosure concerning the operating expenses for each mutual fund contemplated by this Item separately.*
- (3) *Under “Operating Expenses”, state whether the mutual fund pays all of its operating expenses and list the main components of those expenses. If the mutual fund pays only certain operating expenses and is not responsible for payment of all such expenses, adjust the statement in the table to reflect the proper contractual responsibility of the mutual fund.*
- (4) *Show all fees or expenses payable by the mutual fund, even if it is expected that the manager of the mutual fund or other member of the organization of the mutual fund will waive or absorb some or all of those fees and expenses.*

- (5) *If the management fees of a mutual fund are payable directly by a securityholder and vary so that specific disclosure of the amount of the management fees cannot be disclosed in the simplified prospectus of the mutual fund, or cannot be derived from disclosure in the simplified prospectus, provide as much disclosure as is possible about the management fees to be paid by securityholders, including the highest possible rate or range of those management fees.*

9.2 Management Fee Rebate or Distribution Programs

- (1) Disclose details of all arrangements that are in effect or will be in effect during the currency of the simplified prospectus that will result, directly or indirectly, in one securityholder in the mutual fund paying as a percentage of the securityholder's investment in the mutual fund a management fee that differs from that payable by another securityholder.
- (2) In the disclosure required by subsection (1), describe all of the following:
- (a) who pays the management fee;
 - (b) whether a reduced fee is paid at the relevant time or whether the full fee is paid at that time with a repayment of a portion of the management fee to follow at a later date;
 - (c) who funds the reduction or repayment of management fees, when the reduction or repayment is made and whether it is made in cash or in securities of the mutual fund;
 - (d) whether the differing management fees are negotiable or calculated in accordance with a fixed schedule;
 - (e) if the management fees are negotiable, the factors or criteria relevant to the negotiations and state who negotiates the fees with the investor;
 - (f) whether the differing management fees payable are based on the number or value of the securities of the mutual fund purchased during a specified period or the number or value of the securities of the mutual fund held at a particular time;
 - (g) any other factors that could affect the amount of the management fees payable.
- (3) Disclose the income tax consequences to the mutual fund and its securityholders of a management fee structure that results in one securityholder paying a management fee that differs from another.

Item 10 - Dealer Compensation

Provide the disclosure of sales practices and equity interests required by sections 8.1 and 8.2 of National Instrument 81-105 *Mutual Fund Sales Practices*.

INSTRUCTIONS:

- (1) *Briefly state the compensation paid and the sales practices followed by the members of the organization of the mutual fund in a concise and explicit manner, without explaining the requirements and parameters for permitted compensation contained in National Instrument 81-105 Mutual Fund Sales Practices.*
- (2) *For example, if the manager of the mutual fund pays an up-front sales commission to participating dealers, so state and include the range of commissions paid. If the manager permits participating dealers to retain the sales commissions paid by investors as compensation, so state and include the range of commissions that can be retained. If the manager or another member of the mutual fund's organization pays trailing commissions, so state and provide an explanation of the basis of calculation of these commissions and the range of the rates of such commissions. If the mutual fund organization from time to time pays the permitted marketing expenses of participating dealers on a co-operative basis, so state. If the mutual fund organization from time to time holds educational conferences that sales representatives of participating dealers may attend or from time to time pays certain of the expenses incurred by participating dealers in holding educational conferences for sales representatives, so state.*
- (3) *If the members of the organization of the mutual funds follow any other sales practices permitted by National Instrument 81-105 Mutual Fund Sales Practices, briefly describe these sales practices.*
- (4) *Include a brief summary of the equity interests between the members of the organization of the mutual fund and participating dealers and representatives as required by section 8.2 of National Instrument 81-105 Mutual Fund Sales Practices. This disclosure may be provided by means of a diagram or table.*

Item 11 - Income Tax Considerations

11.1 - Income Tax Considerations for the Mutual Fund

- (1) State in general terms the bases upon which the income and capital receipts of the mutual fund are taxed.

11.2 - Income Tax Considerations for Investors

- (1) State in general terms the income tax consequences to the holders of the securities offered of all of the following:
 - (a) any distribution to the holders in the form of dividends or otherwise, including amounts reinvested in securities of the mutual fund;
 - (b) the redemption of securities;

- (c) the issue of securities;
 - (d) any transfers between mutual funds;
 - (e) gains or losses that occur on the disposition of securities of the mutual fund by the investor.
- (2) This description must explain the different tax treatment applicable to mutual fund securities held in a registered tax plan as compared to mutual fund securities held in non-registered accounts.
 - (3) Describe the impact of the mutual fund's distribution policy on a taxable investor who acquires securities of the mutual fund late in a calendar year.
 - (4) If material, describe the potential impact of the mutual fund's anticipated portfolio turnover rate on a taxable investor.
 - (5) Describe how the adjusted cost base of a security of a mutual fund can be calculated by those investors holding outside a registered tax plan.

INSTRUCTIONS:

- (1) *If management fees are paid directly by investors, describe generally the income tax consequences to taxable investors of this arrangement.*
- (2) *Subsection (2) is particularly relevant for investors who hold their mutual fund investments through RRSPs, if they have invested in a mutual fund that requires management fees to be paid directly by the investors. Detailed disclosure of the tax consequences of this arrangement on those investors should be made by such mutual funds.*

Item 12 - Statement of Rights

Under the heading "What if I change my mind?", state in substantially the following words:

Under securities law in some provinces and territories, you have the right to:

- withdraw from an agreement to buy mutual funds within two business days after you receive a simplified prospectus or Fund Facts document, or
- cancel your purchase within 48 hours after you receive confirmation of the purchase.

In some provinces and territories, you also have the right to cancel a purchase, or in some jurisdictions, claim damages, if the simplified prospectus, Fund Facts document or financial statements contain a misrepresentation. You must act within the time limit set by the securities law in your province or territory.

For more information, see the securities law of your province or territory or ask a lawyer.

Item 13 - Additional Information

- (1) Give particulars of any other material facts relating to the securities proposed to be offered that are not otherwise required to be disclosed by this Form.
- (2) Provide any specific disclosure required or permitted to be disclosed in a prospectus under securities legislation or by an order or ruling of the securities regulatory authority pertaining to the mutual fund that is not otherwise required to be disclosed by this Form.
- (3) This Item does not apply to the requirements of securities legislation that are form requirements for a prospectus.

INSTRUCTIONS:

- (1) *An example of a provision of securities legislation that may be relevant to this Item is the requirement contained in the conflict of interest provisions of the Canadian securities legislation of a number of jurisdictions to the effect that a mutual fund must not make an investment in respect of which a related person will receive any fee or compensation except for fees paid pursuant to a contract disclosed in, among other things, a prospectus. Another example is the requirement of some jurisdictions that certain statements be included in a simplified prospectus of a mutual fund with a non-Canadian manager.*
- (2) *For a single SP, provide this disclosure either under this Item or under Item 12 of Part B of this Form, whichever is more appropriate.*
- (3) *For a multiple SP, this disclosure should be provided under this Item if the disclosure pertains to all of the mutual funds described in the document. If the disclosure does not pertain to all of those funds, the disclosure should be provided in the fund-specific disclosure required or permitted under Item 12 of Part B of this Form.*

Item 14 - Exemptions and Approvals

Describe all exemptions from, or approvals under, this Instrument, National Instrument 81-102 *Investment Funds*, National Instrument 81-105 *Mutual Fund Sales Practices* or National Policy Statement No. 39, obtained by the mutual fund or the manager that continue to be relied upon by the mutual fund or the manager.

Item 15 - Certificate of the Mutual Fund

- (1) Include a certificate of the mutual fund that states
 - (a) for a simplified prospectus,

“This simplified prospectus and the documents incorporated by reference into the

simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus, as required by the securities legislation of [insert the jurisdictions in which qualified] and do not contain any misrepresentations.”,

- (b) for an amendment to a simplified prospectus that does not restate the simplified prospectus,

“This amendment no. [specify amendment number and date], together with the [amended and restated] simplified prospectus dated [specify], [amending and restating the simplified prospectus dated [specify],] [as amended by (specify prior amendments and dates)] and the documents incorporated by reference into the [amended and restated] simplified prospectus, [as amended,] constitute full, true and plain disclosure of all material facts relating to the securities offered by the [amended and restated] simplified prospectus, [as amended,] as required by the securities legislation of [insert the jurisdictions in which qualified] and do not contain any misrepresentations.”, and

- (c) for an amendment that amends and restates a simplified prospectus,

“This amended and restated simplified prospectus dated [specify] [, amending and restating the simplified prospectus dated [specify]] [, as amended by (specify prior amendments and dates)] and the documents incorporated by reference into the [amended and restated] simplified prospectus, [as amended,] constitute full, true and plain disclosure of all material facts relating to the securities offered by the [amended and restated] simplified prospectus, [as amended,] as required by the securities legislation of [insert the jurisdictions in which qualified] and do not contain any misrepresentations.”.

- (2) The certificate required to be signed by the mutual fund must, if the mutual fund is established as a trust, be signed by either of the following:
 - (a) if any trustee of the mutual fund is an individual, by each individual who is a trustee or by a duly authorized attorney of the individual;
 - (b) if any trustee of the mutual fund is a body corporate, by the duly authorized signing officer or officers of the body corporate.
- (3) Despite subsection (2), if the declaration of trust or trust agreement establishing the mutual fund delegates the authority to do so, or otherwise authorizes a person to do so, the certificate form required to be signed by the trustee or trustees of the mutual fund may be signed by the person to whom the authority is delegated or who is authorized.

- (4) Despite subsections (2) and (3), if the trustee of the mutual fund is also its manager, the certificate must indicate that it is being signed by the person or company both in its capacity of trustee and in its capacity as manager of the mutual fund and must be signed in the manner prescribed by Item 16.

Item 16 - Certificate of the Manager of the Mutual Fund

- (1) Include a certificate of the manager of the mutual fund in the same form as the certificate signed by the mutual fund.
- (2) The certificate must, if the manager is a company, be signed by the chief executive officer and the chief financial officer of the manager, and on behalf of the board of directors of the manager by any two directors of the manager other than the chief executive officer or chief financial officer, duly authorized to sign.
- (3) Despite subsection (2), if the manager has only three directors, two of whom are the chief executive officer and chief financial officer, the certificate required by subsection (2) to be signed on behalf of the board of directors of the manager must be signed by the remaining director of the manager.

Item 17 - Certificate of Each Promoter of the Mutual Fund

- (1) Include a certificate of each promoter of the mutual fund in the same form as the certificate signed by the mutual fund.
- (2) The certificate to be signed by the promoter must be signed by any officer or director of the promoter duly authorized to sign.

Item 18 - Certificate of the Principal Distributor of the Mutual Fund

- (1) Include a certificate of the principal distributor of the mutual fund that states:

“To the best of our knowledge, information and belief, this simplified prospectus and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus, as required by the securities legislation of [insert the jurisdictions in which qualified] and do not contain any misrepresentations.”
- (2) The certificate to be signed by the principal distributor must be signed by any officer or director of the principal distributor duly authorized to sign.

INSTRUCTION:

For a mutual fund that has a principal distributor, the certificate required by this Item is necessary to satisfy the requirements of securities legislation that an underwriter sign a certificate to a prospectus.

Part B – Fund-Specific Information

Item 1 - General

- (1) For a multiple SP in which the Part B sections are bound separately from the Part A section, include at the bottom of each page of a Part B section a footer in substantially the following words and in a type size consistent with the rest of the document:

This document provides specific information about [name of Fund]. It should be read in conjunction with the rest of the simplified prospectus of the [name of mutual fund family] dated [insert date]. This document and the document that provides general information about [name of mutual fund family] together constitute the simplified prospectus.

- (2) If the Part B section is an amended and restated document, add to the footer required by subsection (1) a statement that the document has been amended and restated on [insert date].
- (3) For a single SP or a multiple SP in which the Part A section and the Part B sections are bound together, include all of the following:
 - (a) at the top of the first page of the first Part B section in the document, the heading “Specific Information about Each of the Mutual Funds Described in this Document”;
 - (b) at the top of each page of a Part B section of the document, a heading consisting of the name of the mutual fund described on that page.
- (4) For a multiple SP in which the Part A section is bound separately from the Part B sections, include at the top of each page of a Part B section of the document, a heading consisting of the name of the mutual fund described on that page.

Item 2 - Part B Introduction

- (1) Disclose under the heading “What is a Mutual Fund and What are the Risks of Investing in a Mutual Fund?”, all of the following:
 - (a) a brief general description of the nature of a mutual fund;
 - (b) the risk factors or other investment considerations that an investor should take into account that are associated with investing in mutual funds generally.

- (2) At a minimum, in response to the requirements of subsection (1), include disclosure in substantially the following words:
- Mutual funds own different types of investments, depending upon their investment objectives. The value of these investments will change from day to day, reflecting changes in interest rates, economic conditions, and market and company news. As a result, the value of a mutual fund's [units/shares] may go up and down, and the value of your investment in a mutual fund may be more or less when you redeem it than when you purchased it.
 - [If applicable], The full amount of your investment in any [name of mutual fund family] mutual fund is not guaranteed.
 - Unlike bank accounts or GICs, mutual fund [units/shares] are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.
- (3) For a multiple SP, at the option of the mutual fund, disclose the risk factors and investment considerations that are applicable to more than one of those mutual funds.
- (4) For a multiple SP, at the option of the mutual fund, include in an introductory section any explanatory information that would otherwise be repeated identically in each Part B section of the document.
- (5) Any information included in an introductory section under subsection (4) may be omitted elsewhere in the Part B section of the document.

INSTRUCTIONS:

- (1) *Examples of the risks that may be disclosed under subsection (3) are stock market risk, interest rate risk, foreign security risk, foreign currency risk, specialization risk and risk associated with the use of derivatives. If this risk disclosure is provided under this subsection, the fund-specific disclosure about each mutual fund described in the document should contain a reference to the appropriate parts of this risk disclosure.*
- (2) *In providing disclosure under subsection (1), follow the instructions under Item 9 of Part B of this Form, as appropriate.*
- (3) *Examples of the type of information that may be moved to an introductory section from other parts of the Part B section are*
- (a) *definitions or explanations of terms used in each Part B section, such as “portfolio turnover rate” and “management expense ratio”, and*
 - (b) *discussion or explanations of the tables or charts that are required in each Part B section of the document.*

Item 3 - Fund Details

Disclose, in a table, all of the following:

- (a) the type of mutual fund that the mutual fund is best characterized as;
- (b) whether the mutual fund is eligible as an investment for registered retirement savings plans, registered retirement income funds or deferred profit sharing plans;
- (c) if this information is not contained in the table required by Part A, Item 9.1 of this Form, all of the following:
 - (i) the amount of the management fee, including any performance or incentive fee, charged to the mutual fund;
 - (ii) details concerning the operating expenses paid by the mutual fund contemplated by Instruction (3) of Part A, Item 9.1 of this Form;
 - (iii) the amount of the fees and expenses payable in connection with the independent review committee, charged to the mutual fund;
- (d) any information required by Part A, Item 4 of this Form to be contained in Part B.

INSTRUCTIONS:

- (1) *In disclosing the date on which the mutual fund started, use the date on which the securities of the mutual fund first became available to the public, which will be on, or about, the date of the issuance of the first receipt for a prospectus of the mutual fund. For a mutual fund that formerly offered its securities privately, disclose this fact.*
- (2) *If the mutual fund pays a fee that is determined by the performance of the mutual fund, the disclosure required by paragraph 7.1(c) of National Instrument 81-102 Investment Funds to be described in a simplified prospectus of the mutual fund should be included in a footnote to the description of the incentive fee in the table.*
- (3) *Examples of types of mutual funds that could be listed in response to paragraph (a) are money market, equity, bond or balanced funds related, if appropriate, to a geographical region, or any other description that accurately identifies the type of mutual fund*
- (4) *In providing the disclosure contemplated by paragraph (b), provide any disclosure required by, and follow, the Instructions to Part A, Item 9.1 of this Form.*

Item 4 - Fundamental Investment Objectives

- (1) Set out under the heading “What Does the Fund Invest In?” and under the sub-heading “Investment Objectives” the fundamental investment objectives of the mutual fund, including information that describes the fundamental nature of the mutual fund, or the fundamental features of the mutual fund, that distinguish it from other mutual funds.
- (2) Describe the nature of any securityholder or other approval that may be required in order to change the fundamental investment objectives of the mutual fund and any of the material investment strategies to be used to achieve those investment objectives.
- (3) Describe any restrictions on investments adopted by the mutual funds, beyond what is required under securities legislation, that pertain to the fundamental nature of the mutual fund.
- (4) If the mutual fund purports to arrange a guarantee or insurance in order to protect all or some of the principal amount of an investment in the mutual fund, include this fact as a fundamental investment objective of the mutual fund and do all of the following:
 - (a) identify the person or company providing the guarantee or insurance;
 - (b) provide the material terms of the guarantee or insurance, including the maturity date of the guarantee or insurance;
 - (c) if applicable, state that the guarantee or insurance does not apply to the amount of any redemptions before the maturity date of the guarantee or before the death of the securityholder and that redemptions before that date would be based on the net asset value of the mutual fund at the time;
 - (d) modify any other disclosure required by this section appropriately.
- (5) For an index mutual fund,
 - (a) disclose the name or names of the permitted index or permitted indices on which the investments of the index mutual fund are based, and
 - (b) briefly describe the nature of that permitted index or those permitted indices.

INSTRUCTIONS:

- (1) *State the type or types of securities, such as money market instruments, bonds, equity securities or securities of another mutual fund, in which the mutual fund will primarily invest under normal market conditions.*

- (2) *A mutual fund's fundamental investment objectives should indicate if the mutual fund primarily invests, or intends to primarily invest, or if its name implies that it will primarily invest in any of the following:*
 - (a) *in a particular type of issuer, such as foreign issuers, small capitalization issuers or issuers located in emerging market countries;*
 - (b) *in a particular geographic location or industry segment;*
 - (c) *in portfolio assets other than securities.*
- (3) *If a particular investment strategy is an essential aspect of the mutual fund, as evidenced by the name of the mutual fund or the manner in which the mutual fund is marketed, disclose this strategy as an investment objective. This instruction would be applicable, for example, to a mutual fund that described itself as an "asset allocation fund" or a "mutual fund that invests primarily through the use of derivatives".*
- (4) *If the mutual fund is an alternative mutual fund, describe the features of the mutual fund that cause it to fall within the definition of "alternative mutual fund" in National Instrument 81-102 Investment Funds. If those features include the use of leverage, disclose the sources of leverage (e.g., cash borrowing, short selling, use of derivatives) that the fund is permitted to use as well as the maximum aggregate exposure to those sources of leverage the alternative mutual fund is permitted to have, as a percentage calculated in accordance with section 2.9.1 of National Instrument 81-102 Investment Funds.*

Item 5 - Investment Strategies

- (1) Describe under the heading "What Does The Fund Invest In?" and under the sub-heading "Investment Strategies", all of the following:
 - (a) the principal investment strategies that the mutual fund intends to use in achieving its investment objectives;
 - (b) the process by which the mutual fund's portfolio adviser selects securities for the fund's portfolio, including any investment approach, philosophy, practices or techniques used by the portfolio adviser or any particular style of portfolio management that the portfolio adviser intends to follow;
 - (c) if the mutual fund may hold securities of other mutual funds,
 - (i) whether the mutual fund intends to purchase securities of, or enter into specified derivative transactions for which the underlying interest is based on the securities of, other mutual funds,
 - (ii) whether or not the other mutual funds may be managed by the manager or an affiliate or associate of the manager of the mutual fund,

- (iii) what percentage of the net asset value of the mutual fund is dedicated to the investment in the securities of, or the entering into of specified derivative transactions for which the underlying interest is based on the securities of, other mutual funds, and
 - (iv) the process or criteria used to select the other mutual funds.
- (2) Indicate what types of securities, other than those held by the mutual fund in accordance with its fundamental investment objectives, may form part of the mutual fund's portfolio assets under normal market conditions.
- (3) If the mutual fund intends to use derivatives
 - (a) for hedging purposes only, state that the mutual fund may use derivatives for hedging purposes only, and
 - (b) for non-hedging purposes, or for hedging and non-hedging purposes, briefly describe
 - (i) how derivatives are or will be used in conjunction with other securities to achieve the mutual fund's investment objectives,
 - (ii) the types of derivatives expected to be used and give a brief description of the nature of each type, and
 - (iii) the limits of the mutual fund's use of derivatives.
- (4) State whether any, and if so what proportion, of the assets of the mutual fund may or will be invested in foreign securities.
- (5) If the mutual fund is not a money market fund, and intends to engage in active and frequent trading of portfolio securities as a principal investment strategy to achieve its investment objectives such that the portfolio turnover rate of the mutual fund is expected to be more than 70 percent, describe all of the following:
 - (a) the tax consequences to securityholders of an active portfolio turnover;
 - (b) how the tax consequences of, or trading costs associated with, the mutual fund's portfolio turnover may affect the mutual fund's performance.
- (6) If the mutual fund may depart temporarily from its fundamental investment objectives as a result of adverse market, economic, political or other considerations, disclose any temporary defensive tactics the mutual fund's portfolio adviser may use or intends to use in response to such conditions.

- (7) Describe any restrictions on investments adopted by the mutual fund, beyond what is required under securities legislation, that do not pertain to the fundamental nature of the mutual fund.
- (8) If the mutual fund intends to enter into securities lending, repurchase or reverse repurchase transactions under sections 2.12, 2.13 or 2.14 of National Instrument 81-102 *Investment Funds*, do all of the following:
 - (a) state that the mutual fund may enter into securities lending, repurchase or reverse repurchase transactions;
 - (b) briefly describe
 - (i) how those transactions are or will be entered into in conjunction with other strategies and investments of the mutual fund to achieve the mutual fund's investment objectives,
 - (ii) the types of those transactions to be entered into and give a brief description of the nature of each type, and
 - (iii) the limits of the mutual fund's entering into of those transactions.
- (9) For an index mutual fund,
 - (a) for the 12-month period immediately preceding the date of the simplified prospectus,
 - (i) indicate whether one or more securities represented more than 10 percent of the permitted index or permitted indices,
 - (ii) identify that security or those securities, and
 - (iii) disclose the maximum percentage of the permitted index or permitted indices that the security or securities represented in the 12-month period, and
 - (b) disclose the maximum percentage of the permitted index or permitted indices that the security or securities referred to in paragraph (a) represented at the most recent date for which that information is available.
- (10) If the mutual fund intends to sell securities short under section 2.6.1 of National Instrument 81-102 *Investment Funds*,
 - (a) state that the mutual fund may sell securities short, and

- (b) briefly describe
 - (i) the short selling process, and
 - (ii) how short sales of securities are or will be entered into in conjunction with other strategies and investments of the mutual fund to achieve the mutual fund's investment objectives.
- (11) In the case of an alternative mutual fund that borrows cash pursuant to subsection 2.6(2) of National Instrument 81-102 *Investment Funds*
 - (a) state that the alternative mutual fund is permitted to borrow cash and the maximum amount the fund is permitted to borrow, and
 - (b) briefly describe how borrowing will be used in conjunction with other strategies of the alternative mutual fund to achieve its investment objectives.

INSTRUCTION:

A mutual fund may, in responding to this Item, provide a discussion of the general investment approach or philosophy followed by the portfolio adviser of the mutual fund.

Item 6 - Investment Restrictions

- (1) Include a statement to the effect that the mutual fund is subject to certain restrictions and practices contained in securities legislation, including National Instrument 81-102 *Investment Funds*, which are designed in part to ensure that the investments of the mutual fund are diversified and relatively liquid and to ensure the proper administration of the mutual fund, and state that the mutual fund is managed in accordance with these restrictions and practices.
- (2) If the mutual fund has received the approval of the securities regulatory authorities to vary any of the investment restrictions and practices contained in securities legislation, including National Instrument 81-102 *Investment Funds*, provide details of the permitted variations.
- (3) If the mutual fund has relied on the approval of the independent review committee and the relevant requirements of NI 81-107 *Independent Review Committee for Investment Funds* to vary any of the investment restrictions and practices contained in securities legislation, including NI 81-102 *Investment Funds*, provide details of the permitted variations.
- (4) If the mutual fund has relied on the approval of the independent review committee to implement a reorganization with, or transfer of assets to, another mutual fund or to proceed with a change of auditor of the mutual fund as permitted by NI 81-102 *Investment Funds*, provide details.

- (5) State the restrictions on the investment objectives and strategies that arise out of any of the following:
 - (a) whether the securities of the mutual fund are or will be a qualified investment within the meaning of the ITA for plans registered under the ITA;
 - (b) whether the securities of the mutual fund are or will be recognized as a registered investment within the meaning of the ITA.
- (6) State whether the mutual fund has deviated in the last year from the rules under the ITA that apply to the status of its securities as either of the following:
 - (a) qualified investments within the meaning of the ITA for plans registered under the ITA;
 - (b) registered investments within the meaning of the ITA.
- (7) State the consequences of any deviation referred to in subsection (6).

Item 7 - Description of Securities Offered by the Mutual Fund

- (1) State the description or the designation of securities, or the series or classes of securities, offered by the mutual fund under the related simplified prospectus and describe the securities or all material attributes and characteristics, including all of the following:
 - (a) dividend or distribution rights;
 - (b) voting rights;
 - (c) liquidation or other rights upon the termination of the mutual fund;
 - (d) conversion rights;
 - (e) redemption rights;
 - (f) provisions as to amendment of any of these rights or provisions.
- (2) Describe the rights of securityholders to approve any of the following:
 - (a) the matters set out in section 5.1 of National Instrument 81-102 *Investment Funds*;
 - (b) any matters provided for in the constating documents of the mutual fund.

INSTRUCTION:

- (1) *If the rights attached to the securities being offered are materially limited or qualified by those attached to any other class or series of securities of the mutual fund or if another class or series of securities of the mutual fund ranks ahead of or equally with the securities being offered, include, as part of the disclosure provided, information regarding those other securities that will enable investors to understand the rights attaching to the securities being offered.*
- (2) *In responding to the disclosure required by (1)(a), state whether distributions are made by the mutual fund in cash or reinvested in securities of the mutual fund, and indicate when distributions are made.*

Item 8 - Name, Formation and History of the Mutual Fund

- (1) State the full name of the mutual fund and the address of its head or registered office.
- (2) State the laws under which the mutual fund was formed and the date and manner of its formation.
- (3) Identify the constating documents of the mutual fund and, if material, state whether the constating documents have been amended in the last 10 years and describe the amendments.
- (4) If the mutual fund's name has been changed in the last 10 years, state the mutual fund's former name or names and the date or dates of the name change or changes.
- (5) Disclose, and provide details about, any major events affecting the mutual fund in the last 10 years. Include information, if applicable, about any of the following:
 - (a) the mutual fund having participated in, or been formed from, an amalgamation or merger with one or more other mutual funds;
 - (b) the mutual fund having participated in any reorganization or transfer of assets in which the securityholders of another issuer became securityholders of the mutual fund;
 - (c) any changes in fundamental investment objectives or material investment strategies;
 - (d) any changes in the portfolio adviser or changes in, or of control of, the manager;
 - (e) the mutual fund, before it filed a prospectus as a mutual fund, having existed as a closed-end investment fund, non-public mutual fund or other entity.

Item 9 - Risks

- (1) Set out specific information concerning any material risks associated with an investment in the mutual fund, under the heading “What are the Risks of Investing in the Fund?”.
- (2) If securities of a mutual fund representing more than 10% of the net asset value of the mutual fund are held by a securityholder, including another mutual fund, the mutual fund must disclose all of the following:
 - (a) the percentage of the net asset value of the mutual fund that those securities represent as at a date within 30 days of the date of the simplified prospectus of the mutual fund;
 - (b) the risks associated with a possible redemption requested by the securityholder.
- (3) If the mutual fund may hold securities of a foreign mutual fund in accordance with paragraph 2.5(3)(b) of National Instrument 81-102 *Investment Funds*, disclose the risks associated with that investment.
- (4) For a money market fund, include disclosure to the effect that although the mutual fund intends to maintain a constant price for its securities, there is no guarantee that the price will not go up and down.
- (5) Include specific cross-references to the risks described in response to Part B, Item 2 of this Form that are applicable to the mutual fund.
- (6) If the mutual fund offers more than one class or series of securities, disclose the risks that the investment performance, expenses or liabilities of one class or series may affect the value of the securities of another class or series, if applicable.
- (7) If, at any time during the 12-month period immediately preceding the date that is 30 days before the date of the simplified prospectus, more than 10 percent of the net asset value of a mutual fund were invested in the securities of an issuer, other than a government security or a security issued by a clearing corporation, disclose all of the following:
 - (a) the name of the issuer and the securities;
 - (b) the maximum percentage of the net asset value of the mutual fund that securities of that issuer represented during the 12-month period;
 - (c) the risks associated with these matters, including the possible or actual effect of that fact on the liquidity and diversification of the mutual fund, its ability to satisfy redemption requests and on the volatility of the mutual fund.

- (8) As applicable, describe the risks associated with the mutual fund entering into
 - (a) derivative transactions for non-hedging purposes,
 - (b) securities lending, repurchase or reverse repurchase transactions,
 - (c) short sales of securities, and
 - (d) borrowing arrangements.
- (9) In the case of an alternative mutual fund, include disclosure explaining that the alternative mutual fund is permitted to invest in asset classes and use investment strategies that are not permitted for other types of mutual funds and explain how these investment strategies could affect investors' risk of losing money on their investment in the fund.

INSTRUCTIONS:

- (1) *Consider the mutual fund's portfolio investments as a whole.*
- (2) *Provide the disclosure in the context of the mutual fund's fundamental investment objectives and investment strategies, outlining the risks associated with any particular aspect of those fundamental investment objectives and investment strategies.*
- (3) *Include a discussion of general market, political, market sector, liquidity, interest rate, foreign currency, diversification, credit, legal and operational risks, as appropriate.*
- (4) *Include a brief discussion of general investment risks, such as specific company developments, stock market conditions, general economic and financial conditions in those countries where the investments of the mutual fund are listed for trading, applicable to the particular mutual fund.*
- (5) *In responding to subsection (7), it is necessary to disclose only that at a time during the 12- month period referred to, more than 10 percent of the net assets of the mutual fund were invested in the securities of an issuer. Other than the maximum percentage required to be disclosed under paragraph (7)(b), the mutual fund is not required to provide particulars or a summary of any such occurrences.*

Item 10 - Investment Risk Classification Methodology

For a mutual fund,

- (a) state in words substantially similar to the following:

The investment risk level of this mutual fund is required to be determined in accordance with a standardized risk classification methodology that is based on the mutual fund's historical volatility as measured by the 10- year

standard deviation of the returns of the mutual fund.

- (b) if the mutual fund has less than 10 years of performance history and complies with Item 4 of Appendix F *Investment Risk Classification Methodology* to National Instrument 81-102 *Investment Funds*, provide a brief description of the other mutual fund or reference index, as applicable,
- (c) if the other mutual fund or reference index referred to in paragraph (b) has been changed since the most recently filed prospectus, provide details of when and why the change was made, and
- (d) disclose that the standardized risk classification methodology used to identify the investment risk level of the mutual fund is available on request, at no cost, by calling [toll free/collect call telephone number] or by writing to [address].

Item 11 - Suitability

Provide a brief statement of the suitability of the mutual fund for particular investors under the heading

“Who Should Invest in this Fund?”, describing any of the following:

- (a) the characteristics of the investor for whom the mutual fund may or may not be an appropriate investment;
- (b) the portfolios for which the mutual fund is suited or for which the mutual fund should not be used.

INSTRUCTIONS:

- (1) *In responding to the disclosure required by this Item, indicate the level of investor risk tolerance that would be appropriate for investment in the mutual fund.*
- (2) *Briefly describe how the manager has determined the level of investor risk tolerance that would be appropriate for investment in the mutual fund.*
- (3) *If the mutual fund is particularly unsuitable for certain types of investors or for certain types of investment portfolios, emphasize this aspect of the mutual fund, and disclose both the types of investors who should not invest in the mutual fund, with regard to investments on both a short and long-term basis, and the types of portfolios that should not invest in the mutual fund. Conversely, it might be appropriate to discuss whether the mutual fund is particularly suitable for particular investment objectives.*

Item 12 - Additional Information

Any disclosure from Part A, Item 13 (*Additional Information*) which does not pertain to all the mutual funds described in the document should be included here.

Item 13 - Back Cover

- (1) State the name of the mutual fund or funds included in the document or the mutual fund family, as well as the name, address and telephone number of the manager of the mutual fund or funds.
- (2) State, in substantially the following words:
 - Additional information about the Fund[s] is available in the Fund['s/s'] Fund Facts, management reports of fund performance and financial statements. These documents are incorporated by reference into this Simplified Prospectus, which means that they legally form part of this document just as if they were printed as a part of this document.
 - You can get a copy of these documents, at your request, and at no cost, by calling [toll-free/collect] [insert the toll-free telephone number or telephone number where collect calls are accepted, as required by section 3.4 of the Instrument], or from your dealer or by e-mail at [insert e-mail address].
 - These documents and other information about the Fund[s], such as information circulars and material contracts, are also available [on the [insert name of mutual fund] designated website at [insert mutual fund's designated website address] or] at www.sedar.com.

16. Form 81-101F2 Contents of Annual Information Form is repealed.

17. Part I, Item 1, Instruction of Form 81-101F3 is replaced with the following:

The date for a fund facts document that is filed with a preliminary simplified prospectus or simplified prospectus must be the date of the certificate in the simplified prospectus. The date for a fund facts document that is filed with a pro forma simplified prospectus must be the date of the anticipated simplified prospectus. The date for an amended fund facts document must be the date of the certificate contained in the related amended simplified prospectus..

18. Part II, Item 2 of Form 81-101F3 is amended by deleting “annual information form,”.

19. This Instrument comes into force on [●].

**APPENDIX B
PROPOSED AMENDMENTS AND PROPOSED CHANGES**

**SCHEDULE 1-B
PROPOSED CHANGES TO COMPANION POLICY 81-101CP TO NATIONAL
INSTRUMENT 81-101 *MUTUAL FUND PROSPECTUS DISCLOSURE***

1. *Companion Policy 81-101 CP Mutual Fund Prospectus Disclosure is changed by this Document.*
2. *Section 2.1 is changed*
 - (a) *by replacing “three disclosure documents” with “two disclosure documents” in paragraph (3)2,*
 - (b) *in paragraph (3)2, by adding “and” after “a simplified prospectus;” and deleting “● an annual information form; and”, and*
 - (c) *by deleting “, annual information form” in paragraph (3)3.*
3. *Section 2.3 is rescinded.*
4. *Section 2.4 is changed by deleting “and the annual information form”.*
5. *Section 2.7 is changed*
 - (a) *by replacing subsection (1) with the following:*

2.7 Amendments (1) Subsection 2.3(5.1) requires an amendment to a simplified prospectus to be filed whenever an amendment to a fund facts document is filed. If the substance of the amendment to the fund facts document would not require a change to the text of the simplified prospectus, the amendment to the simplified prospectus would consist only of the certificate page referring to the mutual fund to which the amendment to the fund facts document pertains.,
 - (b) *by deleting “and annual information form” in subsection (3), and*
 - (c) *by deleting “preliminary annual information form and” in subsection (8).*
6. *Section 3.1 is changed by deleting “, annual information form”.*

7. Section 3.2 is changed

(a) by replacing the first paragraph of subsection (1) with the following:

Subsection 4.1(1) requires that a simplified prospectus and fund facts document be presented in a format that assists in readability and comprehension. The Instrument and related forms also set out certain aspects of a simplified prospectus and fund facts document that must be presented in a required format, requiring some information to be presented in the form of tables, charts or diagrams. Within these requirements, mutual funds have flexibility in the format used for simplified prospectuses and fund facts documents., **and**

(b) deleting “or annual information form” in subsection (3), wherever it occurs.

8. Subsection 4.2(2) is replaced with the following:

(2) A new mutual fund may be added to a multiple SP that contains final simplified prospectuses. In this case, an amended multiple SP containing disclosure of the new mutual fund, as well as a new fund facts document for each class or series of the new mutual fund would be filed. The preliminary filing would constitute the filing of a preliminary simplified prospectus and fund facts document for the new mutual fund, and a draft amended and restated simplified prospectus for each existing mutual fund. The final filing of documents would include a simplified prospectus and fund facts document for the new mutual fund, and an amended and restated simplified prospectus for each previously existing mutual fund. An amendment to an existing fund facts document would generally not be necessary..

9. Subsection 4.1.3(1) is changed by deleting “and annual information form”.

10. Part 6 is rescinded.

11. The heading to section 7.1 is replaced with “Delivery of the Simplified Prospectus”.

12. Section 7.6 is changed by deleting “, annual information form”.

13. Section 7.9 is replaced with the following:

The Instrument and related forms contain no restrictions on the delivery of non-educational material such as promotional brochures with the simplified prospectus. This type of material may, therefore, be delivered with, but cannot be included within, or attached to, the simplified prospectus. The Instrument does not permit the binding of educational and non-educational material with the fund facts document. The intention of the Instrument is not to unreasonably encumber the fund facts document with additional documents..

14. Section 8.2 is changed

(a) by replacing “Form 81-101F2” with “Form 81-101F1”, and

(b) by replacing “Section 10.3(3)(b)” with “Part A, Item 4.3(3)(b)”.

15. Section 9.1 is changed by deleting “, annual information form” whenever it occurs.

16. Section 10.1 is changed by deleting “, an annual information form”.

17. These changes become effective on [●].

**APPENDIX B
PROPOSED AMENDMENTS AND PROPOSED CHANGES**

**SCHEDULE 1-C
PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 81-102 *INVESTMENT FUNDS***

1. *National Instrument 81-102 Investment Funds is amended by this Instrument.*
2. *Paragraph (b)2 of the definition of “sales communication” in section 1.1 is repealed.*
3. *Subsection 3.3(1) is replaced with the following:*

3.3 Prohibition Against Reimbursement of Organization Costs (1) The costs of incorporation, formation or initial organization of a mutual fund, or of the preparation and filing of any of the preliminary prospectus, preliminary fund facts document, initial prospectus, or fund facts document of the mutual fund must not be borne by the mutual fund or its securityholders..
4. *Subparagraph 5.6(1)(f)(ii) is amended by adding “or ETF facts document” after “fund facts document”.*
5. *Subclause 5.6(1)(f)(iii)(A)(II) is repealed.*
6. *Section 10.3 is amended by deleting “or annual information form” in subsections (2) and (4).*
7. *Paragraph 15.2(1)(b) is amended by deleting “, the preliminary annual information form” and “, the annual information form”.*
8. This Instrument comes into force on [●].

**APPENDIX B
PROPOSED AMENDMENTS AND PROPOSED CHANGES**

**SCHEDULE 1-D
PROPOSED CHANGES TO COMPANION POLICY 81-102CP TO NATIONAL
INSTRUMENT 81-102 INVESTMENT FUNDS**

1. *Companion Policy 81-102CP Investment Funds is changed by this Document.*
2. *Subsection 7.5(3) is changed by replacing “, simplified prospectus or annual information form” with “or simplified prospectus”.*
3. *Section 13.1(3) is replaced with the following:*

(3) An advertisement that presents information in a manner that distorts information contained in the preliminary prospectus or prospectus, or preliminary prospectus, preliminary fund facts document or prospectus, and fund facts document, as applicable, of an investment fund or that includes a visual image that provides a misleading impression will be considered to be misleading..
4. These changes become effective on [●].

**APPENDIX B
PROPOSED AMENDMENTS AND PROPOSED CHANGES**

**SCHEDULE 1-E
PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 81-106 INVESTMENT
FUND CONTINUOUS DISCLOSURE**

1. *National Instrument 81-106 Investment Fund Continuous Disclosure is amended by this Instrument.*
2. *The definition of “material contract” in section 1.1 is amended by replacing*
 - (a) “an annual information form” *with* “a simplified prospectus”, *and*
 - (b) “Item 16 of Form 81-101F2” *with* “Part A, Item 4.19 Material Contracts of Form 81-101F1”.
3. *Subsection 9.4(2) is replaced with the following:*
 - (2) Subject to subsection (2.1), an annual information form required to be filed must be prepared
 - (a) in accordance with Form 81-101F1 if the prospectus was prepared using that Form, and
 - (b) in accordance with Form 41-101F2 if the prospectus was prepared using that Form..
 - (2.1) For the purposes of completing Form 41-101F2 and Form 81-101F1 under subsection (2),
 - (a) all references in those Forms to “simplified prospectus” or “prospectus” must be replaced with “annual information form”,
 - (b) Items 1.1, 1.4, 1.5, 1.6, 1.7, 1.8, 1.11, 1.13, 3.3(1)(b), 3.5, 14.1, 15.2, 17.1, 24. 25, 26, 28, 29.2, 36, 38 and 39 of Form 41-101F2 must be ignored,
 - (c) Item 1.3 of Form 41-101F2 must be read as follows:

“1.3 – Basic Disclosure about the Distribution

 - (1) State on the front cover that the document is an annual information form for each of the mutual funds to which the document pertains.
 - (2) State on the front cover the names of the mutual funds and, at the option of the mutual funds, the name of the mutual fund family to

which the document pertains. If the mutual fund has more than one class or series of securities, state the name of each of those classes or series covered in the document.

- (3) State the date of the document, which is the date of the certificates for the document. This date must be within three business days of the date it is filed with the securities regulatory authority. Write the date of the document in full, writing the name of the month in words.
- (4) State, in substantially the following words:

No securities regulatory authority has expressed an opinion about these [units/shares] and it is an offence to claim otherwise.”

- (d) references to the term “distribution” in Item 3.2 of Form 41-101F2 must be read as “investment fund”,
- (e) Items 19.1(11) to (13) of Form 41-101F2 do not apply to an investment fund that is a corporation, except for the disclosure in connection with the independent review committee,
- (f) Item 21 of Form 41-101F2 must be completed in connection with all of the securities of the investment fund,
- (g) Item 35.1 of Form 41-101F2 must be completed even though no distribution is taking place,
- (h) General Instruction (18), subsections 1.1(4), (5) and (7), Item 3, subsections 7.1(5) to (11) and items 12, 15, 16, 17, 18 of Part A of Form 81-101F1 and item 11 of Part B of that Form must be ignored,
- (i) Item 4.18 of Part A of Form 81-101F1 does not apply to an investment fund that is a corporation, except for the disclosure in connection with the independent review committee,
- (j) Item 7 of Part B of Form 81-101F1 must be completed in connection with all of the securities of the investment fund, and
- (k) subsection 13(2) of Part B of Form 81-101F1 must be read as follows:
- (2) State, in substantially the following words:

- Additional information about the Fund[s] is available in the Fund[’s/s’] Fund Facts, management reports of fund performance and financial statements.

- You can get a copy of these documents, at your request, and at no cost, by calling [toll-free/collect] [insert the toll-free telephone number or telephone number where collect calls are accepted, as required by section 3.4 of the Instrument], or from your dealer or by e-mail at [insert e-mail address].

- These documents and other information about the Fund[s], such as information circulars and material contracts, are also available [on the [insert name of mutual fund] designated website at [insert investment fund designated website address] or] at www.sedar.com.”.

4. Subsection 10.2(3) is replaced with the following:

An investment fund must include a summary of the policies and procedures required by this section in its prospectus..

5. This Instrument comes into force on [●].

**APPENDIX B
PROPOSED AMENDMENTS AND PROPOSED CHANGES**

**SCHEDULE 1-F
PROPOSED CHANGE TO COMPANION POLICY 81-106CP TO NATIONAL
INSTRUMENT 81-106 *INVESTMENT FUND CONTINUOUS DISCLOSURE***

1. *National Instrument 81-106 Investment Fund Continuous Disclosure is changed by this Document.*
2. *Section 10.1 is changed by deleting “, an annual information form” in subsection 10.1(1).*
3. This change becomes effective on [●].

**APPENDIX B
PROPOSED AMENDMENTS AND PROPOSED CHANGES**

**SCHEDULE 1-G
PROPOSED CHANGE TO NATIONAL POLICY 11-202 *PROCESS FOR PROSPECTUS
REVIEWS IN MULTIPLE JURISDICTIONS***

- 1. National Policy 11-202 Process for Prospectus Reviews in Multiple Jurisdictions is changed by this Document.*
- 2. Section 2.1 is changed by deleting “and annual information form” in the definition of “long form prospectus”.*
3. This change becomes effective on [●].

**APPENDIX B
PROPOSED AMENDMENTS AND PROPOSED CHANGES**

**SCHEDULE 1-H
PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 13-101 SYSTEM FOR
ELECTRONIC DOCUMENT ANALYSIS AND RETRIEVAL (SEDAR)²⁴**

1. *National Instrument 13-101 System for Electronic Document Analysis and Retrieval (SEDAR) is amended by this Instrument.*
2. *Under the heading “Securities Offerings”, Appendix A is amended by deleting “, Annual Information Form” wherever it occurs.*
3. This Instrument comes into force on [●].

²⁴ CSA Notice and Request for Comment *Proposed National Systems Renewal Program Rule and Related Amendments* (May 2, 2019) proposed the repeal of National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)*. If these revisions come into effect before the Proposed Amendments and Proposed Changes, CSA Staff will modify the Proposed Amendments and Proposed Changes as required, to conform.

**APPENDIX B
PROPOSED AMENDMENTS AND PROPOSED CHANGES**

**SCHEDULE 1-I
PROPOSED AMENDMENTS TO MULTILATERAL INSTRUMENT 13-102 SYSTEM
FEES FOR SEDAR AND NRD²⁵**

1. *Multilateral Instrument 13-102 System Fees for SEDAR and NRD is amended by this Instrument.*
2. *The row in Appendix B corresponding to Item 3 is replaced with the following:*

3	Investment fund issuers / securities offerings	Simplified prospectus and fund facts (National Instrument 81-101 <i>Mutual Fund Prospectus Disclosure</i>)	\$585.00, which applies in total to a combined filing, if one simplified prospectus is used to qualify the investment fund securities of more than one investment fund for distribution	\$162.50, which applies in total to a combined filing, if one simplified prospectus is used to qualify the investment fund securities of more than one investment fund for distribution
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3. This Instrument comes into force on [●].

²⁵ CSA Notice and Request for Comment *Proposed Repeal and Replacement of Multilateral Instrument 13-102 System Fees for SEDAR and NRD* (May 2, 2019) proposed revisions to Multilateral Instrument 13-102 *System Fees for SEDAR and NRD*. If these revisions come into force before the Proposed Amendments and Proposed Changes, CSA Staff will modify the Proposed Amendments and Proposed Changes as required, to conform.

**APPENDIX B
PROPOSED AMENDMENTS AND PROPOSED CHANGES**

**SCHEDULE 2-A
PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 14-101 *DEFINITIONS***

1. National Instrument 14-101 Definitions is amended by this Instrument.

2. Subsection 1.1(3) is amended by adding the following definition:

“designated website” of an investment fund means a website designated by the fund under subsection 16.1.2(1) of National Instrument 81-106 *Investment Fund Continuous Disclosure*;

3. This Instrument comes into force on [●].

**APPENDIX B
PROPOSED AMENDMENTS AND PROPOSED CHANGES**

**SCHEDULE 2-B
PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 41-101 *GENERAL
PROSPECTUS REQUIREMENTS***

1. *National Instrument 41-101 General Prospectus Requirements is amended by this Instrument.*
2. *Subsection 3B.4(1) is amended by replacing “If an ETF or the ETF’s family has a website, the ETF must post to at least one of those websites” with “The ETF must post on its designated website”.*
3. *Subsection 3B.4(2) is amended by replacing “posted to” with “posted on”.*
4. *Subsection 3B.4(3) is repealed.*
5. *Form 41-101F2 Information Required in an Investment Fund Prospectus is amended*
 - (a) *by replacing in Item 20.3(a) “website” with “designated website”,*
 - (b) *by replacing in Item 37.1 “[If applicable] These documents are available on the [investment fund’s/investment fund family’s] Internet site at [insert investment fund’s Internet site address]” with “These documents are available on the investment fund’s website at [insert investment fund’s designated website address]”.*
6. *Form 41-101F3 Information Required in a Scholarship Plan Prospectus is amended*
 - (a) *by replacing Item 12(2) of Part A with the following:*
 - (2) State the name, address, toll-free telephone number, email address of the investment fund manager of the plan and the scholarship plan’s designated website address. If applicable, also state the website address of the investment fund manager of the plan.,
 - (b) *by replacing in Item 4.1(1) of Part B “[Insert if applicable - You’ll also find these documents on our website at [insert the scholarship plan’s website address]]” with “You’ll also find these documents on our website at [insert the scholarship plan’s designated website address]”,*
 - (c) *by replacing in Item 15.1(2) of Part B “[Insert if applicable - You’ll also find these documents on our website at [insert the scholarship plan’s website address]]” with “You’ll also find these documents on our website at [insert the scholarship plan’s designated website address]”,*

- (d) *by replacing in Item 6.1 of Part C “website” with “designated website”,*
- (e) *by replacing in subsection (1) of the Instructions under Item 6.3 of Part C “website” with “designated website”,*
- (f) *by replacing in Item 2.5(2) of Part D “Internet Site” wherever it occurs with “designated website”, and*
- (g) *by replacing in Item 5.4(3) of Part D “scholarship plan’s website address” with “scholarship plan’s designated website address”.*

7. Form 41-101F4 Information Required in an ETF Facts Document is amended

- (a) *by replacing in paragraph (h) of Item 1 of Part I “[insert the website of the ETF, the ETF’s family or the manager of the ETF] [as applicable]” with “[insert the designated website of the ETF]”, and*
- (b) *by replacing Item 2(4) of Part I with the following:*

An ETF may include its designated website address where updated Quick Facts, Trading Information and Pricing Information are posted by stating:

For more updated Quick Facts, Trading Information and Pricing Information, visit [insert the designated website of the ETF]..

8. This Instrument comes into force [●].

**APPENDIX B
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**SCHEDULE 2-C
PROPOSED CHANGES TO COMPANION POLICY 41-101CP TO NATIONAL
INSTRUMENT 41-101 *GENERAL PROSPECTUS REQUIREMENTS***

1. *Companion Policy 41-101 General Prospectus Requirements is changed by this Document.*
2. *Subsection 5A.4(1) is changed*
 - (a) *by replacing “to the website of the ETF, the ETF’s family or the manager of the ETF, as applicable” with “on its designated website” , and*
 - (b) *by replacing “website” wherever it occurs elsewhere with “designated website”.*
3. *Subsection 5A.4(2) is changed*
 - (a) *by replacing “Many ETFs have fund profiles that are available on a website of the ETF, the ETF’s family or the manager of the ETF.” with “Many ETFs have fund profiles that are available on their designated website.”, and*
 - (b) *by replacing “to a website to highlight the availability of more up-to-date trading and pricing information for an ETF” with “on the ETF’s designated website to highlight the availability of more up-to-date trading and pricing information for that ETF”.*
4. These changes become effective on [●].

**APPENDIX B
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**SCHEDULE 2-D
PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 81-101 *MUTUAL FUND
PROSPECTUS DISCLOSURE***

1. *National Instrument 81-101 Mutual Fund Prospectus Disclosure is amended by this Instrument.*
2. *Section 2.3.1. is amended*
 - (a) *by replacing in subsection (1) “If a mutual fund or the mutual fund's family has a website, the mutual fund must post to at least one of those websites” with “A mutual fund must post on its designated website”,*
 - (b) *by replacing in subsection (2) “posted to the website” with “posted on the designated website”, and*
 - (c) *by repealing subsection (3).*
3. *Form 81-101F3 Contents of Fund Facts Document is amended by replacing in paragraph (e) of Item 1 of Part I “[insert the website of the mutual fund, the mutual fund’s family or the manager of the mutual fund] [as applicable]” with “[insert the mutual fund’s designated website]”.*
4. This Instrument comes into force [●].

**APPENDIX B
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**SCHEDULE 2-E
PROPOSED CHANGES TO COMPANION POLICY 81-101CP TO NATIONAL
INSTRUMENT 81-101 *MUTUAL FUND PROSPECTUS DISCLOSURE***

1. *Companion Policy 81-101 Mutual Fund Prospectus Disclosure is changed by this Document.*
2. *Section 2.8 is changed*
 - (a) *by replacing* “to the website of the mutual fund, the mutual fund's family or the manager of the mutual fund, as applicable” *with* “on its designated website”, *and*
 - (b) *by replacing* “website” *wherever it occurs elsewhere with* “designated website”.
3. *Subsection 4.1.3(3) is changed*
 - (a) *by replacing* “to the website of the mutual fund, the mutual fund's family or the manager of the mutual fund” *with* “on its designated website”, *and*
 - (b) *by replacing* “to a website” *with* “on a designated website”.
4. *Subsection 7.4(2) is changed by replacing* “on a website” *with* “on a mutual fund’s designated website”.
5. These changes become effective on [●].

**APPENDIX B
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**SCHEDULE 2-F
PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 81-102 *INVESTMENT FUNDS***

1. National Instrument 81-102 Investment Funds is amended by this Instrument.

2. Clause 5.6(1)(f)(iii)(B) is replaced with the following:

(B) access those documents at the designated website address;

3. This Instrument comes into force on [●].

**APPENDIX B
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**SCHEDULE 2-G
PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 81-106 INVESTMENT
FUND CONTINUOUS DISCLOSURE**

1. *National Instrument 81-106 Investment Fund Continuous Disclosure is amended by this Instrument.*
2. *Paragraph 5.2(5)(d) is amended by replacing “investment fund's website, if applicable,” with “investment fund’s designated website”.*
3. *Paragraph 5.3(4)(b) is amended by replacing “investment fund's website, if applicable,” with “investment fund’s designated website”.*
4. *Section 5.5 is amended by replacing “An investment fund that is a reporting issuer and that has a website must post to the website” with “An investment fund that is a reporting issuer must post on its designated website”.*
5. *Subsection 6.2(2) is amended by replacing “An investment fund that has a website must post to the website” with “An investment fund must post on its designated website”.*
6. *Subsection 10.4(2) is amended by replacing “An investment fund that has a website must post the proxy voting record to the website” with “An investment fund must post the proxy voting record on its designated website”.*
7. *Paragraph 11.2(1)(b) is amended by replacing “on the website of the investment fund or the investment fund manager” with “on the investment fund’s designated website”.*
8. *Subsection 14.2(7) is replaced with the following:*
 - (7) An investment fund that arranges for the publication of its net asset value or net asset value per security on its designated website or in the financial press must ensure that its current net asset value or net asset value per security is posted on a timely basis on its designated website or provided on a timely basis to the financial press..
9. *The Instrument is amended by adding the following Part:*

PART 16.1 INVESTMENT FUND WEBSITE

16.1.1 Application This Part applies to an investment fund that is a reporting issuer.

16.1.2 Requirement to Have a Designated Website (1) An investment fund must designate a qualifying website of the fund on which the fund intends to post regulatory disclosure required by securities legislation.

(2) For the purposes of subsection (1), a “qualifying website” of an investment fund is a website that is

- (a) publicly accessible, and
- (b) established and maintained by the fund or by one or more of the following persons:
 - (i) its investment fund manager;
 - (ii) an affiliate or an associate of its investment fund manager;
 - (iii) another investment fund that is part of its investment fund family..

10. Form 81-106F1 Contents of Annual and Interim Management Report of Fund Performance is amended

(a) by replacing in Item 1 of Part B “website at [insert address]” with “website at [insert the address of the designated website]”,

(b) by replacing in subsection (9) of the Instructions under Item 5 of Part B “are available on the internet at www.sedar.com.” with “are available on the investment fund’s designated website and at www.sedar.com.”, and

(c) by replacing in Item 1 of Part C “website at [insert address]” with “website at [insert the address of the designated website]”.

11. This Instrument comes into force on [●].

**APPENDIX B
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**SCHEDULE 2-H
PROPOSED CHANGES TO COMPANION POLICY 81-106CP TO NATIONAL
INSTRUMENT 81-106 INVESTMENT FUND CONTINUOUS DISCLOSURE**

1. *Companion Policy 81-106 Investment Fund Continuous Disclosure is changed by this Document.*
2. *Section 4.5 is deleted.*
3. *Subsection 6.1(4) is changed by replacing “to the fund's website if it has one” with “on the fund’s designated website”.*
4. *Section 9.1 is changed by replacing “make the results of that calculation available to the financial press” with “make the results of that calculation available on its designated website or to the financial press”.*
5. *The Instrument is amended by adding the following Part:*

PART 11 INVESTMENT FUND WEBSITE

11.1 Requirement to designate a website

- (1) The purpose of Part 16.1 is to improve investor access to investment fund regulatory disclosure and other information that characterizes a fund. Investment funds’ websites typically include regulatory disclosure (e.g., a prospectus, a fund facts document, an ETF facts document, continuous disclosure documents), as well as other information on a fund (e.g. a fund profile) and its management (e.g., the names of its investment fund manager, portfolio manager, custodian, trustee). Section 16.1.2 of the Instrument does not prescribe the disclosure that must be posted on an investment fund’s designated website. The regulatory disclosure that must be posted on an investment fund’s designated website is included in other provisions of the securities legislation applicable to reporting investment funds.
- (2) The CSA would generally consider that an investment fund’s designated website includes a set of webpages on the internet containing links to each other and made available online by the investment fund, its investment fund manager or an affiliate or associate of its investment fund manager.

In the CSA’s view, an investment fund’s designated website must be open-access to everybody and free of charge. The designated website may contain a webpage that is accessible only by the fund’s securityholders (for example, with an access code and a password) for the sole purpose of posting confidential or non-public information that is not required by securities legislation.

- (3) We note that an investment fund's regulatory disclosure and other information may be disseminated on a website that is established and maintained by another investment fund that is part of its investment fund family, the investment fund's manager or an affiliate or an associate of the investment fund's manager. The CSA does not expect an investment fund to create a stand-alone website to fulfil its obligations to post regulatory disclosure on a designated website. In order to improve flexibility and access to disclosure, section 16.1.2 allows investment funds to identify as a designated website, the website of another investment fund of the same investment fund family, the investment fund's manager, or an affiliate or an associate of the investment fund's manager. In any case, the investment fund's designated website is expected to clearly identify and differentiate between the information applicable to each investment fund.
- (4) The Instrument does not specify how an investment fund should structure its designated website. Investment funds may choose to post all regulatory disclosure and other information pertaining to one investment fund on a single webpage dedicated to this fund or instead aggregate some regulatory disclosure and other key information for several investment funds that are part of the same investment fund family into a single webpage. The CSA expect that investment funds and their investment fund managers will adopt a consistent and harmonized structure within an investment fund's designated website in order to avoid any confusion amongst users.
- (5) The investment fund's designated website should be designed in a manner that allows an individual investor with a reasonable level of technological skill and knowledge to easily do any of the following:
 - (a) access, read, understand and search the information and the documents posted on the website;
 - (b) download and print the documents.
- (6) Maintenance and supervision of an investment fund's designated website and its content should be accounted for in the compliance systems of the investment fund and its manager. The establishment and maintenance of a compliance system by investment fund managers is required under section 11.1 of NI 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. We also expect investment funds and their managers to take steps to protect themselves against cyber threats. In this respect, they should review and follow guidance issued by securities regulators and self-regulatory organizations.
- (7) Investment funds and their investment fund managers should ensure the designated website accurately discloses regulatory disclosure and other information. If inaccurate disclosure regarding a fund is found on the designated website, it should be removed or updated as soon as possible.

The Instrument does not specify the length of time that regulatory disclosure and other information must remain on an investment fund's designated website. The CSA are of the view that regulatory disclosure and other information should stay on a designated website for a reasonable length of time, and at least until replaced with more current information or documents. Some disclosure should be updated more frequently depending on its nature or its importance to current and potential investors (e.g. net asset values per security and past performance).

We generally encourage investment funds and their managers from archiving documents or information that may retain historical or other value to investors on the designated website. However, documents or information that mislead investors should be removed.

- (8) An investment fund and its manager may create hyperlinks leading to third-party websites. In such cases, a warning informing individuals that they are about to leave the investment fund's designated website may be appropriate..

6. These changes become effective on [●].

**APPENDIX B
PROPOSED AMENDMENTS AND PROPOSED CHANGES**

**SCHEDULE 2-I
PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 81-107 *INDEPENDENT
REVIEW COMMITTEE FOR INVESTMENT FUNDS***

1. *National Instrument 81-107 Independent Review Committee for Investment Funds is amended by this Instrument.*
2. *Paragraph 4.4(2)(b) is replaced with the following:*
 - (b) be made available and prominently displayed by the manager on the investment fund's designated website;
3. This Instrument comes into force on [●].

**APPENDIX B
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**SCHEDULE 2-J
PROPOSED CHANGES TO COMMENTARY IN NATIONAL INSTRUMENT 81-107
INDEPENDENT REVIEW COMMITTEE FOR INVESTMENT FUNDS**

1. *The Commentary to National Instrument 81-107 Independent Review Committee for Investment Funds is changed by this Document.*
2. *Paragraph 2 of the Commentary to section 4.4 is changed*
 - (a) *by replacing* “the website of the investment fund, the investment fund family or the manager, as applicable” *with* “the investment fund’s designated website”, *and*
 - (b) *by replacing* “on the website” *with* “on the designated website”.
3. These changes become effective on [●].

**APPENDIX B
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**SCHEDULE 3-A
PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 81-106 *INVESTMENT
FUND CONTINUOUS DISCLOSURE***

1. *National Instrument 81-106 Investment Fund Continuous Disclosure is amended by this Instrument.*

2. *Section 1.1 is amended by adding the following definitions:*

“information circular” means a completed Form 51-102F5 *Information Circular*;

“intermediary” has the same meaning as in section 1.1 of National Instrument 54-101;

“meeting” when used alone in relation to an investment fund means a meeting of securityholders of the investment fund;

“National Instrument 54-101” means National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*;

“NOBO” has the same meaning as in section 1.1 of National Instrument 54-101;

“notice-and-access” means the delivery procedures referred to in section 12.2.1;

“notification of meeting and record dates” has the same meaning as in section 1.1 of National Instrument 54-101;

“proximate intermediary” has the same meaning as in section 1.1 of National Instrument 54-101;

“proxy-related materials” means securityholder material relating to a meeting that a person or company that solicits proxies is required under corporate law or securities legislation to send to a registered holder or beneficial owner of the securities of an investment fund;

“securityholder materials” means materials that are sent to registered holders or beneficial owners of securities of an investment fund;

“send” includes to deliver or forward or arrange to deliver or forward, by any means; and

“stratification” means procedures whereby a paper copy of the information circular and, if applicable, the financial statements of the investment fund, are

included with the documents required to be sent to registered holders or beneficial owners under section 12.2.1.;

3. **Subsections 5.1(3) and (4) are amended by replacing** “National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*” **with** “National Instrument 54-101”.

4. **Section 12.1 is replaced with the following:**

12.1 Application and definitions – (1) This Part applies to an investment fund that is a reporting issuer.

(2) In this Part,

“securityholder” has the same meaning as in section 1.1 of National Instrument 54-101..

5. **The Instrument is amended by adding the following sections:**

12.2.1 Notice-and-Access – A person or company that solicits proxies from a registered holder or beneficial owner, as the case may be, of securities of an investment fund under subsection 12.2(2) and section 2.7 of National Instrument 54-101, must not use notice-and-access to send proxy-related materials to the registered holder or beneficial owner unless all of the following apply:

- (a) the registered holder or beneficial owner is sent a notice that contains only the following information:
 - (i) the date, time and location of the meeting;
 - (ii) a description of each matter or group of related matters identified in the form of proxy to be voted on unless that information is already included in the form of proxy, or the Form 54-101F6 or Form 54-101F7, that is being sent to the registered holder or beneficial owner, under paragraph (b);
 - (iii) the website addresses for SEDAR and the non-SEDAR website where the proxy-related materials are posted;
 - (iv) a reminder to review the information circular before voting;
 - (v) an explanation of how to obtain a paper copy of the information circular and, if applicable, the financial statements of the investment fund, from the person or company soliciting proxies;

- (vi) a plain-language explanation of notice-and-access that includes all of the following information:
 - (A) if stratification is used, a list of the types of registered holders or beneficial owners who will receive paper copies of the information circular and, if applicable, the financial statements of the investment fund;
 - (B) the estimated date and time by which a request for a paper copy of the information circular and, if applicable, the financial statements of the investment fund, is to be received in order for the registered holder or beneficial owner to receive the paper copy in advance of any deadline for the submission of the proxy or the voting instructions for the meeting, and the date of the meeting;
 - (C) an explanation of how the registered holder or beneficial owner is to return the proxy or the voting instructions, including any deadline for return of the proxy or the voting instructions;
 - (D) the sections of the information circular where disclosure regarding each matter or group of related matters identified in the notice can be found;
 - (E) a toll-free telephone number the registered holder or beneficial owner can call to get information about notice-and-access;
- (b) by prepaid mail, courier or the equivalent,
 - (i) the registered holder is sent the notice and a form of proxy for use at the meeting at least 30 days before the date of the meeting, and
 - (ii) the beneficial owner is sent the notice and a Form 54-101F6 or Form 54-101F7, using the procedures referred to in section 2.9 or 2.12 of National Instrument 54-101;
- (c) the proxy-related materials are sent at least 30 days and at most 50 days before the meeting;
- (d) if proxy-related materials are sent directly to a NOBO using notice-and-access, the notice and, if applicable, any paper copies

of information circulars and financial statements, are sent at least 30 days before the date of the meeting;

- (e) if proxy-related materials are sent indirectly to a beneficial owner using notice-and-access, the notice and, if applicable, any paper copies of information circulars and financial statements are sent to the proximate intermediary,
 - (i) at least 3 business days before the 30th day before the date of the meeting, in the case of proxy-related materials that are to be sent on by the proximate intermediary by first class mail, courier or the equivalent, and
 - (ii) at least 4 business days before the 30th day before the date of the meeting, in the case of proxy-related materials that are to be sent on by the proximate intermediary using any other type of prepaid mail;
- (f) in the case of a solicitation by or on behalf of management of the investment fund, or where another person or company soliciting proxies has requisitioned a meeting, the notification of meeting and record dates is filed on SEDAR, on the same date that the notification of meeting and record dates is sent pursuant to subsection 2.2(1) of National Instrument 54-101;
- (g) public electronic access to the information circular and the notice, as well as the form of proxy in the case of the registered holder, is provided on or before the date that the notice is sent to the registered holder or beneficial owner, in the following manner:
 - (i) the documents are filed on SEDAR;
 - (ii) the documents are posted for no less than one year on
 - (A) the investment fund's designated website in the case of a solicitation by or on behalf of management of the investment fund, and
 - (B) a website other than the website for SEDAR, in the case of a solicitation by or on behalf of any other person or company;
- (h) a toll-free telephone number is provided for use by the registered holder or beneficial owner to request a paper copy of the information circular and, if applicable, the financial statements of the investment fund, at any time

- (i) from the date that the notice is sent to the registered holder or beneficial owner, and
 - (ii) up to and including the date of the meeting, determined after taking into account any adjournment or postponement of the meeting;
- (i) if a request for a paper copy of the information circular and, if applicable, the financial statements of the investment fund, is received through the toll-free telephone number provided in the notice or by any other means, a paper copy of the document requested is sent free of charge by the person or company soliciting proxies to the registered holder or beneficial owner at the address specified in the request,
 - (i) in the case of a request received prior to the date of the meeting, within 3 business days after receiving the request, by first class mail, courier or the equivalent, and
 - (ii) in the case of a request received on or after the date of the meeting, and within one year of the date the information circular is filed on SEDAR, within 10 calendar days after receiving the request, by prepaid mail, courier or the equivalent;
- (j) the notice is only accompanied by
 - (i) a form of proxy, Form 54-101F6 or Form 54-101F7,
 - (ii) if applicable, the financial statements of the investment fund to be presented at the meeting, and
 - (iii) if the meeting is to approve a reorganization of the investment fund with another investment fund, as contemplated by paragraph 5.1(1)(f) of NI 81-102 *Investment Funds*, the Form 81-101F3 or Form 41-101F4 for the continuing investment fund;
- (k) the notice is only combined, in a single document, with a form of proxy, Form 54-101F6 or Form 54-101F7, or is not combined with any other document;
- (l) the information circular discloses that proxy-related materials are being sent to registered holders or beneficial owners of the investment fund using notice-and-access, and if stratification will

be used, the types of registered holders or beneficial owners who will receive paper copies of the information circular and, if applicable, the financial statements of the investment fund;

- (m) delivery of the information circular and, if applicable, the financial statements of the investment fund, to a registered holder or beneficial owner if a paper copy of such material is requested by the registered holder or beneficial owner following receipt of the notice, is paid by the manager of the investment fund or other person or company soliciting proxies that is not the investment fund.

12.2.2 Restrictions on information gathering

- (1) A person or company using notice-and-access that receives a request for a paper copy of the information circular or, if applicable, the financial statements of the investment fund through the toll-free number provided in the notice or by any other means, must not do any of the following:
 - (a) ask for any information about the requester, other than the name and address to which the information circular and, if applicable, the financial statements are to be sent;
 - (b) disclose or use the name or address of the requester for any purpose other than sending the information circular and the financial statements of the investment fund.
- (2) A person or company that posts proxy-related materials pursuant to subparagraph 12.2.1(1)(g)(ii) must not collect information that can be used to identify a person or company who has accessed the non-SEDAR website address where the proxy-related materials are posted.

12.2.3 Posting materials on non-SEDAR website

- (1) A person or company that posts proxy-related materials pursuant to subparagraph 12.2.1(1)(g)(ii) must also post on the website all of the following:
 - (a) any disclosure material regarding the meeting that the person or company has sent to registered holders or beneficial owners;
 - (b) any written communications the person or company has made available to the public regarding each matter or group of matters to be voted on at the meeting, whether or not they were sent to registered holders or beneficial owners.

- (2) A person or company that posts proxy-related materials pursuant to subparagraph 12.2.1(1)(g)(ii) must do so in a manner and format that would permit an individual with a reasonable level of computer skill and knowledge to easily do any of the following:
- (a) access, read and search the materials;
 - (b) download and print the materials.

12.2.4 Record date for notice of meeting, abridgement of time and notification of meeting date and record date

A person or company using notice-and-access, in the case of a solicitation by or on behalf of management of the investment fund, or where another person or company has requisitioned a meeting, must do all of the following:

- (a) despite paragraph 2.1(b) of National Instrument 54-101, set or requisition a record date for notice of the meeting that is no fewer than 40 days before the date of the meeting;
- (b) in addition to the requirements of section 2.20 of National Instrument 54-101, not abridge the time prescribed in paragraph 2.1(b), subsection 2.2(1) or subsection 2.5(1) of National Instrument 54-101, unless the person or company
 - (i) sets a record date for notice of the meeting that is no fewer than 40 days before the date of the meeting, and
 - (ii) sends the notification of meeting and record dates provided pursuant to section 2.2 of National Instrument 54-101 at least 3 business days before the record date for notice of the meeting;
- (c) specify in the notification of meeting and record dates provided pursuant to section 2.2 of National Instrument 54-101 that proxy-related materials are being sent to registered holders or beneficial owners using notice-and-access.

12.2.5 Consent to other delivery methods - For greater certainty, section 12.2.1 does not do any of the following:

- (a) prevent a registered holder or beneficial owner from consenting to the use of other delivery methods to send proxy-related materials;

- (b) terminate or modify a consent that a registered holder or beneficial owner previously gave to a person or company regarding the use of other delivery methods to send proxy-related materials;
- (c) prevent a person or company that solicits proxies, an intermediary or another person or company, from sending proxy-related materials using a delivery method to which a registered holder or beneficial owner has consented prior to the coming into effect of this Part.

12.2.6 Instructions to receive paper copies

- (1) Despite section 12.2.1, an investment fund or its manager or management may obtain standing instructions from a registered holder, and an intermediary may obtain standing instructions from its client that is a beneficial owner, of securities of the investment fund, that a paper copy of the information circular and, if applicable, the financial statements of the investment fund, be sent to the registered holder or beneficial owner in all cases when using notice-and-access in respect of a meeting of the investment fund.
- (2) If an investment fund, its manager or management has obtained standing instructions from a registered holder under subsection (1), the investment fund or its manager or management must do all of the following:
 - (a) include with the notice any paper copies of information circulars and, if applicable, financial statements of the investment fund, required to comply with the standing instructions obtained under subsection (1);
 - (b) include with the notice a description, or otherwise inform the registered holder, of the means by which the registered holder may revoke the registered holder's standing instructions.
- (3) If an intermediary has obtained standing instructions from a beneficial owner under subsection (1), the intermediary must do all of the following:
 - (a) if the investment fund or its manager or management is sending proxy-related materials directly under section 2.9 of National Instrument 54-101, indicate in the NOBO list provided to the investment fund or its manager or management, those NOBOs who have provided standing instructions under subsection (1) as at the date the NOBO list is generated;
 - (b) if the intermediary is sending proxy-related materials to a beneficial owner on behalf of an investment fund or its manager or management using notice-and-access, request appropriate

quantities of paper copies of the information circular and, if applicable, the financial statements of the investment fund, from the investment fund or its manager or management, for forwarding to beneficial owners who have provided standing instructions to be sent paper copies;

- (c) include with the notice a description, or otherwise inform the beneficial owner of, the means by which the beneficial owner may revoke the beneficial owner's standing instructions.

12.2.7 Compliance with National Instrument 51-102 and National Instrument 54-101 – A person or company that solicits proxies must comply with all of the following as if the terms notice-and-access and stratification were adopted from this Instrument:

- (a) Items 7.12 and 9.9 of Form 54-101F2 *Request for Beneficial Ownership Information*;
- (b) Form 54-101F5 *Electronic Format for NOBO List*.

6. This Instrument comes into force on [●].

**APPENDIX B
PROPOSED AMENDMENTS AND PROPOSED CHANGES**

**SCHEDULE 3-B
PROPOSED CHANGES TO COMPANION POLICY 81-106CP TO NATIONAL
INSTRUMENT 81-106 INVESTMENT FUND CONTINUOUS DISCLOSURE**

1. *Companion Policy 81-106CP Investment Fund Continuous Disclosure is changed by this Document.*
2. *The following is added after section 8.1:*

8.2 Notice-and-Access

- (1) In the Instrument and this Companion Policy, references to registered holders and beneficial owners should be read to correspond with references to forms of proxy or voting instruction forms, as appropriate.

We expect that persons or companies that solicit proxies will only use notice-and-access for a particular meeting where they have concluded it is appropriate and consistent with the purposes of notice-and-access to do so, taking into account factors such as

- the purpose of the meeting,
- whether a better participation rate would be obtained by sending the information circular with the other proxy-related materials, and
- whether notice-and-access resulted in material declines in beneficial owner voting rates in prior meetings where notice-and-access was used.

- (2) With respect to matters to be voted on at the meeting, the notice must only contain a description of each matter or group of related matters identified in the form of proxy, unless that information is already included in the form of proxy or voting instruction form. We expect that persons or companies who use notice-and-access will state each matter or group of related matters in the form of proxy or voting instruction form in a reasonably clear and user-friendly manner. For example, it would be inappropriate to identify the matter to be voted on solely by referring to disclosure contained in the information circular as follows: “To vote For or Against the resolution in Schedule A of the management information circular”.

The plain-language explanation of notice-and-access required in the notice can also address other aspects of the proxy voting process. However, there should not be any substantive discussion of the matters to be considered at the meeting.

- (3) Paragraph 12.2.1(h) requires establishment of a toll-free telephone number for the registered holder or beneficial owner to request a paper copy of the information circular. A person or company soliciting proxies may choose, but is not required, to provide additional methods for requesting a paper copy of the information circular. If persons or companies soliciting proxies do so, they must still comply with the fulfillment timelines in paragraph 12.2.1(i).
- (4) Section 12.2.2 is intended to restrict intentional information gathering about registered holders or beneficial owners who make requests for paper copies of information circulars or access the non-SEDAR website.
- (5) Section 12.2.3 is intended to allow registered holders and beneficial owners to access the posted proxy-related materials in a user-friendly manner. For example, requiring the registered holder or beneficial owner to navigate through several web pages to access the proxy-related materials, even within the same website, would not be user-friendly. Providing the registered holder or beneficial owner with the specific URL where the documents are posted would be more user-friendly. We encourage persons or companies soliciting proxies and their service providers to develop best practices in this regard.
- (6) We expect that where stratification is used for purposes other than complying with registered holder or beneficial owner instructions, it is used to enhance effective communication, and not if it would potentially disenfranchise registered holders or beneficial owners.
- (7) Section 12.2.5 permits other delivery methods, such as electronic means, to be used to send proxy-related materials if the consent of the registered holder or beneficial owner has been obtained.
- (8) National Policy 11-201 *Electronic Delivery of Documents* discusses the sending of materials by electronic means. The guidelines set out in National Policy 11-201 *Electronic Delivery of Documents*, particularly the suggestion that consent be obtained to an electronic transmission of a document, are applicable to documents sent under the Instrument.
- (9) Whether persons or companies soliciting proxies may do so in compliance with foreign notice-and-access rules is not contemplated.
- (10) A single investor may hold securities of the same class or series in two or more accounts with the same address. Delivering a single set of securityholder materials to that person or company would satisfy the delivery requirements under the Instrument. We encourage this practice as a way to help reduce the costs of securityholder communications.

(11) References to notice-and-access in all of the following provisions of Companion Policy 54-101CP – *Communication with Beneficial Owners of Securities of a Reporting Issuer* should be read as if the term notice-and-access was adopted from this Instrument, in addition to any other required adaptations:

- subsection 3.1(1);
- subsection 3.4.1(2);
- section 5.1..

3. These changes become effective on [●].

**APPENDIX B
PROPOSED AMENDMENTS AND PROPOSED CHANGES**

**SCHEDULE 4-A
PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 41-101 *GENERAL
PROSPECTUS REQUIREMENTS***

1. *National Instrument 41-101 General Prospectus Requirements is amended by this Instrument.*
2. *Subparagraph 9.1(1)(b)(ii) is replaced with the following:*
 - (ii) Personal Information Form and Authorization to Collect, Use and Disclose Personal Information – a completed personal information form for,
 - (A) each director and executive officer of an issuer,
 - (B) each promoter of the issuer, and
 - (C) if the promoter is not an individual,
 - (I) each director and executive officer of the promoter, if the issuer is not an investment fund, and
 - (II) each director and executive officer of the promoter, if the issuer is an investment fund and the promoter is not the manager of the investment fund; and.
3. *The following is added after subsection 9.1(1):*
 - (1.1) An investment fund is not required to deliver a personal information form for an individual referenced in subparagraph (1)(b)(ii) if the individual has submitted a Form 33-109F4 *Registration of Individuals and Review of Permitted Individuals* under National Instrument 33-109 *Registration Information*.
4. This Instrument comes into force on [●].

**APPENDIX B
PROPOSED AMENDMENTS AND PROPOSED CHANGES**

**SCHEDULE 4-B
PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 81-101 *MUTUAL FUND
PROSPECTUS DISCLOSURE***

- 1. *National Instrument 81-101 Mutual Fund Prospectus Disclosure is amended by this Instrument.***
- 2. *Subparagraph 2.3(1)(b)(ii) is replaced with the following:***
 - (ii) a personal information form for:
 - (A) each director and executive officer of the mutual fund;
 - (B) each promoter of the mutual fund;
 - (C) each director and executive officer of the promoter, if the promoter is neither an individual nor the manager of the mutual fund,.
- 3. *The following is added after subsection 2.3(1):***
 - (1.0.1) A mutual fund is not required to deliver a personal information form for an individual referenced in subparagraph (1)(b)(ii) if the individual has submitted a Form 33-109F4 *Registration of Individuals and Review of Permitted Individuals* under National Instrument 33-109 *Registration Information*..
- 4. *Subparagraph 2.3(2)(b)(iv) of National Instrument 81-101 is replaced with the following:***
 - (iv) a personal information form for:
 - (A) each director and executive officer of the mutual fund;
 - (B) each promoter of the mutual fund;
 - (C) each director and executive officer of the promoter, if the promoter is neither an individual nor the manager of the mutual fund, and.
- 5. *The following is added after subsection 2.3(2):***
 - (2.0.1) A mutual fund is not required to deliver a personal information form for an individual referenced in subparagraph (2)(b)(iv) if the individual has submitted a Form 33-109F4 *Registration of Individuals and Review of Permitted Individuals* under National Instrument 33-109 *Registration Information*..
6. This Instrument comes into force on [●].

**APPENDIX B
PROPOSED AMENDMENTS AND PROPOSED CHANGES**

**SCHEDULE 5-A
PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 81-102 *INVESTMENT FUNDS***

1. *National Instrument 81-102 Investment Funds is amended by this Instrument.*
2. *Section 1.1 is amended by replacing the definition of “designated rating” with the following:*

a credit rating from a designated rating organization listed below, from a DRO affiliate of an organization listed below, from a designated rating organization that is a successor credit rating organization of an organization listed below or from a DRO affiliate of such successor credit rating organization, that is at or above one of the following corresponding rating categories, or that is at or above a category that replaces one of the following corresponding rating categories, if

- (i) there has been no announcement from the designated rating organization, from a DRO affiliate of the organization, from a designated rating organization that is a successor credit rating organization or from a DRO affiliate of such successor credit rating organization, of which the investment fund or its manager is or reasonably should be aware that the credit rating of the security or instrument to which the designated rating was given may be downgraded to a rating category that would not be a designated rating, and
- (ii) no designated rating organization listed below, no DRO affiliate of an organization listed below, no designated rating organization that is a successor credit rating organization of an organization listed below and no DRO affiliate of such successor credit rating organization, has rated the security or instrument in a rating category that is not a designated rating:

Designated Rating Organization	Commercial Paper/Short Term Debt	Long Term Debt
DBRS Limited	R-1 (low)	A
Fitch Ratings, Inc.	F1	A
Moody’s Canada Inc.	P-1	A2
S&P Global Ratings Canada	A-1 (Low)	A

3. Section 1.2 is amended by adding the following subsection:

- (2.1) Despite subsection (1), all of the following sections apply in respect of investment funds that are not reporting issuers:
- (a) section 2.5;
 - (b) section 9.4;
 - (c) section 10.4..

4. The Instrument is amended by adding the following section:

2.5.1 Investments in Other Investment Funds by Funds Not Reporting Issuers

- (1) In subsection (2), “substantial security holder” and “significant interest” have the meanings assigned within the investment fund conflict of interest investment restrictions.
- (2) The investment fund conflict of interest investment restrictions and the investment fund conflict of interest reporting requirements do not apply to an investment fund which purchases or holds securities of another investment fund if
 - (a) the investment fund’s securities are distributed solely pursuant to exemptions from the prospectus requirement,
 - (b) if the other fund is a reporting issuer, the purchase or holding is made in accordance with section 2.5,
 - (b.1) if the other investment fund is not a reporting issuer, the purchase or holding would be made in accordance with section 2.5 if paragraphs 2.5(2)(a), (a.1) and (c) were disregarded,
 - (c) the other fund complies with section 2.4,
 - (d) the other fund is subject to and complies with National Instrument 81-106 *Investment Fund Continuous Disclosure*,
 - (e) the other fund has the same redemption and valuation dates,
 - (f) the investment in the other fund is effected at an objective price, calculated in accordance with section 14.2 of National Instrument 81-106 *Investment Fund Continuous Disclosure*,
 - (g) a disclosure document is provided to each investor in the investment fund prior to the time of the investor’s investment, which discloses

- (i) that the fund may purchase securities of other related funds from time to time,
- (ii) that the investment fund manager of the fund is the manager or portfolio adviser to each of the other funds,
- (iii) the approximate or maximum percentage of net assets of the fund that is intended to be invested in securities of the other fund,
- (iv) the fees, expenses and any performance or special incentive distributions payable by the other fund,
- (v) the process or criteria used to select the other fund,
- (vi) for each officer, director or substantial security holder of the fund's investment fund manager, or of the fund, that has a significant interest in the other fund, and for the officers and directors and substantial security holders who together in aggregate hold a significant interest in the other fund, the approximate amount of the significant interest they hold, on an aggregate basis, expressed as a percentage of the applicable other fund's net asset value, and the potential conflicts of interest which may arise, and
- (vii) that investors are entitled to receive, on request and free of charge
 - (A) a copy of the offering memorandum or other similar disclosure document of each other fund, if available, and
 - (B) the annual audited financial statements and interim financial reports (if any) relating to each other fund, and
- (h) investors are informed annually of their right to receive, on request and free of charge, a copy of the documents referred to in subparagraph (g)(vii)..

5. Subsection 4.1(4) is amended

(a) by replacing the first reference to “an issuer” with “a reporting issuer”,

(b) by repealing paragraph (b),

(c) by adding the following paragraph:

- (b.1) the distribution of securities is made by prospectus filed with one or more securities regulatory authorities or regulators in Canada or under an exemption from the prospectus requirement,;

(d) by repealing paragraph (c), and

(e) by adding the following paragraph:

- (c.1) during the 60 days after the period referred to in subsection (1) any of the following apply:
 - (i) the investment is made on an exchange on which the securities of the reporting issuer are listed and traded;
 - (ii) if the security is a debt security that does not trade on an exchange, the ask price is readily available and the price paid is not higher than the available ask price of the debt security; and.

6. The following is added after subsection 9.4(6):

- (7) The investment fund conflict of interest investment restrictions do not apply in connection with a payment made on behalf of a mutual fund by making good delivery of securities to another mutual fund under paragraph (2)(b), if all of the following apply:
 - (a) where the mutual fund is a reporting issuer,
 - (i) the independent review committee of the investment fund has approved the payment in accordance with the terms of subsection 5.2(2) of NI 81-107, and
 - (ii) the investment fund manager and the independent review committee of the mutual fund comply with section 5.4 of NI 81-107 in respect of any standing instructions the applicable independent review committee provides in connection with the payment;
 - (b) the mutual fund and the other mutual fund each comply with section 2.4;
 - (c) each illiquid asset included in the payment,
 - (i) is transferred on a pro-rata basis that fairly represents the portfolio of the mutual fund, and
 - (ii) is subject to at least one quote for the asset obtained by the portfolio manager from an independent arm's length purchaser or seller;
 - (d) each investment fund keeps written records of each payment in a financial year of the fund, reflecting details of the securities delivered to the fund and the value assigned to such portfolio securities, for five years after the end of

- the financial year, the most recent two years in a reasonably accessible place;
- (e) the portfolio adviser does not receive any compensation in respect of any payment and the only charges paid by the applicable fund is the commission charged by the dealer executing the trade (if any) and/or any administrative charges levied by the custodian.
- (8) The investment fund conflict of interest investment restrictions do not apply in connection with a payment made on behalf of a managed account, as defined in section 6.1 of National Instrument 81-107 (NI 81-107), by making good delivery of securities under subparagraph (2)(b) to a mutual fund if all of the following apply:
- (a) where the mutual fund is a reporting issuer,
 - (i) the independent review committee of the mutual fund has approved the payment in accordance with the terms of subsection 5.2(2) of NI 81-107, and
 - (ii) the investment fund manager and the applicable independent review committee comply with section 5.4 of NI 81-107 in respect of any standing instructions the applicable independent review committee provides in connection with the payment;
 - (b) the portfolio adviser obtains the prior written consent of the client of the managed account before it makes the payment;
 - (c) the mutual fund complies with section 2.4;
 - (d) each illiquid asset included in the payment
 - (i) is transferred on a pro-rata basis that fairly represents the portfolio of the mutual fund, and
 - (ii) is subject to at least one quote for the asset obtained by the portfolio manager from an independent arm's length purchaser or seller;
 - (e) the account statement next prepared for the managed account describes the portfolio securities delivered to the mutual fund and the value assigned to the portfolio securities;
 - (f) the mutual fund keeps written records of each payment in a financial year of the mutual fund, reflecting details of the portfolio securities delivered to the mutual fund and the value assigned to the portfolio securities

- (i) in a reasonably accessible place, for two years after the end of the financial year, and
- (ii) for a further three years after the end of financial year;
- (g) the portfolio adviser does not receive any compensation in respect of any payment and any charge paid by the fund or managed account is the commission charged by the dealer executing the trade or any administrative charges levied by the custodian..

7. The following is added after subsection 10.4(5):

- (6) The investment fund conflict of interest investment restrictions do not apply in connection with a payment made to a mutual fund, by making good delivery of portfolio assets to the mutual fund with prior consent in accordance with paragraph (3)(b), if all of the following apply:
 - (a) where the transaction involves the redemption of securities of or by the mutual fund and the mutual fund is a reporting issuer
 - (i) the independent review committee of the mutual fund has approved the payment on behalf of the mutual fund in accordance with the terms of subsection 5.2(2) of NI 81-107, and
 - (ii) the investment fund manager and the applicable independent review committee comply with section 5.4 of NI 81-107 in respect of any standing instructions the applicable independent review committee provides in connection with the payment;
 - (b) the portfolio securities are acceptable to the portfolio adviser for the receiving fund and are consistent with its investment objectives;
 - (c) the mutual fund and the other mutual fund each complies with section 2.4;
 - (d) each illiquid asset included in the payment
 - (i) is transferred on a pro-rata basis that fairly represents the portfolio of the mutual fund, and
 - (ii) is subject to at least one quote for the asset from an independent arm's length purchaser or seller obtained by the portfolio adviser;
 - (e) the mutual fund and the other mutual fund each keeps written records of each payment in a financial year of the mutual fund, reflecting details of the portfolio securities delivered by the mutual fund and the value assigned to such securities

- (i) in a reasonably accessible place, for two years after the end of the financial year, and
 - (ii) for a further three years after the end of the financial year;
 - (f) the portfolio adviser does not receive any compensation in respect of any payment and any charge paid by the applicable fund is the commission charged by the dealer executing the trade or any administrative charges levied by the custodian..
- (7) The investment fund conflicts of interest investment restrictions do not apply in connection with a payment made to a managed account, as defined under section 6.1 of NI 81-107, by making good delivery of portfolio assets to the managed account with prior consent in accordance with paragraph (3)(b) provided that all of the following apply:
- (a) where the mutual fund is a reporting issuer
 - (i) the independent review committee of the mutual fund has approved the payment on behalf of the mutual fund in accordance with the terms of subsection 5.2(2) of NI 81-107, and
 - (ii) the investment fund manager and the applicable independent review committee complies with section 5.4 of NI 81-107 in respect of any standing instructions the applicable independent review committee provides in connection with the payment;
 - (b) the portfolio securities meet the investment criteria of the managed account acquiring the portfolio securities and are acceptable to the portfolio adviser;
 - (c) the mutual fund complies with section 2.4;
 - (d) each illiquid asset included in the payment
 - (i) is transferred on a pro-rata basis that fairly represents the portfolio of the mutual fund, and
 - (ii) is subject to at least one quote for the asset from an independent arm's length purchaser or seller obtained by the portfolio adviser;
 - (e) the account statement next prepared for the managed account describes the portfolio securities received from the mutual fund and the value assigned to the portfolio securities;

- (f) the mutual fund keeps written records of each payment in a financial year of the fund, reflecting details of the securities delivered by the mutual fund and the value assigned to such securities
 - (i) in a reasonably accessible place, for two years after the end of the financial year, and
 - (ii) for a further three years after the end of the financial year;
- (g) the portfolio adviser does not receive any compensation in respect of any payment and any charge paid by the fund or managed account is the commission charged by the dealer executing the trade or any administrative charges levied by the custodian..

8. The second row of Appendix D is replaced by the following row:

All Jurisdictions	ss. 13.5(2)(a) and (b) of National Instrument 31-103 <i>Registration Requirements, Exemptions and Ongoing Registrant Obligations</i> and subsection 4.1(2) of National Instrument 81-102 <i>Investment Funds</i>
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9. This Instrument comes into force on [●].

**APPENDIX B
PROPOSED AMENDMENTS AND PROPOSED CHANGES**

**SCHEDULE 5-B
PROPOSED CHANGES TO COMPANION POLICY 81-102CP TO NATIONAL
INSTRUMENT 81-102 INVESTMENT FUNDS**

1. *Companion Policy 81-102CP Investment Funds is changed by this Document.*
2. *Section 3.4 is changed by adding the following subsection:*
 - (3) Section 2.5.1 of the Instrument provides that certain investment restrictions and reporting requirements do not apply to investments by investment funds that are not reporting issuers, including investments in other investment funds that are not reporting issuers, made in accordance with the conditions in section 2.5.1 of the Instrument..
3. *Subsection 3.8(1) is changed by adding the following sentence at the end of the paragraph:*

“For purchases of debt securities made during the 60-day period after distribution, commentary 7 to section 6.1 of NI 81-107 provides guidance to assist in determining if the ask price for a debt security is readily available.”.
4. *Part 10 is changed by adding the following section:*

10.7 In specie Subscriptions and Redemptions - Sections 9.4 and 10.4 of the Instrument permit subscription and redemption payments to be made by making good delivery of securities or portfolio assets. Subsections 9.4(7), 9.4(8), 10.4(6) and 10.4(7) provide exemptions from the conflict of interest investment restrictions and reporting requirements to facilitate these payments between related mutual funds, including mutual funds that are not reporting issuers and related managed accounts that are managed by the same portfolio adviser. IRC approval is a condition in instances involving payments with mutual funds that are reporting issuers. For mutual funds that are not reporting issuers, it is up to the fund’s manager to decide if an IRC should be appointed to approve these transactions or, if it has an IRC already, to tailor the IRC’s mandate to include approval of these transactions. For transactions involving managed accounts, the portfolio adviser must obtain the written consent of the client..
5. These changes become effective on [●].

**APPENDIX B
PROPOSED AMENDMENTS AND PROPOSED CHANGES**

**SCHEDULE 5-C
PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 81-107 *INDEPENDENT
REVIEW COMMITTEE FOR INVESTMENT FUNDS***

- 1. *National Instrument 81-107 Investment Funds is amended by this Instrument.***
- 2. *Subsection 1.1(1) is amended by replacing “This” with “Except as provided in Part 6, this”.***
- 3. *Section 6.1 is amended***
 - (a) *by replacing “is quoted; or” at the end of clause (1)(a)(i)(C) with “is quoted, or”,***
 - (b) *by adding the following after clause (1)(a)(i)(C):***
 - (D) the “last sale price” as defined under the Universal Market Integrity Rules of the Investment Industry Regulatory Organization of Canada, as amended from time to time; or,**
 - (c) *by deleting “and” after paragraph (1)(a),***
 - (d) *by replacing “securities legislation.” at the end of paragraph (1)(b) with “securities legislation; and”,***
 - (e) *by adding the following after paragraph (1)(b):***
 - (c) “managed account” means an account, or an investment portfolio, that is not an account of a responsible person, as defined under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, or an account of an investment fund, that is managed by a portfolio manager or portfolio adviser on behalf of a client under an investment management agreement.,**
 - (f) *by replacing “investment fund” where it first appears in subsection (2) with “managed account or an investment fund, including an investment fund that is not a reporting issuer”,***
 - (g) *adding the following in the first paragraph of subsection (2) after the term “investment fund” where it appears second: “, including an investment fund that is not a reporting issuer,”***

(h) by replacing paragraph (2)(a) with the following:

- (a) the investment fund or managed account is purchasing from, or selling to, another investment fund that is a reporting issuer or, if the investment fund is not a reporting issuer, the manager has appointed an independent review committee that complies with sections 3.7 and 3.9 of this Instrument for the purpose of approving the transaction;

(i) by adding the following after paragraph (2)(b):

- (b.1) the investment management agreement for the managed account authorizes the purchase or sale of the security;

(j) by adding the following after “investment fund” in paragraph (2)(g): “, or portfolio manager on behalf of the managed account,” and

(k) by adding the following after “investment fund” where it first appears in subsections (3) and (4): “including a managed account and an investment fund that is not a reporting issuer.”

4. Section 6.2 is amended

(a) by adding “, including an investment fund that is not a reporting issuer,” after “investment fund” in subsection (1),

(b) by adding the following before subparagraph (1)(a)(i):

- (0.i) the investment fund is not a reporting issuer, the manager has appointed an independent review committee that complies with sections 3.7 and 3.9 of this Instrument for the purpose of approving the transaction;

(c) by replacing “subsection 5.2(2); and” at the end of subparagraph (1)(a)(i) with “subsection 5.2(2);”, and

(d) by adding “, including an investment fund that is not a reporting issuer,” after “do not apply to an investment fund” in subsection (2).

5. The Instrument is amended by adding the following sections:

6.3 Transactions in securities of related issuers – Secondary market non-exchange traded debt securities

- (1) An investment fund, including an investment fund that is not a reporting issuer, may make or hold an investment in a non-exchange traded debt security of an issuer related to it, its manager, or an entity related to the manager, in the secondary market if all of the following apply:

- (a) where the investment fund is not a reporting issuer, the manager has appointed an independent review committee that complies with sections 3.7 and 3.9 of this Instrument for the purpose of approving the transaction;
 - (b) the independent review committee has approved the investment under subsection 5.2(2);
 - (c) the debt security has been given, and continues to have, at the time of purchase, a “designated rating”, as defined under National Instrument 44-101 *Short Form Prospectus Distributions*;
 - (d) the price for the debt security is not more than
 - (i) where the purchase occurs on a marketplace, the price for the non-exchange traded debt security, determined in accordance with the requirements of that marketplace, and
 - (ii) where the purchase does not occur on a marketplace, either of the following:
 - (I) the price at which an arm’s length seller is willing to sell the security;
 - (II) the price quoted publicly by an independent marketplace or the price quoted, immediately before the purchase, by an arm’s length purchaser or seller;
 - (e) the transaction complies with any applicable “market integrity requirements” as defined in section 6.1;
 - (f) no later than the time the investment fund files its annual financial statements, the manager of the investment fund files with the securities regulatory authority or regulator, the particulars of the investment.
- (2) The investment fund conflict of interest investment restrictions do not apply to an investment fund, including an investment fund that is not a reporting issuer, with respect to an investment referred to in subsection (1) if the investment is made in accordance with that subsection.
- (3) In subsection (2), “investment fund conflict of interest investment restrictions” has the meaning ascribed to that term in NI 81-102.

6.4 Transactions in securities of related issuers – Primary market distributions of long-term debt securities

- (1) An investment fund, including an investment fund that is not a reporting issuer, may make or hold an investment in a long-term debt security of an issuer related to it, its manager, or an entity related to the manager, under a distribution of the long-term debt security of that issuer if all of the following apply:
 - (a) where the investment fund is not a reporting issuer, the manager has appointed an independent review committee that complies with sections 3.7 and 3.9 of this Instrument for the purpose of approving the transaction;
 - (b) the independent review committee has approved the investment under subsection 5.2(2);
 - (c) the debt security has a term to maturity greater than 365 days and is not asset-backed commercial paper and has been given, and continues to have, at the time of purchase a designated rating by a designated rating organization as defined under NI 44-101 *Short Form Prospectus Distributions*;
 - (d) the size of the distribution is at least \$100 million;
 - (e) at least two purchasers who are independent, arm's length purchasers, which may include "independent underwriters" within the meaning of National Instrument 33-105 *Underwriting Conflicts*, collectively purchase at least 20% of the distribution;
 - (f) following its purchase, the investment fund would not have more than 5% of its net assets invested in long-term debt securities of that issuer;
 - (g) following the purchase, the investment fund, together with other investment funds managed by the manager, hold no more than 20% of the long-term debt securities issued in the distribution;
 - (h) the price paid for the long-term debt security is no higher than the lowest price paid by any of the arm's length purchasers who participate in the distribution;
 - (i) no later than the time the investment fund files its annual financial statements, the manager of the investment fund files with the securities regulatory authority or regulator, the particulars of the investment.

- (2) The investment fund conflict of interest investment restrictions do not apply to an investment fund, including an investment fund that is not a reporting issuer, with respect to an investment referred to in subsection (1) if the investment is made in accordance with that subsection.
- (3) In subsection (2), “investment fund conflict of interest investment restrictions” has the meaning ascribed to that term in National Instrument 81-102 *Investment Funds*.

6.5 Transactions in debt securities with a related dealer – principal trades in debt securities

- (1) The portfolio manager or portfolio adviser, acting on behalf of an investment fund, including an investment fund that is not a reporting issuer, or acting on behalf of a managed account as defined in section 6.1, may cause the investment fund or managed account to purchase a debt security of any issuer from, or sell a debt security of any issuer to, a dealer related to the portfolio manager, acting for its own account, if at the time of the transaction all of the following apply:
 - (a) where the investment fund is not a reporting issuer, the manager has appointed an independent review committee that complies with sections 3.7 and 3.9 of this Instrument for the purpose of approving the transaction;
 - (b) the independent review committee has approved the transaction under subsection 5.2(2);
 - (c) the investment management agreement for the managed account authorizes the purchase or sale of the debt security;
 - (d) the bid and ask price of the security transacted is readily available;
 - (e) a purchase is not executed at a price which is higher than the available ask price and a sale is not executed at a price which is lower than the available bid price;
 - (f) the purchase or sale complies with any applicable “market integrity requirements” as defined in section 6.1;
 - (g) the investment fund, or portfolio manager on behalf of the managed account, keeps written records, including a record of each purchase and sale of securities, the parties to the trade, and the terms of the purchase or sale

- (i) in a reasonably accessible place, for two years after the end of the fiscal year in which the trade occurred, and,
 - (ii) for a further three years after the end of that fiscal year.
- (2) The inter-fund self-dealing investment prohibitions do not apply to a portfolio manager or portfolio adviser of an investment fund, or an investment fund, with respect to a purchase or sale of a security referred to in subsection (1) if the purchase or sale is made in accordance with that subsection..

6. *Appendix B Inter-Fund Self-Dealing Conflict of Interest Provisions is amended by adding the following text in the second column for each jurisdiction: “and section 4.2 of National Instrument 81-102 Investment Funds”.*

7. This Instrument comes into force on [●].

**APPENDIX B
PROPOSED AMENDMENTS AND PROPOSED CHANGES**

**SCHEDULE 5-D
PROPOSED CHANGES TO COMMENTARY IN NATIONAL INSTRUMENT 81-107
INDEPENDENT REVIEW COMMITTEE FOR INVESTMENT FUNDS**

1. *The Commentary to National Instrument 81-107 Independent Review Committee for Investment Funds is changed by this Document.*

2. *Commentary 2 to section 1.1 is changed by adding the following:*

Part 6, however, provides exemptions that may be relied on in connection with certain trades involving managed accounts and investment funds that are not reporting issuers ..

3. *Commentary 2 to section 6.1 is changed*

(a) by adding the following after “investment funds”:

, including investment funds that are not reporting issuers and managed accounts,,

(b) by adding the following at the end of the first paragraph:

The CSA are of the view that this section applies to inter-fund trades between fund families of the same manager provided the purchase or sale is made in accordance with subsection (2),, and

(c) by replacing the second paragraph with the following:

Funds that are not reporting issuers must appoint an IRC for the purpose of approving inter-fund trades in order to be eligible to rely upon the exemption. At a minimum, the IRC for the funds that are not reporting issuers must comply with sections 3.7 and 3.9 of the Instrument. It is up to the IRC and the manager to tailor the IRC’s responsibilities for investment funds that are not reporting issuers beyond that.

The portfolio manager or portfolio adviser of a managed account must obtain the authorization of its client to conduct inter-fund trades in the investment management agreement in order to be eligible to rely upon the exemption..

4. *Commentary 1 to section 6.2 is changed*

(a) by replacing “mutual funds” with “investment funds”, and

(b) by adding “including investment funds that are not reporting issuers,” after “elsewhere in Canada, ”.

5. Commentary 2 to section 6.2 is changed by adding the following after the second paragraph:

Funds that are not reporting issuers must appoint an IRC for the purpose of approving inter-fund trades in order to be eligible to rely upon the exemption. At a minimum, the IRC for the funds that are not reporting issuers must comply with sections 3.7 and 3.9 of the Instrument. It is up to the IRC and the manager to tailor the IRC's responsibilities for investment funds that are not reporting issuers beyond that..

6. The following is added after section 6.3:

1. This section is intended to relieve investment funds, including investment funds that are not reporting issuers, from the prohibitions in the securities legislation of each securities regulatory authority that preclude investments in debt securities of related issuers that do not trade on an exchange. Because these securities do not trade on an exchange, paragraph (d) imposes alternative criteria to help ensure the investments occur at a fair and objective price.

2. This section sets out the minimum conditions for purchases to proceed without regulatory exemptive relief. An IRC may consider including in any approval any terms or conditions in prior exemptive relief orders, waivers or approvals obtained from the securities regulatory authorities. The CSA expect that the IRC may give its approval in the form of a standing instruction as described in section 5.4 to allow the manager greater flexibility in its decisions.

Funds that are not reporting issuers must appoint an IRC for the purpose of approving inter-fund trades in order to be eligible to rely upon the exemption. At a minimum, for the funds that are not reporting issuers, the IRC must comply with sections 3.7 and 3.9 of the Instrument. It is up to the IRC and the manager to tailor the IRC's responsibilities for investment funds that are not reporting issuers beyond that.

3. This section contemplates that the manager will comply with the applicable reporting requirements under securities legislation for each purchase. The filing referred to in paragraph (1)(f) should be filed on the SEDAR group profile number of the investment fund, as a continuous disclosure document.

4. If an IRC gives its approval for the investment fund to purchase securities of an issuer described in this section, and then subsequently withdraws its approval for additional purchases, the CSA will not consider the continued holding of the securities to be subject to subsection 1.2(b) of the Instrument. However, we will expect the manager to consider whether continuing to hold those securities is a conflict of interest matter that subsection 1.2(a) of the Instrument would require the manager to refer to the IRC..

7. The following is added after section 6.4:

1. This section is intended to relieve investment funds, including investment funds that are not reporting issuers, from the prohibitions in the securities legislation of each securities regulatory authority that preclude investments in debt securities of related issuers under primary treasury offerings or distributions by those issuers. The additional conditions in this

section to IRC approval are designed to mitigate the risk of the related issuer using the investment funds as captive financing vehicles and impose alternative criteria to help ensure the investments occur at a fair and objective price.

2. This section sets out the minimum conditions for purchases to proceed without regulatory exemptive relief. An IRC may consider including in any approval any terms or conditions in prior exemptive relief orders, waivers or approvals obtained from the securities regulatory authorities. The CSA expect that the IRC may give its approval in the form of a standing instruction as described in section 5.4 to allow the manager greater flexibility in its decisions.

Funds that are not reporting issuers must appoint an IRC for the purpose of approving inter-fund trades in order to be eligible to rely upon the exemption. At a minimum, for the funds that are not reporting issuers, the IRC must comply with sections 3.7 and 3.9 of the Instrument. It is up to the IRC and the manager to tailor the IRC's responsibilities for investment funds that are not reporting issuers beyond that.

3. This section contemplates that the manager will comply with the applicable reporting requirements under securities legislation for each purchase. The filing referred to in paragraph 6.4(1)(i) should be filed on the SEDAR group profile number of the investment fund, as a continuous disclosure document.

4. If an IRC gives its approval for the investment fund to purchase securities of an issuer described in this section, and then subsequently withdraws its approval for additional purchases, the CSA will not consider the continued holding of the securities to be subject to subsection 1.2(b) of the Instrument. However, we will expect the manager to consider whether continuing to hold those securities is a conflict of interest matter that subsection 1.2(a) of the Instrument would require the manager to refer to the IRC..

8. The following is added after the newly added section 6.5:

1. The term "inter-fund self-dealing investment prohibitions" is defined in section 1.5 of this Instrument. For the purposes of this section, it is intended to capture the prohibitions in the securities legislation and certain regulations of each securities regulatory authority regarding trades in securities between an investment fund or a managed account and a related dealer acting as principal for its own account.

This section is intended to relieve investment funds, including managed accounts and investment funds that are not reporting issuers, from the inter-fund self-dealing prohibitions in connection with principal trades in debt securities. Because debt securities do not generally trade on an exchange, the additional conditions in this section to IRC approval impose alternative criteria to help ensure the investments occur at a fair and objective price.

2. This section sets out the minimum conditions for purchases to proceed without regulatory exemptive relief. An IRC may consider including in any approval any terms or conditions in prior exemptive relief orders, waivers or approvals obtained from the securities regulatory

authorities. The CSA expect that the IRC may give its approval in the form of a standing instruction as described in section 5.4 to allow the manager greater flexibility in its decisions.

Funds that are not reporting issuers must appoint an IRC for the purpose of approving principal trades in debt securities in order to be eligible to rely upon the exemption. At a minimum, the IRC for the funds that are not reporting issuers must comply with sections 3.7 and 3.9 of the Instrument. It is up to the IRC and the manager to tailor the IRC's responsibilities for investment funds that are not reporting issuers beyond that. The portfolio manager or portfolio adviser of a managed account must obtain the authorization of its client to conduct principal trades with a related dealer in the investment management agreement in order to be eligible to rely upon the exemption.

3. Paragraph (1)(g) sets out the minimum expectations regarding the records an investment fund must keep of its trades made in reliance on this section. The records should be detailed, and sufficient to establish a proper audit trail of the transactions..

10. These changes become effective on [●].

**APPENDIX B
PROPOSED AMENDMENTS AND PROPOSED CHANGES**

**SCHEDULE 6
PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 81-102 *INVESTMENT FUNDS***

- 1. *National Instrument 81-102 Investment Funds is amended by this Instrument.***
- 2. *Subsection 5.4(2) is amended by adding “in an information circular” after “by a statement”.***
- 3. *Subparagraph 5.6(1)(a)(ii) is replaced with the following:***
 - (ii) either of the following apply:
 - (A) a reasonable person would consider to have substantially similar fundamental investment objectives, valuation procedures and fee structure as the investment fund;
 - (B) has differences in fundamental investment objectives, valuation procedures, or fee structure, but the meeting materials required by paragraph (f) include disclosure of these differences and explain the investment fund manager’s belief that the transaction is in the best interests of security holders despite the differences,.
- 4. *Paragraph 5.6(1)(b) is replaced with the following:***
 - (b) either of the following apply:
 - (i) the transaction is a "qualifying exchange" within the meaning of section 132.2 of the ITA or is a tax-deferred transaction under subsection 85(1), 85.1(1), 86(1) of 87(1) of the ITA;
 - (ii) meeting materials required by paragraph (f)
 - (A) disclose that the transaction is neither a "qualifying exchange" within the meaning of section 132.2 of the ITA nor a tax-deferred transaction under subsection 85(1), 85.1(1), 86(1) of 87(1) of the ITA,
 - (B) disclose why the transaction is not structured so that subparagraph (i) applies, and

- (C) explain the investment fund manager's belief that the transaction is in the best interests of security holders despite the tax treatment of the transaction;

5. This Instrument comes into force on [●].

**APPENDIX B
PROPOSED AMENDMENTS AND PROPOSED CHANGES**

**SCHEDULE 7
PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 81-102 *INVESTMENT FUNDS***

- 1. *National Instrument 81-102 Investment Funds is amended by this Instrument.***
- 2. *Paragraph 5.4(2)(a) is replaced by the following:***
 - (a) a description of the change or transaction proposed to be made or entered into;
 - (a.1) if the matter is one referred to in paragraph 5.1(1)(a) or (a.1), the effect that the change would have had on the management expense ratio of the investment fund had the change been in force throughout the investment fund's last completed financial year;
 - (a.2) if the matter is one referred to in paragraph 5.1(1)(b),
 - (i) information regarding the business, management and operations of the new investment fund manager, including details of the history and background of its officers and directors,
 - (ii) how the change of manager will affect the business, operations or affairs of the investment fund and its securityholders, and
 - (iii) information on any material contract regarding the administration of the investment fund that will be either amended or restated;.
- 3. *Subsection 5.5(1) is amended***
 - (a) *by repealing paragraphs (a), (a.1) and (c), and*
 - (b) *by adding "or" at the end of paragraph (b).*
- 4. *Paragraphs 5.7(1)(a) and (c) are repealed.***
5. This Instrument comes into force on [●].

**APPENDIX B
PROPOSED AMENDMENTS AND PROPOSED CHANGES**

**SCHEDULE 8
PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 81-101 *MUTUAL FUND
PROSPECTUS DISCLOSURE***

1. National Instrument 81-101 Mutual Fund Prospectus Disclosure is amended by this Instrument.

2. Section 1.1 is amended by adding the following definitions:

“automatic switch” means a purchase of securities of a class or series of securities of a mutual fund immediately following a redemption of the same value of securities of another class or series of securities of that mutual fund, if the only material differences in respect of the two classes or series are all of the following:

- (a) a difference in the rate of management fees for the two classes or series;
- (b) a difference in the purchaser’s minimum investment amounts for the two classes or series;

“automatic switch program” means a contract or other arrangement under which automatic switches on predetermined dates are made for a purchaser of securities of a class or series of a mutual fund as a result of the purchaser

- (a) satisfying the minimum investment amount of that class or series, and
- (b) failing to satisfy the minimum investment amount for the class or series of securities of the mutual fund that were subject to the automatic switch, in whole or in part, because securities of the class or series were previously redeemed;

“portfolio rebalancing plan” means a contract or other arrangement, which can be terminated at any time, under which a purchaser

- (a) selects
 - (i) a portfolio of securities of two or more mutual funds, and
 - (ii) target weightings for each of those mutual funds, and
- (b) on predetermined dates, purchases or redeems those securities as required to bring the holdings of each of those securities to the applicable target weighting;.

3. *Section 3.2.01 is amended*

(a) *by replacing subparagraph (4)(a)(ii) with the following:*

(ii) delivered or sent to the purchaser in accordance with section 3.2.02 and the conditions set out in that section are satisfied.,

(b) *by replacing “.” with “,” in paragraph (4)(b), and*

(c) *by adding the following after paragraph (4)(b):*

(c) section 3.2.04 applies, or

(d) section 3.2.05 applies and the conditions set out in that section are satisfied..

4. *Section 3.2.03 is replaced with the following:*

3.2.03 Delivery of Fund Facts for Subsequent Purchases Under a Pre-authorized Purchase Plan or a Portfolio Rebalancing Plan

Despite subsection 3.2.01(1), a dealer is not required to deliver or send the fund facts document to a purchaser in connection with a purchase of a security of a class or series of securities of a mutual fund made pursuant to a pre-authorized purchase plan or a portfolio rebalancing plan if all of the following apply:

(a) the purchase is not the first purchase under the plan;

(b) the dealer has provided a notice to the purchaser that states,

(i) subject to paragraph (c), the purchaser will not receive a fund facts document after the date of the notice, unless the purchaser specifically requests it,

(ii) the purchaser is entitled to receive upon request, at no cost to the purchaser, the most recently filed fund facts document by calling a specified toll-free number, or by sending a request by mail or e-mail to a specified address or e-mail address,

(iii) how to access the fund facts document electronically,

(iv) the purchaser will not have a right of withdrawal under securities legislation for subsequent purchases of a security of a mutual fund under the plan, but will continue to have a right of action if there is a misrepresentation in the prospectus or any document incorporated by reference into the prospectus, and

- (v) the purchaser may terminate the plan at any time;
- (c) at least annually during the term of the plan, the dealer notifies the purchaser in writing of how the purchaser can request the most recently filed fund facts document;
- (d) the dealer delivers or sends the most recently filed fund facts document to the purchaser if the purchaser requests it..

5. *Section 3.2.04 is replaced with the following:*

3.2.04 Delivery of Fund Facts for Managed Accounts and Permitted Clients

Despite subsection 3.2.01(1), a dealer is not required to deliver or send to the purchaser of a security of a mutual fund the most recently filed fund facts document for the applicable class or series of securities of the mutual fund in connection with the purchase of a security of the mutual fund if either of the following apply:

- (a) the purchase is made in a managed account;
- (b) the purchaser is a permitted client that is not an individual..

6. *Section 3.2.05 is replaced with the following:*

3.2.05 Delivery of Fund Facts for Automatic Switch Programs

Despite subsection 3.2.01(1), a dealer is not required to deliver or send to the purchaser of a security of a class or series of securities of a mutual fund the most recently filed fund facts document for the applicable class or series of securities of the mutual fund in connection with the purchase of a security of the mutual fund made pursuant to an automatic switch in an automatic switch program if all of the following apply:

- (a) the purchase is not the first purchase under the automatic switch program;
- (b) the dealer has provided a notice to the purchaser that states,
 - (i) subject to paragraph (c), the purchaser will not receive a fund facts document after the date of the notice, unless the purchaser specifically requests it,
 - (ii) the purchaser is entitled to receive upon request, at no cost to the purchaser, the most recently filed fund facts document by calling a specified toll-free number, or by sending a request by mail or e-mail to a specified address or e-mail address,
 - (iii) how to access the fund facts document electronically, and

- (iv) the purchaser will not have a right of withdrawal under securities legislation for subsequent purchases of a security of a mutual fund under the automatic purchase program, but will continue to have a right of action if there is a misrepresentation in the prospectus or any document incorporated by reference into the prospectus;
- (c) at least annually, the dealer notifies the purchaser in writing of how the purchaser can request the most recently filed fund facts document;
- (d) the dealer delivers or sends the most recently filed fund facts document to the purchaser if the purchaser requests it;
- (e) for the first purchase under the automatic switch program, the fund facts document delivered to the purchaser contains all of the following disclosure modifications to Form 81-101F3 *Contents of Fund Facts Document* for all the classes or series of securities of the mutual fund in the automatic switch program:
 - (i) General Instructions (10) and (16), to permit the fund facts document to be the fund facts document for, and disclose information relating to, each of the classes or series of the mutual fund in the automatic switch program;
 - (ii) Item 1 (c.1) of Part I, to permit the fund facts document to name each of the classes or series of the mutual fund in the automatic switch program in the heading;
 - (iii) Item 1(e) of Part I, to permit the fund facts document to name all the class or series of securities of the mutual fund in the automatic switch program in the introduction to the fund facts document;
 - (iv) Instruction (0.1) of Item 2 of Part I, to permit the fund facts document to identify the fund codes of each of the classes or series of securities of the mutual fund in the automatic switch program;
 - (v) Instruction (1) of Item 2 of Part I, to permit the fund facts document to list the date that each of the classes or series of the mutual fund in the automatic switch program first became available to the public;
 - (vi) Instruction (3) of Item 2 of Part I, to permit the fund facts document to disclose the management expense ratio of only the class or series of securities of the mutual fund in the automatic switch program with the highest management fee;
 - (vii) Instruction (6) of Item 2 of Part I, to permit the fund facts document to specify the minimum investment amount and the additional investment amount for only the class or series of securities of the

mutual fund in the automatic switch program with the highest management fee;

- (viii) General Instruction (8), to permit the fund facts document to include a footnote under the “Quick Facts” table that does all of the following:
 - (A) states that the fund facts document pertains to all of the classes or series of securities of the mutual fund in the automatic switch program;
 - (B) cross-references the “How much does it cost?” section of the fund facts document for further details about the automatic switch program;
 - (C) cross-references the fee decrease table under the sub-heading “Fund expenses” of the fund facts document for further details about the minimum investment amount applicable to each of the classes or series of securities of the mutual fund in the automatic switch program;
 - (D) cross-references the “Fund expenses” section of the fund facts document for the management expense ratio of each of the classes or series of securities of the mutual fund in the automatic switch program;
- (ix) Item 5(1) of Part I, to permit the fund facts document to do all of the following:
 - (A) reference only the class or series of securities of the mutual fund with the highest fees in the introduction under the heading “How has the fund performed?”;
 - (B) include, as a part of the introduction, disclosure explaining that the performance for each of the classes or series of securities of the mutual fund in the automatic switch program would be similar to the performance of the class or series of securities of the mutual fund with the highest management fee, but would vary as a result of the difference in fees, as set out in the fee decrease table under the sub-heading “Fund expenses”;
- (x) Instruction (4) of Item 5 of Part I, to permit the fund facts document to show the required performance data under the sub-headings “Year-by-year returns,” “Best and worst 3-month returns,” and “Average return” relating only to the class or series of securities of

the mutual fund with the highest management fee;

- (xi) Item 1(1.1) of Part II, to permit the fund facts document to do all of the following:
 - (A) refer to all of the classes and series of securities of the mutual fund in the automatic switch program in the introductory statement under the heading “How much does it cost?”;
 - (B) include, as a part of the introductory statement, a summary of the automatic switch program, consisting of all of the following:
 - (I) a statement explaining that the automatic switch program offers separate classes or series of securities of a mutual fund that charge progressively lower management fees;
 - (II) a statement explaining the scenarios in which the automatic switches will be made, and including automatic switches made due to the purchaser no longer meeting the minimum investment amount for a particular class or series of securities of the mutual fund;
 - (III) a statement explaining that a purchaser will not pay higher management fees than those charged to the class or series of securities of the mutual fund with the highest management fee as a result of the automatic switches;
 - (IV) a cross-reference to the fee decrease table under the sub-heading “Fund expenses”;
 - (V) a cross-reference to specific sections of the simplified prospectus of the mutual fund for more details about the automatic switch program;
 - (VI) a statement disclosing that purchasers should speak to their representative for more details about the automatic switch program;
- (xii) Instruction (1) of Item 1 of Part II, to permit the fund facts document to refer to all of the classes or series of securities of the mutual fund in the automatic switch program in the introduction under the sub-

heading “Sales charges”, if applicable;

- (xiii) Item 1(1.3)(2) of Part II, to permit the fund facts document, where the mutual fund is not new, to do all of the following:
 - (A) disclose the management expense ratio and fund expenses of each of the classes or series of securities of the mutual fund in the automatic switch program, and where certain information is not available for a particular class or series of securities, to state “not available” in the corresponding part of the table;
 - (B) add a row in the table
 - (I) in which the first column states “For every \$1,000 invested, this equals:”, and
 - (II) which discloses the respective equivalent dollar amounts of the fund expenses of each class or series of securities of the mutual fund in the automatic switch program included in the table for each \$1,000 investment;
- (xiv) Item 1(1.3)(3) of Part II, to permit the fund facts document, where all the classes or series of securities of the mutual fund in the automatic switch program are not new, to include, instead of the mandated statement above the fund expenses table, all of the following:
 - (A) a statement explaining that the class or series of securities of the mutual fund with the highest management fee has the highest management fee among all of the classes or series of securities of the mutual fund in the automatic switch program;
 - (B) a statement stating “As of [the date of the most recently-filed management report of fund performance], the fund expenses were as follows:”;
- (xv) Item 1(1.3)(3) of Part II, to permit the fund facts document, where some of the classes or series of securities of the mutual fund in the automatic switch program are new, to include, instead of the mandated statement above the fund expenses table, all of the following:

- (A) a statement explaining that the class or series of securities of the mutual fund with the highest management fee has the highest management fee among all of the classes or series of securities of the mutual fund in the automatic switch program;
 - (B) a statement disclosing that the fund expenses information below is not available for certain classes or series of securities of the mutual fund in the automatic switch program because they are new, as indicated below;
 - (C) a statement stating “As of [the date of the most recently filed management report of fund performance], the fund expenses were as follows:”;
- (xvi) Item 1(1.3)(4) of Part II, to permit the fund facts document, where the mutual fund is new, to do all of the following:
- (A) include disclosure explaining that the class or series of securities of the mutual fund with the highest management fee has the highest management fee among all of the classes or series of securities of the mutual fund in the automatic switch program;
 - (B) disclose the rates of the management fee of only the class or series of securities of the mutual fund with the highest management fee;
 - (C) for only the class or series of securities of the mutual fund with the highest management fee, disclose that the operating expenses and trading costs are not yet available because it is new;
- (xvii) General Instruction (8), to permit the fund facts document to include, at the end of the disclosure under the sub-heading “Fund expenses”, all of the following:
- (A) a table that discloses
 - (I) the name of, and minimum investment amounts associated with, each of the class or series of securities of the mutual fund in the automatic switch program, and
 - (II) the combined management and administration fee decrease of each of the class or series of securities of

the mutual fund in the automatic switch program from the management fee of the class or series of securities of the mutual fund with the highest management fee, shown in percentage terms;

- (B) an introduction to the table stating that the table sets out the combined management and administration fee decrease of each of the classes or series of the mutual fund in the automatic switch program from the management fee of the class or series of securities of the mutual fund with the highest management fee..

7. *The following is added after section 3.2.05:*

3.2.06 Electronic Delivery of the Fund Facts Document

- (1) If the purchaser of a security of a mutual fund consents, a fund facts document that may be or is required to be delivered or sent under this Part may be delivered or sent electronically.
- (2) For the purposes of subsection (1), a fund facts document may be delivered or sent to the purchaser by means of an e-mail that contains either of the following:
- (a) the fund facts document as an attachment;
- (b) a hyperlink that leads directly to the fund facts document..

8. *Section 5.2 is amended*

- (a) ***by replacing “3.2.03, or 3.2.04 must” with “ 3.2.03, or 3.2.05 must” in subsection (4), and***
- (b) ***by replacing “3.2.03, or 3.2.04;” with “3.2.03, or 3.2.05;” in paragraph (4)(c).***

9. *Subsection (10) of the General Instructions of Form 81-101F3 Contents of Fund Facts Document is replaced with the following:*

- (10) *Unless the exception in section 3.2.05(e) of National Instrument 81-101 Mutual Fund Prospectus Disclosure applies, a fund facts document must disclose information about only one class or series of securities of a mutual fund. Mutual funds that have more than one class or series that are referable to the same portfolio of assets must prepare a separate fund facts document for each class or series..*

10. Subsection (4) of Item 3 of Part I of Form 81-101F3 Contents of Fund Facts Document is replaced with the following:

- (4) Unless the mutual fund is a newly established mutual fund, include under the sub-heading “Top 10 investments [date]”, a table that discloses all of the following:
 - (a) the top 10 positions held by the mutual fund, each expressed as a percentage of the net asset value of the mutual fund;
 - (b) the percentage of net asset value of the mutual fund represented by the top 10 positions;
 - (c) the total number of positions held by the mutual fund..

11. Subsection (5) of Item 3 of Part I of Form 81-101F3 Contents of Fund Facts Document is replaced with the following:

- (5) Unless the mutual fund is a newly established mutual fund, under the sub-heading “Investment mix [date]” include at least one, and up to two, charts or tables that illustrate the investment mix of the mutual fund’s investment portfolio..

12. Item 3 of Part I of Form 81-101F3 Contents of Fund Facts Document is amended by adding the following subsection:

- (6) For a newly established mutual fund, state the following under the sub-headings “Top 10 investments [date]” and “Investment mix [date]”:

This information is not available because this fund is new..

13. Item 4 of Part I of Form 81-101F3 Contents of Fund Facts Document is amended by adding the following subsection:

- (5) Under the sub-heading “Average return”,
 - (a) for a mutual fund that has completed at least 12 consecutive months, show all of the following:
 - (i) the final value of a hypothetical \$1000 investment in the mutual fund as at the end of the period that ends within 60 days before the date of the fund facts document and consists of the lesser of
 - (A) 10 years, and

- (B) the time since inception of the mutual fund;
 - (ii) the annual compounded rate of return that equates the hypothetical \$1000 investment to the final value,
- (b) for a mutual fund that has not yet completed 12 consecutive months, state the following:

This section shows the value and annual compounded rate of return of a hypothetical \$1,000 investment in [name of class/series of securities described in the fund facts document] [units/shares] of the fund. However, this information is not available because the fund has not yet completed 12 consecutive months.

, and

- (c) for a newly established mutual fund, state the following:

This section shows the value and annual compounded rate of return of a hypothetical \$1,000 investment in [name of class/series of securities described in the fund facts document] [units/shares] of the fund. However, this information is not available because the fund is new..

14. Subsection (3) of Item 4 of Part I of Form 81-101F3 Contents of Fund Facts Document is replaced with the following:

- (3) If the mutual fund does not have any guarantee or insurance, under the sub-heading “No guarantees”, state using wording substantially similar to the following:

Like most mutual funds, this fund doesn’t have any guarantees. You may not get back the amount of money you invest..

15. Item 4 of Part I of Form 81-101F3 Contents of Fund Facts Document is amended by adding the following subsection:

- (4) If the mutual fund has an insurance or guarantee feature protecting all or some of the principal amount of an investment in the mutual fund, under the sub-heading “Guarantees” do all of the following:
- (a) identify the person or company providing the guarantee or insurance;
 - (b) provide a brief description of the material terms of the guarantee or insurance, including the maturity date of the guarantee or insurance..

16. Subsection (1) of Item 5 of Part I of Form 81-101F3 Contents of Fund Facts Document is replaced with the following:

- (1) Unless the mutual fund is a newly established mutual fund, under the heading “How has the fund performed?”, include an introduction using wording substantially similar to the following:

This section tells you how [name of class/series of securities described in the fund facts document] [units/shares] of the fund have performed over the past [insert number of calendar years shown in the bar chart required under paragraph (2)(a)] years. Returns are after expenses have been deducted. These expenses reduce the fund’s returns..

17. Item 5 of Part I of Form 81-101F3 Contents of Fund Facts Document is amended by adding the following subsection:

- (1.1) For a newly established mutual fund, under the heading “How has the fund performed?”, include an introduction using the following wording:

This section tells you how [name of class/series of securities described in the fund facts document] [units/shares] of the fund have performed. However, this information is not available because the fund is new..

18. Subsection (2) of Item 5 of Part I of Form 81-101F3 Contents of Fund Facts Document is replaced with the following:

- (2) Under the sub-heading “Year-by-year returns”,
- (a) for a mutual fund that has completed at least one calendar year, do all of the following:
- (i) provide a bar chart that shows the annual total return of the mutual fund, in chronological order with the most recent year on the right of the bar chart, for the lesser of
- (A) each of the 10 most recently completed calendar years, and
- (B) each of the completed calendar years in which the mutual fund has been in existence and which the mutual fund was a reporting issuer;
- (ii) include an introduction to the bar chart using wording substantially similar to the following:

This chart shows how [name of class/series of securities described in the fund facts document] [units/shares] of the

fund performed in each of the past [insert number of calendar years shown in the bar chart required under paragraph (a)]. The fund dropped in value in [for the particular years shown in the bar chart required under paragraph (a), insert the number of years in which the value of the mutual fund dropped] of the [insert number of calendar years shown in the bar chart required in paragraph (a)] years. The range of returns and change from year to year can help you assess how risky the fund has been in the past. It does not tell you how the fund will perform in the future.

- (b) for a mutual fund that has not yet completed a calendar year, state the following:

This section tells you how [name of class/series of securities described in the fund facts document] [units/shares] of the fund have performed in past calendar years. However, this information is not available because the fund has not yet completed a calendar year.

, and

- (c) for a newly established mutual fund, state the following:

This section tells you how [name of class/series of securities described in the fund facts document] [units/shares] of the fund have performed in past calendar years. However, this information is not available because the fund is new..

19. Subsection (3) of Item 5 of Part I of Form 81-101F3 Contents of Fund Facts Document is replaced with the following:

- (3) Under the sub-heading “Best and worst 3-month returns”,
 - (a) for a mutual fund that has completed at least one calendar year, do all of the following:
 - (i) provide information for the period covered in the bar chart required under paragraph (2)(a) in the form of the following table:

	Return	3 months ending	If you invested \$1,000 at the beginning of the period
Best return	(see instruction 8)	(see instruction 10)	Your investment would [rise/drop] to (see instruction 12).

Worst return	(see instruction 9)	(see instruction 11)	Your investment would [rise/drop] to (see instruction 13).
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;

- (ii) include an introduction to the table using wording substantially similar to the following:

This table shows the best and worst returns for the [name of class/series of securities described in the fund facts document] [units/shares] of the fund in a 3-month period over the past [insert number of calendar years shown in the bar chart required under paragraph (2)(a)]. The best and worst 3-month returns could be higher or lower in the future. Consider how much of a loss you could afford to take in a short period of time.

,

- (b) for a mutual fund that has not yet completed a calendar year, state the following:

This section shows the best and worst returns for the [name of class/series of securities described in the fund facts document] [units/shares] of the fund in a 3-month period. However, this information is not available because the fund has not yet completed a calendar year.

, and

- (c) for a newly established mutual fund, state the following:

This section shows the best and worst returns for the [name of class/series of securities described in the fund facts document] [units/shares] of the fund in a 3-month period. However, this information is not available because the fund is new..

20. *Instruction (5) of Item 5 of Part I of Form 81-101F3 Contents of Fund Facts Document is deleted.*

Expiration of exemptions and waivers

- 21. Any exemption from or waiver of a provision of National Instrument 81-101 *Mutual Fund Prospectus Disclosure* in relation to fund facts document delivery requirements for mutual funds in a portfolio rebalancing plan or an automatic switch program expires on ●.

Transition for portfolio rebalancing plans

- 22. (1) For the purposes of section 3.2.03 of National Instrument 81-101 *Mutual Fund Prospectus Disclosure*, as enacted by section 4 of this Instrument, the first purchase of a security of a mutual fund made pursuant to a portfolio rebalancing plan or an automatic switch program on or after ●, 201●, is considered to be the first purchase transaction under the plan or program, respectively.
- (2) Subsection (1) does not apply to a portfolio rebalancing plan or an automatic switch program established prior to ●, if a notice in a form substantially similar to the notice contemplated under paragraph 3.2.03(c) or 3.2.05(c) of this Instrument, was delivered or sent to the purchaser between ●, 201● [one year prior to effective date] and ●, 201●.

Effective date

- 23. (1) Subject to subsection (2), this Instrument comes into force on ●.
- (2) The provisions of this Instrument listed in column 1 of the following table come into force on the date set out in column 2 of the table:

Column 1: Provisions of this Instrument	Column 2: Date
Sections ●	●

**APPENDIX B
PROPOSED AMENDMENTS AND PROPOSED CHANGES**

**SCHEDULE 9
PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 41-101 *GENERAL
PROSPECTUS REQUIREMENTS***

1. *National Instrument 41-101 General Prospectus Requirements is amended by this Instrument.*
2. *Section 3C.7 is amended by adding the following subsection:*
 - (8) In Saskatchewan, instead of subsection (1), section 141 of *The Securities Act, 1988* applies.
3. This Instrument comes into force on [●].

**APPENDIX C
LOCAL MATTERS**

There are no local matters for Alberta to consider at this time.