

**Nova Scotia Securities Commission**

**Amendments to Rule National Instrument 81-102 *Investment Funds*  
(the Rule Amendments)**

**-and-**

**Changes to Companion Policy 81-102 *Investment Funds*  
(the Policy Changes)**

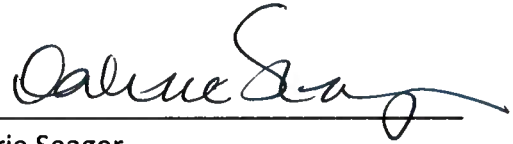
**WHEREAS:**

1. Pursuant to section 150 of the *Securities Act*, R.S.N.S. 1989, chapter 418, as amended (the Act), the Nova Scotia Securities Commission (the Commission) has power to make rules subject to compliance with the requirements of the Act;
2. Pursuant to section 19 of the Act, the Commission has power to issue and publish policy statements; and
3. The Commission is of the opinion that the attainment of the purpose of the Act is advanced by this Instrument.

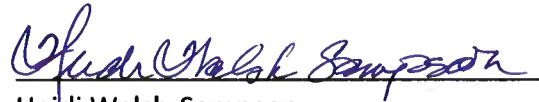
**NOW THEREFORE the Commission hereby:**

- (a) pursuant to the authority contained in section 150 of the Act and subject to compliance with the requirements of section 150A of the Act, approves the Rule Amendments as attached and makes the same a rule of the Commission;
- (b) pursuant to the authority contained in section 19 of the Act and subject to publication on the Commission's website, issues the Policy Changes as attached as a policy statement of the Commission; and
- (c) declares that the rule approved and made pursuant to clause (a) and the issuance of the policy statement pursuant to clause (b) shall both take effect on July 16, 2025 or on such other date as may be specified by the Minister, unless the Minister disapproves the rule or returns it to the Commission in accordance with subsection 150A(3) of the Act in which event the rule and the policy statement shall not be effective until the rule is approved by the Minister.

IN WITNESS WHEREOF this Instrument has been signed by the Chair and Vice Chair of the Commission, being the members of the Commission prescribed by the Chair pursuant to subsection 15(3) of the Act to attend the hearing of this matter and the quorum with respect to this matter, on the 16<sup>th</sup> day of April, 2025.



Valerie Seager  
Chair



Heidi Walsh-Sampson  
Vice Chair

Attachments

**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 in the definition of “alternative mutual fund” by adding “, crypto assets” before “or specified derivatives”.***
3. ***Section 2.3 is amended***
  - (a) in paragraph (1)(e) by adding “or a crypto asset” before “if, immediately” and by adding “and crypto assets” after “physical commodities”,***
  - (b) in paragraph (1)(g) by deleting “or” after “sections 2.7 to 2.11”,***
  - (c) in paragraph (1)(i) by replacing “.” with “;”,***
  - (d) in subsection (1) by adding the following paragraph:***
    - (j) purchase, sell, use or hold a crypto asset or a specified derivative of which the underlying interest is a crypto asset except to the extent permitted by paragraph (e) or subsections (1.3) or (1.4).,***
  - (e) by adding the following subsections:***
    - (1.3) Paragraph (1)(j) does not apply to an alternative mutual fund with respect to the purchase, sale, use or holding of a crypto asset if,***
      - (a) except in British Columbia, the crypto asset is fungible and either of the following apply:***
        - (i) the crypto asset trades on an exchange recognized by a securities regulatory authority in a jurisdiction of Canada;***
        - (ii) the crypto asset is the underlying interest of a specified derivative that trades on an exchange recognized by a securities regulatory authority in a jurisdiction of Canada, or***
      - (b) in British Columbia, the crypto asset is fungible and either of the following apply:***

- (i) the crypto asset trades on an exchange recognized in British Columbia or designated for the purposes of this paragraph;
- (ii) the crypto asset is the underlying interest of a specified derivative that trades on an exchange recognized in British Columbia or designated for the purposes of this paragraph.

(1.4) Paragraph (1)(j) does not apply to a mutual fund with respect to the fund entering into a specified derivative that trades on an exchange if,

- (a) except in British Columbia, the exchange is recognized by a securities regulatory authority in a jurisdiction of Canada, or
- (b) in British Columbia, the exchange is recognized in British Columbia or designated for the purposes of this subsection., **and**

**(f) in subsection (2) by replacing "." with ";" at the end of paragraph (c) and by adding the following paragraphs:**

- (d) purchase, sell, use or hold a crypto asset unless it is a crypto asset referred to in subsection (1.3);
- (e) enter into a specified derivative the underlying interest of which is a crypto asset, unless the specified derivative is a specified derivative referred to in subsection (1.4)..

4. **Part 6 is amended by adding the following section:**

#### **6.5.1 Holding of Portfolio Assets that are Crypto Assets**

Despite subsections (3) and (4) of section 6.5, a custodian or a sub-custodian that holds portfolio assets that are crypto assets must hold the private cryptographic keys to those assets in offline storage unless the assets are required to facilitate a portfolio transaction of the investment fund..

5. **Section 6.7 is amended**

**(a) by adding the following subsections:**

- (1.1) A custodian or sub-custodian of an investment fund that holds portfolio assets that are crypto assets must, on a periodic basis not less frequently than annually, and no more than 90 days after the end of the period it references, obtain a report prepared by a public accountant that expresses a reasonable assurance opinion concerning the design and

operational effectiveness of the service commitments and system requirements of the custodian or sub-custodian relating to its custody of crypto assets during a 12-month period.

- (1.2) If a report referred to in subsection (1.1) is required to be obtained by the custodian of an investment fund, then the custodian must deliver a copy of the report to the investment fund promptly after receipt.
- (1.3) If a report referred to in subsection (1.1) is required to be obtained by a sub-custodian of an investment fund, then the sub-custodian must deliver a copy of the report to the investment fund's custodian and to the investment fund promptly after receipt.
- (1.4) A custodian or sub-custodian of an investment fund must not hold portfolio assets of the investment fund that are crypto assets unless
  - (a) the custodian or sub-custodian has obtained a report referred to in subsection (1.1) that relates to a 12-month period ended no more than 15 months before the date on which the custodian or sub-custodian first holds portfolio assets of the investment fund that are crypto assets, and
  - (b) the custodian or sub-custodian has delivered a copy of the report, before the date it first holds crypto assets that are portfolio assets of the investment fund,
    - (i) if the report is obtained by the custodian under paragraph (a), to the investment fund, or
    - (ii) if the report is obtained by the sub-custodian under paragraph (a), to the investment fund and the custodian.
- (1.5) For the purposes of subsection (1.4), if a custodian or sub-custodian ceases to hold portfolio assets of an investment fund that are crypto assets, paragraphs (1.4)(a) and (b) apply to each subsequent period during which the custodian or sub-custodian holds crypto assets that are portfolio assets of the investment fund as if the custodian or sub-custodian were holding portfolio assets of the investment fund that are crypto assets for the first time., **and**

**(b) in subsection (2) by deleting "and" at the end of paragraph (b), by replacing "." with ";" at the end of paragraph (c) and by adding the following paragraph:**

- (d) whether the custodian or each sub-custodian that holds portfolio assets of the investment fund that are crypto assets, has delivered a copy of the report referred to in subsection (1.1)..

6. ***Subsection 9.4(2) is amended by replacing “.” at the end of subparagraph (b)(iii) with “;” and adding the following paragraph:***

- (c) by making good delivery of crypto assets that are not securities if
  - (i) the mutual fund would at the time of payment be permitted to purchase those crypto assets,
  - (ii) the crypto assets are acceptable to the portfolio adviser of the mutual fund and consistent with the mutual fund’s investment objectives, and
  - (iii) the value of the crypto assets is at least equal to the issue price of the securities of the mutual fund for which they are payment, valued as if those crypto assets were portfolio assets of the mutual fund..

**Effective date**

- 7. (1) This Instrument comes into force on July 16, 2025.
- (2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after July 16, 2025, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

**CHANGES TO  
COMPANION POLICY 81-102 INVESTMENT FUNDS**

**1. Companion Policy 81-102 Investment Funds is changed by this Document.**

**2. Section 2.01 is changed by adding the following subsection:**

(4) The term “crypto asset” is not defined in the Instrument, but for the purposes of the Instrument, the Canadian securities regulatory authorities will generally consider a crypto asset to include any digital representation of value that uses cryptography and distributed ledger technology, or a combination of similar technology, to record transactions..

**3. Part 3 is changed by adding the following section:**

**3.3.01 Investing in Crypto Assets**

Subsection 2.3(1.3) of the Instrument provides an exception to the general prohibition on mutual funds investing in crypto assets in paragraph 2.3(1.2)(j) to permit alternative mutual funds to invest in crypto assets provided the crypto asset is either (a) listed for trading or (b) is the underlying interest in a specified derivative that is listed for trading, on an exchange that has been recognized by a securities regulatory authority in Canada. Subsection 2.3(2) provides a similar exception for non-redeemable investment funds. For greater clarity, this is not intended to restrict investment funds to only purchasing crypto assets through a recognized exchange. It is meant to be the criteria to determine whether a fund can invest in a particular type of crypto asset. Funds will continue to be permitted to acquire crypto assets from other sources, such as crypto asset trading platforms, provided the crypto asset qualifies under the criteria set out in subsection 2.3(1.3) and subject to any other existing requirements that may impact how an investment fund acquires its portfolio assets..

**4. Section 8.1 is changed:**

**(a) by renumbering it as subsection “8.1(1)”, and**

**(b) by adding the following subsections:**

(2) The Canadian securities regulatory authorities expect that custodians and sub-custodians responsible for the custody of portfolio assets that are crypto assets implement policies and procedures that address the unique risks concerning safeguarding of crypto assets compared to other asset types. We also expect that investment fund managers take note of these policies and procedures in conducting their due diligence on custodians or sub-custodians to hold crypto assets for an investment fund, consistent with their fiduciary obligations. Examples of what we understand to be industry best practices may include, but are not limited to:

(a) having specialist expertise and infrastructure relating to the custody of crypto assets;

- (b) storing private cryptographic keys to the investment fund's crypto assets in segregated wallets separate from wallets the custodian or sub-custodian uses for its other customers so that unique public and private keys are maintained on behalf of an investment fund and visible on the blockchain;
  - (c) maintaining books and records in a way that enables the investment fund, at any time, to confirm its transactions and ownership of the crypto assets it holds. Custody and record-keeping controls (e.g., reconciliation to the blockchain) that ensure investors' crypto assets exist, are appropriately segregated and protected, and that ensure transactions with respect to those assets are verifiable, should be maintained;
  - (d) using hardware devices to hold private cryptographic keys that are subject to robust physical security practices, with effective systems and processes for private key backup and recovery;
  - (e) using effective cybersecurity solutions that minimise single point of failure risk, such as the use of multi-signature wallets;
  - (f) maintaining robust systems and practices for the receipt, validation, review, reporting and execution of instructions from the investment fund;
  - (g) maintaining website security measures that include two-factor authentication, strong password requirements that are cryptographically hashed, encryption of user information and other state-of-the-art measures to secure client information and protect the custodian and sub-custodian's website from hacking attempts;
  - (h) maintaining robust cyber and physical security practices for their operations, including appropriate internal governance and controls, risk management and business continuity practices;
  - (i) maintaining insurance with respect to the crypto assets in their custody that is reasonable and appropriate. The Canadian securities regulatory authorities expect investment fund managers to use their best judgment, consistent with their fiduciary obligation to the investment fund, to determine whether the insurance maintained by the custodian or sub-custodian is satisfactory in the circumstances, which would include a consideration of whether the amount and nature of the insurance is consistent with standard industry practices where applicable.
- (3) For the purposes of section 6.5.1, the Canadian securities regulatory authorities generally consider offline storage to mean the storage of private cryptographic keys in a manner that prevents any connection to the internet..

**5. Section 8.3 is changed by renumbering it as subsection 8.3(1) and by adding the following subsections:**

- (2) Subsection 6.7(1.1) requires a custodian or sub-custodian of an investment fund that holds portfolio assets of that investment fund that are crypto assets to obtain a report prepared by a public accountant to assess its internal management and controls. The Canadian securities



regulatory authorities would consider obtaining a System and Organization Controls 2 Type II report, generally referred to as a “SOC-2 Type II” report, prepared in accordance with the framework developed by the American Institute of Certified Public Accountants, to satisfy this requirement.

(3) We are not prescribing a specific 12-month period the report required under subsection 6.7(1.1) must refer to. However, we expect that report will generally refer to the same 12-month period each year, similar to how other types of annual reporting, such as financial reporting is provided..

**Effective date**

6. These changes become effective on July 16, 2025.