

Nova Scotia Securities Commission

**Rule 81-101(Amendment)
Mutual Fund Prospectus Disclosure**

-and-

**Amendments to National Instrument 81-101
Mutual Fund Prospectus Disclosure, Form 81-101F1 and Form 81-101F2**

-and-

**Amendment to
Companion Policy 81-101CP to
National Instrument 81-101 Mutual Fund Prospectus Disclosure**

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;
3. The Amendments to National Instrument 81-101 Mutual Fund Prospectus Disclosure, Form 81-101F1 and Form 81-101F2 and Amendment to Companion Policy 81-101CP to National Instrument 81-101 Mutual Fund Prospectus Disclosure, copies of which are attached hereto and are hereinafter called the "Rule" and "Companion Policy" respectively, have been adopted as rules by one or more of the Canadian securities regulatory authorities; and
4. 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:

(i) approves the Rule and makes the same a rule of the Commission except insofar as the Rule contains coming into force or effective date provisions;

(ii) revokes subsection 86(4) of the General Securities Rules and replaces it with the following:

Except as otherwise provided in National Instrument 81-101 Mutual Fund Prospectus Disclosure, the prospectus of a mutual fund shall be prepared in accordance with Form 15.

(iii) revokes subsection 92(1) of the General Securities Rules and replaces it with the following:

(1) The information contained in a prospectus shall be presented in narrative form.

(1A) Except as otherwise provided in National Instrument 81-101 Mutual Fund Prospectus Disclosure, the information contained in a prospectus need not follow the order of the items contained in the Forms and may be expressed in a condensed or summarized manner if it does not obscure any of the required information or any information necessary to keep the required information from being incomplete or misleading.

(iv) revokes subsection 92(3) of the General Securities Rules and replaces it with the following:

Except as otherwise provided in National Instrument 81-101 Mutual fund Prospectus Disclosure, all information contained in a prospectus shall be set out under appropriate headings or captions reasonably indicative of the principal subject matter set out thereunder.

(v) revokes subsection 92(4) of the General Securities Rules and replaces it with the following:

Except as otherwise provided in National Instrument 81-101 Mutual Fund Prospectus Disclosure, every prospectus shall contain a reasonably detailed table of contents.

(vi) revokes subsection 92(5) of the General Securities Rules and replaces it with the following:

Except as otherwise provided in National Instrument 81-101 Mutual Fund Prospectus Disclosure, information required by more than one applicable item of a prospectus form need not be repeated.

(vii) revokes section 95 of the General Securities Rules and replaces it with the following:

95(1) Subject to subsection (2), and except as otherwise provided in National Instrument 81-101 Mutual Fund Prospectus Disclosure, every pro forma prospectus shall substantially comply with the requirements of the Act and these regulations relating to the form and content of a prospectus.

(2) Except as otherwise provided in National Instrument 81-101 Mutual Fund Prospectus Disclosure, any certificate required by Section 63 or 64 of the Act and any report of an auditor otherwise required by these regulations may be omitted from a pro forma prospectus.

(viii) revokes section 116 of the General Securities Rules and replaces it with the following:

116(1) Every preliminary prospectus and prospectus including every prospectus referred to in subsection 58(2) of the Act shall comply with the relevant provisions of this Part except as otherwise provided in the following Rules entitled:

(a) National Instrument 81-101 Mutual Fund Prospectus Disclosure.

- (b) National Instrument 44-101 Short Form Prospectus Distributions.
 - (c) National Instrument 44-102 Shelf Distributions.
 - (d) National Instrument 71-101 The Multijurisdictional Disclosure System.
- (2) Despite subsection(1), the Director may permit a variation from the relevant provisions of this Part where, in his opinion, the variation will not detract from full, true and plain disclosure and may require any variation from those provisions that he considers necessary for full disclosure of material facts.

(b) pursuant to the authority contained in section 19 of the Act and subject to publication in the *Royal Gazette*, issues the Companion Policy as a policy statement of the Commission except insofar as the Companion Policy contains coming into force or effective date provisions; and

(c) declares that the rule approved and made pursuant to clause (a) and the policy statement issued pursuant to clause (b) shall both take effect on **May 10, 2004** unless the Governor in Council 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 Governor in Council.

IN WITNESS WHEREOF this Instrument has been signed by the Chair and one member 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 25th day of February, 2004.

"H. Leslie O'Brien"
H. Leslie O'Brien

"R. Daren Baxter"
R. Daren Baxter

Attachments

**NATIONAL INSTRUMENT 81-101
MUTUAL FUND PROSPECTUS DISCLOSURE,
FORM 81-101F1 CONTENTS OF SIMPLIFIED PROSPECTUS
AND FORM 81-101F2 CONTENTS OF ANNUAL INFORMATION FORM
AMENDMENT INSTRUMENT**

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

2. Form 81-101F1 *Contents of Simplified Prospectus* is amended

(a) by adding the following after subsection (4) of Item 5 of Part A:

“(4.1) If a mutual fund holds, in accordance with section 2.5 of National Instrument 81-102 Mutual 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.”;

(b) by adding the following after subsection (1) of section 8.1 of Item 8 of Part A:

“(1.1) If the mutual fund holds securities of other mutual funds, disclose that with respect to securities of another mutual fund

(a) there are 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; and

(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.”;

(c) by adding the following after subsection (4) of Item 4 of Part B:

“(4.1) If a mutual fund holds in accordance with section 2.5 of National Instrument 81-102 Mutual Funds securities of another mutual fund that is managed by the same manager or an affiliate or associate of the manager, disclose that

(a) the securities of the other mutual fund held by the mutual fund shall 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.”;

(d) in Item 6 of Part B

(i) by repealing paragraphs (5) (c) and (d);

(ii) by repealing subsection (1) of the instructions and substituting the following:

“(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.” ;

(e) in Item 7 of Part B

(i) by adding the following after subsection (1)(b) :

“(c) if the mutual fund may hold 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 net assets 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.”; and

(ii) by adding the following after subsection (8):

“(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.”;

(f) in Item 8 of Part B

(i) by designating the existing paragraph as subsection "(1)"; and

(ii) by adding the following subsections:

"(2) If a mutual fund holds substantially all of its assets directly or indirectly (through the use of specified derivatives) in securities of another mutual fund,

(a) list only the ten largest holdings of the other mutual fund by percentage of net assets of the other mutual fund, as disclosed as at a date within 30 days of the date of the simplified prospectus of the mutual fund;

(b) provide a statement to the effect that the information contained in the list may change due to the ongoing portfolio transactions of the other mutual fund; and

(c) state how more current information may be obtained by investors, if available.

(3) If the mutual fund holds securities of other mutual funds, a statement must be made to the effect that the simplified prospectus and other information about the other mutual funds are available on the internet at www.sedar.com."

(g) by adding the following after subsection (1) of Item 9 of Part B:

"(1.1) If more than 10% of the securities of a mutual fund are held by a securityholder, including another mutual fund, the mutual fund must disclose

(a) the percentage of securities held by the securityholder as at a date within 30 days of the date of the simplified prospectus of the mutual fund, and

(b) the risks associated with a possible redemption requested by the securityholder.

(1.2) If the mutual fund may hold securities of a foreign mutual fund in accordance with subsection 2.5(3)(b) of National Instrument 81-102 Mutual Funds, disclose the risks associated with that investment."; and

(h) by adding the following after subsection (8) of section 13.1 of Item 13 of Part B:

"(9) If the mutual fund is the result of the reorganization with, or the acquisition of assets from, one or more mutual funds, include in the table only the financial information of the continuing mutual fund."

3. Form 81-101F2 Contents of Annual Information Form is amended by adding the following after subsection (5) of Item 12:

"(6) 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."

4. This Instrument comes into force on December 31, 2003.