

Nova Scotia Securities Commission
Rule 81-102(Amendment)
Amendments to National Instrument 81-102
Mutual Funds

-And-

Amendments to National Instrument 81-102
Mutual Funds

-And-

Amendments to Companion Policy 81-102CP to
National Instrument 81-102 Mutual Funds

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. Amendments to National Instrument 81-102 Mutual Funds and Amendments to Companion Policy 81-102CP to National Instrument 81-102 Mutual Funds, copies of which are attached hereto and are hereinafter called the "Rule" and "Companion Policy" respectively, have been made a rule 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, 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;

(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 **June 13, 2005**, 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 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 30th day of March, 2005.

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

"R. Daren Baxter"
R. Daren Baxter

Attachments

**NATIONAL INSTRUMENT 81-102
MUTUAL FUNDS
AMENDMENT INSTRUMENT**

1. National Instrument 81-102 *Mutual Funds* is amended by this Instrument.
2. Section 1.1 is amended
 - (a) by repealing the definition of "management expense ratio" and substituting the following:

""management expense ratio" means the ratio, expressed as a percentage, of the expenses of a mutual fund to its average net asset value, calculated in accordance with Part 15 of National Instrument 81-106 *Investment Fund Continuous Disclosure*;"
 - (b) by adding the following after the definition of "manager":

""material change" has the meaning ascribed to that term in National Instrument 81-106 *Investment Fund Continuous Disclosure*;"
 - (c) by repealing the definition of "report to securityholders" and substituting the following:

""report to securityholders" means a report that includes annual or interim financial statements, or an annual or interim management report of fund performance, and that is delivered to securityholders of a mutual fund;"
 - (d) by adding the following as Item 6 to paragraph (b) of the definition of "sales communication":

"6. Annual or interim management report of fund performance;"
 - (e) by repealing the definition of "significant change"; and
 - (f) by repealing the definition of "timely disclosure requirements".
3. Subparagraph 5.1(g)(iii) is repealed and the following is substituted:

"(iii) the transaction would be a material change to the mutual fund."
4. Paragraph 5.6(1)(g) is repealed and the following is substituted:

"(g) the mutual fund has complied with Part 11 of National Instrument 81-106 *Investment Fund Continuous Disclosure* in connection with the making of the decision to proceed with the transaction by the board of directors of the manager of the mutual fund or of the mutual fund;"
5. Paragraph 5.7(1)(d) is repealed and the following is substituted:

"(d) if the application relates to a matter that would constitute a material change for the mutual fund, a draft of an amendment to the simplified prospectus of the mutual fund reflecting the change; and"
6. Section 5.10 is repealed.
7. Subsection 10.1(4) is repealed and the following is substituted:

“(4) The statement referred to in subsection (3) is not required to be separately provided, in any year, if the requirements are described in any document that is sent to all securityholders in that year.”

8. Part 13 is repealed.
9. Subsection 15.9(2) is amended by striking out “significant change” and substituting “material change” in each instance.
10. Part 16 is repealed.
11. Part 17 is repealed.
12. This Instrument comes into force on June 1, 2005.

**COMPANION POLICY 81-102CP
MUTUAL FUNDS
AMENDMENT INSTRUMENT**

1. Companion Policy 81-102CP *Mutual Funds* is amended by this Instrument.
2. Subsection 3.2(3) is amended by deleting the last sentence of the subsection and substituting the sentence "In addition, this decision would also constitute a material change for the mutual fund, thereby requiring an amendment to the simplified prospectus of the mutual fund and the issuing of a press release under Part 11 of National Instrument 81-106 *Investment Fund Continuous Disclosure*."
3. Subsection 7.3(2) is amended by deleting the last sentence of the subsection and substituting the sentence "The Canadian securities regulatory authorities believe that this type of transaction generally would constitute a material change for the smaller continuing mutual fund, thereby triggering the requirements of paragraph 5.1(g) of the Instrument and Part 11 of National Instrument 81-106 *Investment Fund Continuous Disclosure*."
4. Section 7.4 is deleted.
5. Part 12 is deleted.
6. Part 14 is deleted.
7. This Instrument comes into force on June 1, 2005.