

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2001-11
(Section 149.1, *The Securities Act*)

NATIONAL INSTRUMENT 81-101
MUTUAL FUND PROSPECTUS DISCLOSURE
AMENDMENTS TO
FORM 81-101F1
CONTENTS OF SIMPLIFIED PROSPECTUS
AND
FORM 81-101F2
CONTENTS OF ANNUAL INFORMATION FORM

PART 1 – AMENDMENTS TO NATIONAL INSTRUMENT 81-101 – MSC RULE 2000-2

Amendments to National Instrument 81-101

1.1(1) National Instrument 81-101 is amended by the deletion of the definition of "material contract" in section 1.1 and the substitution of the following:

""**material contract**" means, for a mutual fund, a contract listed in the annual information form of the mutual fund in response to Item 16 of Form 81-101F2 Contents of Annual Information Form;"

1.1(2) National Instrument 81-101 is amended by the deletion of the words "made by" and the substitution of the word "of" in subparagraphs 2.3(1)(b)(i), 2.3(2)(a)(i), 2.3(3)(a)(i), 2.3(4)(a)(i) and 2.3(5)(a)(i).

1.1(3) National Instrument 81-101 is amended by the addition of the following as subsection 2.3(6):

"2.3(6) Despite any other provision of this section, a mutual fund may delete commercial or financial information from the copy of an agreement of the mutual fund, its manager or trustee with a portfolio adviser or portfolio advisers of the mutual fund filed under this section if the disclosure of that information could reasonably be expected to

(a) prejudice significantly the competitive position of a party to the agreement; or

(b) interfere significantly with negotiations in which parties to the agreement are involved."

PART 2 – AMENDMENTS TO FORM 81-101F1

Amendments to Form 81-101F1

2.1(1) The "General Instructions" of Form 81-101F1 are amended by the addition of the following sentence at the end of subsection (2):

"However, subsection 1.3(3) of National Instrument 81-102 does not apply to this Form."

2.1(2) The "General Instructions" of Form 81-101F1 are amended by the addition of the following immediately after subsection (20):

"Multi-Class Mutual Funds

(21) 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.

(22) As provided in National Instrument 81-102, 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 and this Form."

2.1(3) Item 1 of Part A of Form 81-101F1 is amended by

(a) the deletion of subsection 1.1(2) and the substitution of the following:

"1.1(2) Indicate on the front cover the name of the mutual fund to which the simplified prospectus 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."; and

(b) the deletion of subsection 1.2(2) and the substitution of the following:

"1.2(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."

2.1(4) Item 6 of Part B of Form 81-101F1 is amended by the addition of the following as subsection (5):

"(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,
- (b) briefly describe the nature of that permitted index or those permitted indices,
- (c) 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 that permitted index or those permitted indices,
 - (ii) identify that security or securities, and
 - (iii) disclose the maximum percentage of the permitted index or permitted indices that that security or those securities represented in the 12 month period, and
- (d) disclose the percentage of the permitted index that the security or securities referred to in paragraph (c) represented at the most recent date for which that information is available."

2.1(5) Item 7 of Part B of Form 81-101F1 is amended by the addition of the following as subsection (8):

"(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

- (a) state that the mutual fund may enter into securities lending, repurchase or reverse repurchase transactions; and
- (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."

2.1(6) Item 9 of Part B of Form 81-101F1 is amended by

(a) the addition of the following as subsections (5), (6) and (7):

"(5) For an index mutual fund, disclose that the mutual fund may, in basing its investment decisions on one or more permitted indices, have more of its net assets invested in one or more issuers than is usually permitted for mutual funds, and disclose the risks associated with that fact, including the possible 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.

(6) If, at any time during the 12 month period immediately preceding the date of the simplified prospectus, more than 10 percent of the net assets 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

(a) the name of the issuer and the securities;

(b) the maximum percentage of the net assets of the mutual fund that securities of that issuer represented during the 12 month period; and

(c) disclose 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.

(7) If the mutual fund is to enter into securities lending, repurchase or reverse repurchase transactions, describe the risks associated with the mutual fund entering into those transactions.";

(b) the addition of the following as Instruction (6):

"In responding to subsection (6) above, 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 (6)(b), the mutual fund is not required to provide particulars or a summary of any such occurrences."

2.1(7) Item 11.1 of Part B of Form 81-101F1 is amended by

(a) the addition of the following as subsection (8):

"(8) A reference to "the inception of a mutual fund" in Item 11 refers to the time at which the mutual fund first began distributing its securities under a simplified prospectus."; and

(b) the deletion of subparagraph 11.3(3)(b)(iii).

2.1(8) Item 13.2 of Part B of Form 81-101F1 is amended by

(a) the deletion of the words "and operating expenses" in paragraph 13.2(2)(c); and

(b) the addition of the following as subsection (4):

"(4) If the management expense ratio of the mutual fund is composed, in part, of fees charged directly to investors, include disclosure of that fact. The management expense ratio used in calculating the disclosure to be provided under this Item should be the management expense ratio that includes these fees directly charged to investors; that is, the management expense ratio calculated in accordance with the general rules of Part 16 of National Instrument 81-102."; and

(c) the renumbering of existing subsection (4) as subsection (5), and the addition of the words "which are not included in the calculation of management expense ratio" at the end of that subsection.

PART 3 – AMENDMENTS TO FORM 81-101F2

Amendments to Form 81-101F2

3.1(1) The "General Instructions" of Form 81-101F2 are amended by the addition of the following sentence at the end of subsection (2):

"However, subsection 1.3(3) of National Instrument 81-102 does not apply to this Form."

3.1(2) The "General Instructions" of Form 81-101F2 are amended by the addition of the following immediately after subsection (13):

"Multi-Class Mutual Funds

(14) 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 annual information form. If disclosure pertaining to more than one class or series is combined in one annual information form, 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.

(15) As provided in National Instrument 81-102, a section, party, 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 and this Form."

3.1(3) Item 1 of Form 81-101F2 is amended by

(a) the deletion of subsection 1.1(2) and the substitution of the following:

"(2) Indicate on the front cover the name of the mutual fund to which the annual information form 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 annual information form."; and

(d) the deletion of subsection 1.2(2) and the substitution of the following:

"(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 document."

3.1(4) Item 12 of Form 81-101F2 is amended by the addition of the following as subsections (4) and (5):

"(4) If the mutual fund intends to enter into securities lending, repurchase or reverse repurchase transactions, describe the policies and practices of the mutual fund to manage the risks associated with those transactions.

(5) In the disclosure provided under subsection (4), include disclosure of

(a) the involvement of an agent to administer the transactions on behalf of the mutual fund, and the details 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; and

(f) whether risk measurement procedures or simulations are used to test the portfolio under stress conditions."

3.1(5) Item 15 of Form 81-101F2 is amended by the addition of the following as subsection (3):

"(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."

PART 4 – CITATION AND EFFECTIVE DATE

Citation

4.1 This rule may be cited as MSC Rule 2001-11.

Effective date

4.2 This Amendment comes into force on May 2, 2001.