

**THE MANITOBA SECURITIES COMMISSION**  
**MSC RULE 2001-12**  
(Section 149.1, *The Securities Act*)

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

PART 1 – AMENDMENTS

**Amendments**

**1.1(1)** Section 1.1 of National Instrument 81-102 Mutual Funds is amended by

(a) the addition of the following as paragraphs 5 and 6 of the definition of "cash cover":

"5. Securities purchased by the mutual fund in a reverse repurchase transaction under section 2.14, to the extent of the cash paid for those securities by the mutual fund.

6. Commercial paper that has a term to maturity of 365 days or less and an approved credit rating and that was issued by a person or company other than a government or permitted supranational agency."

(a) the deletion of the definition of "index mutual fund" and the substitution of the following:

**"index mutual fund"** means a mutual fund that has adopted fundamental investment objectives that require the mutual fund to

(a) hold the securities that are included in a permitted index or permitted indices of the mutual fund in substantially the same proportion as those securities are reflected in that permitted index or those permitted indices, or

(b) invest in a manner that causes the mutual fund to replicate the performance of that permitted index or those permitted indices;"

(b) the addition of the following definition:

**"permitted index"** means, in relation to a mutual fund, a market index that is

(a) both

(i) administered by an organization that is not affiliated with any of the mutual fund, its manager, its portfolio adviser or its principal distributor, and

(ii) available to persons or companies other than the mutual fund, or

(b) widely recognized and used;"

(c) the addition of the following definition:

""**qualified security**" means

(a) an evidence of indebtedness that is issued, or fully and unconditionally guaranteed as to principal and interest, by

(i) the government of Canada or the government of a jurisdiction,

(ii) the government of the United States of America, the government of one of the states of the United States of America, the government of another sovereign state, or a permitted supranational agency, if, in each case, the evidence of indebtedness has an approved credit rating, or

(iii) a Canadian financial institution or a financial institution that is not incorporated or organized under the laws of Canada or of a jurisdiction if, in either case, evidences of indebtedness of that issuer or guarantor that are rated as short term debt by an approved credit rating organization have an approved credit rating, or

(b) commercial paper that has a term to maturity of 365 days or less and an approved credit rating and that was issued by a person or company other than a government or permitted supranational agency;" and

(d) the deletion of item 1 of paragraph (b) of the definition of "sales communication", and the renumbering of existing items 2 through 6 of that paragraph as items 1 through 5.

**1.2(2)** National Instrument 81-102 is amended by the renumbering of section 1.3 as subsection 1.3(1), and by the addition of the following as subsections 1.3(2) and (3):

"(2) A mutual fund that renews or extends a securities lending, repurchase or reverse repurchase transaction is entering into a securities lending, repurchase or reverse repurchase agreement for the purposes of section 2.12, 2.13 or 2.14.

(3) In this Instrument, a reference to a "simplified prospectus" includes a prospectus, a reference to a "preliminary simplified prospectus" includes a preliminary prospectus and a reference to a "*pro forma* simplified prospectus" includes a *pro forma* prospectus."

**1.2(3)** National Instrument 81-102 is amended by

- (a) the deletion of the words "prospectus or" in each of paragraph 1.2(a), paragraph 8.1(a), paragraph 17.3(2)(a) and paragraph 20.4(b);
- (b) the addition of the word "simplified" immediately before the word "prospectus" in paragraph 1.2(b); and
- (c) the deletion of the words "preliminary prospectus or" and "prospectus or" in subsection 15.4(9).

**1.2(4)** Section 2.1 of National Instrument 81-102 Mutual Funds is amended by the addition of the following as subsections 2.1(5), (6) and (7):

"(5) Despite subsection (1), an index mutual fund, the name of which includes the word "index", may purchase a security, enter into a specified derivatives transaction or purchase index participation units if required to allow the index mutual fund to satisfy its fundamental investment objectives.

(6) An index mutual fund shall not rely on the relief provided by subsection (5) unless

(a) its simplified prospectus contains the disclosure referred to in subsection (5) of Item 6 and subsection (5) of Item 9 of Part B of Form 81-101F1 Contents of Simplified Prospectus; and

(b) the index mutual fund has provided to its securityholders written notice given not less than 60 days before it first relies on the relief provided by subsection (5), that discloses that it may, from time to time, rely on that relief and that contains the disclosure referred to in paragraph (a).

(7) Paragraph (6)(b) does not apply if each simplified prospectus of the index mutual fund since its inception contains the disclosure referred to in paragraph (6)(a)."

**1.2(5)** National Instrument 81-102 is amended by the deletion of subsections 2.7(1) and (2) and the substitution of the following:

"(1) A mutual fund shall not purchase an option that is not a clearing corporation option or a debt-like security or enter into a swap or a forward contract unless

(a) in the case of an option, swap or forward contract, the option, swap or contract has a remaining term to maturity of

(i) three years or less, or

(ii) between three and five years if, at the time of the transaction, the option, swap or contract provides the mutual fund with a right, at its election, to eliminate its exposure under the option, swap or contract no later than three years after the mutual fund has purchased the option or entered into the swap or contract; and

(b) at the time of the transaction, the option, debt-like security, swap or contract, or equivalent debt of the counterparty, or of a person or company that has fully and unconditionally guaranteed the obligations of the counterparty in respect of the option, debt-like security, swap or contract, has an approved credit rating.

(2) If the credit rating of an option that is not a clearing corporation option, the credit rating of a debt-like security, swap or forward contract, or the credit rating of the equivalent debt of the writer or guarantor of the option, debt-like security, swap or contract, falls below the level of approved credit rating while the option, debt-like security, swap or contract is held by a mutual fund, the mutual fund shall take the steps that are reasonably required to close out its position in the option, debt-like security, swap or contract in an orderly and timely fashion."

**1.2(6)** National Instrument 81-102 is amended by the addition of the following as section 2.12:

**"Securities loans**

**2.12(1)** Despite any other provision of this Instrument, a mutual fund may enter into a securities lending transaction as lender if the following conditions are satisfied for the transaction:

1. The transaction is administered and supervised in the manner required by sections 2.15 and 2.16.
2. The transaction is made under a written agreement that implements the requirements of this section.
3. Securities are loaned by the mutual fund in exchange for collateral.
4. The securities transferred, either by the mutual fund or to the mutual fund as collateral, as part of the transaction are immediately available for good delivery under applicable legislation.
5. The collateral to be delivered to the mutual fund at the beginning of the transaction
  - (a) is received by the mutual fund either before or at the same time as it delivers the loaned securities; and
  - (b) has a market value equal to at least 102 percent of the market value of the loaned securities.

6. The collateral to be delivered to the mutual fund is one or more of

(a) cash;

(b) qualified securities;

(c) securities that are immediately convertible into, or exchangeable for, securities of the same issuer, class or type, and the same term, if applicable, as the securities that are being loaned by the mutual fund, and in at least the same number as those loaned by the mutual fund; or

(d) irrevocable letters of credit issued by a Canadian financial institution that is not the counterparty, or an affiliate of the counterparty, of the mutual fund in the transaction, if evidences of indebtedness of the Canadian financial institution that are rated as short term debt by an approved credit rating organization have an approved credit rating.

7. The collateral and loaned securities are marked to market on each business day, and the amount of collateral in the possession of the mutual fund is adjusted on each business day to ensure that the market value of collateral maintained by the mutual fund in connection with the transaction is at least 102 percent of the market value of the loaned securities.

8. If an event of default by a borrower occurs, the mutual fund, in addition to any other remedy available under the agreement or applicable law, has the right under the agreement to retain and dispose of the collateral to the extent necessary to satisfy its claims under the agreement.

9. The borrower is required to pay promptly to the mutual fund amounts equal to and as compensation for all dividends and interest paid, and all distributions made, on the loaned securities during the term of the transaction.

10. The transaction is a "securities lending arrangement" under section 260 of the ITA.

11. The mutual fund is entitled to terminate the transaction at any time and recall the loaned securities within the normal and customary settlement period for securities lending transactions in the market in which the securities are lent.

12. Immediately after the mutual fund enters into the transaction, the aggregate market value of all securities loaned by the mutual fund in securities lending transactions and not yet returned to it or sold by the mutual fund in repurchase transactions under section 2.13 and not yet repurchased does not exceed 50 percent of the total assets of the mutual fund, and for such purposes collateral held by the mutual fund for the loaned securities and cash held by the mutual fund for the sold securities shall not be included in total assets.

**2.12(2)** A mutual fund may hold all cash delivered to it as the collateral in a securities lending transaction or may use the cash to purchase

- (a) qualified securities having a remaining term to maturity no longer than 90 days;
- (b) securities under a reverse repurchase agreement permitted by section 2.14; or
- (c) a combination of the securities referred to in paragraphs (a) and (b).

**2.12(3)** A mutual fund, during the term of a securities lending transaction, shall hold all, and shall not invest or dispose of any, non-cash collateral delivered to it as collateral in the transaction."

**1.2(7)** National Instrument 81-102 is amended by the addition of the following as section 2.13:

**"Repurchase transactions**

**2.13(1)** Despite any other provision of this Instrument, a mutual fund may enter into a repurchase transaction if the following conditions are satisfied for the transaction:

1. The transaction is administered and supervised in the manner required by sections 2.15 and 2.16.
2. The transaction is made under a written agreement that implements the requirements of this section.
3. Securities are sold for cash by the mutual fund, with the mutual fund assuming an obligation to repurchase the securities for cash.
4. The securities transferred by the mutual fund as part of the transaction are immediately available for good delivery under applicable legislation.
5. The cash to be delivered to the mutual fund at the beginning of the transaction
  - (a) is received by the mutual fund either before or at the same time as it delivers the sold securities; and
  - (b) is in an amount equal to at least 102 percent of the market value of the sold securities.
6. The sold securities are marked to market on each business day, and the amount of sale proceeds in the possession of the mutual fund is adjusted on each business day to ensure that the amount of cash maintained by the mutual fund in connection with the transaction is at least 102 percent of the market value of the sold securities.

7. If an event of default by a purchaser occurs, the mutual fund, in addition to any other remedy available under the agreement or applicable law, has the right under the agreement to retain or dispose of the sale proceeds delivered to it by the purchaser to the extent necessary to satisfy its claims under the agreement.

8. The purchaser of the securities is required to pay promptly to the mutual fund amounts equal to and as compensation for all dividends and interest paid, and all distributions made, on the sold securities during the term of the transaction.

9. The transaction is a "securities lending arrangement" under section 260 of the ITA.

10. The term of the repurchase agreement, before any extension or renewal that requires the consent of both the mutual fund and the purchaser, is not more than 30 days.

11. Immediately after the mutual fund enters into the transaction, the aggregate market value of all securities loaned by the mutual fund in securities lending transactions under section 2.12 and not yet returned to it or sold by the mutual fund in repurchase transactions and not yet repurchased does not exceed 50 percent of the total assets of the mutual fund, and for such purposes collateral held by the mutual fund for the loaned securities and the cash held by the mutual fund for the sold securities shall not be included in total assets.

**2.13(2)** A mutual fund may hold cash delivered to it as consideration for sold securities in a repurchase transaction or may use the cash to purchase

(a) qualified securities having a remaining term to maturity no longer than 30 days;

(b) securities under a reverse repurchase agreement permitted by section 2.14; or

(c) a combination of the securities referred to in paragraphs (a) and (b)."

**1.2(8)** National Instrument 81-102 is amended by the addition of the following as section 2.14:

**"Reverse Repurchase Transactions**

**2.14(1)** Despite any other provision of this Instrument, a mutual fund may enter into a reverse repurchase transaction if the following conditions are satisfied for the transaction:

1. The transaction is administered and supervised in the manner required by sections 2.15 and 2.16.

2. The transaction is made under a written agreement that implements the requirements of this section.

3. Qualified securities are purchased for cash by the mutual fund, with the mutual fund assuming the obligation to resell them for cash.
4. The securities transferred as part of the transaction are immediately available for good delivery under applicable legislation.
5. The securities to be delivered to the mutual fund at the beginning of the transaction
  - (a) are received by the mutual fund either before or at the same time as it delivers the cash used by it to purchase those securities; and
  - (b) have a market value equal to at least 102 percent of the cash paid for the securities by the mutual fund.
6. The purchased securities are marked to market on each business day, and either the amount of cash paid for the purchased securities or the amount of purchased securities in the possession of the seller or the mutual fund is adjusted on each business day to ensure that the market value of purchased securities held by the mutual fund in connection with the transaction is not less than 102 percent of the cash paid by the mutual fund.
7. If an event of default by a seller occurs, the mutual fund, in addition to any other remedy available in the agreement or applicable law, has the right under the agreement to retain or dispose of the purchased securities delivered to it by the seller to the extent necessary to satisfy its claims under the agreement.
8. The transaction is a "securities lending arrangement" under section 260 of the ITA.
9. The term of the reverse repurchase agreement, before any extension or renewal that requires the consent of both the seller and the mutual fund, is not more than 30 days."

**1.2(9)** National Instrument 81-102 is amended by the addition of the following as section 2.15:

**"Agent for securities lending, repurchase and reverse repurchase transactions**

**2.15(1)** The manager of a mutual fund shall appoint an agent or agents to act on behalf of the mutual fund in administering the securities lending and repurchase transactions entered into by the mutual fund.

**2.15(2)** The manager of a mutual fund may appoint an agent or agents to act on behalf of the mutual fund to administer the reverse repurchase transactions entered into by the mutual fund.

**2.15(3)** The custodian or a sub-custodian of the mutual fund shall be the agent appointed under subsection (1) or (2).



**2.15(4)** The manager of a mutual fund shall not authorize an agent to enter into a securities lending, repurchase or, if applicable, reverse repurchase transactions on behalf of the mutual fund until the agent enters into a written agreement with the manager and the mutual fund in which

(a) the mutual fund and the manager provide instructions to the agent on the parameters to be followed in entering into the type of transactions to which the agreement pertains;

(b) the agent agrees to comply with this Instrument, accepts the standard of care referred to in subsection (5) and agrees to ensure that all transactions entered into by it on behalf of the mutual fund will comply with this Instrument; and

(c) the agent agrees to provide to the mutual fund and the manager regular, comprehensive and timely reports summarizing the mutual fund's securities lending, repurchase and reverse repurchase transactions, as applicable.

**2.15(5)** An agent appointed under this section, in administering the securities lending, repurchase and, if applicable, reverse repurchase transactions of the mutual fund shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances."

**1.2(10)** National Instrument 81-102 is amended by the addition of the following as section 2.16:

**"Controls and records**

**2.16(1)** A mutual fund shall not enter into transactions under sections 2.12, 2.13 or 2.14 unless,

(a) for transactions to be entered into through an agent appointed under section 2.15, the manager has reasonable grounds to believe that the agent has established and maintains appropriate internal controls and procedures and records; and

(b) for reverse repurchase transactions directly entered into by the mutual fund without an agent, the manager has established and maintains appropriate internal controls, procedures and records.

**2.16(2)** The internal controls, procedures and records referred to in subsection (1) shall include

(a) a list of approved borrowers, purchasers and sellers based on generally accepted creditworthiness standards;

(b) as applicable, transaction and credit limits for each counterparty; and

(c) collateral diversification standards.

**2.16(3)** The manager of a mutual fund shall, on a periodic basis not less frequently than annually,

(a) review the agreements with any agent appointed under section 2.15 to determine if the agreements are in compliance with this Instrument;

(b) review the internal controls described in subsection (2) to ensure their continued adequacy and appropriateness;

(c) make reasonable enquiries as to whether the agent is administering the securities lending, repurchase or reverse repurchase transactions of the mutual fund in a competent and responsible manner, in conformity with the requirements of this Instrument and in conformity with the agreement between the agent, the manager and the mutual fund entered into under subsection 2.15(4);

(d) review the terms of any agreement between the mutual fund and an agent entered into under subsection 2.15(4) in order to determine if the instructions provided to the agent in connection with the securities lending, repurchase or reverse repurchase transactions of the mutual fund continue to be appropriate; and

(e) make or cause to be made any changes that may be necessary to ensure that

(i) the agreements with agents are in compliance with this Instrument,

(ii) the internal controls described in subsection (2) are adequate and appropriate,

(iii) the securities lending, repurchase or reverse repurchase transactions of the mutual fund are administered in the manner described in paragraph (c), and

(iv) the terms of each agreement between the mutual fund and an agent entered into under subsection 2.15(4) are appropriate."

**1.2(11)** National Instrument 81-102 is amended by the addition of the following as section 2.17:

**"Commencement of securities lending, repurchase and reverse repurchase transactions by a mutual fund**

**2.17(1)** A mutual fund shall not enter into securities lending, repurchase or reverse repurchase transactions unless

(a) its simplified prospectus contains the disclosure required for mutual funds entering into those types of transactions; and

(b) the mutual fund has provided to its securityholders, not less than 60 days before it begins entering into those types of transactions, written notice that discloses its intent to begin entering into those types of transactions and the disclosure required for mutual funds entering into those types of transactions.

**2.17(2)** Paragraph (1)(b) does not apply to a mutual fund that has entered into reverse repurchase agreements as permitted by a decision of the securities regulatory authority or regulator."

**1.2(12)** National Instrument 81-102 is amended by the deletion of section 4.2 and the substitution of the following:

**"Self-dealing**

**4.2(1)** A mutual fund shall not purchase a security from, sell a security to, or enter into a securities lending, repurchase or reverse repurchase transaction under section 2.12, 2.13 or 2.14 with, any of the following persons or companies:

1. The manager, portfolio adviser or trustee of the mutual fund.
2. A partner, director or officer of the mutual fund or of the manager, portfolio adviser or trustee of the mutual fund.
3. An associate or affiliate of a person or company referred to in paragraph 1 or 2.
4. A person or company, having fewer than 100 securityholders of record, of which a partner, director or officer of the mutual fund or a partner, director or officer of the manager or portfolio adviser of the mutual fund is a partner, director, officer or securityholder.

**4.2(2)** Subsection (1) applies in the case of a sale of a security to, or a purchase of a security from, a mutual fund only if the person or company that would be selling to, or purchasing from, the mutual fund would be doing so as principal."

**1.2(13)** National Instrument 81-102 is amended by the deletion of subsection 4.4(5), the substitution of subsection (5) below as the new subsection (5) and the addition of subsection (6) below as subsection (6):

**"4.4(5)** This section does not apply to any losses to a mutual fund or securityholder arising out of an action or inaction by

- (a) a director of the mutual fund; or
- (b) a custodian or sub-custodian of the mutual fund, except as set out in subsection (6).

**4.4(6)** This section applies to any losses to a mutual fund or securityholder arising out of an action or inaction by a custodian or sub-custodian acting as agent of the mutual fund in administering the securities lending, repurchase or reverse repurchase transactions of the mutual fund."

**1.2(14)** National Instrument 81-102 is amended by

(a) the addition of the words "or regulator" immediately after the words "securities regulatory authority" in subsections 5.5(1), 5.5(2) and 5.6(1) and section 5.9; and

(b) the addition of the following as subsection 5.5(3):

**"5.5(3)** Despite subsection (1), in Ontario only the regulator may grant an approval referred to in subsection (1)."

**1.2(15)** Paragraph 6.3(3)(b) of National Instrument 81-102 is amended by striking out "subsidiary" and substituting "affiliate".

**1.2(16)** National Instrument 81-102 is amended by

(a) changing the title of section 6.8 to "Custodial Provisions relating to Derivatives and Securities Lending, Repurchase and Reverse Repurchase Agreements";

(b) the deletion of subsection 6.8(4) and the substitution of the following:

**"6.8(4)** The agreement by which portfolio assets of a mutual fund are deposited in accordance with subsection (1), (2) or (3) shall require the person or company holding portfolio assets of the mutual fund so deposited to ensure that its records show that that mutual fund is the beneficial owner of the portfolio assets."; and

(c) by the addition of the following as subsection 6.8(5):

**"6.8(5)** A mutual fund may deliver portfolio assets to a person or company in satisfaction of its obligations under a securities lending, repurchase or reverse purchase agreement that complies with this Instrument if the collateral, cash proceeds or purchased securities that are delivered to the mutual fund in connection with the transaction are held under the custodianship of the custodian or a sub-custodian of the mutual fund in compliance with this Part."

**1.2(17)** National Instrument 81-102 is amended by the deletion of the words "immediately before the close of business" in paragraph 9.4(4)(a).

**1.2(18)** National Instrument 81-102 is amended by the deletion of subsection 11.4(1) and the substitution of the following:

"**11.4(1)** Sections 11.1 and 11.2 do not apply to members of The Investment Dealers Association of Canada, The Montreal Exchange, The Toronto Stock Exchange or the Canadian Venture Exchange Inc."

**1.2(19)** National Instrument 81-102 is amended by the deletion of subsection 12.1(4) and the substitution of the following:

"**12.1(4)** Subsection (3) does not apply to members of The Investment Dealers Association of Canada, The Montreal Exchange, The Toronto Stock Exchange or the Canadian Venture Exchange Inc."

**1.2(20)** National Instrument 81-102 is amended by the deletion of subsection 15.4(12).

**1.2(21)** National Instrument 81-102 is amended by the deletion of subparagraph 15.6(a)(i) and the substitution of the following:

"(i) the mutual fund has distributed securities under a simplified prospectus in a jurisdiction for 12 consecutive months, or the asset allocation service has been operated for at least 12 consecutive months and has invested only in participating funds each of which has distributed securities under a simplified prospectus in a jurisdiction for at least 12 consecutive months, or".

**1.2(22)** National Instrument 81-102 is amended by the addition of the following as section 15.14:

**"Sales communication - multi-class mutual funds**

**15.14** A sales communication for a mutual fund that distributes different classes or series of securities that are referable to the same portfolio shall not contain performance data unless the sales communication complies with the following requirements:

1. The sales communication clearly specifies the class or series of security to which any performance data contained in the sales communication relates.
2. If the sales communication refers to more than one class or series of security and provides performance data for any one class or series, the sales communication shall provide performance data for each class or series of security referred to in the sales communication and shall clearly explain the reasons for different performance data among the classes or series.
3. A sales communication for a new class or series of security and an existing class or series of security shall not contain performance data for the existing class or series unless the sales

communication clearly explains any differences between the new class or series and the existing class or series that could affect performance."

**1.2(23)** Section 16.1 of National Instrument 81-102 is amended by the deletion of subparagraph (1)(a)(i) and the substitution of the following:

"(i) the total expenses of the mutual fund, before income taxes, for the financial year, as shown on its income statement,".

**1.2(24)** National Instrument 81-102 is amended by the addition of the following as subsection 16.1(4):

**"16.1(4)** The requirements to provide note disclosure contained in subsections (2) and (3) do not apply if a mutual fund provides its management expense ratio to a service provider that will arrange for public dissemination of the management expense ratio, if the mutual fund indicates, as applicable, that management fees have been waived or that management fees were paid directly by investors during the period for which the management expense ratio was calculated."

**1.2(25)** National Instrument 81-102 is amended by the renumbering of existing subsections 16.1(4), (5), (6), (7) and (8) as subsections 16.1(5), (6), (7), (8) and (9), respectively.

**1.2(26)** National Instrument 81-102 is amended by the deletion of section 16.2 and the substitution of the following:

**"Fund of funds calculation**

**16.2(1)** For the purposes of subparagraph 16.1(1)(a)(i), the total expenses of a mutual fund that invests in securities of one or more other mutual funds is equal to the sum of:

(a) the total expenses incurred by the mutual fund that are for the period that the calculation of management expense ratio is made and that are attributable to its investment in each underlying mutual fund, as calculated by

(i) multiplying the total expenses of each underlying mutual fund, before income taxes, for the period, by

(ii) the average proportion of securities of the underlying mutual fund held by the mutual fund during the period, calculated by

(A) adding together the proportion of securities of the underlying mutual fund held by the mutual fund on each day in the period, and

(B) dividing the amount obtained under clause (A) by the number of days in the period; and

(b) the total expenses of the mutual fund, before income taxes, for the period.

**16.2(2)** A mutual fund that has exposure to one or more other mutual funds through the use of specified derivatives in a financial year shall calculate its management expense ratio for the financial year in the manner described in subsection (1), treating each mutual fund to which it has exposure as an "underlying mutual fund" under subsection (1).

**16.2(3)** Subsection (2) does not apply if the specified derivatives do not expose the mutual fund to expenses that would be incurred by a direct investment in the relevant mutual funds.

**16.2(4)** Despite subsection 16.1(5), management fees rebated by an underlying fund to a mutual fund that invests in the underlying fund shall be deducted from total expenses of the underlying fund if the rebate is made for the purpose of avoiding duplication of fees between the two mutual funds."

**1.2(27)** National Instrument 81-102 is amended by the addition of the following as section 16.3:

**"Application of section 16.1**

**16.3** Section 16.1 does not apply to a mutual fund in respect of a financial year that ended before February 1, 2000 if the management expense ratio for that financial year is disclosed and calculated in accordance with securities legislation applicable to mutual funds on January 31, 2000."

**1.2(28)** National Instrument 81-102 is amended by the deletion of section 20.3 and the substitution of the following:

**"Reports to securityholders**

**20.3** This Instrument does not apply to reports to securityholders

(a) printed before February 1, 2000; or

(b) that include only financial statements that relate to financial periods that ended before February 1, 2000."

**PART 2 – CITATION AND EFFECTIVE DATE**

**Citation**

**2.1** This rule may be cited as MSC Rule 2001-12.

**Effective date**

**2.2** This Amendment comes into force on May 2, 2001.