CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA Notice of Amendments

Reducing Regulatory Burden for Investment Fund Issuers – Phase 2, Stage 1

October 7, 2021

Introduction

The Canadian Securities Administrators (the **CSA** or **we**) are adopting amendments to all of the following rules in order to implement Phase 2, Stage 1 of the CSA initiative to reduce the regulatory burden on investment fund issuers:

- National Instrument 41-101 *General Prospectus Requirements* (**NI 41-101**);
- National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (**NI 81-101**);
- National Instrument 81-102 *Investment Funds* (**NI 81-102**);
- National Instrument 81-106 *Investment Fund Continuous Disclosure* (**NI 81-106**);
- National Instrument 81-107 *Independent Review Committee for Investment Funds* (**NI 81-107**)

together with related consequential amendments to all of the following:

- National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)*;
- Multilateral Instrument 13-102 *System Fees for SEDAR and NRD*;
- National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**);
- National Instrument 45-106 *Prospectus Exemptions*

(collectively, the **Amendments**).

The CSA are also publishing changes to all of the following:

- National Policy 11-202 *Process for Prospectus Reviews in Multiple Jurisdictions*;
- Companion Policy 41-101 *General Prospectus Requirements* (**41-101CP**);
- Companion Policy 81-101 *Mutual Fund Prospectus Disclosure* (**81-101CP**);
- Companion Policy 81-102 *Investment Funds* (**81-102CP**);
- Companion Policy 81-106 *Investment Fund Continuous Disclosure* (**81-106CP**);
- Commentary in National Instrument 81-107 *Independent Review Committee for Investment Funds*

(collectively, the **Related Changes**).

Subject to Ministerial Approval where required, the Amendments and Related Changes will come into force on January 5, 2022 in respect of Workstreams 3-8 and January 6, 2022 in respect of Workstreams 1 and 2. An exemption from compliance with Workstreams 1 and 2 has also been provided for the period before September 6, 2022. See the Coming into Force/ Exemption section at the end of this Notice.

Background

The CSA identified reviewing regulatory burden as a key priority for the 2016-2019[1] and 2019-2022[2] periods. The focus of the CSA's review is to identify areas that would benefit from a reduction of any undue regulatory burden and to streamline those requirements without negatively impacting investor protection or efficiency of the capital markets.

Efforts aimed at identifying opportunities for the reduction of regulatory burden on investment fund issuers began in March 2017. The efforts are being carried out in two phases.

Phase 1

In Phase 1, CSA Staff conducted a comprehensive review of the current investment fund disclosure regime, evaluated disclosure elements borrowed from the non-investment fund reporting issuer regime, gathered information on relevant regulatory reforms conducted by other regulators internationally, and received feedback from stakeholders. Based on these efforts, CSA Staff identified potential areas of focus for the development of proposals aimed at reducing regulatory burden for investment fund issuers while maintaining investor protection and efficiency of the capital markets. On May 24, 2018, CSA Staff published CSA Staff Notice 81-329 *Reducing Regulatory Burden for Investment Fund Issuers*, which provided an overview of the CSA's work to that date.

Phase 2

In Phase 2, CSA Staff prioritized, investigated, and developed proposals regarding the areas of focus identified in Phase 1. Prioritization was based on whether the proposed changes could be implemented in the near term and at limited cost to stakeholders, without compromising investor protection or efficiency of the markets. The scope was later broadened to consider the burden associated with not only disclosure requirements but some operational matters as well. Phase 2 is being carried out in several stages.

On September 12, 2019 the CSA published for comment proposed amendments (**Proposed Amendments**) and proposed changes (**Proposed Changes**) representing the first stage of the CSA's initiative to reduce the regulatory burden on investment fund issuers. The objectives of the Proposed Amendments and Proposed Changes were to

- remove redundant information in select disclosure documents,
- use web-based technology to provide certain information about investment funds,
- codify exemptive relief that is routinely granted, and
- minimize the filing of documents that may contain duplicative information, such as Personal Information Forms (**PIFs**).

Further proposals to reduce the regulatory burden on investment fund issuers will be developed in the medium to long term and published for comment as part of subsequent stages of Phase 2. Areas that will receive consideration for the development of further proposals include all of the following:

- continuous disclosure obligations;
- securityholder meetings and information circular requirements;
- prescribed notices and reporting requirements;
- prospectus regime provisions;
- methods used to communicate with investors.

Substance and Purpose

CSA Staff have organized the Amendments and Related Changes into eight separate workstreams. A summary of each workstream is set out below. In response to comments received from the CSA's publication for comment of the

[1] https://www.securities-administrators.ca/uploadedFiles/General/pdfs/CSA_Business_Plan_2016-2019.pdf
[2] https://www.securities-administrators.ca/uploadedFiles/General/pdfs/CSA_Business_Plan_2019-2022.pdf

Proposed Amendments and Proposed Changes, we may have made some non-material changes to the Workstreams, which are summarized in Annex A to this Notice. Drafting changes were also made to modernize the drafting in the Proposed Amendments and Proposed Changes, even where such drafting was adopted from existing, published provisions. CSA Staff consider the changes arising from such efforts to also be non-material.

Workstream One: Consolidate the Simplified Prospectus and the Annual Information Form

Currently, a simplified prospectus and an annual information form (**AIF**) must each be filed with regulators annually by conventional mutual funds in continuous distribution. The Amendments repeal the requirement for a mutual fund in continuous distribution to file an AIF. In lieu of an AIF, the Amendments repeal Form 81-101F1 *Contents of Simplified Prospectus* (**Form 81-101F1**) and replace it with a new Form 81-101F1 that includes unique requirements of Form 81-101F2 *Contents of Annual Information Form* (**Form 81-101F2**). The Amendments also streamline the new Form 81-101F1 by repealing, on a case-by-case basis, difficult-to-produce requirements that are not meaningful to investors, and requirements to produce disclosure that is available in other regulatory documents, among other things. Repealing the AIF filing requirement and moving Form 81-101F2 requirements into Form 81-101F1 eliminates the requirement to file two separate disclosure documents (the simplified prospectus and the AIF) and replaces it with a requirement to file one (the simplified prospectus).

Investment Funds Not in Continuous Distribution

An investment fund that has not obtained a receipt for a prospectus during the last 12 months preceding its financial year-end has an obligation to file an AIF under section 9.2 of NI 81-106. The Amendments permit an investment fund to meet this obligation by filing a document prepared in accordance with Form 81-101F1 if the investment fund last distributed securities using a prospectus prepared in accordance with that form, Form 41-101F2 *Information Required in an Investment Fund Prospectus* (**Form 41-101F2**) if the investment fund last distributed securities using a prospectus prepared in accordance with that form, or Form 81-101F2. The Amendments set out certain modifications that should be made to these forms when they are used in such circumstances.

Workstream Two: Mandate that each Reporting Issuer Investment Fund have a Designated Website

We have added Part 16.1 to NI 81-106 to require reporting investment funds to designate a qualifying website on which an investment fund intends to post regulatory disclosure. This qualifying website is referred to as a designated website. Under section 16.1.2 of NI 81-106, a qualifying website has to meet two requirements, namely that it is (i) publicly accessible, and (ii) established and maintained by the investment fund or on behalf of the investment fund by the investment fund manager or a person designated by the investment fund manager. This person may include a third-party service provider, or an affiliate or associate of the investment fund manager. This requirement provides future opportunities for investment funds to leverage their websites to reduce regulatory burden, while also improving investor access to disclosure.

The Amendments have been structured to reduce any burden arising from the creation of the designated website concept, by considering how investment funds currently structure their websites. For example, the Amendments allow a reporting investment fund to post its regulatory disclosure on either a stand-alone website or the website of another investment fund managed by the same investment fund manager (or affiliate or associate of the investment fund manager). We note, however, that in all cases, the website needs to clearly identify and differentiate between the documents and information specific to a particular investment fund.

We have added Part 11 in 81-106CP to provide guidance to investment funds and their investment fund managers on how a designated website should be maintained.[3] Among other things, we clarify that supervision of the website and its content should be taken into account in the existing compliance systems of the investment fund and its investment fund manager. We note that under section 11.1 of NI 31-103, an investment fund manager has an obligation to establish and maintain a compliance system.

Workstream Three: Codify Exemptive Relief Granted in Respect of Notice-and-Access Applications

The Amendments introduce, in sections 12.2.1 to 12.2.6 of NI 81-106, a notice-and-access system for the solicitation of proxies under subsection 12.2(2) of NI 81-106 and section 2.7 of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* (**NI 54-101**). This follows earlier CSA implementation of a notice-and-access system for non-investment fund reporting issuers.

[3] This guidance is consistent with the guidance currently provided under section 4.6 of 81-106CP and section 6.11 of National Policy 51-201 *Disclosure Standards*.

In 2012, the CSA adopted amendments for non-investment fund reporting issuers to improve the investor voting communication process by which proxies and voting instructions are solicited.[4] These amendments came into force in 2013.[5] The introduction of a notice-and-access system was one of the most significant features of the amendments. Notice-and-access permits delivery of proxy-related materials by sending a notice providing registered holders or beneficial owners, as the case may be, with summary information about the proxy-related materials and instructions on how to access them. The 2013 amendments applied to both management and non-management solicitations.[6] Following receipt of comments that recommended enabling the use of notice-and-access by investment funds, the CSA determined that it would consider the issue at a later date.[7]

In 2016, the CSA began granting exemptive relief from the requirement in paragraph 12.2(2)(a) of NI 81-106 to deliver an information circular (a completed Form 51-102F5 *Information Circular*), to permit use of notice-and-access for solicitation of proxies by or on behalf of management of an investment fund.[8] This exemptive relief was drafted with reference to the notice-and-access system set out for non-investment fund reporting issuers in sections 9.1.1 to 9.1.4 of National Instrument 51-102 *Continuous Disclosure Obligations* (**NI 51-102**) and sections 2.7.1 to 2.7.8 of NI 54-101, with adaptations for investment funds. In this way, the exemptive relief placed investment funds with relief in a similar position as non-investment fund reporting issuers, with respect to proxy-related materials.

The Amendments codify this frequently granted exemptive relief and extend its availability to non-management solicitation of proxies, consistent with the notice-and-access system set out for non-investment fund reporting issuers. The Amendments and Related Changes are consistent with the conditions of recently granted notice-and-access exemptive relief and the notice-and-access provisions of NI 51-102 and NI 54-101. The Amendments do not change the requirement to prepare an information circular.

Workstream Four: Minimize Filings of Personal Information Forms

The Amendments eliminate the PIF requirements for specified individuals in NI 41-101 and NI 81-101 for investment fund issuers. Specified individuals are individual registrants and permitted individuals who have already submitted a Form 33-109F4 *Registration of Individuals and Review of Permitted Individuals*. This eliminates the need for similar information to be provided to securities regulators in both a PIF and a Form F4 to achieve regulatory oversight of such individuals.

The Amendments do not affect investor protection as information provided to the regulators, either upon application for registration or as an ongoing matter, is required to be kept up-to-date. In particular, securities regulators must receive notification of certain changes, generally within 10 to 30 days of a change under National Instrument 33-109 *Registration Information*.

Workstream Five: Codify Exemptive Relief Granted in Respect of Conflicts Applications

The CSA have finalized amendments to NI 81-102 and NI 81-107 to codify frequently granted exemptive relief in respect of conflict of interest prohibitions contained under securities legislation.

In 2000, the CSA adopted NI 81-102, which included certain conflict of interest prohibition exemptions in respect of which exemptive relief had been previously provided. In 2006, the CSA adopted NI 81-107, which included further conflict of interest prohibition exemptions of the same nature. NI 81-107 was adopted with a view to

- continuing to monitor what other exemptions may be appropriate based on applications received, and
- further reviewing the appropriateness of more exemptions applying to different types of transactions involving investment funds and related entities.

In the publication of the Proposed Amendments in September 2019, the CSA proposed to codify eight types of exemptions, subject to conditions, that would permit

[4] http://www.osc.gov.on.ca/en/SecuritiesLaw_csa_20121129_54-101_amendments.htm
[5] https://www.osc.gov.on.ca/en/SecuritiesLaw_ni_20130214_54-101_nma-amendments.htm
[6] See section 2.7.7 of NI 54-101 and CSA Notice of Amendments to National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* and Companion Policy 54-101CP *Communication with Beneficial Owners of Securities of a Reporting Issuer* and Amendments to National Instrument 51-102 *Continuous Disclosure Obligations* and Companion Policy 51-102CP *Continuous Disclosure Obligations* (November 29, 2012) at page 10712 which notes that the notice-and-access provisions in NI 51-102 contain an equivalent concept.
[7] https://www.osc.gov.on.ca/en/SecuritiesLaw_csa_20121129_54-101_amendments.htm
[8] *In the Matter of Desjardins Investments Inc., Fiera Capital Corporation, IA Clarington Investments Inc., National Bank Investments Inc.*, September 8, 2016.

a) fund-on-fund investments by investment funds that are not reporting issuers,

b) investment funds that are reporting issuers to purchase non-approved rating debt under a related underwriting,

c) *in specie* subscriptions and redemptions involving related managed accounts and mutual funds,

d) inter-fund trades of portfolio securities between related reporting investment funds, investment funds that are not reporting issuers and managed accounts at last sale price,

e) investment funds that are not reporting issuers to invest in securities of a related issuer over an exchange,

f) reporting investment funds and investment funds that are not reporting issuers to invest in debt securities of a related issuer in the secondary market,

g) reporting investment funds and investment funds that are not reporting issuers to invest in long-term debt securities of a related issuer in primary market distributions, and

h) reporting investment funds, investment funds that are not reporting issuers and managed accounts to trade debt securities with a related dealer.

Not Proceeding with Codification of Exemptive Relief to Engage in In Specie Transactions

We are not proceeding with the Proposed Amendments in (c) above, relating to *in specie* transactions. This is to accommodate the CSA's need to further consider the impact of CSA Staff Notice 81-333 *Guidance on Effective Liquidity Risk Management for Investment Funds* published on September 18, 2020, on the conditions that would accompany a codification of exemptive relief to engage in *in specie* transactions.

Grandfathering of Previously Granted Exemptive Relief

To the extent that filers have previously obtained exemptive relief in respect of the transactions that are being codified in the Amendments, filers can continue to rely on those decisions or can rely on the codified exemptions in the Amendments.

Our analysis of the terms of prior relief, as compared to the codified exemptions, would suggest that the differences are not significant or material. However, we acknowledge comments received expressing concern that not permitting prior relief to continue might necessitate significant time and expense to evaluate all affected relief and update internal processes to ensure compliance with the Amendments. We also acknowledge comments received expressing concern that not permitting prior relief to continue may cause disruption to existing fund investment strategies where such strategies must be realigned to comply with the Amendments.

The CSA note, however, that filers that have obtained prior relief concerning the matters now codified in the Amendments should note that for any future requests to amend, update, or revoke and replace such decisions, CSA staff will request that the conditions reflected in the Amendments for the applicable transaction also be reflected in any new decision.

Summary of the Amendments

The Amendments codify exemptions that are based on conditions the CSA have incorporated into numerous discretionary exemptive relief decisions. The conditions are designed to mitigate the investor protection concerns and potential risks associated with these transactions, largely by promoting transparency, objective pricing, and, in some cases, oversight by an independent review committee (**IRC**).

The Amendments codify exemptions to the "investment fund conflict of interest restrictions" defined in NI 81-102 and the "inter-fund self-dealing investment prohibitions" defined in NI 81-107. Those restrictions and prohibitions include certain restrictions for registered advisers set out in subsection 13.5(2) of NI 31-103. Consistent with the Proposed Amendments, we have maintained the extension of the scope of the "investment fund conflict of interest restrictions" defined in NI 81-102 to include the restrictions for dealer managed investment funds set out in subsection 4.1(2) of NI 81-102.

a) Permit Fund-on-Fund Investments by Investment Funds that are not Reporting Issuers

The Amendments to NI 81-102 provide an exemption to permit investment funds that are not reporting issuers to invest in other related investment funds.

Section 2.5 of NI 81-102 currently permits investment funds that are reporting issuers to invest in other investment funds that are reporting issuers. Subsection 2.5(7) of NI 81-102 provides an exemption from the investment fund conflict of interest investment restrictions and reporting requirements listed in Appendix D and Appendix E to NI 81-102 in cases where the underlying fund may be a related fund. Most commonly this occurs when the top fund, or a group of related top funds, are substantial securityholders in the underlying fund. Top funds that are reporting issuers must comply with the fund-on-fund regime prescribed under section 2.5 as a condition of relying on the exemption set out in subsection 2.5(7).

The CSA have frequently granted exemptive relief from the investment fund conflict of interest investment restrictions and reporting requirements to facilitate investment funds that are not reporting issuers investing in related investment funds. The benefits of permitting these transactions are the same as those recognized by the CSA in the existing fund-on-fund regime for publicly offered funds which include more efficient and cost-effective portfolio diversification. The exemptions have typically been granted by analogy to the prescribed fund-on-fund regime in section 2.5 of NI 81-102 with additional conditions, as necessary, to address that the funds are not reporting issuers subject to NI 81-102.

We did not proceed with the requirement for the underlying fund to be subject to, and to comply with, the requirements of NI 81-106. In its place, we added the requirement for an underlying fund that is not a reporting issuer to prepare audited annual financial statements and interim financial statements for the fund's most recently completed period. This change will permit Canadian investment funds that are not reporting issuers to invest in both Canadian and non-Canadian funds.

b) Permit Investment Funds that are Reporting Issuers to Purchase Non-Approved Rating Debt Under a Related Underwriting

Subsection 4.1(4) of NI 81-102 provides an exemption from subsection 4.1(1) of NI 81-102 for dealer managed investment funds to invest in certain offerings that are underwritten by the fund's dealer manager (or an associate or affiliate of the dealer manager) if certain conditions are met. The Amendments to subsection 4.1(4) permit a dealer managed investment fund to invest in

- offerings of debt securities of reporting issuers that do not have an approved rating, if the offerings are underwritten by the fund's dealer manager, and

- offerings of reporting issuers underwritten by the fund's dealer manager that are made under an exemption from the prospectus requirement.

To rely on the exemptions in the Amendments, a dealer managed investment fund will need to have independent oversight provided by the fund's IRC as provided in paragraph 4.1(4)(a) of NI 81-102 and for debt securities, comply with a further pricing condition in subparagraph 4.1(4)(b)(ii) of NI 81-102 for purchases of debt securities that do not trade on an exchange and which are made during the 60-day period following the distribution.

c) Permit In Specie *Subscriptions and Redemptions Involving Related Managed Accounts and Mutual Funds*

As noted above, we are not proceeding with the Proposed Amendment for *in specie* transactions involving a mutual fund, a mutual fund that is not a reporting issuer and managed accounts. The recent publication of CSA Staff Notice 81-333 *Guidance on Effective Liquidity Risk Management for Investment Funds* necessitates a reconsideration of the conditions of *in specie* relief decisions and how liquidity management practices should align with the transfer of illiquid securities as part of an *in specie* transfer. The CSA will consider this issue on a case-by-case basis in connection with any future applications for exemptive relief to permit *in specie* transactions.

d) Permit Inter-Fund Trades of Portfolio Securities between Related Reporting Investment Funds, Investment Funds that are not Reporting Issuers and Managed Accounts at Last Sale Price

The Amendments expand the existing exemption from the inter-fund self-dealing investment prohibitions in subsection 6.1(2) of NI 81-107 so that it applies to inter-fund trades involving related investment funds that are not reporting issuers, and managed accounts. The exemption would continue to apply to trades between related investment funds that are reporting issuers. The Amendments include updates to the conditions in section 6.1 of NI 81-107 that permit all inter-fund trades of exchange-traded securities to occur at last sale price. Collectively, these changes would also permit inter-fund trades in debt securities between an investment fund that is a reporting issuer and a related investment fund that is not a reporting issuer to comply with the inter-fund trading exemption in subsection 4.3(2) of NI 81-102.

We did not proceed with including a requirement for investment funds that are party to an inter-fund trade to keep records of the interfund transaction for five years after the end of the financial year, with the most recent two years of records to be kept in a reasonably accessible place. Instead, the Amendments include a requirement for each investment fund, or a portfolio manager on behalf of a managed account, to keep records of each interfund transaction in accordance with the record-keeping requirements applicable to registered firms set out in section 11.5 and 11.6 of NI 31-103.

e) Permit Investment Funds that are Not Reporting Issuers to Invest in Securities of a Related Issuer Over an Exchange

The Amendments to section 6.2 of NI 81-107 permit investment funds that are not reporting issuers to invest in securities of related issuers if certain conditions are met. The exemption would continue to apply to investment funds that are reporting issuers.

f) Permit Reporting Investment Funds and Investment Funds that are not Reporting Issuers to Invest in Debt Securities of a Related Issuer in the Secondary Market

The Amendments, which enact section 6.3 of NI 81-107, permit investment funds to invest in non-exchange traded debt securities of a related issuer in the secondary market if certain conditions are met.

We revised the Proposed Amendments to specifically refer to paragraph (b) of the definition of "designated rating" in National Instrument 44-101 *Short Form Prospectus Distributions* (**NI 44-101**).

g) Permit Reporting Investment Funds and Investment Funds that are not Reporting Issuers to Invest in Long-Term Debt Securities of a Related Issuer in Primary Market Distributions

The Amendments, which enact section 6.4 of NI 81-107, provide an exemption from the investment fund conflict of interest investment restrictions to permit investment funds to purchase non-exchange traded long-term debt securities of a related issuer under a primary distribution by that issuer.

We revised the Proposed Amendments to specifically refer to paragraph (b) of the definition of "designated rating" in NI 44-101.

h) Permit Reporting Investment Funds, Investment Funds that are not Reporting Issuers and Managed Accounts to Trade Debt Securities with a Related Dealer

The Amendments, which enact section 6.5 of NI 81-107, provide exemptions from the inter-fund self-dealing investment prohibitions and the self-dealing restrictions set out in section 4.2 of NI 81-102 to permit investment funds and managed accounts to trade debt securities with a related dealer.

We did not proceed with including a requirement for investment funds that are party to a principal trade in debt securities with a related dealer to keep records of the interfund transaction for five years after the end of the financial year, with the most recent two years of records to be kept in a reasonably accessible place. Instead, the Amendments include a requirement for each investment fund, or a portfolio manager on behalf of a managed account, to keep records of each transaction in accordance with the record-keeping requirements applicable to clients of registered firms set out in Part 11 of NI 31-103.

Workstream Six: Broaden Pre-Approval Criteria for Investment Fund Mergers

The Amendments broaden the pre-approval criteria for investment fund mergers contained in section 5.6 of NI 81-102. Since implementation of the merger approval requirement under paragraph 5.5(1)(b) of NI 81-102, the CSA have approved numerous investment fund mergers that do not comply with the following pre-approval criteria in section 5.6:

- subparagraph 5.6(1)(a)(ii) of NI 81-102, because a reasonable person may not consider the continuing investment fund to have substantially similar fundamental investment objectives and valuation procedures, and a substantially similar and fee structure;

- paragraph 5.6(1)(b) of NI 81-102, because the transaction is not a "qualifying exchange" within the meaning of section 132.2 of the *Income Tax Act* (Canada) (**ITA**) or tax-deferred transaction under subsection 85(1), 85.1(1), 86(1) or 87(1) of the ITA.

The Amendments broaden these pre-approval criteria, while continuing to require that the proposed merger comply with all other pre-approval criteria under section 5.6, as applicable. The above-noted pre-approval criteria were broadened based on conditions and representations found in past discretionary merger approval decisions. In particular, when granting discretionary merger approval, the CSA requires clear disclosure in an information circular that explains to investors why a proposed merger remains in the best interests of the investment fund despite the proposed merger not meeting the relevant pre-approval criteria.

Accordingly, the Amendments provide that subparagraph 5.6(1)(a)(ii) of NI 81-102 can also be satisfied where

- the investment fund manager reasonably believes that the transaction is in the best interests of the investment fund despite the differences, and

- the information circular discloses the differences and explains why the investment fund manager is of the belief that the transaction is in the best interests of the investment fund despite the differences.

In addition, the Amendments provide that paragraph 5.6(1)(b) of NI 81-102 can also be satisfied where

- the investment fund manager reasonably believes that the transaction is in the best interests of the investment fund despite the tax treatment of the transaction, and

- the information circular

    - discloses that the transaction is not a "qualifying exchange" within the meaning of section 132.2 of the ITA or a tax-deferred transaction under subsection 85(1), 85.1(1), 86(1) or 87(1) of the ITA,

    - discloses the reason why the transaction is not structured so that the pre-approval criterion applies, and

    - explains why the investment fund manager is of the belief that the transaction is in the best interests of the investment fund despite the tax treatment of the transaction.

Workstream Seven: Repeal Regulatory Approval Requirements for a Change of Manager, a Change of Control of a Manager, and a Change of Custodian that Occurs in Connection with a Change of Manager

The Amendments repeal the regulatory approval requirements in section 5.5 of NI 81-102 for a change of manager, a change of control of a manager, or a change of custodian that occurs in connection with a change of manager. Since the CSA's adoption of these requirements, NI 31-103 has implemented registration requirements for investment fund managers. The registration process provides an opportunity for the CSA to assess that new investment fund managers have sufficient integrity, proficiency and solvency to adequately carry out their functions. The registration processes include all of the following:

- background checks, including obtaining information on any criminal offences, civil actions alleging fraud, theft, deceit, misrepresentation or similar misconduct, financial information on prior bankruptcies, and other detrimental information from other securities regulatory proceedings or investigations;

- an examination of the individuals' relevant securities industry experience, including employment history.

Once registered, firms and individuals must report changes in the information they provided at the time of registration by filing Form 33-109F5 *Change of Registration Information* within required timeframes. This allows the CSA to continue assessing suitability for investment fund manager registration.

A change of manager will continue to be subject to securityholder approval and the requirement to prepare an information circular. In order to help investment funds meet their disclosure obligations, the Amendments add certain specific disclosure requirements that will apply to the information circular when there is a change of manager.

Workstream Eight: Codify Exemptive Relief Granted in Respect of the Fund Facts Delivery Requirement and Corresponding Exemptions from the ETF Facts Delivery Requirement

a) Managed Accounts and Permitted Clients

The Amendments provide an exemption from the fund facts document (**Fund Facts**) delivery requirement[9] for purchases of conventional mutual fund securities made in managed accounts or by permitted clients that are not individuals. The Fund Facts is a summary disclosure document that provides key information about a mutual fund to investors in a simple, accessible and comparable format, before investors make their investment decision.

In amendments published on December 11, 2014 to implement the pre-sale delivery of Fund Facts (the **POS Amendments**), the CSA provided an exemption in section 3.2.04 of NI 81-101 from pre-sale delivery requirements for purchases of mutual fund securities made in managed accounts or by permitted clients that are not individuals. For these purchases, the Fund Facts were required to be delivered or sent to the purchaser within two days of buying the mutual fund.

Subsequent to the adoption of the POS Amendments, the CSA received feedback from portfolio managers that post-sale delivery of the Fund Facts was not necessary for purchases made in managed accounts or by permitted clients, and that an exemption from the Fund Facts delivery requirement should be provided. The Amendment to section 3.2.04 of NI 81-101 provides an exemption from the Fund Facts delivery requirement for purchases of mutual fund securities made in managed accounts or by permitted clients that are not individuals.

In response to stakeholder comments that exemptions from the Fund Facts delivery requirement should also be extended to the delivery requirement for exchange-traded mutual fund (**ETF**) facts documents (**ETF Facts**), we provided in the Amendments an exemption from the ETF Facts delivery requirement[10] for purchases of ETF securities made in managed accounts or by permitted clients who are not individuals.

b) Portfolio Rebalancing Plans

The Amendments codify exemptive relief from the Fund Facts delivery requirement for subsequent purchases of conventional mutual fund securities under model portfolio products and portfolio rebalancing services.

When finalizing the POS Amendments, the CSA considered stakeholder comments that asked for an exemption for model portfolio products from the pre-sale delivery requirement on terms similar to the exemption from the Fund Facts delivery requirement for pre-authorized purchase plans set out in section 3.2.03 of NI 81-101 (the **PAC Exception**). At that time, the CSA determined that exemptive relief should only be granted to model portfolio products with rebalancing features on a case-by-case basis.

Since the adoption of the POS Amendments, exemptive relief has been routinely granted from the Fund Facts delivery requirement for subsequent purchases made pursuant to rebalancing in the context of model portfolio products and portfolio rebalancing services. Generally, model portfolio products are offered by investment fund managers and each model portfolio is comprised of a number of mutual funds with target asset allocation levels for each fund in the portfolio. On rebalancing dates, each fund in the portfolio is rebalanced back to the target asset allocation level. Generally, portfolio rebalancing services are offered by dealers for a portfolio of mutual funds selected by an investor with target asset allocation levels for each fund in the portfolio. On rebalancing dates, each fund in the portfolio is rebalanced back to the target asset allocation level.

Each subsequent purchase of mutual fund securities in model portfolio products and portfolio rebalancing services triggers the Fund Facts delivery requirement. However, an investor with a model portfolio product or portfolio rebalancing service makes an investment decision at the outset. Subsequent purchases do not reflect new investment decisions. This is similar to subsequent purchases made under a pre-authorized purchase plan, which is a contract or other arrangement where an investor purchases mutual fund securities by payment of a specified amount on a regularly scheduled basis, which can be terminated at any time. However, model portfolios and portfolio rebalancing services cannot rely on the PAC Exception as these products and services do not meet the “pre-authorized purchase plan” definition.

The Amendments to section 3.2.03 of NI 81-101 codify exemptive relief from the Fund Facts delivery requirement for subsequent purchases made in model portfolio products and portfolio rebalancing services. The Amendments expand the current PAC Exception to add “portfolio rebalancing plans”, which are defined to include both model portfolio products and portfolio rebalancing services.

In response to stakeholder comments that exemptions from the Fund Facts delivery requirement should also be extended to the ETF Facts delivery requirement, the Amendments also provide an exemption from the ETF Facts

[9] Section 3.2.01 of National Instrument 81-101 *Mutual Fund Prospectus Disclosure.*
[10] Section 3C.2 of National Instrument 41-101 *General Prospectus Requirements*.

delivery requirement for subsequent purchases of ETF securities in pre-authorized purchase plans and portfolio rebalancing plans.

c) Automatic Switch Programs

The Amendments codify exemptive relief from the Fund Facts delivery requirement for purchases of conventional mutual fund securities made under automatic switch programs, which are offered by investment fund managers. Generally, investors in automatic switch programs purchase a class or series of securities of a mutual fund, and on predetermined dates, automatic switches are made to a different class or series of the same fund based on the balance in the investor's account or group of accounts meeting the minimum investment amount of the other class or series.

Mutual funds in an automatic switch program offer two or more series, with the only differences between the classes or series being progressively lower management fees and progressively higher minimum investment thresholds. Automatic switch programs benefit investors because they automatically switch investors into another class or series of securities of the same mutual fund as soon as they meet the minimum investment threshold. The investor's investment amount may change based on purchases, redemptions and changes in market value. Each automatic switch entails a redemption of a class or series of mutual fund securities, immediately followed by a purchase of another class or series of securities of the same mutual fund.

Each purchase made pursuant to an automatic switch triggers the Fund Facts delivery requirement. However, because the switches are automatic in nature, it is often very difficult or impractical for an investment fund manager to deliver the Fund Facts prior to an automatic switch. The Amendments to NI 81-101 codify exemptive relief from all of the following:

- the Fund Facts delivery requirement for purchases made under automatic switch programs, which are offered by investment fund managers;

- the form requirements in Form 81-101F3 *Contents of Fund Facts Document* (**Form 81-101F3**) to allow a single consolidated Fund Facts to be filed for all the classes or series of securities of a mutual fund offered in an automatic switch program.

The Amendments reflect the conditions of recently granted exemptive relief for automatic switch programs, including notices to investors and modified form requirements for a single, consolidated Fund Facts. The exemption applies to purchases of a class or series of securities of a mutual fund as a result of the purchaser meeting the minimum investment amount of a class or series of securities of the mutual fund due to additional purchases, redemptions or positive market movement. The exemption does not apply to purchases of a class or series of securities of a mutual fund as a result of the purchaser no longer meeting the minimum investment amount of a class or series of securities of the mutual fund due to negative market movement. The new exemption is set out in Amendments to section 3.2.05 of NI 81-101, while the provisions for electronic delivery of the Fund Facts are moved to section 3.2.06 of NI 81-101.

In response to stakeholder comments that exemptions from the Fund Facts delivery requirement should also be extended to the ETF Facts delivery requirement, we revised the Amendments to also provide an exemption from the ETF Facts delivery requirement for purchases of ETF securities made under automatic switch programs.

d) Amendments to Conform Form 81-101F3 Contents of Fund Facts Document with Form 41-101F4 Information Required in an ETF Facts Document

The Amendments to Form 81-101F3 conform that document with certain disclosure requirements in Form 41-101F4 *Information Required in an ETF Facts Document* (**Form 41-101F4**). The conforming Amendments to Form 81-101F3 set out the Fund Facts disclosure requirements under the sub-headings "Top 10 investments", "Investment mix", and "How has the fund performed?", for each of the following:

- a newly established mutual fund;

- a mutual fund that has not yet completed a calendar year;

- a mutual fund that has not yet completed 12 consecutive months.

Additional Amendments

The CSA made consequential amendments to NI 41-101, NI 81-101 and NI 81-102 for reasons not directly related to efforts to reduce regulatory burden for investment funds.

The amendments to NI 81-101 and certain amendments to NI 41-101 were published for comment in the following parts of the September 2019 publication for comment: Appendix B – Schedule 8, sections 10-20; and Appendix B – Schedule 9. The former was described in the September 12, 2019 publication notice under Workstream Eight, part (d), "Proposed Amendments to Conform Form 81-101F3 *Contents of Fund Facts Documen*t with Form 41-101F4 *Information Required in an ETF Facts Document*." The latter was only a single consequential amendment to set out that in Saskatchewan the right of action where an ETF Facts is not delivered or sent to a purchaser as required by subsection 3C.2(2) of NI 41-101, is provided by subsection 141(1) of *The Securities Act, 1988* (Saskatchewan).

The amendments to NI 81-102 were not published for comment and are being made on final publication. They add "an ETF facts document or preliminary or *pro forma* ETF facts document" after Item 3 of paragraph (b) of the definition of "sales communication" in section 1.1. This provides a corresponding reference to Item 3, which references Fund Facts. Certain amendments to NI 41-101 were not published for comment and are being made to Items 3C.6 and 3C.7 pursuant to CSA Staff Notice 11-342 *Notice of Local Amendments and Changes in Certain Jurisdictions*.

Coming into Force/ Exemption

Subject to Ministerial Approval where required, the Amendments and Related Changes will come into force on January 5, 2022 in respect of Workstreams 3-8 and January 6, 2022 in respect of Workstreams 1 and 2. An exemption from compliance with Workstreams 1 and 2 has also been provided for the period before September 6, 2022. However, the exemption is no longer available where an investment fund prepares a prospectus (Form 41-101F2, Form 41-101F3 *Information Contained in a Scholarship Plan Prospectus* (**Form 41-101F3**)) in accordance with the Workstream 2 amendments or simplified prospectus (Form 81-101F1) in accordance with the Workstream 1 amendments. In such cases, the investment fund will be required to comply with the amendments set out in Workstreams 1 and 2. An investment fund need not rely on the exemptions where it does not wish to do so.

On or after September 6, 2022, the CSA expect that an investment fund will prepare a prospectus in accordance with Form 41-101F1 and Form 41-101F3 as amended by Workstream 2 and simplified prospectus in accordance with Form 81-101F1 as amended by Workstream 1, at the investment fund's next filing or regular renewal (where not already done). It is also expected that on or after September 6, 2022 an investment fund will comply with any applicable designated website requirements (where not already done).

Local Matters

Annex D is being published in any local jurisdiction that is making changes to local securities laws, including local notices or other policy instruments in that jurisdiction in connection with the Amendments. It also includes any additional information that is relevant to that jurisdiction only.

Summary of Comments

We received submissions from 22 commenters on the Proposed Amendments and Proposed Changes, and we thank each of those commenters for their submissions. A summary of those comments together with our responses is provided in Annex B to this Notice.

Summary of Changes to the Proposed Amendments and Proposed Changes

After considering the comments received, we made some revisions to the materials initially published for comment under the Proposed Amendments and Proposed Changes. These revisions are reflected in the Amendments and the Related Changes published in Annex C and Annex D to this Notice. We do not consider these changes to be material and accordingly, we are not publishing the Amendments for a further comment period. A summary of the key changes to the Proposed Amendments and Proposed Changes is provided in Annex A to this Notice.

Questions

Please refer your questions to any of the following CSA staff:

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Contents of Annexes

Schedule 2-B	-	Form 81-101F3 *Contents of Fund Facts Document*
Schedule 2-C	-	Companion Policy 81-101 *Mutual Fund Prospectus Disclosure*
Schedule 3-A	-	National Instrument 81-102 *Investment Funds*
Schedule 3-B	-	Companion Policy 81-102 *Investment Funds*
Schedule 4-A	-	National Instrument 81-106 *Investment Fund Continuous Disclosure*
Schedule 4-B	-	Companion Policy 81-106 *Investment Fund Continuous Disclosure*
Schedule 5	-	National Instrument 81-107 *Independent Review Committee for Investment Funds*

ANNEX A
SUMMARY OF CHANGES TO THE PROPOSED AMENDMENTS

WORKSTREAM ONE

This document summarizes the changes we made to the Proposed Amendments and Proposed Changes in response to the comments received. We do not consider the changes to be material.

Changes to NI 81-101

1. Form 81-101F2 was not repealed.

Changes to Proposed Form 81-101F1

2. General Instruction (3) was modified to remove the reference to Part 3 of 81-101CP to conform with modern CSA drafting conventions.

Part A: General Disclosure

3. Item 4 was retitled to "Responsibility for Mutual Fund Administration" to better reflect the content of the disclosure requirements in the Item.

4. Item 4.1 was deleted and unique requirements were moved into relevant sections of Item 4 (see Amended Form 81-101F1, Part A, subsection 4.1(2), subsection 4.2(3), subsection 4.2(4), subsection 4.4(2), subsection 4.4(3), paragraph 4.5(1)(c), paragraph 4.5(1)(d), paragraph 4.5(2)(c), paragraph 4.5(2)(d), subsection 4.6(2), subsection 4.6(3), subsection 4.8(2), subsection 4.8(3), paragraph 4.11(2)(a), and paragraph 4.11(2)(b)).

5. Subsection 4.2(1) was modified to replace the reference to the mutual fund's designated website with a reference to the mutual fund manager's website (see Amended Form 81-101F1, Part A, subsection 4.1(1)).

6. The disclosure requirements in subsections 4.2(2), (3), (4) and Item 4.6 were streamlined to reduce the amount of information required to be disclosed in respect of individuals involved with the investment fund and investment fund manager. In particular, the following disclosure requirements were streamlined in Item 4.2: occupational history and business of company where a director or executive officer carries out their principal occupation (see Amended Form 81-101F1, Part A, subsections 4.1(3) and 4.1(4)). The following disclosure requirement was streamlined in Item 4.6: principal occupation of directors, executive officers and trustees, business of company where a director, executive officer or trustee of the mutual fund has a principal occupation of partner, director or executive officer (see Amended Form 81-101F1, Part A, paragraphs 4.5(1)(a), 4.5(1)(b), 4.5(2)(a) and 4.5(2)(b)).

7. Paragraph 4.3(3)(a) was amended to add a requirement to identify the individuals referenced, explain their role in the investment decision making process, provide their names, and provide their titles (see Amended Form 81-101F1, Part A, subsection 4.2(5)).

8. Paragraph 4.3(3)(b) was deleted on the basis that the benefit of the disclosure was generally not justified by the significant effort required to assemble it although certain key disclosure items (name, title) were relocated to paragraph 4.3(3)(a) (see Amended Form 81-101F1, Part A, subsection 4.2(5)).

9. Item 4.6 was revised to more clearly distinguish between the requirements applicable to a mutual fund that is a corporation and a mutual fund that is a trust (see Amended Form 81-101F1, Part A, subsections 4.5(1) and 4.5(2)).

10. Subsections 4.6(7) was revised to refer to the ultimate designated person and chief compliance officer of the manager instead of the mutual fund and relocated to the Manager section (see Amended Form 81-101F1, Part A, subsection 4.1(4)).

11. Subsection 4.13(1) was deleted, and unique elements were incorporated into subsection 4.13(2), to consolidate the two subsections (see Amended Form 81-101F1, Part A, subsection 4.12(1)).

12. Item 4.14 was deleted on the basis that the value of the information provided by class or series level holdings does not justify the significant effort required to prepare such information.

13. Subsection 4.15(3) was deleted on the basis that subsections (1)-(2) provide sufficient disclosure for an investor to be able to assess the presence of a conflict without the need for more specific information.

14. Subsection 4.17(5) was deleted on the basis that proxy-voting details are disclosed pursuant to Part 10, NI 81-106, and given the restrictions in subsection 2.5(6) of NI 81-102.

15. Subsection 4.20(3) was revised to provide a materiality threshold in respect of the contemplated legal proceedings that must be described (see Amended Form 81-101F1, Part A, subsection 4.18(3)).

16. Paragraph 4.20(4)(b) was revised to delete the language referencing the ten year period before the date of the simplified prospectus but after the coming into force of NI 81-101, as it is no longer relevant (see Amended Form 81-101F1, Part A, paragraph 4.18(4)(b)).

17. Subsection 4.20(5) was modified to clarify that the circumstances that gave rise to the settlement agreement should be provided (see Amended Form 81-101F1, Part A, subsection 4.18(5)).

18. Amended Form 81-101F1, Part A, Item 4.19 was added to set out a location where the designated website is explicitly identified.

19. Subsection 5(2) was revised to replace “principles and practices” with “methods” to maintain consistent terminology with subsection (1) (see Amended Form 81-101F1, Part A, subsection 5(2)). Subsection 5(3) was revised to replace “practices” with “methods” for the same reason (see Amended Form 81-101F1, Part A, subsection 5(3)).

20. The Instruction to Item 8 was amended to delete the reference to foreign content monitoring plans. CSA Staff also deleted the reference to U.S. dollar purchase plans on the basis that such disclosure can be captured in Amended Form 81-101F1, Part A, subsection 7(4) where all available purchase options are described, and an instruction was added to Amended Form 81-101F1, Part A, subsection 7(4) to confirm that disclosure regarding currency purchase plans must be made in that subsection.

21. Subsection 9.1(8) was consolidated into subsection 9.1(5).

22. Instruction (2) to Item 10 was modified to eliminate the first two sentences, to reflect the coming into force on June 1, 2022 of a ban on deferred sales charge options.

23. Item 12 was modified to change the title of the heading to “What are your Legal Rights?” to more fully capture the scope of the required disclosure that follows.

24. Subsection 13(3) was deleted.

Part B: Fund-Specific Information

25. Paragraph 1(3)(a) was modified to provide separate Part B section headings for a multiple SP and for a single SP.

26. Subsection 2(3) was deleted and consolidated into subsection 2(4) on the basis that the instructions were similar in nature.

27. Subsection 2(4) was modified to indicate that any information applicable to more than one of the mutual funds in the Part B section can be presented in this item (see Amended Form 81-101F1, Part B, subsection 2(3)).

28. Instruction (1) to Part A, Item 13 of the Form 81-101F1 in effect prior to the in-force date of the Amendments, was inserted into the Instructions to Part B, Item 2 of the Amended Form 81-101F1 (see Amended Form 81-101F1, Part B, Item 2, Instruction (2)).

29. Instruction (1) to Item 3 was moved to Part B, subsection 8(2) which requires the date on which the mutual fund started.

30. Subsection 5(5) was deleted on the basis that Form 81-106F1, Part B, Item 3.1 (Annual MRFP, Financial Highlights, Ratios and Supplemental Data) requests data on portfolio turnover rate in a table required to be included which also contains accompanying explanatory information of the significance of that data. CSA Staff also deleted the requirement on the basis that Form 81-101F3, Part II, subsection 1.3(2) requests data about the

trading expense ratio which in part reflects the portfolio turnover rate since a higher portfolio turnover rate increases trading costs payable by a mutual fund.

31. Subsection 5(7) (restrictions on investments adopted by a mutual fund beyond what is required under securities legislation) was moved to follow Part B, subsection 6(2) (approvals to vary restrictions and requirements in securities legislation).

32. References to the term “practices contained in securities legislation” in subsections 6(1)-(3) were modified to “requirements contained in securities legislation” to reflect modern drafting conventions.

33. Part A, subsection 9(5) of the Form 81-101F1 in effect prior to the in-force date of the Amendments, was inserted into Part B, Item 9 of the Amended Form 81-101F1 (see Amended Form 81-101F1, Part B, subsection 9(7)).

34. The instruction to Part B, Item 9.1 of the Form 81-101F1 in effect prior to the in-force date of the Amendments, was inserted as an instruction to Part B, Item 10 of the Amended Form 81-101F1.

35. Item 11 was removed on the basis that while Item 11, Instructions (1) and (2) are not duplicated in Form 81-101F3, Part I, Item 7 (Suitability), all other elements are, and regarding Instructions (1) and (2), CSA Staff note that risk rating information provided pursuant to Form 81-101F3, Part I, subsection 4(2) is an acceptable substitute.

Changes to NI 81-102

36. **“**An ETF facts document or preliminary or *pro forma* ETF facts document” was added after Item 3 of paragraph (b) of the definition of “sales communication” in section 1.1. This was to provide a corresponding reference to Item 3, which references Fund Facts documents.

Changes to NI 81-106

Part 9 – Annual Information Form

37. Subsection 9.4(2) was amended to permit an investment fund to file an AIF prepared in accordance with Form 41-101F2 if it last distributed securities under a prospectus prepared in accordance with that form; Form 81-101F1 if it last distributed securities under a prospectus prepared in accordance with that form; or Form 81-101F2.

38. The requirements set out in subsection 9.4(2.1) in respect of modifications required to be made to Form 41-101F2 and Form 81-101F1 for use as an AIF for investment funds not in continuous distribution, were separated into two different subsections. A third subsection was added in respect of the modifications required to be made to Form 81-101F2, using requirements from subsection 9.4(2) of NI 81-106 as it existed prior to the in-force date of the Amendments.

39. In respect of Form 41-101F2 and Form 81-101F1, provisions were added to state that the items of those forms that are applicable to distributions of securities only and are inapplicable to any other case, do not apply (see Amended NI 81-106, paragraphs 9.4(2.1)(b) and 9.4(2.2)(b)).

40. The list of items that need not be completed where Form 41-101F2 is used as an AIF for investment funds not in continuous distribution was expanded to include item 1.9, item 1.10, item 1.12, item 1.14, item 1.15, paragraph 3.3(1)(f), paragraph 3.6(3)(a), item 7.1, item 9.1, item 11, item 16, and item 17.2 of Form 41-101F2 (see Amended NI 81-106, paragraph 9.4(2.1)(c)).

41. The list of items that need not be completed where Amended Form 81-101F1 is used as an AIF for investment funds not in continuous distribution, was expanded to include Part A, item 4.4, paragraph 4.17(1)(e), subsection 7(3) and subsection 7(4) (see Amended NI 81-106, paragraph 9.4(2.2)(c)). In addition, the instruction to ignore Part B, Item 11 was removed on the basis that it was not carried forward to the Amended Form 81-101F1.

Changes to 41-101CP

42. Section 5B.1 was added to provide assurance that a mutual fund granted an exemption to file a simplified prospectus prepared in accordance with Form 81-101F1 and an AIF prepared in accordance with Form 81-101F2 in lieu of a prospectus prepared in accordance with Form 41-101F2, may comply with such an exemption after the in-force date of the Amendments by filing a simplified prospectus in accordance with Form 81-101F1.

Changes to 81-101CP

43. Subsection 2.2(3) was added to provide assurance that a person granted an exemption from a requirement in Form 81-101F1 or Form 81-101F2 prior to the in-force date of the amendments, is exempt, after the in-force date of the amendments, from any substantially similar requirement in Form 81-101F1.

44. Subsection 2.2(4) was added to provide assurance that a person granted an exemption from a requirement in securities legislation prior to the in-force date of the amendments on the condition that certain disclosure be provided in an AIF prepared in accordance with Form 81-101F2, may, after the in-force date of the amendments, provide such disclosure in a simplified prospectus prepared in accordance with Form 81-101F1.

45. Section 8.2 was changed to replace the first two sentences with guidance that reflects the Amended Form 81-101F1, Part A, Item 4.2.

WORKSTREAM TWO

This document summarizes the changes we made to the Proposed Amendments and Proposed Changes in response to the comments received. We do not consider the changes to be material.

Changes to NI 14-101

1. The proposed definition of "designated website" will not be added to NI 14-101. Instead, the definition of "designated website" of an investment fund was added to NI 81-106, and corresponding references to this definition were added in other instruments, where relevant.

Changes to NI 41-101

2. A reference to the definition of "designated website" found in NI 81-106 was added in section 1.1 of NI 41-101.

3. Item 19.13 of Form 41-101F2 was added to require that investment funds which prepare their prospectus or annual information form according to the requirements of this form identify a designated website.

Changes to 41-101CP

4. Subsection 5A.4(2) was modified to clarify that ETF fund profiles and up-to-date trading and pricing information for an ETF referenced in this subsection may be available on a website which is not the designated website.

Changes to NI 81-101

5. A reference to the definition of "designated website" found in NI 81-106 was added in section 1.1 of NI 81-101.

Changes to NI 81-102

6. A reference to the definition of "designated website" found in NI 81-106 was added in section 1.1 of NI 81-102.

Changes to NI 81-106

7. A definition of "designated website" of an investment fund was added to NI 81-106 following its removal from NI 14-101.

8. Proposed subsection 16.1.2(2) of NI 81-106 was modified in order to clarify that we wish to provide investment fund managers with the flexibility to delegate the establishment and maintenance of the designated website to third-party providers, and to clarify investment fund managers' responsibility in the case where the establishment and maintenance of the designated website is delegated.

9. Subsection 16.1.2(3) of NI 81-106 was added in order to clarify how the designated website should be designated.

Changes to 81-106CP

10. Changes were made in order to in order to clarify the CSA's expectations regarding the designated website. We have notably added guidance in new subsection (9) of section 11.1 to specify how the website should be designated, as well as guidance in new subsection (10) of section 11.1 to clarify that investment fund managers should consider the guidance concerning outsourcing found in Companion Policy 31-103 CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

Changes to NI 81-107

11. A reference to the definition of "designated website" found in NI 81-106 was added in new section 1.8 of NI 81-107.

WORKSTREAM THREE

This document summarizes the changes we made to the Proposed Amendments and Proposed Changes in response to the comments received. We do not consider the changes to be material.

Changes to NI 81-106

1. The proposed definition, "securityholder materials" in section 1.1 was not included in the Amendments.

2. The abbreviation of "National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*" to "National Instrument 54-101" was not pursued in subsections 5.1(3) and (4) to conform with current CSA drafting standards.

3. The proposed definition "securityholder" in proposed subsection 12.1(2) was not included in the Amendments and as a result the replacement of section 12.1 of NI 81-106 was not necessary since proposed subsection 12.1(1) is already present.

4. Proposed subsection 12.2.3(2) was revised to clarify that materials posted to a website must, for greater certainty, be posted in a way that meets certain usability thresholds.

5. Proposed section 12.2.4 was revised to more clearly distinguish between the obligations imposed on management of an investment fund, and those acting on their behalf, and other persons or companies.

Changes to 81-106CP

6. The second paragraph in subsection 8.2(1) was revised to state the following: "We expect that persons or companies that solicit proxies will only use notice-and-access for a particular meeting *where they have no reason to believe it is inappropriate or inconsistent* with the purposes of notice-and access to do so, taking into account factors such as…". This change further clarifies the expectations around the use of notice-and-access by persons or companies that solicit proxies.

WORKSTREAM FOUR

No changes were made to the Proposed Amendments or Proposed Changes.

WORKSTREAM FIVE

This document summarizes the changes we made to the Proposed Amendments and Proposed Changes in response to the comments received. We do not consider the changes to be material.

Changes to NI 81-102

1. In section 1.1 we added the words *"designated rating" means*, for greater clarity and made minor grammatical changes in appropriate places for greater clarity (e.g. changed "described in" to "referred to in").

2. In section 1.1 we added definitions for U.S. GAAP, U.S. AICPA GAAS and U.S. PCAOB GAAS which refer to the same meaning of each term as set out in section 1.1 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards.* These definitions have been added to further specify the acceptable auditing standards referred to in paragraph 2.5.1(2)(f).

3. In subsection 1.2(2.1) we changed the reference to section 2.5 to 2.5.1 for greater clarity. We also removed the section references to sections 9.4 and 10.4 of NI 81-102 as sections that would apply to investment funds that are not reporting issuers. This change was made due to the removal of the proposed codified exemption in subsections 9.4(7), 9.4(8), 10.4(6) and 10.4(7) of NI 81-102 for *in-species* transactions involving pooled funds, public funds and managed accounts for the reasons set out in the CSA Notice.

4. In section 2.5.1 we made drafting changes to subsection (1) to better specify and give clarity to the meanings of "significant interest" and "substantial security holder".

5. In section 2.5.1 we removed the requirement in paragraph (2)(d) for an underlying fund in a pooled fund on fund transaction to comply with NI 81-106. In its place, we added paragraph (2)(c) to specify that when an underlying fund is not a reporting issuer, the underlying fund must, among other conditions, prepare annual financial statements for the other fund's most recently completed financial year and obtain an auditor's report with respect to those statements, within 90 days after the end of that financial year.

6. In section 2.5.1 we added paragraphs (2)(e) and (2)(f) to specify the accounting preparation and auditing standards that apply to financial statements of an underlying fund in a pooled fund on fund transaction reliant on the exemption.

7. In section 2.5.1 we replaced "an objective price" in paragraph (2)(i) with "a price that equals the net asset value per security of the other fund".

8. In section 2.5.1 we adjusted the drafting of paragraph (2)(j) to provide greater clarity on when certain disclosure must be provided to an investor in a pooled fund that may invest in a related underlying fund.

9. In section 2.5.1 we changed the reference in now clause (2)(j)(viii)(B) to reference both audited annual financial statements and interim financial statements prepared by an underlying fund in a pooled fund on fund transaction. We removed the prior reference to interim financial reports.

10. We adjusted the drafting structure of section 2.5.1 so that subsection (3) clearly specifies that the investment fund conflict of interest investment restrictions and the investment fund conflict of interest reporting requirements do not apply to an investment fund that is not a reporting issuer when it purchases or holds securities of another investment fund if the other investment fund is a reporting issuer and the purchase or holding is made in accordance with section 2.5 of NI 81-102.

11. We adjusted the drafting structure of the related party underwriting exemption in subsection 4.1(4) to provide greater clarity by separating out the conditions applicable at the time of the investment and the conditions applicable during the 60-day period after the time of investment.

12. We removed the proposed exemption in subsections 9.4(7) and 9.4(8) of NI 81-102 to permit *in-species* purchases of securities among pooled funds, investment funds subject to NI 81-102 and managed accounts. The reasons for removal of this exemption are further explained in the CSA Notice**.**

13. We removed the proposed exemption in subsections 10.4(6) and 10.4(7) of NI 81-102 to permit *in-species* redemptions of securities among pooled funds, investment funds subject to NI 81-102 and managed accounts. The reasons for removal of this exemption are further explained in the CSA Notice.

Changes to NI 81-107

14. In section 1.1 we added subsections (3) and (4) to provide greater clarity on which sections of NI 81-107 also apply to an investment fund that is not a reporting issuer and which sections also apply in respect of a managed account.

15. We added references in paragraph 5.2(1)(b) to include in the list of transactions a manager may not proceed with unless they obtain IRC approval, the following transactions now codified in the Instrument:

    a) subsection 6.2(1) – investment fund purchases and holds of securities purchased over an exchange;
    b) subsection 6.3(1) – investment fund purchases and holds of non-exchange traded debt securities in the secondary market;
    c) subsection 6.4(1) – investment fund purchases and holds of long-term debt securities in the primary market;
    d) subsection 6.5(1) – investment fund or managed account purchases or sales of debt securities on a principal basis with a related dealer.

16. We revised the reporting requirement in now subsection 6.1(2.1) to remove the requirement on investment funds that are party to an inter-fund trade to keep records of the inter-fund transaction for *five years after the end of the financial year, the most recent two years in a reasonably accessible place.* This condition has been replaced with the requirement for each investment fund, or a portfolio manager on behalf of a managed account, to keep records in accordance with the record-keeping requirements applicable to registered firms set out sections 11.5 and 11.6 of NI 31-103.

17. We revised the drafting of subsections 6.1(2), 6.1(3), 6.1(4) and 6.1(5) for greater clarity and to better reflect the inclusion of an investment fund that is not a reporting issuer in each subsection.

18. We revised the drafting of section 6.2 for greater clarity and to better reflect the inclusion of an investment fund that is not a reporting issuer in the section.

19. We adjusted the drafting of previous paragraph 6.2(1)(b) to form its own subsection 6.2(2) and slightly modified the wording to provide greater clarity.

20. We revised the drafting structure of section 6.3 to provide greater clarity on the timing of when certain conditions apply to the transaction (e.g. at the time the investment is made, after the investment is made).

21. We amended now paragraph 6.3(2)(b) to provide a more specific reference to the definition of “designated rating” as it appears in paragraph (b) of the definition of same in NI 44-101. We note that this definition, as it appears in NI 44-101, also contemplates specific “designated rating organizations”. Additional guidance on this point has been added as Commentary 3 to section 6.3.

22. We revised the drafting structure of section 6.4 to provide greater clarity on the timing of when certain conditions apply to the transaction (e.g. at the time the investment is made, immediately after the investment is made, after the investment is made).

23. We amended now subparagraph 6.4(1)(a)(v) to provide a more specific reference to the definition of “designated rating” as it appears in paragraph (b) of the definition of same in NI 44-101. We also removed the specific reference to ‘designated rating organization’ given that it is contemplated by the definition of “designated rating” in NI 44-101. Additional guidance on this point has been added as Commentary 3 to section 6.4.

24. We revised now subsection 6.5(2) in this section to require each investment fund, or a portfolio manager on behalf of a managed account, to keep records in accordance with the record-keeping requirements applicable to registered firms set out in sections 11.5 and 11.6 of NI 31-103.

25. We revised the drafting structure of now subsection 6.5(3) to include a portfolio manager or a portfolio adviser of a managed account, and a managed account. Where appropriate, we also included references to an investment fund that is not a reporting issuer.

Changes to Commentary in NI 81-107

26. We added Commentary 5 to section 2.2 of NI 81-107 to relocate it from its previous location as Commentary 5 to the previous section 8.2 of NI 81-107 which has lapsed.

27. We added Commentary 5 to section 5.1 of NI 81-107 to relocate it from its previous location as Commentary 8 to the previous section 8.2 of NI 81-107 which has lapsed.

28. We replaced Commentary 9 to section 6.1 of NI 81-107 to set out our expectations for compliance with recordkeeping requirements on investment funds which engage in inter-fund trades. The recordkeeping requirements are set out in sections 11.5 and 11.6 of NI 31-103.

29. We added Commentary 3 to the new section 6.3 of NI 81-107 to provide guidance on use of the "designated rating" in the exemption, as that term is defined in paragraph (b) of its definition in NI 44-101.

30. We added Commentary 3 to the new section 6.4 of NI 81-107 to provide guidance on use of the "designated rating" in the exemption, as it is defined in paragraph (b) of its definition in NI 44-101.

31. We deleted Commentary 1 to section 7.2 of NI 81-107 as section 7.2 of NI 81-107 has lapsed.

32. We deleted Commentary 1 to section 8.2 of NI 81-107 as section 8.2 of NI 81-107 has lapsed.

Changes to NI 31-103, NI 45-106 and NI 81-106

33. We revised the definition of "designated rating" in section 1.1 of each of NI 45-106, NI 31-103 and NI 81-106 to remove the reference in each case to "*paragraph (b) of the definition of "designated rating""*. This change was made due to the repeal of paragraph (a) of the definition of "designated rating" in NI 81-102 by the Amendments. As a result of this repeal, there is no longer a 'paragraph (b)' in the definition of "designated rating" as it appears in section 1.1 of NI 81-102.

WORKSTREAM SIX

This document summarizes the changes we made to the Proposed Amendments and Proposed Changes in response to the comments received. We do not consider the changes to be material.

Changes to NI 81-102

Part 5 – Fundamental Changes

1. The proposed amendment to subsection 5.4(2) was relocated to Workstream 7 for drafting reasons.

2. Subparagraph 5.3(2)(a)(iii) was amended to refer to the following provisions: subparagraph 5.6(1)(a)(i), clause 5.6(1)(a)(ii)(A), subparagraph 5.6(1)(a)(iii) and subparagraph 5.6(1)(a)(iv); subparagraph 5.6(1)(b)(i); paragraph 5.6(1)(c); paragraph 5.6(1)(d); paragraph 5.6(1)(g); paragraph 5.6(1)(h); paragraph 5.6(1)(i); paragraph 5.6(1)(j); and paragraph 5.6(1)(k). This was to reflect that securityholder approval of investment fund mergers will still be required.

3. Proposed clause 5.6(1)(a)(ii)(B) and proposed subparagraph 5.6(1)(b)(ii) were revised to replace the term "meeting materials" with a more precise reference to the information circular.

4. Amended subclause 5.6(1)(a)(ii)(B)(I) was added to clarify that the investment fund manager must reasonably believe that the transaction is in the best interest of the investment fund despite the differences.

5. Proposed clause 5.6(1)(a)(ii)(B) was amended to replace the reference to "best interests of security holders" with "best interests of the investment fund" to more closely align with the language used in statutory descriptions of investment fund managers' standard of care (see Amended subclause 5.6(1)(a)(ii)(B)(II)).

6. Amended clause 5.6(1)(b)(ii)(A) was added to clarify that the investment fund manager must reasonably believe that the transaction is in the best interest of the investment fund despite the tax treatment of the transaction.

7. Proposed clause 5.6(1)(b)(ii)(C) of NI 81-106 was amended to replace the reference to "best interests of security holders" with "best interests of the investment fund" to more closely align with the language used in statutory descriptions of investment fund managers' standard of care (see Amended subclause 5.6(1)(b)(ii)(B)(III)).

Changes to 81-102CP

Part 7 - Changes

8. Section 7.2 was replaced with revised guidance that reflects the amendments being made as part of Workstream 6.

WORKSTREAM SEVEN

This document summarizes the changes we made to the Proposed Amendments and Proposed Changes in response to the comments received. We do not consider the changes to be material.

Changes to NI 81-102

Part 5 – Fundamental Changes

1. The chapeau of subsection 5.4(2) has been modified to explicitly indicate that the referenced "statement" is one that should be in an information circular. This amendment was originally to be made as part of the Workstream 6 amendments but is being made as part of Workstream 7 for drafting reasons (see Amended paragraph 5.4(2)(a)).

2. Proposed paragraph 5.4(2)(a.2) was amended to add a materiality threshold in respect of the information required to be provided pursuant to subparagraphs (i)-(iii) (see Amended clauses 5.4(2)(a)(iii)(A)-(D)) .

3. Proposed subparagraph 5.4(2)(a.2)(i) was amended to limit its application to executive officers and directors within the five years preceding the date of the notice or statement (see Amended clause 5.4(2)(a)(iii)(A)).

Changes to 81-102CP

Part 7 - Changes

4. Section 7.1 was repealed to reflect the amendments made as part of Workstream 7.

WORKSTREAM EIGHT

This document summarizes the changes we made to the Proposed Amendments and Proposed Changes in response to the comments received. We do not consider the changes to be material.

Changes to NI 41-101

1. Section 3C.2.2 was added to provide an exemption for the delivery of ETF Facts for subsequent purchases under a pre-authorized purchase plan or a portfolio rebalancing plan. This exemption is consistent with the exemption provided for the delivery of the Fund Facts for subsequent purchases under a pre-authorized purchase plan or a portfolio rebalancing plan in section 3.2.03 of NI 81-101.

2. Section 3C.2.3 was added to provide an exemption for delivery of ETF Facts for managed accounts and permitted clients. This exemption is consistent with the exemption provided for the delivery of Fund Facts for managed accounts and permitted clients in section 3.2.04 of NI 81-101.

3. Section 3C.2.4 was added to provide an exemption for the delivery of ETF Facts for automatic switch programs. This exemption is consistent with the exemption provided for the delivery of Fund Facts for automatic switch programs in section 3.2.05 of NI 81-101.

4. Section 3C.3 was amended to replace “3.C.2” with “3C.2, 3C.2.2 or 3C2.4” in subsection (1) to add reference to the exemptions for delivery of the ETF Facts in those sections.

5. Appendix F – ETF Facts Automatic Switch Program Information for section 3C.2.4 was added to NI 41-101. Appendix F is consistent with Appendix A to NI 81-101, with modifications made for the different form requirements for ETF Facts.

6. General Instruction (11) of Form 41-101F4 was amended to reference the section 3C.2.4 exemption. This amendment is consistent with the amendment to General Instruction (10) of Form 81-101F3.

Changes to NI 81-101

7. Paragraphs 3.2.01(4)(b) and (c) were amended to reflect the numbering of the final amendments to NI 81-101 that were published by the CSA on September 17, 2020.

8. Subparagraph 3.2.03(b)(i) was amended to remove “subject to paragraph (c)” to correct a technical drafting error.

9. Subparagraph 3.2.05(b)(i) was amended to remove “subject to paragraph (c)” to correct a technical drafting error.

10. The subparagraphs under paragraph 3.2.05(e) were reformatted and moved to Appendix A to NI 81-101 for ease of reference.

11. Subparagraph 3.2.05(e)(i) was deleted as it is redundant.

12. Subparagraph 3.2.05(e)(ix), now renumbered as subparagraph (h)(i) of Appendix A to NI 81-101, was amended to reference “highest management fees” rather than “highest fees” for clarification.

ANNEX B
SUMMARY OF PUBLIC COMMENTS AND CSA RESPONSES ON THE PROPOSED AMENDMENTS

BACKGROUND

This Annex is a summary of 22 comment letters received in respect of the September 12, 2019 publication for comment. A list of commenters is provided at the end of this Annex.

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GENERAL - SUPPORT

Issue	Comment	Response
CSA Burden Reduction Efforts Supported, Generally	Thirteen commenters support the CSA's efforts to reduce the regulatory burden on the investment fund industry. Several commenters identified the benefits of burden reduction initiatives and the detrimental impacts of undue regulatory burden: • One commenter noted that regulatory requirements that are no longer necessary or no longer serve their intended purpose impose compliance costs on firms and the economy in the form of reduced resources to allocate to growth opportunities, reduced competition and reduced efficiency. • One commenter noted that duplicative information requirements add cost and complexity, without corresponding value for investors and the market. • One commenter noted that regulatory requirements that no longer serve their intended purpose(s) or are no longer necessary, impose undue compliance costs on firms, waste resources and ultimately impact investors. • One commenter noted that the CSA's current focus on burden reduction presents the opportunity to provide streamlined, focused disclosure to investors as well as cost savings for investment fund managers and investment funds, that will ultimately lead to reduced costs for investors. • One commenter noted that mutual fund disclosure rules have grown into a complex framework, which includes certain duplicative items that add little value to retail investors who rely mainly on the advice of their dealer. • One commenter noted that the CSA's efforts will encourage lower cost investment options to be brought to the market • One commenter noted that research has demonstrated how difficult it can be for retail investors to interpret and understand the information they are given, and that it was pleased that CSA members are reviewing the disclosure regime to determine what information is most useful to investors. • One commenter noted that unnecessary burden not only adds operational and legal costs, but it also slows innovation within the fast-changing investment fund industry.	CSA Staff thank the commenters for supporting the CSA's decision to engage in burden reduction efforts.
Commenters Supportive of Proposal	Nine commenters expressed support for the Proposal: • One commenter noted that subject to the comments made in the body of this letter in respect of certain proposals, it believes that the Proposal would appropriately balance market efficiency with investor protection in a way that is	CSA Staff thank the commenters for their support. CSA Staff also note that revisions have been made to the Proposal to address commenter

	generally beneficial for the Canadian capital markets. • One commenter noted that it was generally supportive of the CSA's efforts to reduce burden via the Proposed Amendments. • One commenter noted that many of the workstreams set out in the Proposal represent a step forward in reducing regulatory burden for investment fund issuers and over time this should reduce regulatory compliance costs. • One commenter noted that while it generally supports the Proposed Amendments, it sees further opportunity to enhance the efficiency of the industry, while maintaining investor protection. • One commenter noted that it is very supportive of the Proposed Amendments and thanked the CSA for its hard work. • One commenter supports the Proposed Amendments but believes there are further changes that could be made to the listed workstreams, as well as additional areas that were not raised in the Proposal, that would benefit from a reduction of regulatory burden while maintaining investor protection. • One commenter noted that the Proposals are good first steps, but encouraged the CSA to streamline disclosure even further. • One commenter commended the CSA for the Proposal. • One commenter noted that while it was a lengthy wait for the Proposals, they are comprehensive and will be effective at reducing the regulatory burden for investment fund issuers which could result in cost savings for investors.	suggestions where appropriate, and that burden reduction efforts are underway with respect to distinct initiatives beyond those raised in the Proposal.
Support for Phased Approach	One commenter supported the CSA's desire to reduce regulatory burden through its phased approach.	CSA Staff thank the commenter for its support.
Support for Initiatives that will Reduce Burden for Financial Advisors and Clients	One commenter noted it was pleased to see that while the Proposed Amendments focus on reducing the burden for investment fund issuers, some of the Proposed Changes will also reduce the burden for financial advisors and their clients.	CSA Staff thank the commenter for its support.
Support for Harmonized Approach	Two commenters noted they were in favour of the harmonized approach the CSA has taken with respect to this consultation.	CSA Staff thank the commenter for its support.

GENERAL – QUESTION 1

Are there any areas that would benefit from a reduction of undue regulatory burden or streamlining of requirements, while preserving investor protection and market efficiency, which we should consider as part of Phase 2, Stage 2 (and onwards)? Please prioritize any suggestions you may have.

Issue	Comment	Response
Prospectus Documents		
Review Disclosure in Consolidated SP/AIF	One commenter suggested revisiting the content of the consolidated SP to assess the relevance of the disclosure to investors, registrants and regulators. One commenter suggested removing irrelevant or redundant disclosure in the consolidated SP.	The CSA reviewed the disclosure in the consolidated SP as part of its review of the comments received regarding Workstream One.
Long Form Prospectus Review	Six commenters suggested the CSA look at the long form prospectus requirements for ETF issuers to remove the duplication of information within that document.	CSA Staff note the suggestions.
Scholarship Plan Prospectus	One commenter suggested repealing requirements for disclosure in respect of Form 41-101F3, that are available in other regulatory documents.	CSA Staff note the suggestion.
Alternative Investment Fund Form of Prospectus	Three commenters suggested the CSA reconsider the requirement for alternative investment funds to be filed in a separate SP from conventional mutual funds. One of the commenters further noted that the point of sale disclosure document is the Fund Facts, which explicitly identifies alternative funds as such, and which has highlighted disclosure which describes how the investment strategies and asset classes utilized by an alternative fund differ from conventional mutual funds.	CSA Staff note the suggestions.
Base Shelf System	Two commenters noted the value of a base shelf system for investment fund prospectuses. • One commenter supported the OSC's consideration of options to adapt the shelf prospectus system to investment funds. • One commenter suggested that the prospectus filing system be changed to a regime similar to shelf prospectuses of public companies, and provided details on how such a system should function.	CSA Staff note the suggestions.
ETF Facts Review	One of the commenters suggested that the CSA re-assess the disclosure required in the ETF Facts and noted that the reassessment should focus both on the elimination of duplicative or unnecessary information within the long form prospectus itself and duplicative or unnecessary information contained across the various ETF disclosure documents.	CSA Staff note the suggestion.
Review of Fund Facts and ETF Facts Disclosure Regime	Several commenters suggested that the Fund Facts and ETF facts disclosure regimes be reviewed. • Two commenters suggested that the Fund Facts disclosure regime be reviewed as a whole, with one commenter suggesting that the ETF Facts disclosure regime be reviewed as well.	CSA Staff note the suggestions.

	• Three commenters suggested the CSA permit a fund to prepare a consolidated Fund Facts or ETF Facts that would include all series of that fund. • One commenter suggested that additional flexibility be built into the Fund Facts and ETF facts forms, with a view to allowing managers to remove information that is not applicable to a particular fund or series. • One commenter noted that investment holding information provided in Fund Facts documents are not current enough to aid in investor decision-making and should instead be provided through the designated website.	
Prospectus Filing Process		
Reduce Frequency of Prospectus Filings	Several commenters expressed support for less frequent prospectus filings, although one commenter suggested that regulators consider alternatives to less frequent renewals absent a concrete plan to ensure that the disclosure in the prospectus otherwise meets regulatory and investor expectations. Several different renewal periods were suggested should annual filings be eliminated. One commenter suggested 18 months; another commenter suggested two years; three commenters suggested two to three years; and one commenter suggested three years. Three commenters supported reducing the frequency of prospectus filings but did not suggest a specific renewal period length. Five commenters noted that the Fund Facts and ETF Facts should continue to be filed annually, even where the annual filing requirement is eliminated. Several commenters made suggestions regarding the placement of disclosure requirements needing frequent updating should annual filings be eliminated. Three commenters noted that that the continuous disclosure requirements in NI 81-106 could be relied upon with respect to timely amendments reflecting material changes. Two commenters noted that any information requiring annual updating could be moved to the designated website.	CSA Staff note the suggestions.
Prospectus Review Process	Several commenters suggested that the prospectus review process be improved: • One commenter suggested that staff should not raise substantive new requirements through guidance during the prospectus renewal process. • One commenter noted that the prospectus review process should be improved such that material comments should be provided as soon as possible in the process and be based on existing published regulatory positions. • One commenter suggested that when filing the simplified prospectus, if there are no comments	CSA Staff note the suggestions.

	on a filing, it would be preferable for the prospectus to be receipted immediately rather than the IFM receiving a "no-comment" letter and waiting 24 hours for a receipt. • One commenter suggested that the CSA adopt a service standard to complete their reviews of mutual fund prospectuses containing no novel issues within 30 calendar days. The commenter noted that the current OSC service standard is that OSC staff seek to complete their reviews of mutual fund prospectuses containing no novel issues within 40 working days 80% of the time. The commenter noted that this is approximately 60 calendar days, and that Form 81-101F3 and Form 41-101F4 currently require that prescribed time-sensitive information be not more than 60 days' old, which was determined to be achievable on the assumption that (i) mutual fund renewal prospectuses typically are filed slightly more than 30 calendar days' prior to their lapse dates in order to meet the deadlines set out in paragraphs 2.5(4)(a) of NI 81-101 and 62(2)(a) of the *Securities Act* (Ontario), and (ii) the review of those prospectuses by CSA staff typically do not require more than 30 calendar days to complete.	
Personal Information Forms		
Content of Personal Information Forms	Several commenters suggested examining the content of PIFs, including the method by which such content is updated. Two commenters suggested the CSA review the information collected through the PIF as part of its burden reduction work. Some commenters made specific suggestions in this regard. • One commenter recommended in particular that Item 9.C(ii) of the PIF be amended to only require an officer or director to disclose a settlement agreement entered into by an issuer if the officer or director was an officer or director of the issuer at the time the settlement was entered into. • Two commenters suggested implementing a method whereby updates applicable to various PIFs of a particular investment fund manager could be made at once without the need to file multiple PIFs containing the same update.	CSA Staff note the suggestions.
Reduce Frequency of PIF Filings	Several commenters made suggestions regarding the requirements around updating PIFs. • Two commenters suggested removing the requirement to refile a new PIF every 3 years. • One commenter suggested only requiring material updates be made to the original PIF that was filed.	CSA Staff note the suggestions.
Method of Filing PIFs	Three commenters suggested considering online filings for PIFs, with two commenters noting that it should be similar to the process for the Form 3 of the TSX. One commenter noted that the different	CSA Staff note the suggestions.

	methods of filing PIFs between exchanges and securities regulators exacerbates burden.	
Multi-Use PIFs	One commenter suggested unifying the forms of PIFs with the TSX PIF and the NEO Exchange PIF, so that there is only one document being used for the same individual regardless of where the documents are filed.	CSA Staff note the suggestion.
Continuous Disclosure		
Review of Investment Fund Continuous Disclosure Regime	Several commenters suggested that the investment fund continuous disclosure regime be reviewed: • Five commenters suggested reassessing the investment fund continuous disclosure regime generally. • Two commenters specifically identified quarterly portfolio disclosure, MRFPs and financial statements as needing review, with another commenter noting that the quarterly portfolio disclosure should be removed on the basis that it is redundant with the interim MRFP and monthly reports published by financial data providers. • One commenter noted that the review should seek to eliminate or reduce the extent and frequency of required financial disclosures. • One commenter supported removing duplicative requirements from all continuous disclosure documents and assessing the relevance of the disclosure to investors. • One commenter suggested considering whether continuous disclosure documents are still as beneficial to investors and advisors as they were previously, especially given reporting requirements under CRM2. Several commenters suggested that the investment fund offering document disclosure regime be reviewed, more generally: • Two commenters suggested removing duplicative information across documents (either as a general concept or specifically noting the prospectus and Fund Facts or ETF Facts) or within the same document. • One commenter suggested a focus on the key elements of disclosure that are meaningful to investors in investment funds, and the removal of any historic disclosure requirements that are not tailored to investment funds and were intended for other securities.	CSA Staff note the suggestions.
MRFP	Several commenters provided suggestions in respect of the MRFP: • One commenter suggested maintaining both the annual and interim MRFP but streamlining them. • Two commenters suggested eliminating the MRFP. One commenter suggested making changes to the investment fund continuous disclosure requirements to either eliminate the MRFP and interim financial statements or,	CSA Staff note the suggestions.

	alternatively, to eliminate the interim MRFP and financial statements, and streamline the annual MRFP. One commenter suggested eliminating the MRFP or alternatively permitting delivery of the MRFP through the designated website, replacing the annual MRFP with a streamlined version of the interim MRFP, and deleting the interim MRFP requirement. • Four commenters suggested deleting the interim MRFP requirement. One commenter added that the interim financial statement requirements should be eliminated, and another commenter added that the annual MRFP be streamlined as well. • One commenter suggested considering what changes could be made to the annual and interim MRFP to increase its relevance to investors. • Two commenters only noted that a review take place. One commenter noted that the extent and frequency of the information required to be disclosed by the MRFP and financial statements be reviewed, and another commenter noted that the MRFP should be rethought and streamlined. • One commenter noted that Item 2.1 (Investment Objectives and Strategies) should be deleted from the MRFP on the basis it is duplicated in other disclosure documents.	
Quarterly Portfolio Disclosure	One commenter suggested that investment fund issuers that provide portfolio transparency more frequently than quarterly should not also be required to publish the QPD.	CSA Staff note the suggestion.
Financial Reporting Requirements	One commenter suggested making certain changes to financial reporting requirements to align with the direction of the International Accounting Standards Board, including addressing regulatory overlap and inconsistencies.	CSA Staff note the suggestion.
Auditor Review of Interim Financial Statements	Two commenters suggested eliminating the requirement to have interim financial statements reviewed by the investment fund's auditor where they are incorporated by reference in the prospectus renewal after the filing of the interim MRFP.	CSA Staff note the suggestions.
Information Circular	Two commenters suggested creating a form of information circular that is tailored to investment fund issuers.	CSA Staff note the suggestions.
Exemptive Relief		
Codification of Relief	Several commenters made suggestions regarding the codification of relief. • Some commenters focused on the timeliness of codification. Seven commenters suggested the CSA improve its process to codify routinely granted relief more quickly. One commenter suggested that codification of routinely granted exemptive relief should be considered at regular intervals. One commenter noted that where	CSA Staff note the suggestions.

	codification takes place, the focused nature of any proposed amendment and the application history that led to the amendment should result in a quicker rulemaking process than usual. One commenter noted that the CSA should consider adopting, as an internal policy, a threshold number of applications that would trigger a review by the CSA as to whether codification of particular exemptive relief should be proposed. The commenter suggested the number be three or four applications where the same relief has been sought and been granted with the same or similar conditions. One commenter noted that where the CSA grants exemptive relief and anticipates other market participants will request it as well, it should extend the relief to other market participants as quickly as possible, whether through codification, a blanket exemption order, or some form of "no-action" letter equivalent to what was done in the context of OSC Staff Notice 91- 703. • Some commenters focused on the thresholds that should be applied when determining what relief to codify. One commenter noted that the CSA consider granting codified relief that has been provided to investment funds multiple times in a given period. One commenter suggested the CSA consider codifying sets of relief that have been provided multiple times recently. • Some commenters focused on the interaction between codified relief and previously granted relief. One commenter noted that the CSA should ensure the codification does not impose more stringent conditions than those imposed in the exemptive relief. One commenter noted that the CSA should always provide issuers the flexibility to rely on the codified relief or an issuer's existing relief, provided it does not contain a sunset provision. One commenter noted that where exemptive relief is codified but an applicant requires exemptive relief to modify one or two of the codified conditions, that such application be reviewed on an expedited basis. • Some commenters focused on the types of exemptive relief that should be codified. One commenter noted it is beneficial to codify common exemptive relief. One commenter suggested the CSA consider codifying other routinely granted exemptive relief [besides those addressed in the September 2019 publication for comment], such as those under National Instrument 81-105 *Mutual Fund Sales Practices*. One commenter recommended codifying relief that has not yet been widely obtained. One commenter suggested that codifying existing relief is not sufficient to reduce regulatory burden, as most registrants who require relief already have it. • Some commenters supported the use of codification rather than exemption precedents. One commenter noted that it was disappointed to see references in the OSC's Burden Reduction	

	report to the development of "exemption precedents", which will still require individual firms to apply for the relief, which will be granted in the ways consistent with the exemption precedents, and urged the CSA to continue to codify relief, as opposed to requiring funds and their managers to seek individual relief. • One commenter recommended adopting measures to prevent the codification from becoming obsolete, and adopting a principles-based approach to codification. • One commenter noted that the CSA may well find that it is preferable in some cases to continue to grant exemptions on an individual basis. Some commenters made suggestions regarding the exemptive relief process as a whole. • One commenter noted that the CSA should allow accelerated review and approval of an exemptive relief application that is substantially identical to two recent precedent applications for which an order granting the requested relief has been issued within two years of the application date. • One commenter suggested the CSA consider an expedited review process, provide industry relief more quickly, or consider an approach similar to the issuance of no action letters by the SEC as more effective alternatives to codification. • One commenter suggested that where relief is repeatedly given, the CSA should promptly communicate this to registrants.	
Blanket Relief	Six commenters suggested the CSA issue blanket industry relief for exemptive relief, and one commenter noted it was pleased that the Ontario government announced its support to an amendment to Ontario's *Securities Act* to grant the Ontario Securities Commission authority to issue blanket orders. Several commenters provided suggestions as to when blanket relief should be issued. • One commenter suggested it be granted where the same relief has been granted three or four times with the same or similar conditions. • Two commenters suggested it be granted where the same relief has been granted two or more times within a two-year period.	CSA Staff note the suggestions.
Delivery		
Access Equals Delivery	Several commenters suggested permitting access equals delivery, although they differed in respect of the types of documents that should be permitted to be delivered in this manner: • Ten commenters suggested permitting access equals delivery for continuous disclosure documents. • Three commenters suggested permitting access equals delivery for all regulatory documents	CSA Staff note the suggestions.

	including continuous disclosure documents and Fund Facts. One commenter suggested that the CSA continue to monitor whether access equals delivery for Fund Facts and ETF Facts is something that could be contemplated in the future. • One commenter suggested permitting access equals delivery for continuous disclosure documents and prospectuses. • Two commenters suggested permitting access equals delivery for the annual and interim MRFPs and financial statements, although one of those commenters only cited them as examples. • One commenter suggested explicitly allowing electronic delivery and electronic access to investors via the designated website, but suggested the CSA categorize or clarify which disclosure found on the website must be pushed to investors or potential investors and which information can be available only on demand from the designated website. • One commenter suggested eliminating the requirement to provide investors with financial statements or alternatively permitting access equals delivery for those financial statements. One commenter cautioned against moving towards an access equals delivery model. The commenter noted that while a change to an "access equals delivery" model may reduce costs by eliminating print and postage, it would also reduce investor engagement with disclosure communications. The commenter also noted that it may be a misconception that digital availability is a cost-cutting measure as there are costs associated with maintaining a website (infrastructure upgrades, usability updates, content maintenance, privacy and security protocols, etc.). The commenter noted that any proposed amendments should take the opportunity to increase investor engagement with disclosure communications and build on the principle of pushing the information directly to investors, not requiring investors to search for fund information. The commenter also noted that greater cost savings are available under current rules and guidance without a change in the delivery default simply by making it easier for investment funds to use targeted digital communications options that are currently available.	
Electronic Delivery	One commenter suggested the CSA permit the electronic delivery of the annual financial statements as well as annual management reports of fund performance.	CSA Staff note the suggestion.
Fund Facts and Trade Confirmation Delivery	One commenter suggested moving to a principles-based rule for exempting Fund Facts and trade confirmation delivery where the investor does not make the investment decision.	CSA Staff note the suggestion.

Annual Notices	Several commenters made suggestions regarding annual notices: • One commenter suggested eliminating the need for opt-in cards, annual instructions and annual reminder of standing instructions and redemption process. • Two commenters suggested replacing the existing regime that requires investment fund issuers to either mail materials to unitholders or to seek standing instructions or annual instructions from unitholders. • One commenter suggested that the annual reminders delivered under subsections 5.2(5) of NI 81-106 and 10.1(3) of NI 81-102 be permitted to be delivered via the designated website. • Two commenters suggested that if an access equals delivery regime were implemented, the need for opt-in cards, annual instructions or annual reminders of standing instructions would be eliminated.	CSA Staff note the suggestions.
Notice-and-Access	Two commenters suggested wider use of the notice-and-access approach to deliver documents, with one commenter specifically noting as an example, annual financial statements and MRFPs.	CSA Staff note the suggestions.
Guidance		
Review of CSA Staff Guidance	One commenter suggested reviewing, updating, rationalizing and, where appropriate, deleting guidance that is no longer relevant. The commenter also requested that the CSA put out harmonized guidance and engage in a discussion about what constitutes guidance. Another commenter suggested that all guidance be included only in either National Instruments or companion policies.	CSA Staff note the suggestions.
Rule-Making Outside the Formal Process	One commenter noted that the CSA is engaging in creating new requirements for the investment funds industry without using the rule-making process through means including: (a) comments made by CSA staff in the course of reviewing prospectuses; (b) comments made by CSA staff during or following desk and field audits of specific issues; (c) CSA staff notices; (d) informal publications such as the OSC's *Investment Funds Practitioner*; and (e) positions taken during enforcement proceedings. The commenter further noted that this results in negative consequences, and should be discontinued. The commenter also noted that any published guidance should only provide industry participants with confirmation when various practices are sufficient to meet the requirements of securities legislation, and should not preclude other possible interpretations of securities law requirements, nor trigger adverse consequences for industry participants that choose not to follow that guidance.	CSA Staff note the suggestion.
Focused Amendments to NI 81-102		

NI 81-102, Operational Requirements	One commenter suggested that operational requirements under NI 81-102 could be modernized, streamlined and updated to reduce needless impediments to smooth and efficient investment fund operations.	CSA Staff note the suggestion.
NI 81-102, Subscriptions and Redemptions	One commenter suggested that the rules in Parts 9 and 10 of NI 81-102 governing subscriptions and redemptions should be re-evaluated for ETFs, including with a view to a less rigid and more principles- and risk-based approach to settlement that will afford ETF managers a reasonable measure of discretion in the subscription and redemption process, in a manner that is consistent with their fiduciary obligations.	CSA Staff note the suggestion.
NI 81-102, Designated Ratings Framework	One commenter suggested that the "designated rating" framework under NI 81-102 is overly rigid, over-reliant on ratings agencies and extremely burdensome to comply with in practice, and that the designated ratings rules should be revised to adopt a more principles-based, and less of a prescriptive, approach to assessing risk.	CSA Staff note the suggestion.
NI 81-102, Single Custodian Requirement	One commenter suggested that the CSA reconsider the requirement in Part 6 of 81-102 for investment funds to appoint a single custodian for portfolio assets.	CSA Staff note the suggestion.
NI 81-102, Derivatives Rules	One commenter suggested that the derivatives rules in NI 81-102 are outdated and difficult to apply in practice, and should be reviewed in light of the proposed business conduct and registration regime applicable to over-the-counter (OTC) derivatives.	CSA Staff note the suggestion.
NI 81-102, Illiquid Asset Definition	One commenter suggested that the definition of "illiquid assets" in NI 81-102 would benefit from redrafting in order to clarify the amount of illiquid assets that can be held by a mutual fund, and to more appropriately capture OTC traded securities.	CSA Staff note the suggestion.
NI 81-102, Compliance Reports	One commenter suggested that the Compliance Reports required by Part 12 of NI 81-102 are an unnecessary burden that should be repealed.	CSA Staff note the suggestion.
NI 81-102, Sales Communications	One commenter suggested that several elements of Part 15, NI 81-102 be reviewed: • clarify expectations regarding section 15.3 and simplify its drafting; • simplify section 15.4 and adopt plain language wording; • clarify expectations regarding section 15.6; • incorporate CSA Staff Notice 31-325 *Marketing Practices of Portfolio Managers*; • include a new section on non-financial information, which would address concerns raised by ESG investment funds.	CSA Staff note the suggestions.
NI 81-102, Securityholder Approval for Pre-Approved Fund Mergers	One commenter suggested allowing pre-approved fund mergers to proceed without securityholder approval.	CSA Staff note the suggestion.

Focused Amendments to NI 81-107		
Interaction Between Securities Legislation and NI 81-107	One commenter suggested that provisions in securities legislation made redundant by NI 81-107 should be eliminated.	CSA Staff note the suggestion.
NI 81-107, IRC Framework	One commenter suggested that the CSA should review the IRC framework under NI 81-107.	CSA Staff note the suggestion.
Material Changes		
Risk Ratings	One commenter suggested that the CSA should reconsider its approach to the treatment of risk ratings under NI 81-106, and noted that at the very least, risk rating changes should no longer be treated as deemed material changes.	CSA Staff note the suggestion.
Requirement to file Material Change Report	Two commenters suggested eliminating the requirement to file a material change report, noting that information that is essential to an investor related to any material change of an investment fund, will be disclosed in the press release and prospectus amendment.	CSA Staff note the suggestions.
Other		
Coordinated Approach to Burden Reduction	Two commenters suggested that the CSA continue to work together on burden reduction initiatives, including those being investigated by the OSC as part of its work in response to the comments received on OSC Staff Notice 11-784 *Burden Reduction*.	CSA Staff note the suggestions.
Ongoing Policy Initiatives	One commenter noted that it had previously submitted comments in response to ongoing CSA initiatives and noted that it understood its prior submissions would be considered as part of the CSA's review of regulatory burden. One commenter noted that it looked forward to seeing the product of decisions and recommendations outlined in the OSC's November 2019 publication entitled *Reducing Regulatory Burden in Ontario Capital Markets*.	The CSA aims to consider in its burden reduction efforts, submissions made as part of other CSA initiatives, and as part of the burden reduction initiatives of individual CSA jurisdictions.
Title Regulation	One commenter stated that the CSA should consider lending support to government initiatives in Ontario and Saskatchewan that will restrict the titles of "financial advisor" and "financial planner".	CSA Staff note the suggestion.
Operational Efficiencies	One commenter suggested the CSA continue seeking opportunities to reduce regulatory burden through operational efficiencies in its processes.	CSA Staff note the suggestion.
SEDAR Form 6 Requirement	Four commenters suggested eliminating the SEDAR Form 6 requirement found in subsection 4.3(3) of National Instrument 13- 101 *System for Electronic Document Analysis and Retrieval (SEDAR)*. One of the commenters noted that if the CSA does not wish to eliminate the requirement altogether, it should consider accepting scanned copies or conformed signatures, instead of requiring couriered originals.	CSA Staff note the suggestions.
Separate Disclosure Regimes for ETFs and	Two commenters suggested that there be consideration of whether it is necessary to maintain	CSA Staff note the suggestions.

Conventional Mutual Funds	different disclosure regimes for ETFs and (conventional) mutual funds.	
ETF Specific Burden Reduction Initiatives	Several commenters noted that the CSA should focus on the ETF regulatory regime in its future burden reduction efforts: • Two commenters suggested corresponding burden reduction changes to the regulatory regime applicable to ETFs, including the relevant forms, to reflect the proposals regarding mutual funds. • One commenter suggested that future stages of Phase 2 of the CSA's burden reduction initiative for investment funds include ETF-specific initiatives, including with respect to continuous disclosure obligations and prospectus regime provisions, among other proposals.	CSA Staff note the suggestions.
Financial Literacy	One commenter suggested that the CSA should enhance the regulatory framework in such a way that industry has the ability to improve consumers' financial literacy, whether through the use of technology or greater flexibility for plain language documents.	CSA Staff note the suggestion.

GENERAL – QUESTION 2

With the exception of Workstreams 1, 2 and 3, the Proposed Amendments and Proposed Changes do not introduce any new requirements for investment funds. Instead, we are either removing requirements or introducing exemptions that are permissive in nature. As a result, we do not contemplate any prolonged transition period following the in-force date of the proposals. Are there any specific elements of the Proposed Amendments and Proposed Changes which investment funds and their managers would require additional time to comply with? If so, please explain why and provide suggestions for an appropriate transition period.

Issue	Comment	Response
Quick Adoption Overall	Three commenters supported quick adoption of the Proposed Amendments and Proposed Changes. Two of those commenters added that they would exempt Workstream 1 from this statement, and one of the commenters noted that funds and their managers should be afforded adequate time to implement the changes. One commenter supported a six-month transition period for Workstreams besides Workstream 2.	CSA Staff agree with quick adoption of Workstreams 3-8. Regarding Workstreams 1 and 2, CSA Staff have set out that those Workstreams will come into effect shortly after Workstreams 3-8. However, in respect of Workstreams 1 and 2, the CSA are providing that before September 6, 2022, an investment fund is not required to comply with the amending instruments of those Workstreams, where certain conditions are met, as set out in the Coming into Force/ Exemption section of the Notice.
Workstream 1 Transition Periods	Commenters suggested several different transitional periods for Workstream 1: • Three commenters suggested a transition period of at least 12 to 18 months from final publication, with two of the commenters specifically noting that investment funds would thereafter adopt the changes in their next renewal. • Two commenters suggested a transition period of at least 8 months from final publication, with investment fund issuers adopting the consolidated SP at the next filing or regular renewal after that time. • Four commenters suggested a transition period of at least six months from final publication. • One commenter suggested that mutual funds whose lapse date is within 6 months of the final publication of the proposals be allowed to opt to move to the consolidated prospectus either at the next or subsequent renewal	See response above.
Workstreams Involving Codification of Exemptive Relief	Several commenters made specific suggestions regarding the implementation of Workstreams involving the codification of exemptive relief: • One commenter suggested that if grandfathering is not permitted, a 180-day transition period be	See response above.

	provided to assess the effect of the proposed codifications and to make the required changes in internal processes and controls. • Another commenter noted that the removal of regulatory requirements and the introduction of exemptions that are permissive in nature do not require a prolonged transition period following the in-force date of the proposals, assuming that for the codification of frequently granted exemptive relief, current relief will not immediately expire upon the in-force date of the new rule. • Another commenter noted that the issue had not been addressed in Workstream 5.	
Workstream 2 Transition Period	One commenter suggested a transition period of one year for Workstream 2.	See response above.

GENERAL - OTHER

Issue	Comment	Response
Move Forward on Initiatives Subject to a Consensus	One commenter suggested the CSA move forward as fast as possible on initiatives that are subject to a consensus.	CSA Staff agree.
Permit Reliance on Existing Exemptive Relief	Four commenters suggested the CSA "grandfather" or continue existing exemptive relief. The commenters noted several different reasons for this: • Two commenters noted that not permitting grandfathering will require registrants to incur time and expense in amending their processes to comply with the standardized relief that has been codified. • One commenter noted that relief orders are often fact specific, and requiring investment funds to go back and analyze past relief to ensure it falls within the parameters of the new codified version will create more burden, and not reduce burden for investment funds that have existing relief. • One commenter noted that there may be sections in certain relief documents that are not covered by the new rules contained in the Proposed Amendments.	The Amendments reflect the conditions of recently granted relief and will maintain a consistent standard across the industry for funds seeking to engage in the same activity. It remains open to investment fund managers to apply for exemptive relief where their particular circumstances may warrant doing so.
Proposal Should Have Focused on Other Areas	One commenter noted that the Proposal should have targeted several long-standing industry requests that would have minimal effect on investors but yield more significant industry savings.	CSA Staff appreciate the feedback and are targeting additional areas for burden reduction.
Improve Disclosure Such that it Better Distinguishes Between Dividends and Return of Capital	One commenter suggested that investors should receive clearer disclosure as to whether distributions received from investment funds are dividends or return of capital.	CSA Staff note the commenter's views.

WORKSTREAM ONE – SUPPORT

Issue	Comment	Response
Support for Consolidation of AIF into SP for Mutual Funds in Continuous Distribution	Eleven commenters supported consolidation of the AIF into the simplified prospectus for mutual funds in continuous distribution. Several commenters provided their rationale: • One commenter noted that the change is desirable given the overlap in disclosure between the simplified prospectus and AIF as well as the introduction of the Fund Facts and ETF Facts disclosure documents. • One commenter noted that some elements of disclosure required in an AIF do not provide incremental benefit to investors. • One commenter noted that investors may find greater utility in relying on the Fund Facts document.	CSA Staff thank the commenters for their support.

WORKSTREAM ONE – QUESTION 3

As described in footnotes 3 to 5 of the Notice, certain specific requirements from the existing Form 81-101F1 and Form 81-101F2 were not carried over into the proposed Form 81-101F1. Do you support or disagree with these changes? If so, please explain.

Issue	Comment	Response
Footnotes 3 to 5	Five commenters supported the changes noted in footnotes 3 to 5 of the Notice. One commenter agreed with removal of existing prescribed prospectus disclosure that was not included in the Consolidated SP. One commenter did not comment on footnote 3, but noted that in respect of footnote 4, the information from Form 81-101F2, Item 11.1 *Principal Holders of Securities*, subsections (3)-(4) was acceptable to delete but the information from subsections (5)-(6) should be reinserted. The commenter agreed with the changes noted in footnote 5.	CSA Staff thank the commenters for their support. Regarding one commenter's suggestion to reinsert information from Form 81-101F2, subsections 11.1(5)-(6), the CSA remains of the view that the information required by these subsections is not of sufficient benefit to justify the significant time and cost associated with producing it.
Part B Introduction	Two commenters suggested reinserting Form 81-101F1, Part A, Item 13, *Part B Introduction*. One commenter noted that this would enhance the ability to disclose common issues across the Part B sections.	CSA Staff prefer to maintain a single Part B Introduction section, and note that Amended Form 81-101F1, Part B, subsection 2(3) states for a multiple SP, at the option of the mutual fund, include any information that is applicable to more than one of the mutual funds.
Start Date of Mutual Fund and Type of Securities	One commenter believed that the start date of the mutual fund and type of securities were deleted (and was supportive of such a move).	CSA Staff note that Amended Form 81-101F1, Part B, subsection 8(2) requests the start date of the mutual fund and Amended Form 81-101F1, Part B, Item 7 requests a description of the securities offered by the mutual fund. CSA Staff also note that these were present in the Proposed Amendments as well.
Illustration of Fund Expenses Indirectly Borne by Investors	One commenter agreed with deletion of Form 81-101F1, Part B, Item 13.2, (Illustration of Fund Expenses Indirectly Borne by Investors).	CSA Staff thank the commenter for its support.
Transaction Price Based on Next Calculated NAV	One commenter noted that disclosure that the transaction price is based on the next calculated NAV of the fund was deleted and did not support such a change.	CSA Staff note that this disclosure is included in Amended Form 81-101F1, Part A, subsection 7(1), ("state that the issue and redemption price of those securities is based on the mutual fund's net asset value of a security of that

		class, or series of a class, next determined after the receipt by the mutual fund of the purchase order or redemption order”). CSA Staff also note that this was present in the Proposed Amendments as well.

WORKSTREAM ONE – QUESTION 4

Are there any disclosure requirements from the proposed Form 81-101F1 that are redundant or unnecessary and that can be removed or modified without impacting investor protection or market efficiency? If so, what are the reasons why the disclosure requirements should be removed or modified and how will investor protection and market efficiency be maintained? Are there any significant cost implications associated with sourcing the required disclosure? If so, please explain. Please comment in particular on the proposed Item 4.14 (Ownership of Securities of the Mutual Fund and the Manager) of Part A and whether it should be narrowed in scope or removed entirely.

Issue	Comment	Response
Further Reduction of Disclosure Requirements in Proposed SP Required	Eight commenters noted that there should be further reduction of disclosure requirements in the proposed Form 81-101F1 (**Proposed Form 81-101F1**). Several commenters provided specific areas of focus: • Two commenters noted that the document should be critically reassessed to determine which information is immaterial or irrelevant to an investor, a registrant or the regulator in the context of an investment fund. • Three commenters noted that where information is relevant only to the regulator, it should be provided through different means, and that with respect to relevant information that is provided as at a point in time, investment fund issuers should be given the flexibility to provide it through the designated website. • One commenter noted that repetitive and redundant disclosures should be eliminated. • One commenter noted that the Proposed Form 81-101F1 should be streamlined together with the disclosure provided in the Fund Facts to ensure that, to the greatest extent possible, the disclosure is meaningful, is not duplicative, is in a reasonable and appropriate order, is as simple as possible, and includes as few data points as possible that would need to be updated on a periodic basis. • One commenter noted that the content of the Proposed Form 81-101F1 should be revised in terms of necessity, materiality, and relevance to the investor. • One commenter noted that any disclosure that duplicates information found in other disclosure documents should be removed, as should any disclosure that is not relevant or meaningful to an investor's purchase decision. • One commenter noted that the Proposed Form 81-101F1 should not include any information which is of marginal use to investors or which is substantially repeated in other documents. The commenter also noted that remaining time-sensitive information in the Proposed Form 81-101F1 should instead be moved to the financial statements or MRFPs.	CSA Staff assessed each disclosure item on a case by case basis and considered, as appropriate, the commenters' views.
General Principles for Review of Proposed Form 81-101F1	Several commenters noted that the disclosure in the Proposed Form 81-101F1 should be reviewed with certain principles in mind: • One commenter suggested that irrelevant or redundant disclosure requirements need to be	CSA Staff assessed each disclosure item on a case by case basis and considered, as appropriate, the commenters' views.

	removed, and specifically suggested removal of requirements that are difficult to produce and generally not meaningful to an investor's decision to purchase, sell or hold securities of a fund. • One commenter suggested that the existing disclosure be reviewed from the perspective of what investors would find meaningful. • One commenter suggested removing information that is not material and pertinent to an investor's purchase decision. • Two commenters suggested removing disclosure that is duplicative in nature and already provided to investors in accordance with other regulatory disclosure requirements. • One commenter suggested the CSA prepare a mock simplified prospectus using the Proposed Form 81-101F1, and review it alongside a typical Fund Facts document to make sure that the disclosure items are as streamlined (non-duplicative), simplified, and evergreen as possible • Three commenters suggested that time-sensitive information not be included in the Proposed Form 81-101F1, with one of the commenters noting that such information rapidly becomes stale upon being made public.	
Proposed Form 81-101F1, Separate Part A and B Sections	One commenter questioned whether it was necessary to maintain separate Part B documents for each mutual fund, which will be bound separately with Part A disclosure. The commenter noted that the catalogue approach for Part B disclosure was to allow investors to easily consider the disclosure for each fund, which seems less important now that there are Fund Facts for each series of the fund. The commenter suggested instead introducing comprehensive tables of information covering all the applicable funds.	CSA Staff are of the view that the structure proposed by the commenter would likely be difficult for investors to navigate, read and understand, particularly where a simplified prospectus is drafted in respect of a large number of mutual funds.
Order of Disclosure	Two commenters suggested changes to the order of disclosure provided in the Proposed Form 81-101F1: • One commenter suggested that the order of the disclosure to be provided in the Proposed Form 81-101F1should not be dictated or mandated by the CSA. The commenter also noted that comparability between funds included in a simplified prospectus has become less important since the introduction of the Fund Facts regime and the shift of the simplified prospectus to a background document available to investors seeking more information about a fund they are considering investing in. • One commenter suggested the order of items in the Proposed Form 81-101F1be revised with a view to having the most relevant points at the front of Part A of the document.	CSA Staff are of the view that a consistent order should be maintained across the Part A and Part B sections of the Amended Form 81-101F1 to assist investors and other users in locating information in an efficient and predictable manner. CSA Staff are also of the view that the order of disclosure items in the Amended Form 81-101F1 is appropriate.
Relax Form Requirements	Four commenters noted that the stringent form requirements of the Proposed Form 81-101F1 should be relaxed. Several commenters provided their rationale:	CSA Staff are of the view that the existing Form requirements make it easier for investors to

	• One commenter noted that this should be the case given it is no longer the primary disclosure document for investors. • One commenter noted that this flexibility will permit an investment fund to provide investors with other information or disclosure it feels necessary, that is outside of the strict form requirements of the Proposed Form 81-101F1. One commenter suggested that the relaxation be achieved through the following means: removal of paragraph 4.1(2)(e) of NI 81-101 so that the Proposed Form 81-101F1 may include nonprescribed information; and modification of subsections (6) and (12) of the General Instructions to Proposed Form 81-101F1 such that they apply only to Items 3, 4, 5, 6 and 9 of Part B of the Proposed Form 81-101F1 so that the template of the Part B information currently included in the Proposed Form 81-101F1 is preserved.	compare simplified prospectus documents of different mutual funds and assist in the regulatory review process. CSA Staff note that Amended Form 81-101F1 permits the inclusion of additional information in Part A, Item 13 and Part B Item 11. CSA Staff do not agree that the requirement in NI 81-101, paragraph 4.1(2)(e) should be eliminated or revised to permit any disclosure deemed necessary by the investment fund, given concerns regarding the appropriateness, length and scope of information that might be included should limitations be eliminated.
Proposed Form 81-101F1, Part A, Items 4.1-4.20	One commenter suggested removing certain sections of Proposed Form 81-101F1, Part A, Items 4.1-4.20 (such as Items 4.2, 4.3, 4.6, 4.10, 4.13) and replacing it with an organization and management chart, that would provide an overview of the entities responsible for the management of a fund, on the basis that additional information is not material to investors.	CSA Staff reviewed the disclosure requirements contained in Proposed Form 81-101F1, Part A, Item 4 in conjunction with commenter suggestions and determined whether any requirements can be removed, on a case by case basis. CSA Staff note that the remaining information is material, and that the instructions to the Amended Form 81-101F1 do not prohibit the addition of a chart to improve investor understanding for this Item.
Proposed Form 81-101F1, Part A, Subsections 4.2(2), (3), (4) and Item 4.6	One commenter suggested that Proposed Form 81-101F1, Part A, subsections 4.2(2), (3), (4) and item 4.6 be removed for several reasons: the information is not relevant to the investment decision of mutual fund investors; the information requires, in some organizations, considerable effort to collect and maintain; the information may raise privacy concerns for some of the named individuals; and the information is available to the CSA through other means.	CSA Staff are of the view that this disclosure is valuable to investors but have streamlined the disclosure required.
Proposed Form 81-101F1, Part A, Item 4.3	Several commenters suggested removing all or specific parts of Proposed Form 81-101F1, Part A, Item 4.3:	CSA Staff are of the view that disclosure about the Portfolio Manager is

	• One commenter suggested that Proposed Form 81-101F1, Part A, Item 4.3 be removed as it does not provide relevant information to investors, unless the investment fund is managed by a high-profile adviser. The commenter also noted that if the requirement is maintained, whether the identity of the adviser is material should be determined in the IFM's discretion. The commenter also noted that the information could be posted to the proposed designated website. • One commenter suggested removing from the Proposed Form 81-101F1, Part A, paragraph 4.3(3)(b) on the basis that it is onerous to compile each year and transcribe into a mutual fund's simplified prospectus, information for all of the individual portfolio managers that may make investment decisions for the mutual fund. The commenter also noted that this information is not useful to investors. One commenter suggested removing Proposed Form 81-101F1, Part A, subsection 4.3(3) on the basis that information about the individual portfolio manager responsible for managing the portfolio of a fund is generally not meaningful to investors. The commenter also noted that to the extent investors find value in this information, it should be made electronically available on the investment fund manager's designated website.	valuable to investors, particularly those investing in actively managed products, and should remain in Amended Form 81-101F1, Item 4 given the specific purpose of that section to describe key entities with responsibility for a mutual fund's operation. CSA Staff, however, have removed Proposed Form 81-101F1, Part A, paragraph 4.3(3)(b) on the basis that the benefit of the disclosure is not justified by the significant effort required to assemble it. A requirement to name individuals referenced and provide their titles has, however, been added to the disclosure requirement that was in paragraph (a).
Proposed Form 81-101F1, Part A, Subsection 4.4(3)	One commenter suggested that Proposed Form 81-101F1, Part A, subsection 4.4(3) be deleted on the basis that the general disclosure regarding brokerage arrangements is sufficient.	CSA Staff are of the view that this disclosure requirement is not burdensome, as it is only required to be produced when specifically requested by investors, and because a mutual fund likely maintains records of the information in any event.
Proposed Form 81-101F1, Part A, Subsection 4.6(7)	One commenter noted that Part A, Subsection 4.6(7) of the Proposed Form 81-101F1 should refer to the ultimate designated person and chief compliance officer of the manager not the mutual fund.	CSA Staff agree.
Proposed Form 81-101F1, Part A, Item 4.9	Two commenters suggested that Proposed Form 81-101F1, Part A, Item 4.9 be removed on the basis that the information it requests is irrelevant now that records are generally electronic.	CSA Staff note that the requirement need only be completed if applicable.
Proposed Form 81-101F1, Part A, Item 4.13	Two commenters proposed changes to Proposed Form 81-101F1, Part A, Item 4.13: • One commenter suggested that Proposed Form 81-101F1, Part A, Item 4.13 be removed on the basis that section 4.4 of NI 81-107 already requires funds to file and post their IRC Report annually, which contains more comprehensive information. • One commenter noted that Part A, subsections 4.13(1) or 4.13(2) of the Proposed Form 81-	CSA Staff are of the view that Amended Form 81-101F1, Part A, Item 4.12 provides useful summary-level information for investors on governance practices of a mutual fund as well as on IRCs. CSA Staff are also of the view that the disclosure

	101F1 should be modified to include a brief description of the IRC, or a detailed description, but not both.	contextualizes related filings on SEDAR such as the IRC Report to Securityholders. CSA Staff have, however, consolidated Proposed Form 81-101F1, Part A, subsection 4.13(1) into Proposed Form 81-101F1, Part A, subsection 4.13(2).
Proposed Form 81-101F1, Part A, Subsection 4.14(2)	Several commenters suggested that Proposed Form 81-101F1, Part A, subsection 4.14(2) be deleted, for several different reasons: • Nine commenters suggested deletion on the basis that this information is not meaningful to investors in a mutual fund. • One commenter noted that the requirement would make the simplified prospectus significantly longer and more challenging to navigate. • Two commenters noted that the information is stale dated once available and obtaining the information for the disclosure requires a significant allocation of resources, particularly given it must be within 30 days of the date of the simplified prospectus. • One commenter noted that obtaining, processing and vetting the information is very time consuming. • One commenter noted that the information is made less useful because individual investors are anonymized. • One commenter noted that the information is burdensome to produce and is provided in the information circular when there is a meeting of securityholders, which is when this information would be relevant. Several commenters identified specific reasons why the disclosure regarding mutual fund ownership should be removed: • Five commenters noted that this disclosure alerts the investor to ownership concentration issues within the fund such that if there is a large holder and that holder redeems, that could have an adverse impact on the fund. The commenters noted, however that investors are already alerted to this risk through the disclosure required by Proposed Form 81-101F1, Part A, subsection 9(2). • One commenter noted that the disclosure raises investor privacy concerns. • One commenter noted that unlike a public company where a significant ownership position could influence the management of the public company and affect the outcome of a take-over bid, no such considerations apply in the mutual fund context. Another commenter also noted that there are no takeover threats in the mutual fund context.	CSA Staff note the commenters' views and have deleted the disclosure requirement.

	• Two commenters noted that class or series level information is only relevant if there is a vote to be conducted on a class or series level basis, but that this information would be disclosed on a class or series level basis in the information circular. • One commenter noted that if the requirement is maintained, it should be revised such that instead of listing every single person/company that holds 10 percent of a series or class, investment fund issuers be permitted to provide the information in aggregate as a summary table. Several commenters identified specific reasons why the disclosure regarding manager ownership should be removed: • One commenter noted that disclosing the ownership of the manager of a mutual fund may involve disclosing non-public proprietary information regarding the manager, with little associated benefit to investors. • One commenter noted that if there is a policy desire to require disclosure of real or perceived conflicts of interest or potential conflicts of interest, Item 4.14 of the Proposed Form 81-101F1 could be changed to require only such disclosure of 10% holders where more than 10% of any class or series of voting securities is held by the manager (including directors and officers of the manager) or its affiliates, or by any other investment fund managed by the manager.	
Proposed Form 81-101F1, Part A, Subsection 4.15(3)	Two commenters proposed changes to Proposed Form 81-101F1, Part A, Item 4.15: • One commenter suggested that Proposed Form 81-101F1, Part A, subsection 4.15(3) be deleted on the basis that the information requested is unnecessarily detailed. • One commenter noted that Part A, subsection 4.15(3) of the Proposed Form 81-101F1 should refer only to “executive officers”.	CSA Staff have deleted subsection (3) of the specified disclosure requirement on the basis that Amended Form 81-101F1, Part A, Item 4.13, subsections (1)-(2) provide sufficient disclosure for an investor to be able to assess the presence of a conflict without the need for more specific information.
Proposed Form 81-101F1, Part A, Subsection 4.17(5)	Two commenters suggested that Proposed Form 81-101F1, Part A, subsection 4.17(5) be removed. One of them noted it should be removed on the basis that proxy-voting details are disclosed pursuant to NI 81-106.	CSA Staff have removed the requirement on the basis that proxy-voting details are disclosed pursuant to Part 10, NI 81-106 and given the restrictions in subsection 2.5(6), NI 81-102.
Proposed Form 81-101F1, Part A, Subsection 4.17(6)	One commenter suggested removing Proposed Form 81-101F1, Part A, subsection 4.17(6) on the basis that it is not helpful to investors, especially in light of the requirement to provide copies of the complete proxy voting policies and procedures for the Funds upon request, and given the requirement to annually post proxy voting records for each of the Funds.	CSA Staff are of the view that the disclosure should be maintained, as policies and procedures on proxy voting are of interest to investors, particularly in the context of ESG mutual funds.

Proposed Form 81-101F1, Part A, Subsections 4.18(2) and (3)	One commenter suggested that information required by Proposed Form 81-101F1, Part A, subsections 4.18(2) and (3) be either deleted or moved to the annual financial statements (in the case of any amounts paid by the mutual fund to its directors) or annual IRC report (in the case of any amounts paid by the mutual fund to its IRC members).	CSA Staff are of the view that a prospective purchaser may find this information valuable. CSA Staff are also of the view that keeping the information intact, together and within Amended Form 81-101F1, Part A, Item 4 is appropriate.
Proposed Form 81-101F1, Part A, Subsection 4.20(3)	One commenter suggested removing Proposed Form 81-101F1, Part A, subsection 4.20(3) on the basis that it requires that if the manager receives a demand letter relating to the business or operations of a Fund, it needs to make a disclosure in its simplified prospectus. The commenter also noted that determining whether to include disclosure of a demand letter requires a detailed analysis of disclosure obligations which is a burden that should be relieved, as it adds expense and risk for the manager, and is not meaningful to investors.	CSA Staff are of the view that disclosure of this nature is valuable to a prospective purchaser but have added an explicit materiality threshold in Amended Form 81-101F1, Part A, subsection 4.18(3).
Proposed Form 81-101F1, Part A, Item 8 Instruction	One commenter noted that the Instruction to Part A, Item 8 of the Proposed Form 81-101F1 should remove references to “foreign content monitoring plans” (an irrelevant and outdated reference) and “U.S. dollar purchase plans” (which is a purchase feature described in Item 7).	CSA Staff have deleted the reference to foreign content monitoring plans. CSA Staff have also deleted the reference to U.S. dollar purchase plans on the basis that such disclosure can be captured in Amended Form 81-101F1, Part A, subsection 7(4) where all available purchase options are described. An instruction has been added to Amended Form 81-101F1, Part A, subsection 7(4) to confirm that disclosure regarding currency purchase plans can be made in that subsection.
Proposed Form 81-101F1, Part A, Item 14; Part B, Subsection 5(7); and Part B, Item 6	Several commenters suggested changes to disclosure requirements having to do with exemptive relief: • One commenter suggested that Proposed Form 81-101F1, Part A, Item 14 be revised to mirror the more narrow requirement in Proposed Form 81-101F1, Part B, subsection 6(2) on the basis that the broader requirement requests disclosure that is not relevant to an investor’s purchase decision and is broader than the disclosure requirement under the current Form 81-101F2, subsection 4(2).	CSA Staff note that Amended Form 81-101F1, Part A, Item 14 is consistent with the disclosure requirement in the current Form 81-101F2, Item 23. CSA Staff are also of the view that an investor may wish to know about exemptions from, or approvals under, securities requirements beyond just those having to do with investment restrictions.

	• One commenter noted that Part A, Item 14 and Part B, subsection 6(2) of the Proposed Form 81-101F1 should be harmonized to ensure that only one requires a mutual fund to disclose the exemptive relief the mutual fund has obtained from investment restrictions in NI 81-102. • One commenter suggested rationalizing the following sections of the Proposed Form 81-101F1 that concern investment restrictions: Part A, Item 14; Part B, subsection 5(7); and Part B, Item 6.	Amended Form 81-101F1, Part A, Item 14 is intended to capture disclosure common across all funds in the simplified prospectus. Amended Form 81-101F1, Part B, subsection 6(2) remains in place for disclosure specific to a particular mutual fund. CSA Staff have moved Proposed Form 81-101F1, Part B, subsection 5(7) (restrictions on investments adopted by a mutual fund beyond what is required under securities legislation) to follow Amended Form 81-101F1, Part B, subsection 6(2) (approvals to vary restrictions and practices in securities legislation). CSA Staff maintained Proposed Form 81-101F1, Part A, Item 14.
Proposed Form 81-101F1, Part B, Subsections 2(3) and (4)	One commenter noted that Proposed Form 81-101F1, Part B, subsection 2(4) of the be deleted, and subsection 2(3) be expanded to include any information that would be repeated by more than one mutual fund in its Part B.	CSA Staff agree and have consolidated the two subsections.
Proposed Form 81-101F1, Part B, Item 3, Instruction 1	One commenter suggested that Proposed Form 81-101F1, Part B, Item 3, Instruction 1 should be removed as the requirement to provide the date on which the mutual fund started is no longer required.	CSA Staff note that the date on which the mutual fund started was required in Proposed Form 81-101F1, Part B, subsection 8(2) and is still required in Amended Form 81-101F1, Part B, subsection 8(2). Accordingly, the instruction has been moved to that section.
Proposed Form 81-101F1, Part B, Item 4	One commenter noted that Proposed Form 81-101F1, Part B, Item 4 should remove reference to “securities of another mutual fund” in Instruction (1) and reference to “primarily through the use of derivatives” in Instruction (3) on the basis both are immaterial to an investor and may create an unnecessary regulatory burden for a mutual fund to obtain securityholder approval to change its investment objectives if its approach to investing in other mutual funds or using derivatives changes in the future.	CSA Staff disagree and are of the view that where a mutual fund intends to achieve its investment objectives by investing in other investment funds or derivatives, such information should form part of the investment objectives.
Proposed Form 81-101F1, Part B, Subsection 5(5)	One commenter suggested that information required by Proposed Form 81-101F1, Part B, subsection 5(5) be removed on the basis that current disclosure of a portfolio turnover rate exceeding 70% is potentially	CSA Staff deleted the requirement on the basis that Form 81-106F1, Part B, Item 3.1 (Financial

	misleading because it can be due, in whole or in part, to the mutual fund experiencing significant net purchases or net redemptions of its securities, rather than any particular investment strategy involving a high rate of portfolio turnover. The commenter also noted that the principal consequence of a high portfolio turnover rate is that the mutual fund's portfolio trading costs may be greater than that of another mutual fund with a lower portfolio turnover rate, and that consequence is reflected in the trading expense ratio included in the mutual fund's Fund Facts. The commenter also noted that higher portfolio turnover rate does not change how the mutual fund or its securityholders are taxed, and does not change the mutual fund's distribution policy.	Highlights) requests data on portfolio turnover rate in a table that must be accompanied by explanatory information regarding the significance of that data. CSA Staff also deleted the requirement on the basis that Form 81-101F3, Part II, subsection 1.3(2) requests data about the trading expense ratio which in part reflects the portfolio turnover rate, since a higher portfolio turnover rate increases trading costs payable by a mutual fund.
Proposed Form 81-101F1, Part B, Subsection 6(2)	One commenter suggested that Proposed Form 81-101F1, Part B, subsection 6(2) be relocated to Part A or Part B, Item 2.	Amended Form 81-101F1, Part A, Item 14 is intended to capture exemptions and approvals disclosure common across all mutual funds in the simplified prospectus. CSA Staff maintained Proposed Form 81-101F1, Part B, subsection 6(2) for disclosure specific to a particular mutual fund.
Proposed Form 81-101F1, Part B, Item 8	Two commenters suggested that Proposed Form 81-101F1, Part B, Item 8 be deleted either in whole or in part. • One commenter recommended that Proposed Form 81-101F1, Part B, Item 8 be removed in its entirety on the basis that it is not material to an investor's purchase decision and the majority of the information is available on an investment fund's SEDAR profile. • One commenter suggested that information required by Proposed Form 81-101F1, Part B, subsections 8(4) and 8(5) be deleted on the basis that the information required by such items is historical in nature, can often run many pages in length, is of minimal relevance to investors in a mutual fund, and is available in the mutual fund's continuous disclosure record.	CSA Staff are of the view that this disclosure is of significance to an investor and that it would be unreasonable to expect an investor to piece it together through a detailed review of a mutual fund's SEDAR filings.
Proposed Form 81-101F1, Part B, Subsection 9(2)	Three commenters suggested that Proposed Form 81-101F1, Part B, subsection 9(2) be removed, though for different reasons: • One commenter suggested the removal on the basis that it is adequately addressed through risk factor disclosure related to large investors, and also because the quantification is generally not relevant to the mutual fund investor and is stale dated by the time it is published. • One commenter suggested removal on the basis that the disclosure is difficult to compile and transcribe into the prospectus and is of minimal	CSA Staff are of the view that this disclosure should remain, as it provides valuable information to an investor on sources of liquidity risk, which as noted in *CSA Staff Notice 81-333 Guidance on Effective Liquidity Risk Management for Investment*

	use to investors. That commenter also noted that it understood that the CSA have required this disclosure in the past to alert investors of the potential risk of a large redemption order by a large securityholder, but the commenter was of the view such a risk is minimal because securities legislation already requires mutual funds to invest at least 85% of their assets at all times in liquid investments in order to ensure its ability to fund large redemptions should they occur, and many mutual fund companies have implemented procedures requiring additional notice from investors seeking to request a large redemption so as to provide the mutual fund with additional time to liquidate assets in an orderly manner. The commenter also noted that a mutual fund also can experience a large volume of redemptions at any time from smaller securityholders. The commenter noted that it would be sufficient if the Proposed Form 81-101F1 merely included a general risk factor that large redemptions can occur at any time. • One commenter suggested removal on the basis that the information is difficult to produce, not meaningful to investors, and stale dated when an investor has access to it. The commenter also noted that the purpose of this disclosure can be more appropriately achieved in the specific risk disclosure.	*Funds*, is an issue of key importance to the CSA and other financial industry regulators.
Proposed Form 81-101F1, Part B, Subsection 9(7)	Four commenters suggested that Proposed Form 81-101F1, Part B, subsection 9(7) be removed, though for different reasons: • Two commenters noted that the information is adequately addressed through disclosure of a concentration risk factor, is generally not relevant to the mutual fund investor, and is stale dated by the time it is published. • One commenter noted that the information requested is onerous to compile and transcribe, and is of marginal use to investors because NI 81-102 already regulates the circumstances in which the CSA permit a mutual fund to hold securities of an issuer representing more than 10% of the mutual fund's net asset value and the information also is potentially misleading since it is backward-looking. The commenter suggested that the required disclosure be replaced with generic disclosure that any mutual fund may, from time to time in the certain circumstances permitted under Canadian securities legislation, have more than 10% of its assets invested in a single issuer, together with the risks associated with such concentrated investments. • One commenter suggested removal on the basis that the information is difficult to produce, not meaningful to investors, and stale dated when an investor has access to it. The commenter also noted that the purpose of this disclosure can be more appropriately achieved in the specific risk disclosure.	See above.

Proposed Form 81-101F1, Part B, Item 11	Four commenters suggested that Proposed Form 81-101F1, Part B, Item 11 be removed on the basis that it duplicates disclosure also found in the Fund Facts and ETF Facts.	CSA Staff have removed the requirement and note that Proposed Form 81-101F1, Part B, Item 11, Instructions (1) and (2) are not duplicated in Form 81-101F3, Part I, Item 7 (Suitability), but all other elements are. Regarding Instructions (1) and (2), CSA Staff note that risk rating information provided pursuant to Form 81-101F3, Part I, subsection 4(2) is an acceptable substitute.

WORKSTREAM ONE – QUESTION 5

As an alternative to complete removal, are there any disclosure requirements from the proposed Form 81-101F1 that could be relocated to another required disclosure document or to the proposed "designated website" for investment funds, while still maintaining investor protection and market efficiency? If so, why should these disclosure requirements be relocated and where should they be relocated to? Please comment in particular on any of the following proposed Items:

a. Part A, Item 4 (Responsibility for Mutual Fund Operations);
b. Part A, Item 7 (Purchases, Switches and Redemptions);
c. Part A, Item 8 (Optional Services Provided by the Mutual Fund Organization);
d. Part B, Item 8 (Name, Formation and History of the Mutual Fund).

Issue	Comment	Response
Disclosure Standard to All Investment Funds	One commenter suggested that disclosure that is standard to all investment funds and not specific to the investment fund being contemplated for purchase by an investor (e.g. valuation of portfolio securities) could be moved to the designated website.	CSA Staff disagree.
Point-in-Time Disclosure	One commenter suggested that disclosure provided at a point-in-time could be moved to the designated website.	CSA Staff will investigate migration of prospectus disclosure to the designated website as part of a separate stage of the current burden reduction initiative and will consider the commenter's views at that time.
Non-Material Disclosure	One commenter suggested that that non-material disclosure could be moved to the designated website.	CSA Staff have aimed to remove all non-material disclosure in its entirely from Amended Form 81-101F1.
Disclosure not Necessary or Helpful to Making an Investment Decision	One commenter suggested that any disclosure not necessary or helpful to making an investment decision be either removed or relocated to the designated website.	CSA Staff have sought to remove unhelpful disclosure in its entirety from Amended Form 81-101F1.
Proposed Form 81-101F1, Part A, Item 4	Several commenters suggested relocating Proposed Form 81-101F1, Part A, Item 4 to the designated website either in whole or in part: • One commenter suggested moving Proposed Form 81-101F1, Part A, Item 4 to the designated website in its entirety. • One commenter noted that certain disclosure from this Item (such as Items 4.2, 4.3, 4.6, 4.10, 4.13, and 4.14) be relocated to the designated website if not deleted entirely. • One commenter suggested that the disclosure in Proposed Form 81-101F1, Part A, Items 4.2 to 4.13, 4.14 and 4.17 be relocated to the designated website. • One commenter suggested that if disclosure from the Proposed Form 81-101F1, Part A, Items 4.3 and 4.14(2) are not removed entirely, they could be posted to the designated website.	CSA Staff will investigate migration of prospectus disclosure to the designated website as part of a separate stage of the current burden reduction initiative and will consider the commenters' views at that time.

	• One commenter suggested that the following requirements of Proposed Form 81-101F1, Part A, Item 4 be relocated to the website: item 4.1, item 4.2, paragraph 4.3(1)(2)(3)(a), and items 4.6, 4.8, 4.9, 4.11, 4.13, 4.14, 4.17, 4.18 and 4.20.	
Proposed Form 81-101F1, Part A, Item 7	One commenter suggested that disclosure from the Proposed Form 81-101F1, Part A, Item 7 be relocated to the designated website. Another commenter suggested that it remain in the Proposed Form 81-101F1.	CSA Staff are of the view that the prospectus document remains the most appropriate location for this key operational disclosure.
Proposed Form 81-101F1, Part A, Item 8	One commenter suggested that disclosure from the Proposed Form 81-101F1, Part A, Item 8 be relocated to the designated website. Another commenter suggested that it remain in the Proposed Form 81-101F1.	See above.
Proposed Form 81-101F1, Part B, Item 8	Four commenters suggested that disclosure from the Proposed Form 81-101F1, Part B, Item 8 be relocated to the designated website, although one of the commenters noted that this should occur only if the disclosure is not deleted entirely.	CSA Staff are of the view this disclosure should be maintained and will investigate migration of prospectus disclosure to the designated website as part of a separate stage of the current burden reduction initiative. CSA Staff will consider the commenters' views at that time.
Proposed Form 81-101F1, Part B, Item 11	One commenter suggested that Proposed Form 81-101F1, Part B, Item 11 be relocated to the designated website if not removed entirely.	CSA Staff deleted the requirement, as noted in the responses to Consultation Question 4.
Relocating Disclosure to the Proposed Designated Website Will Increase Burden	One commenter noted that relocating disclosure to another document or to the proposed designated website will not reduce burden for investment fund managers. The commenter noted that burden would be increased by investment fund managers having to create a new process to review both prospectus and website disclosure when going through an annual renewal project or relevant amendment. The commenter also noted that it did not generally believe that it is a good idea to split out disclosure relating to key features of a fund, as disclosure in these sections can be important to understanding the products offered by a manager, and therefore, it would not be appropriate to remove the disclosure from the prospectus. The commenter also noted that moving language over from the prospectus would also result in some duplication, since the website disclosure would require some context before disclosing, for example, optional services offered by the manager.	CSA Staff will investigate the migration of prospectus disclosure requirements to the designated website as part of a separate stage of the current burden reduction initiative and will consider the commenters' views at that time.

WORKSTREAM ONE – QUESTION 6

The proposed Item 7(2) of Part A of Form 81-101F1 requires a description of the circumstances when the suspension of redemption rights could occur. We are considering, however, whether to require specific disclosure in the prospectus regarding any liquidity risk management policies that have been put in place for the investment fund. This would include a list of any liquidity risk management tools that have been adopted as permitted by securities regulations, along with a brief description of how and when they will be employed and the effect of their use on redemption rights. Would the prospectus be the most appropriate place for this type of disclosure, or are there other alternatives that we should consider?

Issue	Comment	Response
Important Disclosure to Include	Two commenters appeared to support disclosure regarding liquidity risk management. • One commenter noted that liquidity management is a critical component of the investment management services offered by investment funds that are offered for sale to the retail public, and that thought should be given to how to make associated disclosure helpful and relevant for an investor so that it does not simply summarize policies and procedures. • One commenter noted that a fund's liquidity is a vital part of the investment decision, and that it is important for an investor to understand what tools may be employed by the manager, (as well as when and how), as that has a direct bearing on an assessment of liquidity risk.	CSA Staff note the importance of liquidity risk management to mutual fund operations and consequently to investors. CSA Staff are not proposing to implement any associated disclosure requirements at present but will review the need for additional disclosure as part of a distinct initiative.
Possible Placement on Designated Website	One commenter suggested that the disclosure could be placed on the designated website.	CSA Staff note the commenter's suggestion. CSA Staff are not proposing to implement any associated disclosure requirements at present but will review the need for additional disclosure as part of a distinct initiative
Any Required Disclosure Should be High Level and Permit Confidentiality	One commenter suggested that to the extent that the disclosure is required, it should be permitted to be high-level and allow the portfolio manager to maintain the confidentiality of strategic portfolio management decisions and the conditions according to which those decisions could be triggered.	See above.
Any Disclosure Premature	One commenter suggested that it may be premature to consider such disclosure as discussions continue regarding liquidity risk management practices.	See above.
Not Aligned with Burden Reduction Mandate	Two commenters suggested that adding a new requirement to describe liquidity risk management policies would not reduce regulatory burden and therefore should not be pursued as part of the Proposed Amendments and Proposed Changes.	See above.
Consultation Required	Two commenters noted that introduction of a new requirement to describe liquidity risk management policies should be preceded by a comprehensive public consultation.	See above.

WORKSTREAM ONE – QUESTION 7

The current prospectus disclosure rules were drafted at a time when inventories of physically printed prospectuses were required to satisfy prospectus delivery requirements. In recognition of this, flexibility exists in terms of how to deal with amendments to avoid significant costs that might be associated with having to reprint large quantities of commercially prepared copies of the prospectus. With the transition to delivery of the Fund Facts and the ETF Facts documents in place of the prospectus, along with the advent of print-on-demand technology and electronic delivery, is it still necessary to maintain this flexibility? Would it be less burdensome for investment funds and investment fund managers to follow the approach taken with the Fund Facts document and ETF Facts document by requiring that all amendments be in the form of an amended and restated prospectus, prepared in accordance with the proposed Form 81-101F1? Why or why not?

Issue	Comment	Response
Opposition to Requirement	Several commenters were opposed to requiring that all amendments to the Proposed Form 81-101F1 be in the form of an amended and restated simplified prospectus, for a number of different reasons: • Six commenters noted it would increase regulatory burden. • Three commenters noted it would be costly and one of those commenters noted it would be difficult. • One commenter noted that it would be time consuming. • Two commenters noted that there would be no corresponding investor benefit. • One commenter noted that the proposal would be akin to triggering a prospectus renewal process every time a material change occurs. • One commenter noted that simple amendments are often easier for investors to read and are more efficient and cost effective for investment funds. • One commenter noted it was not aware of investor confusion over the way prospectuses are amended, and did not believe this is an area of concern where there is a problem to fix. • One commenter suggested the proposal might risk pushing investment fund managers to interpret material changes very narrowly, contrary to the best interests of the investing public.	CSA Staff note the commenters' views and are not pursuing a change to the format of amendments at this time.
Provide Flexibility	Five commenters noted that the investment fund issuer should have the flexibility to determine which approach works best in the specific context of the amendments required.	See above.
Standalone Amendments Valuable	One commenter noted that it is easier for investors to spot the changes to their fund or funds in a standalone amendment, as opposed to an amended and restated document. Another commenter expressed similar views. One commenter noted that some amendments can be described in only a few lines.	See above.
Situation not Comparable to that Involving Fund Facts	One commenter noted that the effort and costs expended to create an amended and restated Fund Facts with each amendment cannot be compared to	See above.

	the effort and costs required to create an amended and restated simplified prospectus. Another commenter noted that the requirement to only amend and restate a Fund Facts (as opposed to merely amend the Fund Facts) makes sense because Fund Facts are purposefully compact, with very tight space limitations. The commenter further noted that allowing investment fund managers to amend those documents would necessitate a separate page of disclosure, which wouldn't make any sense relative to the alternative of simply amending and restating.	
Expedited Amendment Review Process	One commenter suggested that the CSA consider implementing an expedited review process for amendments to aid investment fund issuers to obtain a receipt for these filings more quickly.	CSA Staff note that an expedited timeline (including a shorter comment period) currently exists for prospectus amendment reviews. There is no proposal to further expedite the timeline at the moment.
Conditional Support	One commenter noted that it would only support the proposal if its other comments on Workstream One were adopted. Otherwise, it would oppose the proposal on the basis that it would require that mutual funds update a significant amount of time-sensitive information each time simplified prospectus is amended and restated, which would be more burdensome than current securities legislation.	See above.

WORKSTREAM ONE – QUESTION 8

Item 11.2 (Publication of Material Change) of NI 81-106 sets out requirements that an investment fund must satisfy where a material change occurs in its affairs. Can these requirements be streamlined or modified in any way while maintaining investor protection and market efficiency?

Issue	Comment	Response
Delete Material Change Report Requirement	Eleven commenters suggested that the requirement to prepare and file a material change report be deleted, for several different reasons: • Five commenters noted that the prescribed information for a material change report is the same as its related press release and one noted it is similar. • Two commenters noted that for a prospectus-qualified investment fund, the material change will be reflected in an amendment to the prospectus. • One commenter noted that the material change report does not add any information that the press release and prospectus amendment do not already disclose. • One commenter noted that press releases are filed on SEDAR, and another commenter suggested that the press release could be posted to the designated website. • One commenter noted that eliminating the material change report requirement would serve to reduce costs to funds and their managers, as some CSA members charge a filing fee for material change reports. • One commenter noted that material change reports are irrelevant in the context of mutual funds and that unlike a public company that files a short form prospectus and incorporates by reference its material change reports into its short form prospectus, there is no equivalent incorporation by reference in a mutual fund prospectus since the mutual fund prospectus is, instead, amended following each material change.	CSA Staff will investigate material change reporting requirements as part of a separate stage of the current burden reduction initiative and will consider the commenters' views at that time.
CSA Positions on Scope of Material Change Need Revision, Generally	One commenter noted that certain positions stated by the CSA regarding the scope of a material change for an investment fund are incorrect and should be changed.	See above.
CSA Position on Portfolio Adviser Change as Material Change Needs Revision	One commenter noted that a change to the portfolio adviser of an investment fund is not material to investors unless the investment fund represented that the portfolio adviser is uniquely qualified to achieve the investment fund's objective, and that the CSA defer to the manager on whether a change of the portfolio adviser to a mutual fund is considered to be material in the circumstances.	See above.

CSA Position on Risk Rating Change as Material Change Needs Revision	Two commenters also noted that a change to a mutual fund's risk rating, by itself, should not constitute a material change. One of the commenters noted that risk ratings are generally prominently reflected on the website for a given fund, and are included in the ETF Facts, and that this disclosure ought to be sufficient. The other commenter suggested that the CSA (i) delete the reference to risk ratings currently in subsection 2.7(2) of 81- 101CP, and (ii) add to NI 81-101 and Form 81-101F3 a requirement to disclose in the Fund Facts a change that the manager anticipates will occur to the mutual fund's risk rating in the future as a result of a recent material change to the mutual fund. The commenter noted that in this way, when a manager makes a material change to a mutual fund, the amendment to its Fund Facts would include the anticipated impact of that change on the mutual fund's risk rating in the future.	See above.
Retain Material Change Reports	One commenter noted that material change reports are still helpful and should be retained as a requirement. The commenter added that it was not aware of any significant burdens imposed by the requirements in section 11.2 of NI 81-106.	See above.

WORKSTREAM ONE – QUESTION 9

Will any exemptive relief decisions be rendered ineffective as a result of the repeal of Form 81-101F2? If so, are there any transitional issues that need to be considered? Please explain.

Issue	Comment	Response
Unknown Without Further Investigation	Three commenters noted that each relief order must be reviewed by the recipient of the relief to determine whether there are transitional issues to be considered. Another commenter noted it was pursuing such an analysis but had not noted anything yet.	CSA Staff have no intention of negating a market participant's ability to rely on exemptive relief that includes a representation or condition that certain disclosure be included in the AIF, by implementing Workstream 1. CSA Staff are of the view that any such requirements could generally be satisfied by making the necessary disclosure in the Amended Form 81-101F1. Subsection 2.2(4) has been added to 81-101CP to express this view.
Suggested Format for Disclosure of Positive Findings Regarding Exemptive Relief Rendered Ineffective as a result of the repeal of Form 81-101F2	One commenter suggested that positive findings be disclosed via an additional paragraph in Item 13 of Part A or Item 12 of Part B.	See above.
Extension of Current Exemptions	One commenter suggested that the final version of the Proposals include confirmation that (i) any exemptive relief previously granted from a requirement prescribed by Form 81-101F1 or Form 81-101F2 continues to apply to any substantively similar requirement prescribed in the Amended Form 81-101F1, and (ii) any exemptive relief previously granted from a requirement in securities legislation that is subject to a condition prescribing disclosure in the AIF continues to be available if that disclosure is contained in the Amended SP, and (iii) any exemptive relief previously granted to a mutual fund under NI 41-101 that is subject to a condition that the mutual fund files a simplified prospectus and AIF continues to be available if the mutual fund files an SP in accordance with the Amended Form 81-101F1.	CSA Staff agree and have inserted subsections 2.2(3) and 2.2(4) into 81-101CP, and section 5B.1 into 41-101CP to provide reassurance regarding these issues.
Not Aware of Impact	One commenter noted that it was not aware of exemptive relief decisions impacting it, or its funds, that would be rendered ineffective as a result of the repeal of Form 81-101F2.	CSA Staff note the comment.

WORKSTREAM ONE – QUESTION 10

Are there any disclosure requirements in the proposed Form 81-101F1 that require additional guidance or clarity?

Issue	Comment	Response
Additional Guidance May be Needed, Suggested Format	Two commenters noted that additional guidance or clarity may be required as firms seek to implement the Proposed Form 81-101F1. One commenter suggested that the CSA continue past practices of publishing Frequently Asked Questions, holding "town hall" type sessions and publishing contact person information to aid in any transition.	CSA Staff will monitor any requests for additional guidance as the in-force date for Workstream 1 approaches.
No Additional Guidance Needed	Three commenters noted that additional guidance or clarity are not required, as most of the requirements are not new.	See above.

WORKSTREAM ONE – QUESTION 11

Currently a final prospectus must be filed within 90 days of receiving a receipt for a preliminary prospectus. We are of the view that this requirement is more relevant to non-investment fund issuers and is not necessarily applicable to investment funds, particularly to investment funds in continuous distribution. As a result, we are currently considering whether to either extend the final filing deadline or remove this requirement entirely. Do you have any views on the applicability of this provision to investment fund issuers? If you agree that the provision is not required, please explain whether it would be preferable to extend or eliminate the filing deadline, including the reason for your preference. If an extension is preferred, would 180 days be sufficient?

Issue	Comment	Response
Eliminate 90-day Deadline	Seven commenters suggested eliminating the 90-day deadline. Several commenters provided explanations for why they were of this view: • One commenter noted that the cost of applying for exemptive relief to extend the deadline often exceeds the cost to file the original preliminary prospectus. • One commenter noted investment fund issuers do not typically market the fund using the preliminary prospectus. • One commenter noted that since the preliminary prospectus does not contain any material financial information that would be considered stale after 90 days, there is no known investor protection rationale for requiring the 90-day deadline. • One commenter noted that sometimes issues arise after the preliminary filing, and oftentimes 90 days is not sufficient to fully address these issues. • Two commenters noted that it may be determined that exemptive relief is required after filing of the preliminary prospectus, which must be obtained and applied for within the 90-day period. One of the commenters noted that if this is not done, the preliminary prospectus would need to be refiled • Two commenters noted that the requirement was applied to mutual funds in the past because a similar requirement applies to public companies making a public offering through underwriters where expressions of interest are solicited during the "waiting period" between the preliminary and final prospectus filings, and noted that mutual funds do not use a similar approach to a public distribution of securities, and therefore there is no need for a similar time constraint on the "waiting period". • One commenter noted that for investment funds investing in international markets, foreign countries often require submission of a preliminary prospectus that has been receipted as part of the application process to trade in those markets. In some instances, long lead times are required to gain access to those	CSA Staff will investigate the 90-day filing requirement as part of a separate stage of the current burden reduction initiative, and will consider the commenters' views at that time.

	markets, which requires filing the preliminary prospectus and obtaining a receipt well in advance of the final prospectus filing. One commenter suggested that for new funds, the 90 days may represent a burden in the sense that the issuer may simply need more time to address regulatory concerns expressed during the review or a change in market or economic conditions that may impact some element of the structuring of the fund.	
180-Day Deadline Less Preferable Alternative to Elimination	Three commenters noted that absent eliminating a deadline altogether, a 180-day deadline would be more workable.	See above.
180-Day Deadline More Preferable than Elimination	One commenter suggested that the deadline be extended to 180 days, rather than eliminated. It did not agree that shelf prospectuses open indefinitely for investment funds that are intended to be sold in the retail market are in the best interests of investors. It noted that there could be a host of unintended consequences of fully eliminating this rule, and therefore, to alleviate burden, an extension of the timeframe should be more than adequate.	See above.
Focus on Flexibility in Processes	One commenter suggested that extending or eliminating the 90-day requirement was less helpful than flexibility and streamlined processes in circumstances where lapse dates or 90-day deadlines are looming.	See above.

WORKSTREAM ONE – QUESTION 12

Should investment funds not in continuous distribution that have already prepared and filed an AIF using Form 81-101F2 be permitted to continue using that Form? If so, why?

Issue	Comment	Response
Permit Continued Use of Form 81-101F2	Five commenters noted that investment funds not in continuous distribution should be permitted to continue to use Form 81- 101F2. Five commenters noted that allowing this would minimize the regulatory burden on these funds that arises from having to prepare a new document under Proposed Form 81-101F1. One commenter noted that changing forms would add significant work initially and the Proposed Form 81-101F1 would likely require more updating than the current AIF.	CSA Staff will permit investment funds to prepare an AIF using Form 81-101F2. CSA Staff will also permit the preparation of an AIF using Form 41-101F2 where an investment fund last distributed securities in accordance with that form, and Form 81-101F1 where a mutual fund last distributed securities in accordance with that form. Modifications required in these circumstances have been set out as well.
Do Not Permit Continued Use of Form 81-101F2 Provided Certain Changes Made to Elements Required to be Completed in Proposed Form 81-101F2 and Form 41-101F2	One commenter noted that the proposals in respect of investment funds not in continuous distribution would increase regulatory burden and suggested several revisions to the proposals, while noting that if the recommended changes were not made, then Form 81-101F2 should be preserved solely for its existing purpose in subsection 9.4(2) of NI 81-106. The commenter noted that the following Items in Proposed Form 81-101F1 should be added to proposed paragraph 9.4(2.1)(h) as they are not relevant to a mutual fund not currently distributing its securities: • Part A, paragraph 4.1(1)(d), Item 4.5 and paragraph 4.19(1)(e) as mutual funds not currently distributing their securities do not have a principal distributor. • Part A, subsections 7(3) and 7(4) as the issue price, purchase options and dealer compensation are not relevant to a mutual fund that no longer is offering its securities. • Part A, subsection 11.2(3) as when a mutual fund ceases to offer its securities, there no	CSA Staff have incorporated as many suggested changes as possible and will also retain the ability to use Form 81-101F2 in the circumstances identified above. CSA Staff have considered the commenter's suggestions and note the following: • CSA Staff note that Proposed Form 81-101F1, Part A, paragraph 4.1(1)(d) has not been migrated to the Amended Form 81-101F1. CSA Staff have made the suggested changes in respect of Amended Form 81-101F1 Part A, Item 4.4 and paragraph 4.17(1)(e), which correspond to Proposed Form 81-101F1, Item 4.5 and paragraph 4.19(1)(e). • CSA Staff have made the suggested changes in respect of Amended Form 81-101F1, Part A, subsections 7(3) and 7(4). • CSA Staff are of the view that Proposed

	longer is a concern about investors purchasing units near the end of the mutual fund's taxation year.	Form 81-101F1, Part A, subsection 11.2(3) should remain in place as investors can still purchase units of the investment fund on the secondary market near the end of the mutual fund's taxation year.
	The commenter noted that the following Items in Proposed Form 41-101F2 should be added to proposed paragraph 9.4(2.1)(b) as they are not relevant to a NRIF not currently distributing its securities:	CSA Staff have considered the commenter's suggestions and note the following:
	• Items 1 and 3 as Form 41-101F2 repurposed for use as an AIF will be a background document only and the current Form 81-101F2 does not contain face page disclosure or a summary portion. The commenter noted that these items should be replaced simply with cover page disclosure of the name and securities of the NRIF and the date of the document.	• CSA Staff have made the suggested changes in respect of Form 41-101F2, Item 1 (except Items 1.2 and 1.3). CSA Staff are of the view that Item 3 should remain except for paragraph 3.3(1)(b), paragraph 3.3(1)(f), Item 3.5 and paragraph 3.6(3)(a).
	• Item 7.1 as this information is not necessary when securities are not being offered and is not contained in the current Form 81-101F2. The commenter noted that commentary on fund performance is provided in the management reports of fund performance of the NRIF.	• CSA Staff have made the suggested changes in respect of Form 41-101F2, Item 7.1.
	• Item 9.1 as management's discussion of fund performance is provided in the NRIF's MRFPs and is not contained in the current Form 81-101F2.	• CSA Staff have made the suggested changes in respect of Form 41-101F2, Item 9.1.
	• Item 11 as the information is contained in the financial statements and MRFPs of the NRIF and is not contained in the current Form 81-101F2.	• CSA Staff have made the suggested changes in respect of Form 41-101F2, Item 11.
	• Item 16 as this information is irrelevant when the NRIF is not offering securities and is not contained in the current Form 81-101F2.	• CSA Staff have made the suggested changes in respect of Form 41-101F2, Item 16.
	• Item 17.2 as this Item will be a new ongoing requirement for NRIFs, is not contained in the current Form 81-101F2, is available through the websites of the stock exchanges, and will quickly become stale.	• CSA Staff have made the suggested changes in respect of Form 41-101F2, Item 17.2.
	• Item 33 as this disclosure is irrelevant when the NRIF is not offering securities and is not contained in the current Form 81-101F2.	• CSA Staff are of the view that Item 33 should remain on the basis that it is only required to be completed where relevant.
	• General Instruction (7) to Form 41-101F2 which requires that all information be disclosed in the prescribed order under the prescribed headings.	• CSA Staff are of the view that General Instruction (7) should remain as it maintains comparability between long form prospectuses which is of use for both

		investors and regulatory staff. CSA Staff also clarified that in respect of the Amended Form 81-101F1 and Form 41-101F2, items that are applicable to distributions of securities only and are inapplicable to any other case, do not apply.

WORKSTREAM ONE – QUESTION 13

Should investment funds not in continuous distribution be relieved entirely of the requirement to file an AIF? If so, what impact would this have on an investor's ability to access an up-to-date consolidated disclosure record for an investment fund not in continuous distribution? Alternatively, please comment on whether elements from the current Form 81-101F2 should be incorporated into any of the following:

a. Form 81-106F1 Contents of Annual and Interim Management Report of Fund Performance;
b. a designated website;
c. other forms of disclosure (please specify).

Issue	Comment	Response
Eliminate AIF Requirement for Investment Funds Not in Continuous Distribution	Six commenters suggested investment funds not in continuous distribution should be relieved of the requirement to file an AIF. One commenter noted that its support for eliminating the AIF was contingent on a requirement that, to the extent that any change occurs to the business or operations of the fund that could cause a reasonable investor to redeem out of the fund, the requirement still exists to issue a press release and material change report in respect of such a change.	CSA Staff are of the view that the AIF requirement for investment funds not in continuous distribution should be maintained as it provides a consolidated source of information on investment funds not in continuous distribution. Investors may require such information when making determinations as to whether to purchase securities of the investment fund on the secondary market or maintain their existing holdings.
Move Some AIF Disclosure to Designated Website	Five commenters noted that elements of the information contained in the AIF can be provided through the investment fund's designated website, with one commenter noting that it should consist of material information and another commenter noting that it should be information the commenter identified in its response to Question 5.	CSA Staff have determined that any movement of disclosure in the AIF produced under NI 81-106 to the designated website will be considered as part of a separate review of the continuous disclosure regime undertaken by the CSA.

WORKSTREAM ONE – OTHER

Issue	Comment	Response
Adopt Base Shelf Prospectus System	One commenter noted that the process for filing prospectuses by mutual funds should be streamlined to a process similar to the shelf prospectus system used by public companies.	CSA Staff will investigate a shelf prospectus system for investment funds as part of a separate stage of the current burden reduction initiative and will consider the commenter's views at that time.

WORKSTREAM TWO – SUPPORT

Issue	Comment	Response
Support for Designated Website Requirement	Several commenters expressed support for the designated website proposal: • Three commenters supported requiring reporting investment funds to designate a qualifying website on which the fund must post regulatory disclosure documents. • Three commenters agreed that providing access to regulatory disclosure in this manner is a common existing industry practice. • Three commenters noted that a designated website requirement has merit of its own accord, even without accompanying burden reduction initiatives immediately and directly integrating with the designated website: o One commenter noted that while the proposed change does not displace existing disclosure delivery requirements, the ability to reliably access accurate and up-to-date disclosure documents online will help financial advisors ensure that the disclosure provided to their clients reflects the most current information available. o One commenter noted that the designated website requirement would improve the accessibility of disclosure to investors. o One commenter noted that it is unfair to the investors in investment funds who currently do not have websites to not have the same access to information about their funds that others have.	CSA Staff thank the commenters for their support. CSA Staff agree. CSA Staff agree, thank the commenters for their support, and note that this is part of the reason why the designated website proposal is being pursued.
Conditional Support for Designated Website Requirement	Several commenters stated that the designated website proposal should only be implemented on certain conditions being satisfied: • Two commenters noted that their support for the designated website proposal was contingent on the proposal being followed by related burden reduction initiatives that would enable delivery through the designated website. One commenter also noted that it expected existing disclosure requirements should be eliminated or reduced as well. • One commenter noted that the designated website requirement not be made mandatory until the CSA extends the notice-and-access approach to provide an offsetting reduction of regulatory burden to counteract the requirement for a website. • Two commenters noted that it assumed that introduction of this requirement is a precursor to permitting investment fund issuers to provide certain regulatory disclosures through the designated website such that disclosure and/or delivery is not required by other means. Of note is that one commenter supported the proposed Part 16.1 to NI 81-106 requiring reporting	CSA Staff view the designated website as a potential launch point for other burden reduction initiatives, which could potentially include modifications to the acceptable means of delivery of offering and continuous disclosure documents. CSA Staff do note, however, that there can be no guarantee that such initiatives will be realized. CSA Staff note that any changes to the delivery options available to investment funds will be considered as part of a distinct workstream.

	investment funds to designate a qualifying website on which the investment fund intends to post regulatory disclosure but cautioned against moving towards an "access equals delivery" model.	
Uncertainty Regarding Need for Designated Website	Two commenters expressed uncertainty regarding whether a designated website concept should be pursued at all: • One commenter noted that if sedar.com had a robust search capability and provided a user-friendly experience, the rationale behind the proposal to post materials on a designated website would be significantly negated.	CSA Staff note the commenter's view but are of the view that designated websites could offer more flexibility in how information can be disclosed compared to what we anticipate through SEDAR+ and can be tailored to meet the specific needs of different IFMs.
	• One commenter noted that given the prevalence of websites for fund managers and their funds, it is not necessary for the CSA to mandate this requirement in ways proposed, and instead of a requirement to maintain a "designated" website, there should simply be SP disclosure of the website where fund disclosure documents are posted.	CSA Staff note that designation will simply involve referencing of a website in the fund's prospectus or, if the fund does not have a prospectus, its AIF. CSA Staff further note that no additional requirements are created by a website being "designated" in the prospectus or AIF as compared to simply being referred to without the "designated" descriptor.
	• Four commenters noted that introducing a mandatory website in and of itself will not reduce the regulatory burden.	CSA Staff agree and are exploring ways to leverage the designated website for this purpose.

WORKSTREAM TWO – QUESTION 14

The proposed Part 16.1 of NI 81-106 requires reporting investment funds to designate a qualifying website on which the investment fund must post regulatory disclosure documents. This proposal represents the first stage of a broader initiative to both improve the accessibility of disclosure to investors and enhance the efficiency with which investment funds can meet their disclosure obligations. The CSA, however, recognize that electronic methods of providing access to information and documents besides websites may be used to provide information regarding investment funds. As a result, we ask for specific feedback on the following questions related to the issue of making the proposed Part 16.1 more technologically neutral:

a. Should the proposed Part 16.1 be revised to provide investment funds with the option to designate other technological means of providing public access to regulatory disclosure besides websites? In your response, please comment on the following issues: any potential investor protection concerns, consistency with securities instruments outside of the investment fund regime, and the benefits of making such a change.

b. What other technological means of providing public access to regulatory disclosure should be captured by the proposed amendments? Please be specific. Of these means, please identify which are currently in use and which are expected to be used in the future.

c. Should any parameters (e.g. free to access, accessible to the public) be applied to limit which technological means of providing public access to regulatory disclosure besides websites should be included in the proposed Part 16.1? If so, please state which parameters should apply and why.

d. If you agree that technological means of providing public access to regulatory disclosure besides websites should be included in the proposed Part 16.1, what terms could be used to refer to these means? What are the benefits and drawbacks of each possible option? Some examples include "digital platform", "electronic platform", and "online platform".

e. Are there any elements of the current proposed amendments and proposed changes under Workstream Two that would not work if an investment fund could designate other technological means of providing public access to regulatory disclosure besides websites?

Issue	Comment	Response
Question 14(a) - Regulations Should be Technologically Neutral, Focus on Technologies that Push Information to Investors	Several commenters provided views on the drafting of regulations involving technology: • Two commenters noted that regulations should be technologically neutral, with one commenter adding that they should facilitate innovation whenever possible, and another adding that they should not be too granular with respect to format or delivery requirements for disclosure documents. • One commenter noted regulations should be flexible and adaptable to both technological and behavioural change. Another commenter expressed similar views. • One commenter noted that it would not necessarily be averse to allowing access to disclosure through technological means other than designated websites. • One commenter suggested that Part 16.1 should be drafted to focus on supporting current and future technologies that build on the fundamental principle of pushing the information directly to investors and not on the notion that investors will search for fund information.	Regarding the issue of technological neutrality, CSA Staff note the commenters' views and have considered alternative drafting. However, considering that we, as well as commenters, have not specifically identified any other technological means of providing public access to regulatory disclosure besides websites, the CSA will limit the medium to websites but remain open to including other technologies in the future. Regarding the issue of drafting around the principle of pushing information directly to investors, CSA Staff will consider the commenter's views in the context of any

		reconsideration of delivery methods.
Question 14(b) – Not Aware of Technology Besides Websites for Providing Regulatory Disclosure, Designated Website Could Refer to Secure Database, Shift Focus from Specific Technologies to Key Principles those Technologies will Have	Several commenters provided their views on non-website technology: • One commenter noted that public websites are the most common and effective way of providing public access to regulatory disclosure today, but as technology evolves there may be more effective ways to communicate with investors. The commenter also noted that it was not currently aware of other technological means of providing effective public access to regulatory disclosure. • One commenter suggested that rather than specifying other technologies, the regulation should provide for the inclusion of future technologies that meet the objectives of the proposed amendment. The commenter noted examples where delivery notifications are customized to point an investor to information specific to them, including regulatory documents, transaction information, research or marketing content. • One commenter suggested that the designated website could refer investors and prospective investors to a secure database.	CSA Staff are not currently aware of other technological means of providing effective public access to regulatory disclosure and that public websites are the most common and effective way of providing public access to regulatory disclosure today.
Question 14(c) – Several Parameters Should be Applied	Several commenters provided views on parameters that should be applied: • One commenter noted that regulatory disclosure should be facilitated through technology that is broadly available to an average investor and free to access but noted that without a sense of what technology may be available in the future, it is difficult to provide any additional parameters that should apply. • One commenter noted that potential barriers to consumer access should be contemplated when considering other proposed access methods, and that nonconfidential information should be available in a manner that is clear, accessible and readily comparable. • One commenter suggested that the guiding principle for technological communication should be that the medium must be reasonably accessible to all investors, and further noted that a designated website satisfies that principle. • One commenter suggested that guidance should be applied to all regulatory disclosure regimes to ensure they meet basic usability thresholds and referred to guidance contained in notice and access rules and in NI 54-101 regarding the posting of proxy-related materials.	CSA Staff note the commenters' views.

	• One commenter noted that the technology used should be free and easily accessible.	
Question 14(d) – Electronic Platform, Digital Platform	Two commenters provided views on terminology: • One commenter noted that digital or online platforms are types of "electronic platforms", and as such, "electronic platform" may be the more appropriate terminology to use. • One commenter suggested that of the examples given, "digital platform" is the most appropriate in this context, as it does not limit the inclusion of future technologies. • One commenter suggested use of the term "technological means".	CSA Staff note the commenters' views.
Question 14(e) – Challenging to Respond, Focus on Principles-Based Regulation	One commenter noted that it is difficult to provide constructive feedback on evolving or future technology. Another commenter reiterated its view that amendments should be principle-based rather than technology-specific thereby eliminating the unintentional consequence of precluding future technology solutions not envisioned today. The commenter further noted that the fundamental principle should be that investors receive investment information that is relevant to that individual in a manner that employs sending or delivering a pertinent customized communication.	CSA Staff note the commenters' views and note again that consideration can be given to other technologies at a later point if they become available.

WORKSTREAM TWO – QUESTION 15

Are there unintended consequences arising from the proposed section 16.1.2 of NI 81-106 that we should consider? For example, under the proposed section, an investment fund may designate a website that is maintained by a Related Person. We are of the view that this would avoid circumstances where an investment fund would have to create an entirely new and separate website, where to do so would not be desirable. Are there any practical issues associated with this that we should consider?

Issue	Comment	Response
Support for Permitting Maintenance by Related Person	One commenter supported allowing a website that is maintained by a Related Person.	CSA Staff thank the commenter for its support.
Confirm Third Party Maintenance Acceptable	Several commenters made suggestions in respect of the maintenance of the designated website: • Two commenters noted more generally that allowing the fund a range of options to meet this requirement is a sound approach. • Five commenters suggested drafting amendments to ensure that the proposed amendment cannot be interpreted to restrict an investment fund's ability to outsource the maintenance of its website to a third party. • Two commenters noted that allowing operation and maintenance of the website by a third-party service provider should be subject to the investment fund manager having appropriate oversight measures in place.	We thank the commenters and have made changes in order to clarify that managers will be able to delegate the maintenance of the website to a third-party. However, the IFM should remain ultimately responsible for the website and the accuracy of the information it contains.
Confirm Separately Branded or Cobranded Websites Acceptable	One commenter requested confirmation that it is equally acceptable for an investment fund manager with multiple brands to have either separately branded websites or a cobranded website.	CSA Staff confirm that it is acceptable for an investment fund manager with multiple brands to have either separately branded websites or a cobranded website and will add language in the Companion Policy in order to reflect that. CSA Staff are of the view that any co-branded websites should provide a user interface that makes it clear to investors where information relating to their particular investment can be located.
Avoid Overly Prescriptive Rules Regarding Content and Management	One commenter suggested the CSA avoid overly prescriptive rules with respect to the content and management of the website.	CSA Staff note the commenter's view. We also note that we have been mindful to avoid overly prescriptive rules or guidance with respect to the content and management of the website.

Protocol Where Discrepancies Between Designated Website and SEDAR	One commenter noted where information posted to both SEDAR and the designated website differ, consideration should be given to which should take precedence.	The IFM is responsible for the accuracy of information posted to both SEDAR and the designated website. The document filed on SEDAR should be filed on the designated website.
No Unintended Consequences, Current Market Practice	One commenter noted that it did not anticipate unintended consequences arising from the proposed section 16.1.2 of NI 81-106, and that it understood that it is current market practice for funds or fund managers to maintain a publicly accessible website.	CSA Staff agree.

WORKSTREAM TWO – QUESTION 16

Are there any aspects of the proposed guidance provided in 81-106CP that are impractical or misaligned with current market practices?

Issue	Comment	Response
Clarify How a Website is Designated, and Potential Solution	Three commenters requested clarification regarding the meaning of the term "designated" and the means by which a website would be "designated". Two commenters provided suggestions in this regard: • One commenter noted that 81-106CP should clarify that a fund manager "designates" a website through disclosure of the website in the investment fund issuer's regulatory disclosure such as the prospectus. • One commenter suggested that statement of the website address in a fund's prospectus would meet the designation requirement.	The CSA agree and will clarify the process by which the website is designated by adding guidance in 81-106CP, stating that the designated website is designated by being referenced in the simplified prospectus (and the website noted in the Fund Facts should reference the same website).
Clarify How Changes to Designated Website are Communicated, and Potential Solution	Two commenters requested clarification on how designated website changes are expected to be communicated. One commenter also noted that the guidance should also clarify that if there is a change to the website, it would be sufficient for the old website to redirect the investor to the new website, without requiring an amendment in the prospectus, and that the new designated website could be updated upon the next prospectus renewal.	CSA Staff agree that a change to the address of a designated website can be managed by the previous address redirecting visitors to the new address, with a corresponding update to the simplified prospectus and Fund Facts occurring at the time of the next renewal, or an update to its next AIF, in the case where the fund is required under section 9.2 of NI 81-106 to file an AIF. CSA Staff will modify the proposed guidance to reflect this.
Remove Suggestion to Follow Regulatory Guidance	One commenter noted that the final sentence of subsection 11.1(6) of the Proposed Changes to 81-106CP be deleted, as suggesting that investment funds and their managers follow regulatory guidance effectively turns the regulatory guidance into an obligation when it should be just guidance.	CSA Staff will revise the proposed language to state that investment funds and their managers should consider regulatory guidance.
Differing Views on CSA Oversight and Proposed Guidance	Several commenters provided their views on compliance obligations arising from a designated website requirement. Two commenters that existing compliance and regulatory obligations addressed investment fund issuer websites: • One commenter noted the general obligations of investment fund managers to oversee service providers are set out in section 11 of 31-103 and in Companion Policy 31-103 CP *Registration*	CSA Staff are of the view that websites are covered under existing regulatory obligations and have sought to convey this view in proposed subsection 11.1(6) of 81-106CP.

	Requirements, Exemptions and Ongoing Registrant Obligations. • One commenter noted that it agreed with the clarification that supervision of the website and its content should be taken into account in the existing compliance systems of the investment fund and investment fund manager. One commenter expressed a divergent view and noted it was concerned about the CSA's oversight of designated websites, and suggested the following: • The CSA should not expand its regulatory oversight to the design and maintenance of websites. (Another commenter noted that CSA oversight of designated websites should be limited to ensuring regulatory requirements to provide access to certain information are complied with.) • Exposing investment funds and their managers to potential regulatory sanctions for the design of their websites and all the content thereon is unnecessarily burdensome. • The proposed guidance should be limited to pointing out that the manager's policies maintained under section 11.1 of NI 31-103 will need to ensure that regulatory disclosures required to be posted on a website are made. • Confirmation should be provided that the branches of the CSA which regulate registrants will have no additional expectations for how registered firms meet their obligations under section 11.1 of NI 31-103 with respect to their websites.	
Proposed Guidance Acceptable	Three commenters noted that the proposed guidance was acceptable, with some commenters providing more specific responses: • One commenter noted that the proposed guidance provided in 81-106CP affords adequate flexibility to funds and reflects current market practices. • One commenter noted it was not aware of any aspects of the guidance that are impractical or misaligned with current market practices.	CSA Staff thank the commenters for their support.
Ensure Consistency with 81-106CP	One commenter noted that the new designated website guidance should be consistent with previous guidance in 81-106CP and apply on a go forward basis.	CSA Staff agree.
Remove Guidance Around Investor Understanding	One commenter suggested that proposed paragraph 11.1(5)(a) be revised to remove the term "understand" as it is not clear how a designated website that can be accessed and read can do anything more to help the investor understand the information.	The CSA agree and will make the suggested change.

Additional Guidance Needed	One commenter noted that additional CSA guidance on the designated website requirement is required, and should cover issues such as what will happen where a designated website is unavailable or a link directs an investor to the wrong document.	The CSA believe that it's the IFM's responsibility to ensure that the designated website is adequately maintained and contains accurate information. We refer you to subsection 11.1(6) of 81-106CP for more details

WORKSTREAM TWO – QUESTION 17

Some investment funds may maintain a website that is accessible only by securityholders with an access code and a password (i.e. a private website). Would an investment fund currently maintaining a private website accessible only to its securityholders encounter any issues with the proposed requirement to post regulatory disclosure required by securities legislation on a designated website that is publicly accessible?

Issue	Comment	Response
Website that is Freely Available and Secure Not an Issue	Two commenters suggested that there would not be difficulty with maintaining a designated website that is freely available to the public and maintaining a secure website.	CSA Staff note the commenters' views.
Explanation for Private Portions of Websites	One commenter suggested that maintenance of private portions of websites where access is limited to existing securityholders or dealing representatives is for purposes of complying with the requirements of section 15 of NI 81-102 relating to sales communications, and it did not see the maintenance of public portions of websites as changing that approach.	CSA Staff note the commenter's view.

WORKSTREAM TWO – OTHER

Issue	Comment	Response
Designated Website Documents Should Not be Archived Long-Term	One commenter noted that any new regulatory documents added to the website should stay on the website for reasonable length of time (1-2 years), and this should not turn towards being a longer-term archiving project for previously filed documents. Another commenter noted more broadly that the issue of how long to archive documents should be considered.	CSA Staff note that proposed subsection 11.1(7) of 81-106CP sets out expectations regarding the archiving of documents. It specifically notes that information should remain on a designated website for a reasonable length of time but does not specify an exact time period. CSA Staff will consider imposing more specific archiving requirements as part of a future phase exploring the migration of disclosure to the designated website.
Provide Clarity with Respect to Communication of Changes or Updates to Disclosure on Designated Website	One commenter noted that clarity could be helpful with respect to regulators' expectations on how a change or update to the posted disclosure should be communicated to investors.	CSA Staff note the commenter's desire for clarity. At this time, we are not imposing any specific requirements on funds regarding the communication of changes or updates to disclosure on the designated website. Investment funds and their IFMs should ensure that the disclosure posted to the designated website is accurate and that changes are communicated clearly and promptly so that the website does not contain misleading disclosure. CSA Staff will assess whether any further requirement or guidance is necessary to clarify regulators' expectations when we are developing any rules that are necessary as part of a future phase of the project concerning the proposal to migrate disclosure to the website.
Permit Flexibility in Operation of Designated Website and Align Expectations with Registrant Regulation Groups	One commenter noted that the requirement to have a designated website must provide for flexibility in design, building and maintenance of the website, and that there should be alignment of compliance expectations between the investment funds group and registrant regulation groups that is consistent across the CSA members. Another commenter noted that regulatory oversight of websites be limited to	CSA Staff note the commenters' views. We have implemented the requirement to have a designated website while keeping in mind the need to provide flexibility in the design, building and maintenance of the website. We have sought to align our

	ensuring that information is posted to the website when required.	expectations so that they are consistent between investment funds and registrant regulation groups.
Divergent Views on Migration of Disclosure to Designated Website	Some commenters provided differing views on the issue of migration of disclosure to the designated website: • One commenter suggested that as the CSA considers which disclosures are appropriate to provide through the designated website, the CSA also consider which disclosure must be "pushed" to the investor and which disclosure can be available for investors to "pull" from the designated website. One commenter specifically noted that the CSA move to the website financial statements, MRFPs and other standard annual reminders to investors. • One commenter cautioned against taking required disclosure out of the simplified prospectus and placing it onto a separate page on an investment fund's website, as it would increase the burden on investment fund managers, may be confusing to investors and necessitate duplicative disclosure.	The CSA will explore this suggestion as part of a future stage of phase 2 of the project. CSA Staff note the commenter' view and before permitting a fund to migrate disclosure to the designated websites only, we will assess if an investor's understanding of the simplified prospectus disclosure might be impaired by the movement.
Designated Website Requirement Not Burdensome for Investment Fund Managers with Websites, Burdensome for those Without	One commenter noted that most managers have websites, and the proposed requirement adds no incremental burden to them, but for those that do not, they will be required to create and maintain a website, post regulatory documents to the website, and create a system of supervision and controls over the website to ensure compliance with laws and regulations.	CSA Staff generally agree with the commenter's assessment but note that the vast majority of investment fund managers with prospectus qualified investment funds appear to already have a website. We note that no requirements have been mandated as part of the current set of proposed amendments that would require anything beyond what would be expected if an investment fund already had a website.

WORKSTREAM THREE – SUPPORT

Issue	Comment	Response
Support for Codification of Notice-and-Access Relief	Three commenters supported codification of notice-and-access relief. One commenter noted that obtaining notice-and-access relief via an application resulted in improvements to its document management efforts.	CSA Staff thank the commenters for their support.
No Regulatory Burden Reduction	One commenter noted that the codification of notice-and-access relief is a housekeeping matter that does not change regulatory burden.	As noted in the quantitative cost-benefit analysis of the CSA Notice and Request for Comment dated September 12, 2019, approximately 48 investment fund managers in Ontario have obtained exemptive relief to use notice-and-access out of approximately 145 investment fund managers in Ontario that had prospectus-qualified investment funds at the end of 2017. As a result, codification of the relief would result in approximately 97 investment fund managers not having to apply to obtain the relief in Ontario alone.

WORKSTREAM THREE – QUESTION 18

Will participation rates for investment fund securityholder meetings change under the notice-and-access system? In particular, is it anticipated that participation rates would change? Please provide an explanation for your answer.

Issue	Comment	Response
No Expectation of Change in Participation Rates	No commenters suggested that they expected participation rates to change under the notice-and-access system. Several commenters provided views on the issue: • Three commenters suggested that participation rates are not low because of the method of communication of investment fund securityholder meetings, and one commenter noted that participation rate is generally driven by investor interest. • Two commenters did not expect that a change in how information is communicated, or otherwise made available, to securityholders will result in a change in participation rates. • Four commenters noted that unitholder participation rates would be unaffected by a transition to notice-and-access, and two commenters had observed this firsthand.	CSA Staff note the commenters' views.
Notice-and-Access Would Not Change Reaction to Any Proposed Changes	One commenter noted that investors who do not agree with a change proposed by an investment fund are more likely to redeem their investment rather than vote against it, and that it did not believe that the notice and access regime would change securityholder reaction to proposed changes.	CSA Staff note the commenter's views.
If Notice-and-Access Causes Reduced Participation Rates, Investment Fund Managers May Solicit Proxies Using Another Method to Meet Quorum Requirements	One commenter noted that if, as a result of notice-and-access, it becomes increasingly difficult to meet quorum requirements, investment fund managers may determine that some form of overt proxy solicitation is appropriate, which could lead to an increase in participation.	CSA Staff note the commenter's views.

WORKSTREAM THREE – OTHER

Issue	Comment	Response
Proposed Conditions Appropriate	One commenter noted that the those who have obtained notice-and-access relief have found the conditions to be workable, and thus the proposed codification makes sense.	CSA Staff thank the commenter for its support.
Remove One-Year Posting and Provision of Paper Copies Requirement	Two commenters suggested removing the requirement to maintain material for one year on the designated website and provide paper copies upon request, and provided their rationale: • One commenter noted that it seems unnecessary and may be confusing to investors. • One commenter noted that this feature of the regime is outdated and unnecessary, and that historical meeting documents can be obtained through SEDAR.	CSA Staff are of the view that a one-year posting and provision of paper copies requirement should remain, and note that the one-year time period is consistent with requirements for non-investment fund issuers.
Remove or Revise Requirement to Consider Implications of Notice-and-Access Use on Participation Rate	Several commenters expressed concern regarding proposed subsection 8.2(1) of 81-106CP with respect to considering the use of notice-and-access in the context of a meeting of investment fund securityholders: • One commenter noted that 81-106CP, subsection 8.2(1) seems to unnecessarily constrain an issuer's ability to use notice-and-access, and should be revisited. • One commenter noted that it is not appropriate or meaningful for investment funds and their managers to consider the policy issues raised in this subsection, and that they should be removed. • One commenter noted that having to analyze whether it is appropriate or not to use notice-and-access seems like an odd requirement and will not reduce burden for investment fund managers, and expressed particular concern with the third bullet point which suggests that if there are material declines in beneficial owner voting rates, it may be inappropriate to use notice-and-access. We also, however, heard from one commenter that, if as a result of notice-and-access it becomes increasingly difficult to meet the quorum requirements, investment fund managers may determine that some form of overt proxy solicitation is appropriate, which could lead to an increase in participation.	CSA Staff note that the guidance referred to by the commenter is consistent with existing guidance in Companion Policy 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*, subsection 5.4(1), and previously granted relief sought by investment fund managers to use notice-and-access. Moreover, in our view, given that the use of notice-and-access is permissive, using it would depend on at least a determination that doing so would not be inappropriate or inconsistent with its purposes. The factors set out are examples of considerations. We have modified the guidance as follows (see text in italics): "We expect that persons or companies that solicit proxies will only use notice-and-access for a particular meeting *where they have no reason to believe it is inappropriate or inconsistent* with the purposes of notice-and access to do so, taking into account factors such as […]".

Permit Supplementary Communications to be Sent with Notice-and-Access Materials	Three commenters suggested that supplementary materials should be permitted to be sent with notice-and-access materials: • One commenter noted that the restriction in paragraph 12.2.1(k) of NI 81-106 prohibits including an investor friendly communication with the notice, which may create unnecessary barriers to investor understanding and industry adoption. • Two commenters suggested cover letters should be permitted, and one commenter noted that such letters can assist the investor in understanding the enclosed documents.	CSA Staff view the restriction on including supplementary material as consistent with similar restrictions for non-investment fund issuers. CSA Staff are of the view that permitting additional materials to be included in the notice-and-access package without any prescribed rules around type, tone, content and purpose could contribute to investor confusion. Furthermore, CSA Staff are concerned that providing such additional materials without the information circular encourages shareholders to not review the information circular.
Revise or Delete Restrictions on Information Gathering Provision	One commenter noted that new section 12.2.2 “Restrictions on Information Gathering” of NI 81-106 introduces duplicative and potentially conflicting privacy restrictions into securities legislation and therefore should be revisited. Another commenter suggested that paragraph 12.2.2(1)(b) should be deleted or, alternatively, qualified to allow disclosure and use of the information where otherwise required or permitted by law.	CSA Staff note that Amended section 12.2.2 mirrors existing requirements for non-investment fund issuers in section 2.7.3 of NI 54-101, and that these restrictions are intended to maintain the anonymity of objecting beneficial owners. CSA Staff also note that inclusion of these restrictions ensures a harmonized approach across the CSA’s member jurisdictions.
Discourage Investor Requests of Paper Copies	One commenter noted that the CSA should make greater efforts to encourage investors to locate electronic copies of documents on the internet, rather than request paper copies of those documents. The commenter made several specific suggestions in this regard: • Revise paragraph 12.2.1(m) such that the manager of an investment fund not be required to pay the cost of sending paper copies of documents to registered and beneficial owners requesting them. • Revise section 12.2.6 to provide investment funds with an ability to override the standing instructions of an investor under NI 54-101 if the investment fund or its manager has obtained a standing instruction from the securityholder to not deliver paper copies of documents. • Make it possible for a new investment fund, or new class or series of securities of an existing investment fund, to require that its securityholders not request paper copies of any documents.	CSA Staff note that requiring paper copies of the relevant documents upon request at no cost is consistent with the approach adopted elsewhere in the investment fund regulatory regime. As such, CSA Staff do not propose any changes in this regard.

Modify Proposed Requirements if Workstream 2 Not Implemented Concurrently	One commenter noted that if Workstream 2 is delayed or abandoned, clause 12.2.1(g)(ii)(A) should be revised to refer to a website of the investment fund or its manager and not a designated website.	CSA Staff note that Workstream 2 is not being delayed or abandoned.
Permit Use of Notice-and-Access Regime for Other Documents	One commenter suggested that Workstream Three be modified to expressly permit annual and interim financial statements and MRFPs to be delivered to securityholders using the notice-and-access regime. Another commenter supports initiatives that allow reliance on the notice-and-access regime for delivery of other documents.	CSA Staff will investigate securityholder delivery methods as part of a later stage of the current burden reduction initiative and will consider the commenters' views at that time.

WORKSTREAM FOUR – SUPPORT

Issue	Comment	Response
Support for Proposal	Eleven commenters supported the proposal to eliminate the duplicative PIF requirements for the specified individuals who are already registrants or permitted individuals.	CSA Staff thank the commenters for their support.

WORKSTREAM FOUR – NO CONSULTATION QUESTIONS

WORKSTREAM FOUR - OTHER

Issue	Comment	Response
Coordinate with Exchanges	Eight commenters suggested the CSA coordinate with exchanges on which ETFs are listed to reduce eliminate the requirement to file PIFs with both the exchange and with securities regulators. One commenter added that at a minimum, the timing requirements for updated PIFs be consistent between the stock exchanges and the securities regulators.	One commenter noted that it had substantially addressed and mitigated this issue of duplication of filings with exchanges since, as of December 2018, as the TSX now treats each ETF fund manager as a new issuer, rather than treating each ETF as a new issuer, for the purposes of filing a PIF. This means that when an ETF fund manager launches a new ETF, the TSX does not require individuals who have previously submitted a PIF to the Exchange to file either a PIF or declaration form with the TSX. Similar changes were made by the TSX in respect of Non-Corporate Issuers and are reflected in the TSX's publication dated December 12, 2019. Our view is that these changes collectively will significantly contribute to burden reduction on investment fund issuers. Further, the CSA proposal to eliminate duplication of PIF requirements will mitigate timing discrepancies with the exchanges as it is expected that a vast majority of individuals will no longer be required to file any PIFs with securities regulators. Noting the above, we are open further discussion with the exchanges on further streamlining information requirements concerning PIFs. CSA Staff also acknowledge the commenter's request for the CSA to strive for consistency with the five-year PIF exchange filing requirement. We will

		consider this request for a future initiative.

WORKSTREAM FIVE - SUPPORT

Issue	Comment	Response
Workstream 5: Effective at Reducing Burden	Two commenters supported the codifications in Workstream 5, with one of the commenters explicitly noting that it would be effective at reducing regulatory burden). The other commenter noted that grandfathering of previously obtained relief should be permitted.	CSA Staff thank the commenter for the support of our efforts to codify frequently granted relief. We also acknowledge the request to allow grandfathering of previously obtained relief. Our view is that the Amendments reflect the conditions of previously granted relief and will maintain a consistent standard across fund complexes who have determined to enter into related party transactions. Noting this, however, we have determined to permit existing relief decisions to remain in place and to not be revoked due to the Amendments. Filers that have obtained prior relief may continue to rely on that relief going forward or rely on the codified exemptions in the Final Amendments. Filers that have not previously obtained relief for transactions permitted by the codified exemptions may rely on the codified exemptions.
Workstream 5: Not Effective at Reducing Burden	One commenter noted that Workstream 5 does not reduce regulatory burden because issuers that might benefit from the relief would have already obtained it. Another commenter noted that it was a housekeeping matter that did not reduce burden, and that due to the scope of the codification, many industry participants may need to continue relying on their current exemptive relief.	The Amendments respond to comments requesting that we codify frequently granted relief. We remind the commenter that not all investment funds or their managers have obtained this relief. Codification of the relief will benefit these issuers and also serve to establish consistency in how applicable related party transactions are conducted across fund complexes. Further to our response under *Workstream 5: Effective at Reducing Burden,* we have determined to allow filers with current exemptive relief to continue to rely on such relief or to rely on the codified exemptions.

Workstream 5: Permit Grandfathering of Prior Conflicts Relief	Four commenters noted that registrants that already have relief should be entitled to continue to rely on the relief despite the codification. Several commenters provided their rationale: • One commenter noted that requiring funds to change structures to comply with the codified relief would cause undue harm and noted that unique provisions may be included in prior relief orders. • One commenter noted that the proposed codification may be more restrictive than the exemptive relief that many investment fund issuers have previously obtained; that the time and expense required to evaluate all affected relief, and to update internal processes to ensure compliance with the newly-proposed codified rules, will be significant; and that non-reporting issuer master funds currently holding non-Canadian underlying funds to achieve their investment objective in reliance on the relief may face undue disruption to their investment strategies in order to align with the newly-proposed codified rules which could trigger unnecessary portfolio turnover and attendant potential tax implications. • One commenter noted that previously granted relief may have specifically addressed the firm's conflict issues at the time the relief was requested.	CSA Staff refer the commenter to our response above under *Workstream 5: Effective at Reducing Burden.*
Workstream 5: If Grandfathering of Prior Conflicts Relief Not Permitted, CSA Should Undertake Certain Actions	Two commenters noted that if grandfathering of prior relief is not permitted, the CSA should undertake certain actions: • One commenter noted that if this is not permitted, a detailed cost/benefit analysis of this decision should be published, and a lengthy transition period be permitted for firms to comply with any new requirements. • One commenter noted that if this was not permitted, securities regulators should clarify on what provision of securities legislation they are relying to make the decision, and provide comfort to managers and to IRCs of funds about the expectations, if any, on essentially redoing referrals to IRCs and reconsideration by IRCs of previously granted approvals, if the previously granted relief cannot be relied upon or is different from the exemptions provided in NI 81- 102. • One commenter also noted that if prior relief is not grandfathered, the CSA should create industry guidance as to reobtaining IRC approval for previously granted relief.	CSA Staff refer the commenter to our response above under *Workstream 5: Effective at Reducing Burden* but further note that we do not consider a cost-benefit analysis necessary to codify the terms of frequently granted routine relief granted since NI 81-107 was published in 2006.
Workstream 5: Eliminate or Streamline Conflict of Interest Prohibitions; Alternatively, Focus Conflict of Interest Prohibitions Dealing with Investment Decisions on Registered Advisers	One commenter noted that the CSA should eliminate or, at a minimum, streamline conflict of interest prohibitions set out in securities legislation of some jurisdictions, NI 81-102 and NI 31-103. The commenter noted that with the proposed addition of a clear duty for registered firms to avoid material conflicts of interest when	CSA Staff maintain that the oversight structure established for investment funds under NI 81-107 should be maintained. This oversight structure exists in addition to the established

	they cannot be addressed in the best interest of the clients, prescriptive conflict of interest prohibitions are no longer warranted and should be eliminated. The commenter further noted that if the suggested proposal could not be implemented, any conflict of interest prohibition dealing with investment decisions only be applicable to registered advisers, as in the commenter's view there should not be an additional layer of conflict of interest prohibitions if the adviser's client happens to be an investment fund. The commenter provided additional details regarding its views: • The commenter noted that if the CSA are of the view that certain advisers that currently benefit from a registration exemption should be bound by a conflict of interest prohibition, such a requirement can be imposed as a condition of the exemption. • The commenter further added that in its view, a sufficiently detailed code of restrictions for investments by investment funds in other investment funds now exists such that the conflict of interest prohibitions in securities legislation of some jurisdictions, NI 81-102 and NI 31-103 can be deleted. • The commenter also added that section 111 of the *Securities Act* (Ontario) and other similar provisions of the securities legislation of other jurisdictions were not intended to be the framework for regulating investments by investments funds in other investment funds, but instead to prevent mutual funds from exercising control over public companies, and that paragraph 13.5(2)(a) of NI 31-103 was not designed specifically to prohibit investment funds from investing in other investment funds. • The commenter recommended, at a minimum, these prohibitions be further clarified to specifically exclude situations where an adviser is deciding, for a client (including an investment fund) to invest in securities of another investment fund, if in the adviser's opinion, the investment is suitable for the client (including the investment fund) and the adviser has complied with its new duty to avoid material conflicts of interest when they cannot be addressed in the best interest of the client.	regime for how registered firms must address and avoid material conflicts of interest under NI 31-103. Substantive changes to streamline the current conflict of interest prohibitions in NI 81-102, NI 31-103 and the securities legislation of certain jurisdictions are outside the mandate of this initiative which is focused on codification of routinely granted relief.
Workstream 5: Adopt Principles Based Approach to Codification	One commenter noted that certain aspects of Workstream Five are very prescriptive, which is an approach that fails to reflect the complexity of the capital markets and anticipate future changes to the operations of the capital markets. Another commenter noted in respect of Workstream 5 that the CSA should adopt a principles-based approach rather than prescriptive requirements.	CSA Staff refer the commenter to our response below under *Adopt Principles Based Pricing Conditions*.

WORKSTREAM FIVE – QUESTION 19

The Proposed Amendments include new exemptions in sections 6.3 and 6.5 of NI 81-107 to permit secondary market trades in debt securities of related issuers and secondary market trades in debt securities with a related dealer, respectively. The exemptions are based on discretionary relief granted to date that includes pricing conditions. The pricing conditions are not the same under each exemption and also differ from what is currently codified under section 6.1 of NI 81-107.

• In accordance with subsection 6.1(2) of NI 81-107, for inter-fund trades of portfolio securities between related reporting investment funds, non-reporting investment funds and managed accounts, the portfolio manager may purchase or sell a debt security if, among other conditions, all of the following apply:

o the bid and ask price of the security is readily available as provided under paragraph 6.1(2)(c);
o the transaction is executed at a price, which is the average of the highest current bid and lowest current ask determined on the basis of reasonable inquiry as provided under paragraph 6.1(2)(e) and subparagraph 6.1(1)(a)(ii).

• In accordance with the proposed paragraph 6.3(1)(d) of NI 81-107, reporting and non-reporting investment funds would be able to invest in non-exchange traded debt securities of a related issuer in the secondary market if, among other conditions, all of the following apply:

o where the purchase occurs on a marketplace, the price is determined in accordance with the requirements of that marketplace as provided under the proposed subparagraph 6.3(1)(d)(i) of NI 81-107;
o where the purchase does not occur on a marketplace, as provided under the proposed subparagraph 6.3(1)(d)(ii), the price is either of the following:

♣ the price at which an arm's length seller is willing to sell the security;
♣ not more than the price quoted publicly by an independent marketplace or the price quoted, immediately before the purchase, by an arm's length purchaser or seller.

• In accordance with the proposed subsection 6.5(1), reporting investment funds, non-reporting investment funds and managed accounts, may trade debt securities with a related dealer if, at the time of the transaction, among other conditions, all of the following apply:

o the bid and ask price of the security transacted is readily available as provided under the proposed paragraph 6.5(1)(d);
o the purchase is not executed at a price which is higher than the available ask price and the sale is not executed at a price which is lower than the available bid price, as provided in the proposed paragraph 6.5(1)(e).

Should these pricing conditions be revised? Should they be more harmonized? Are there any self-regulatory organization rules or guidance for pricing methods that we should consider in such cases?

Issue	Comment	Response
Adopt Principles-Based Pricing Conditions	Three commenters noted that principles-based pricing conditions be adopted: • One commenter noted that the commentary can provide additional guidance on possible fair valuation methods and the criteria that an investment fund manager may consider. • One commenter suggested the portfolio manager should be able to (a) prove that the price paid or received by the fund was fair and (b) document that the price was fair by using third party quotes. • One commenter suggested that the trade occur at a fair price, with a related expectation that the manager have adequate policies and procedures under section 11.1 of NI 31-103 for establishing such a fair price which takes into account criteria such as (i) the type of security, (ii) the market on which such securities trade, (iii) the liquidity of that market, (iv) pricing transparency, and (v) the nature of the relationship between the parties to the trade.	The Amendments reflect pricing conditions that have been incorporated into decisions granting routine relief from the conflict prohibitions in securities legislation for several years. Accordingly, these pricing conditions are known and familiar to fund managers and portfolio managers which have relied upon them to date to mitigate the inherent conflicts in related party transactions. To create new, principles-based conditions which have not been previously incorporated in exemptive relief, have not been tested

		and which when applied, will vary between fund managers, is outside the mandate of this project and inconsistent with our goal of codification of frequently granted relief. Accordingly, we have determined to not make changes to the pricing conditions reflected in the Amendments.
Provide Guidance If Using Prescriptive Rules	One commenter suggested that if the CSA were to maintain prescriptive rules rather than principles-based rules, the pricing conditions for a related issuer provide some guidance.	CSA Staff have determined not to change the current pricing conditions reflected in the Amendments for the reasons set out in our above response under *Adopt Principles-Based Pricing Conditions*.
Replace Pricing Conditions in Proposed NI 81-107, Subsection 6.5(1) with those from Proposed NI 81-107, Paragraph 6.3(1)(d)	One commenter suggested that the pricing conditions in the proposed subsection 6.5(1) of NI 81-107 be replaced with those in paragraph 6.3(1)(d) of NI 81-107.	CSA Staff have determined to not make the change reflected by the commenter as the conditions reflected in sections 6.5 and 6.3 of the Amendments are consistent with the conditions of frequently granted relief being codified.
Proposed Pricing Conditions Consistent with Relief	Two commenters noted that the conditions are generally consistent with previously granted relief, and one of the commenters did not have any major issues or concerns with them.	CSA Staff thank the commenter for the response and agree that it is appropriate to codify conditions that are in use today and working effectively to ensure objective pricing in related party transactions.
Do Not Revise Pricing Conditions	One commenter noted that the pricing conditions should neither be revised nor further harmonized, that many funds have been operating under these conditions for years without incident, and that a change to the conditions would be disruptive as new processes and controls may have to be considered to meet any additional or different requirements.	CSA Staff thank the commenter for the response. We agree that it is appropriate to codify conditions that are in use today, known and working effectively to ensure objective pricing in related party transactions.

WORKSTREAM FIVE - OTHER

Issue	Comment	Response
Workstream 5: Codified Conditions Consistent with Prior Relief	One commenter noted that the eight exemptions that would be codified under the Proposed Amendments are exemptions that have been granted by CSA members repeatedly over the years, all with the same conditions	CSA Staff agree and thank the commenter for recognizing this fact.
Workstream 5: Requirements for Investment Funds that are not Reporting Issuers Exceed Exemptive Relief	One commenter noted that the Proposed Amendments for Workstream 5 could create new requirements for pooled funds by imposing requirements that may not currently be included in exemptive relief.	The Amendments introduce exemptions only for related party transactions that are otherwise prohibited by the conflict prohibitions in securities legislation. Further, the exemptions incorporate conditions that have been reflected in prior relief to permit the same transactions and accordingly, are not new. We highlight that, to the extent that a related party transaction is not prohibited by the conflict prohibitions in securities legislation, reliance on the exemption is not needed nor required. Noting this, we also refer the commenter to our above response under *Workstream 5: Effective at Reducing Burden.*
Workstream 5: Review Comparability of Requirements for Investment Funds that are Not Reporting Issuers as Against Reporting Issuers	One commenter noted that given that pooled funds do not give rise to the same investor protection concerns as retail mutual funds, they should not be subject to the same conditions.	CSA Staff agree that the type of investor in private funds versus public funds is or may be different. However, we believe that a decision to engage in the same type of related party transaction should subject the same transaction to the same conditions and level of oversight, despite the type of fund involved in the transaction. Accordingly, we propose no change.
Workstream 5: Extend Codification to Include International Funds or Permit Existing Relevant Exemptive Relief to Continue	One commenter noted that certain types of funds such as U.S., U.K., E.U. and other international funds or those managed by an affiliate of the fund manager, are not expressly included in the proposals and should be. The commenter noted that alternatively, existing exemptive relief with respect to such funds should be continued.	Where appropriate and consistent with our goal to codify routinely granted relief, we have revised the conflict exemptions in the Amendments to capture non-Canadian funds managed by an affiliate of the fund manager. For example, we have revised the pooled fund on fund exemption to permit

		investment in related non-Canadian underlying funds, as contemplated by the prior decisions, provided that the underlying fund prepares audited annual financial statements and interim financial statements. Where non-Canadian funds have not been reflected in routinely granted relief from other conflict prohibitions in securities legislation, codification of the relief in the Amendments has not included non-Canadian funds.
Workstream 5: Replace Reporting Requirements with Requirement to Maintain Records for Five Years	One commenter suggested that any reporting requirements in the Proposed Amendments under Workstream 5 such as those in proposed paragraphs 6.3(1)(f) and 6.4(1)(i) of NI 81- 107, be replaced with a requirement to maintain appropriate records of the transactions for a period of five years.	No change. The reporting requirements in sections 6.3 and 6.4 of NI 81-107 are consistent with prior relief and existing exemptions for the same types of transactions. These requirements also mandate reports to be filed which ensures they are made publicly available and transparent on SEDAR.
Workstream 5: Delete Clause 6.1(1)(b)(i)(A) of NI 81-107	One commenter suggested that clause 6.1(1)(b)(i)(A) of NI 81-107 be deleted, as the commenter stated it precludes certain types of cross-trades, and results in these types of transactions incurring more cost than necessary. The commenter saw no benefit of reporting such trades to the relevant marketplace since the trades occur at a priced determined by the marketplace rather than the portfolio manager deciding to execute the trade.	No change. This condition ensures appropriate transparency concerning the securities that are the subject of an interfund trade in a manner consistent with applicable trading rules.
Workstreams 5(a), 5(c) and 5(d): Do Not Include Exemptions from NI 31-103 in NI 81-102 for Investment Funds that are Not Reporting Issuers	One commenter noted in respect of Workstreams 5(a), (c) and (d) that amendments to NI 31-103 should not be made through amendments to NI 81-102, as private funds are not subject to NI 81-102. The commenter noted that it would cause inconvenience and added expense for such investment funds to suddenly be required to look to NI 81-102 for any reason, and cause confusion in interpreting existing references to “NI 81-102 funds”, “funds to which NI 81-102 applies”, etc. in existing exemptive relief orders and elsewhere. Another commenter noted more generally that to the extent conflict of interest prohibitions in NI 31-103 and securities legislation are not eliminated, relief from these prohibitions be included in NI 31-103.	CSA Staff do not agree that there is an additional cost to a filer from having to review NI 81-102 to rely on a new exemption from what are currently prohibitions in securities legislation. The new exemption placed in NI 81-102 involving private funds has been placed in its respective section to coincide with similar exemptions for public funds which address the same type of transaction. For example, new section 2.5.1 of NI 81-102 provides an exemption for private fund on fund arrangements, right

		after section 2.5 of NI 81-102 which does the same for public fund on fund arrangements. We agree with the commenter's view on the relevance of NI 31-103 to the exemptions in Workstreams 5(a), 5(c) and 5(d), however, given its focus on registrant activity, our view is that NI 31-103 is not the most appropriate place to codify exemptions which concern fund operations, fund activity and the terms of the funds investment restrictions. Accordingly, we propose no change. We have, however, removed from NI 81-102 the exemption previously proposed to permit in-species transactions among private funds, public funds and managed accounts for reasons set out in the CSA Notice.
Workstream 5(a), 5(c), 5(d): Registrant Prohibitions Still in Place	One commenter noted in respect of Workstream 5(a), (c) and (d) that as drafted, it appears that the funds themselves will be able to effect the transactions that were previously prohibited, however nothing in the amendments provides relief to registrants that are prohibited from causing the funds they manage to carry out those same transactions.	Relief has been provided to the applicable registrant, namely, the registered adviser for the noted transactions, as a result of Appendix D to NI 81-102 which contemplates the inclusion of paragraphs 13.5(2)(a) and 13.5(2)(b) of NI 31-103 in the definition of *"investment fund conflict of interest investment restrictions securities legislation*" wherever it appears in the exemptions contemplated by the Amendments, for example, in new subsection 6.3(4) of NI 81-107 as set out in the Amendments.
Workstream 5(a), 5(c), 5(d): Include Certain Exemptions to subsection 13.5(2) of NI 31-103	One commenter noted in respect of Workstream 5(a), (c) and (d) that it would be supportive of amendments to section 13.5 of NI 31-103 to codify exemptive relief for inter-fund trades by non-reporting funds and managed accounts on similar terms as those established for publicly offered investment funds, but that the prohibition in subsection 13.5(2) should include exemptions if such trade (i) is executed at the last sale price; (ii) is completed following procedures approved by the Board of the fund or IFM/PM; and (iii) reported at	The proposed exemption for inter-fund trading in the Amendments codifies the conditions on which this relief has been frequently granted to both public and private funds. One of these conditions permits inter-fund trades to occur at the last sale price. We do not propose to make the

	least annually to the Board.	additional change requested by the commenter to mandate Board approval of procedures or annual reporting to the Board. Currently, inter-fund trades are subject to the oversight of a fund's IRC and cannot proceed without IRC approval. In such context, it remains open to the IRC to add additional conditions to its approval or standing approval of the transaction if the IRC considers them appropriate.
Workstreams 5(a) and 5(d): Imposition of IRC Requirement Adds Burden to Investment Funds that are not Reporting Issuers	One commenter noted that the proposals extend the exemption from the inter-fund self-dealing investment prohibitions in subsection 6.1(2) of NI 81-107 for public investment funds so that it will apply to inter-fund trades involving related investment funds that are not reporting issuers, and amend section 6.1 of NI 81-107 so that all inter-fund trades of exchange-traded securities may occur at last sale price. The commenter noted that the imposition of requirements under NI 81-102 and NI 81-107 would add to the burden and cost to registrants and investors, as an IRC would have to be established for the private funds and infrastructure would need to be developed to support the IRC.	The Amendments reflected in Workstreams 5(a) and 5(d): (i) codify the terms of existing relief, which currently require IRC oversight for certain prohibited, conflicted transactions, including those which involve private funds, and (ii) maintain a consistent standard of oversight for public and private funds that seek to engage in the same type of transaction prohibited by the same prohibitions in securities legislation. Both considerations are relevant and, in our view, are not dependent on the type of investor in the fund nor the type of fund. It is open to a fund manager to decide, based on the best interests of the fund, not to engage in related party transactions such as interfund trades, and to therefore, not rely on the codified exemptions.
Workstreams 5(a) and 5(d): Address Conflicts Issues of these Workstreams in NI 31-103	One commenter suggested that the conflicts issues in this workstream be addressed in NI 31-103 (including inter-fund trades for private funds) instead of making these funds and their managers subject to NI 81-102 and NI 81-107.	CSA Staff disagree with the commenter. We refer the commenter to our response above under *Workstreams 5(a), 5(c) and 5(d): Do Not Include Exemptions from NI 31-103 in NI 81-102 for Investment Funds that are Not Reporting Issuers.*
Workstreams 5(a) and 5(d): Establish Internal Committees to Review and Assess Conflicts	One commenter suggested that registered firms establish an internal committee made up of various senior individuals with objective oversight, to review and assess conflicts (similar to the way private fund managers establish internal valuation committees).	NI 81-107 reflects the CSA's determination that oversight of the fund manager's handling of conflicts should be in the form of the IRC. The extension of this view is

		found in exemptive relief decisions involving private funds which have mandated IRC oversight for private funds seeking to engage in the same related party transactions as public funds. Variations in this oversight structure in the form suggested by the commenter, will not provide a consistent standard of oversight and have been rejected by the CSA since NI 81-107 became effective in 2006. Accordingly, we have not made this change but note that it is open to a fund manager to establish a separate committee, for example, an advisory committee at the fund level, to assess conflict of interest matters, in addition to the current requirement in NI 81-107 for an investment fund establish an IRC.
Workstreams 5(a) and 5(d): Establish Alternative to IRC	One commenter suggested that rather than having an IRC assess conflicts and the registered firm report to the IRC, have the CCO report to the board of directors as to compliance with the requirements of NI 31-103 (including inter-fund trades at last sale price). The commenter added that if the regulations state how a conflict matter should be addressed then the requirement can be addressed via policies and procedures and controls without an IRC.	CSA Staff refer the commenter to our response above under *Establish Internal Committees to Review and Assess Conflicts*.
Workstreams 5(a) and 5(d): Consider Approaches in Other Jurisdictions	One commenter suggested considering the approach taken in other jurisdictions – such as the anti-fraud provisions in the US under the *Advisors Act* where conflicts management is not prescribed but rather a requirement of the registrant along with initial and ongoing disclosures regarding conflicts.	Approaches to conflict management in other jurisdictions were considered in the course of developing NI 81-107. NI 81-107 reflects the CSA's determination that the IRC is an appropriate mechanism to oversee the fund manager's handling of conflict of interest matters. Accordingly, we have not made the commenter's suggested change to this established and known framework for oversight of fund manager handling of conflict of interest matters.
Workstream 5(a): Maintain Provisions of Paragraph 13.5(2)(a) of NI 31-103, Codify Exemptive Relief Granted Where Notice Not	One commenter noted that given paragraph 13.5(2)(a) permits a related party investment in certain circumstances, imposing any further conditions under the Proposed Amendments in such circumstances would increase regulatory	CSA Staff are unclear what is meant by the commenter. The exemption now provided by the Amendments from paragraph 13.5(2)(a) in NI

Provided and Consent not Received; Permit Non-Reporting Issuer Mutual Fund to Invest in Related Issuer	burden. The commenter suggested maintaining the provisions of paragraph 13.5(2)(a) and codifying the situation where a manager did not provide notice nor obtain consent as required under paragraph 13.5(2)(a), and permitting a mutual fund that is not a reporting issuer to invest in a related issuer, which is prohibited in certain circumstances as described in section 111 of the *Securities Act* (Ontario).	31-103 permits a related party transaction where a portfolio manager cannot otherwise comply with the exceptions provided in subparagraphs 13.5(2)(a)(i) and 13.5(2)(a)(ii). Relief has been previously granted when an investment fund or the portfolio manager cannot, or is unable to, comply with the requirements of paragraph 13.5(2)(a). Such relief has been granted to permit related party transactions based on established conditions now reflected in the Amendments. It is unclear which aspect of these conditions is burdensome to the commenter.
Workstream 5(a): Revise Drafting to Avoid Inadvertently Subjecting Investment Funds that are not Reporting Issuers to Restrictions they are not Currently Subject to	(1) Two commenters noted in respect of Workstream 5(a) that as currently drafted, this codification may result in investment funds that are not reporting issuers being subject to restrictions they are not otherwise subject to today. The commenter offered drafting suggestions to address the issue, including: (2) Revise proposed paragraph 1.2(2.1)(a) to denote section 2.5.1. Another commenter agreed with this suggestion. (3) Revise the wording of proposed paragraphs 1.2(2.1)(b) and (c) of NI 81-102 to specify that subsections 9.4(7) and (8), and 10.4(6) and (7) should apply in respect of investment funds that are not reporting issuers, and only to trades done in accordance with those subsections. Another commenter also noted that the references to sections 9.4 and 10.4 should be narrowed in scope. Another commenter agreed that the references should be to subsections 9.4(7) and (8) and 10.4(6) and (7). (4) Revise the wording of proposed subsection 2.5.1(2) of NI 81-102 to specify that the investment	(1) CSA Staff have revised the pooled fund on fund exemption in section 2.5.1 of NI 81-102 to remove the obligation for the underlying fund to comply with the requirements of NI 81-106. This has been replaced with the requirement for the underlying fund to prepare audited annual financial statements and interim financial statements. We anticipate that this change provides greater clarity around the parameters of the pooled fund on fund exemption in section 2.5.1 of NI 81-102. (2) CSA Staff agree and have made the suggested change. (3) CSA Staff have removed the proposed exemption to permit in-species transactions between private funds, public funds and managed accounts for the reasons set out in the CSA Notice. (4) This is currently specified in subsection 2.5.1(3).

	fund conflict of interest investment restrictions and the investment fund conflict of interest reporting requirements do not apply to the purchase or holding of securities of another investment fund by an investment fund that is not a reporting issuer, subject to certain provisions.	
	(5) Delete proposed paragraph 2.5.1(2)(a) of NI 81-102.	(5) No change.
	(6) Exempt non-reporting issuer funds from proposed paragraph 2.5.1(2)(c) of NI 81-102 on the basis that it is adding a limitation that has not been included in recent relief applicable to fund on fund investments where both the top and underlying funds are not reporting issuers. Another commenter noted that it is not clear why the CSA propose this restriction, which it noted was an increase in the regulatory burden and not a reduction. Another commenter noted that this condition was a departure from previous pooled fund on pooled fund conflict relief.	(6) Section 2.5.1 is intended to permit pooled fund on fund arrangements. Recent prior decisions granting relief to permit pooled fund on fund arrangements have included a condition limiting the extent to which the underlying fund may invest in or hold illiquid securities, the purpose of such condition being to ensure the ability of investors in a top fund to redeem on demand. We propose no change as inclusion of this term is consistent with recent granted relief to permit pooled fund on fund transactions. We also refer the commenters to our response above under "*Workstream 5: Effective at Reducing Burden"* which confirms that prior exemptive relief decisions concerning the transactions now codified in the Amendments will be permitted to remain in place.
	(7) Amend proposed paragraph 2.5.1(2)(d) of NI 81-102 to clarify that the other fund must only comply with NI 81-106 to the extent applicable, as non-reporting issuer investment funds are not subject to NI 81-106 in its entirety. Another commenter noted that this condition cannot be met by "other funds" in those provinces where it was determined NI 81-106 should not apply to certain non-public funds. Another commenter noted that this condition was a departure from previous pooled fund on pooled fund conflict relief.	(7) CSA Staff have removed the requirement for the underlying fund to comply with NI 81-106 and replaced it with the condition reflected in recent relief permitting pooled funds to invest only in underlying funds which prepare audited annual financial statements and interim financial statements and make them available upon request to an investor in a top fund.
	(8) Amend proposed paragraph 2.5.1(2)(f) of NI 81-102 to clarify that the investment in the other fund be effected at an objective price, but that the price need not necessarily be calculated in accordance with section 14.2 of NI 81-106, as that provision does not apply to non-reporting issuer investment	(8) In response to the comment, we have revised the wording of the noted paragraph (now paragraph 2.5.1(2)(i)) to provide greater clarity on how the price of

	funds, and is not a requirement of current exemptive relief. Another commenter noted that "objective price" is not defined in NI 81-102. Another commenter noted that it should be clarified whether all subsections of section 14.2 of NI 81-106 must be complied with or only subsections (1) through (1.4), and that it should be the latter as the commenter saw no policy reason to force Pooled Funds who wish to rely on this relief to comply with frequency, currency and publication requirements. Another commenter noted that this condition was a departure from previous pooled fund on pooled fund conflict relief.	investment in the underlying fund should be determined.
	(9) Amend proposed subparagraphs 2.5.1(2)(g)(iii)-(v) of NI 81-102 to reference fund(s) instead of a single fund.	(9) No change. This disclosure is to be provided on a per fund basis consistent with prior relief now being codified.
	(10) Amend proposed subparagraph 2.5.1(2)(g)(vi) of NI 81-102 to delete the requirement to disclose, for the officers and directors and substantial securityholders who together in aggregate hold a significant interest in the other fund, the approximate amount of the significant interest they hold, on an aggregate basis, expressed as a percentage of the applicable other fund's net asset value. Another commenter also agreed with this suggestion.	(10) No change. This disclosure requirement is consistent with the conditions of prior relief now being codified.
	(11) Delete proposed paragraph 2.5.1(2)(h) of NI 81-102, as it is an additional requirement that is not included in previously granted relief and creates additional regulatory burden, and investors generally will make this request of their advisor should they want to obtain a copy of the documents referred to. Another commenter also agreed with this suggestion.	(11) No change. This disclosure requirement is consistent with the conditions of prior relief now being codified.
	(12) One commenter also noted that NI 81-102, NI 81-106 and NI 81-107 should only apply to pooled funds for the purpose of benefiting from the exemptions, and noted that many of the conditions included in the proposed section 2.5.1 should not be applicable to investments in underlying funds that are non-reporting issuers. The commenter added that funds not currently subject to these conditions would have to change their operations midstream to comply.	(12) The Amendments incorporate exemptions to permit pooled funds to engage in conflict transactions that are currently prohibited by securities legislation. In this context, the exemptions do not impose additional conditions on pooled funds, but they do establish a framework for such funds to engage in prohibited transactions on terms reflected in previously granted relief. Noting the comment, however, we have removed the requirement for the underlying fund in a pooled fund on fund transaction to comply with NI 81-106. We also refer the

		commenter to our response above under *Workstream 5: Effective at Reducing Burden.*
Workstream 5(a): Disclosure Document Requirements New	Another commenter noted that the disclosure requirements in proposed paragraph 2.5.1(2)(g) of NI 81-102 are new.	The disclosure requirements in now paragraph 2.5.1(2)(j) are not new as they are reflected in prior relief to permit pooled fund on fund arrangements. As such, they have been included in the exemption in section 2.5.1 to permit the same.
Workstream 5(a): Clarify Whether Disclosure Document Requirement Applies Where Relief Previously Granted	One commenter noted that clarification should be provided as to whether the disclosure document applies to investors in funds where previously granted relief has been provided.	The disclosure requirement in what is now section 2.5.1 applies to all investors in a top pooled fund *before an investor purchases securities of the investment fund*. In our view, this requirement is a prospective requirement applicable to investors in top funds seeking to rely on the exemption going forward, not to investors in funds relying on previously granted relief.
Workstream 5(a): Review Disclosure Document Requirements to Avoid Unduly Narrowing Scope of Codified Relief	One commenter noted that proposed subparagraphs 2.5.1(2)(g)(i)-(ii) of NI 81-102 raised questions about whether the relief only applies when the top fund is investing in related funds, which would be an unduly narrow scope of the relief.	This exemption codifies pooled fund on fund relief previously granted to permit pooled funds to invest in related funds where such transactions would otherwise be prohibited by securities legislation. We do not view this as narrow since absent this exemption, filers are required to otherwise apply for this relief from applicable prohibitions in securities legislation to engage in pooled fund on related fund transactions.
Workstream 5(a): Streamline Disclosure Document Requirements	One commenter noted that proposed paragraph 2.5.1(2)(g) of NI 81-102 should be reviewed to determine whether each item of disclosure is necessary, and that at a minimum the words “if applicable” should be included to permit the manager flexibility in determining which requirements are relevant in the circumstances.	CSA Staff have not made this change. The disclosure requirements in proposed paragraph 2.5.1(2)(g) of NI 81-102 (now paragraph 2.5.1(2)(j) of NI 81-102) are consistent with relief previously granted and, in our view, are necessary to mitigate and to provide sufficient transparency around the inherent conflict in pooled fund on fund transactions involving related funds.

Workstream 5(a): Delete Paragraph 2.5.1(2)(b) of NI 81-102	One commenter noted that proposed paragraph 2.5.1(2)(b) of NI 81-102 should be deleted and paragraph (b.1) should apply to both types of underlying investment funds, as it is irrelevant for a pooled fund to determine whether it is a mutual fund, an alternative mutual fund or a non-redeemable investment fund and have its investments in investment funds constrained to the same type of investment fund.	CSA Staff have not made the changes requested by the commenter. The exemption in section 2.5.1 requires only that a determination be made as to whether the underlying fund is or is not a reporting issuer. If is it a reporting issuer, a determination would need to be made in any event as to whether the underlying fund is a mutual fund or a non-redeemable investment fund as it would, in accordance with section 2.5, if the top fund were a public fund.
Workstream 5(a): Modify Paragraph 2.5.1(2)(b.1) of NI 81-102 to Permit Three-Tier Investing	One commenter noted that proposed paragraph 2.5.1(2)(b.1) of NI 81-102 should be amended such that three-tier investing is not prohibited so long as there are no duplication of fees.	CSA Staff do not propose to make this change as it is not consistent with prior routine relief being codified by the Amendments.
Workstream 5(a): Delete Paragraph 2.5.1(2)(c) of NI 81-102	One commenter noted that proposed paragraph 2.5.1(2)(c) of NI 81-102 should be deleted, as the underlying investment fund should not have to comply with section 2.4 of NI 81-102 so long as the manager has adequate measures to ensure that its net asset value determination is fair and reasonable at all relevant times and it can satisfy any redemption request in accordance with the redemption rights it has given its security holders under all reasonable circumstances.	CSA Staff disagree. The requirement on the underlying fund to comply with section 2.4 of NI 81-102 is consistent with the conditions of prior relief granted and exists for the purpose of ensuring that sufficient liquidity exists at the lower level of a fund on fund arrangement. Accordingly, we have not made this change.
Workstream 5(a): Review Paragraph 2.5.1(2)(e)	One commenter noted that proposed paragraph 2.5.1(2)(e) will require the underlying fund to have the same redemption and valuation dates.	This is correct and consistent with the conditions of prior exemptive relief now codified by the Amendments.
Workstream 5(a): Review Impact of Provisions on Ability to Invest in Non-Canadian Underlying Funds Managed by an Affiliate of the Fund Manager of the Top Fund	One commenter noted that the proposed amendments create a circumstance where investing in non-Canadian underlying funds managed by an affiliate of the fund manager of the top fund will no longer be permissible, which is a departure from existing fund on fund conflict relief.	CSA Staff have revised the pooled fund on fund exemption to permit investment by a Canadian pooled fund in related non-Canadian underlying funds provided that the underlying fund prepares audited annual financial statements and interim financial statements. We also refer the commenter to our response above under *Workstream 5: Effective at Reducing Burden.*
Workstream 5(a): Review Differences in	One commenter also noted that the proposed section 2.5.1 of NI 81-102 imposed requirements in	The commenter is correct. The added disclosure

Requirements as Against Fund-on-Fund Investments by Reporting Issuers	the pooled fund on pooled fund context that are not present for fund-on-fund investments by reporting issuer funds pursuant to section 2.5 of NI 81-102, including the disclosure obligations in proposed paragraph 2.5.1(2)(g).	requirements are consistent with prior relief and have been incorporated into section 2.5.1 in recognition of the absence of a regular public disclosure document for private funds that regularly provides disclosure and transparency concerning related party transactions.
Workstream 5(b): Broaden Scope of Codification by Amending Proposed Paragraph 4.1(4)(b) to Capture Distributions in Other Jurisdictions	One commenter suggested in respect of Workstream 5(b) that the CSA broaden the scope of this codification to permit dealer managed investment funds to also invest in securities issued in a related underwriting in other jurisdictions in which the dealer manager or an associate or affiliate of the dealer manager acts as underwriter. The commenter suggested this be achieved by having the proposed paragraph 4.1(4)(b) be amended to capture distributions in other jurisdictions.	We note the comment, however, codification of an exemption to permit dealer managed investment funds to invest in securities issued in a related underwriting in other jurisdictions is outside of our current goal of codifying routinely granted exemptive relief. Accordingly, at this time, we have not made the change requested by the commenter.
Workstream 5(b): Permit a Dealer Managed Investment Fund to Invest in Offerings of Debt Securities of Non-Reporting Issuers Without an approved rating	One commenter suggested that proposed subsection 4.1(4) of NI 81-102 delete the proposed addition of the term “reporting” next to “issuer” in the first sentence, as this was not a condition to previous exemptive relief granted in similar circumstances and there is in existence high-quality debt securities issued by non-reporting issuers.	The Amendments permit fund investment in related party underwritings of a reporting issuer, whether the offering of those securities occurs by prospectus or under an exemption from the prospectus requirement. This is consistent with routinely granted prior relief. To date, relief to permit public fund investment in related party underwritings in debt of non-reporting issuers has not been frequently granted. Accordingly, we have not codified such relief as part of this initiative. The CSA will continue to consider such relief on a case-by-case basis.
Workstream 5(c): Provide Guidance Rather than Codify Exemption	One commenter noted that rather than codifying an exemption to paragraph 13.5(2)(b) that likely does not impose any restriction on *in-specie* subscriptions and redemptions for mutual funds and other investment funds that are not reporting issuers, the CSA should clarify the interpretation of those provisions.	CSA Staff have removed the proposed exemption for in-species subscriptions and redemptions between related public funds, pooled funds and managed accounts for the reasons set out in the CSA Notice.
Workstream 5(c): Review Illiquid Asset Transfer Requirements	Two commenters noted in respect of Workstream 5(c) that it questioned the need for paragraphs 9.4(7)(c), 9.4(8)(d), 10.4(6)(d) and 10.4(7)(d) given the same registrant is on both sides of the transaction. The commenters noted that the	CSA Staff refer the commenter to our response above under *Workstream 5(c): Provide Guidance Rather than Codify*

	registrant owes a duty of care to each investment fund, and one of the commenters noted the duty applies to managed accounts as well. That commenter also noted that the registrant has an obligation to act fairly in determining the amount of the illiquid asset to be transferred from one to the other and the price at which it should be transferred, and that a registrant has an obligation to fairly value the portfolio holdings. The commenter also noted that depending on the nature of the illiquid asset, it may be difficult to obtain such a price quote.	*Exemption.*
Workstream 5(c): Drafting Amendments to Proposed Subsections 9.4(7), 9.4(8), 10.4(6) and 10.4(7) of NI 81-102	One commenter noted in respect of Workstream 5(c) that while it was pleased to see the codified exemptions provided for in new subsections 9.4(7) and (8), it had several comments on the proposed provisions, and that these comments applied equally to subsections 10.4(6) and (7): • Amend paragraph (7)(a) to allow each fund manager to make a determination as to whether the transaction is a conflict of interest matter that should be referred to the IRC. The commenter noted that it is not clear why this is assumed to be such a matter that should be referred to the IRC, given the parameters of paragraph 9.4(2)(b) and the balance of subsection (7), and that such a requirement does not apply if the second fund is a reporting issuer. • Regarding subsection (8), consider whether the CSA has authority to make this rule in respect of managed accounts, and amend section 1.2 to resolve such concerns using a method similar to that in proposed subsection 1.2(2.1). • Regarding subsection (8), refer to either “portfolio manager” (preferred) or “portfolio adviser”, but not both. • Amend paragraph (8)(a) to allow each fund manager to make a determination as to whether the transaction is a conflict of interest matter that should be referred to the IRC. The commenter noted that it is not clear why this is assumed to be such a matter that should be referred to the IRC, given the parameters of paragraph 9.4(2)(b) and the balance of subsection (8) (and the fact this is not the case for subsection (7). • Delete paragraph (8)(b) to remove the requirement for “prior written consent” of the managed account client, in light of the conditions to the relief and the discretionary authority of portfolio managers over managed accounts. • Amending paragraphs (7)(e) and (8)(g) as the trade may not be completed through a dealer at all, and if it is, the custodian may still charge a fee.	CSA Staff thank the commenter for its support for the exemptions but refer the commenter to our response above under *Workstream 5(c): Provide Guidance Rather than Codify Exemption.*

Workstream 5(c): Do Not Restrict Relief to Mutual Funds	One commenter noted that the relief should not be limited to mutual funds, as there is no policy reason why investment funds that do not offer redemption rights would not be permitted to rely on this relief for subscriptions.	CSA Staff refer the commenter to our response above under *Workstream 5(c): Provide Guidance Rather than Codify Exemption*.
Workstream 5(c): Remove Requirement for Compliance with Section 2.4 of NI 81-102	One commenter noted that investment funds carrying out *in specie* subscriptions or redemptions should not have to comply with section 2.4 of NI 81- 102 (unless they are investment funds to which NI 81-102 applies) so long as the manager for the underlying fund has adequate measures to ensure that its net asset value determination is fair and reasonable at all relevant times.	CSA Staff refer the commenter to our response above under *Workstream 5(c): Provide Guidance Rather than Codify Exemption.*
Workstream 5(c): Review Pro-Rata Transfer Requirements for *In-Specie* Subscriptions and Redemptions	One commenter noted illiquid assets included in the payment for securities of an investment fund (or in the payment of redemption proceeds) should not be required to be transferred on a pro-rata basis. The commenter noted that the only criteria that is relevant is that the assets are acceptable to the receiving fund's portfolio manager (or for the receiving managed account) and consistent with the receiving fund's investment objectives (or the investment policy applicable to the receiving managed account). The commenter also noted that if it remains within the target allocation for that asset class, the portfolio manager should be allowed to accept the subscription (or redemption). In addition, forcing the portfolio manager to breakup an illiquid asset in two (i.e. keep a portion for the fund and transfer the ownership of another portion to the unitholder, or vice versa may prove to be too difficult and render the relief useless when illiquid assets are involved in *in specie* transactions.	CSA Staff refer the commenter to our response above under *Workstream 5(c): Provide Guidance Rather than Codify Exemption.*
Workstream 5(d): Support for Amendment to Definition of Current Market Price of the Security	One commenter noted the expansion of the "inter-fund trading" relief provided for in NI 81-107 with the Proposed Amendments to section 6.1, and was appreciative of the correction to the definition of "current market price of the security" provided for with these revisions.	CSA Staff thank the commenter for the support.
Workstream 5(d): Permit Inter-Fund Trade between two Investment Funds Managed by Different IFMS but Common PM, with IRC Approval	One commenter noted that Workstream 5(d) should be revised to permit an inter-fund trade between two investment funds managed by different investment fund managers but with a common portfolio manager, so long as the IRC of each investment fund involved in the trade has approved the trade.	CSA Staff disagree. The inter-fund trading exemption was initially established in NI 81-107 to permit interfund trades between funds managed by the same fund manager (or affiliated fund managers) with IRC approval. NI 81-107 established this concept by highlighting that the funds overseen by the IRC in an interfund trade should be part of the same fund family, not across different fund families of different fund managers. Permitting this

		oversight to occur between non-related funds would not result in consistent oversight of conflict matters at the fund manager level. Accordingly, we have not made the change suggested by the commenter.
Workstream 5(e): Support for Codification	One commenter supported the proposed codification.	CSA Staff thank the commenter for its support.
Workstream 5(e): Amend Commentary to NI 81-107	One commenter noted that in NI 81-107, references to “inter-fund trades” in Commentary 2 to section 6.2, the commentary following new section 6.3 and new section 6.4 will need to be amended to reference “transactions in securities of related issuers”, “transactions in securities of related issuers in the secondary market” and “transactions in securities of related issuers in primary offerings”, respectively.	No change.
Workstream 5(f): Support for Codification	Two commenters supported the proposed codification.	CSA Staff thank the commenters for their support.
Workstream 5(g): Support for Codification	One commenter supported the proposed codification.	CSA Staff thank the commenter for its support.
Workstream 5(g): Extend Codification to All Debt	One commenter noted in respect of Workstream 5(g) that the relief be extended to all debt, not just long-term debt.	No change. The exemption codifies routinely granted relief to permit fund purchases of long-term debt in the primary market.
Workstream 5(h): Support for Codification	Two commenters supported the proposed codification.	CSA Staff thank the commenters for their support.

WORKSTREAM SIX - SUPPORT

Issue	Comment	Response
Support for Workstream	Seven commenters supported codification of relief that has been routinely granted, to broaden the pre-approval criteria for investment fund mergers contained in section 5.6 of NI 81-102.	CSA Staff thank the commenters for their support.

WORKSTREAM SIX - QUESTION 20

We propose to mandate new disclosure requirements in the Information Circular in subparagraph 5.6(1)(a)(ii) and paragraph 5.6(1)(b) of NI 81-102 as pre-approval criteria for investment fund mergers. Are there any additional disclosure elements that we should require beyond what has been proposed? If so, please provide details.

Issue	Comment	Response
Remove Subparagraph (i) of Proposed Paragraph 5.6(1)(b) and Apply Clause (ii)(A) to all Mergers	One commenter noted that a better approach to disclosure would be to remove subparagraph (i) of proposed paragraph 5.6(1)(b) and apply clause (ii)(A) to all mergers, thereby giving investors an explanation as to why a particular course of action was taken from a tax perspective and why that action is in the best interests of securityholders of the fund. The commenter noted that a qualifying exchange is not an innocuous event, and that it is important that investors understand the consequences when considering a fund merger.	CSA Staff note the commenter's suggestion but are of the view that such a proposed expansion of disclosure obligations would require additional investigation that would be outside the scope of this Workstream. CSA Staff also note that to the extent a qualifying exchange or tax deferred transaction has a material, negative impact on a securityholder, such information should be disclosed in the information circular.

WORKSTREAM SIX - OTHER

Issue	Comment	Response
Revise "Best Interests of Securityholders" Standard	Five commenters noted that both proposed clause 5.6(1)(a)(ii)(B) and proposed clause 5.6(1)(b)(ii)(C) of NI 81-106 include a requirement that the disclosure explain the investment fund manager's belief that the transaction is in the "best interests of securityholders", and that to remain consistent with the relief granted, "best interests of securityholders" should be changed to "beneficial to securityholders".	CSA Staff have replaced the phrase "best interests of securityholders" with "best interests of the investment fund" to more closely align with the language used in statutory descriptions of investment fund managers' standard of care.
Clarify in Regulations that Securityholder Approval Still Required	One commenter noted that subparagraph 5.3(2)(a)(iii) of NI 81-102 should be amended to refer to "the investment fund complies with the criteria in paragraphs 5.6(1)(a)**(i) and (ii)(A)**, (b)**(i)**, (c),", as securityholder approval will continue to be required even though approval of the securities regulatory authority is no longer required for these investment fund mergers.	CSA Staff agree with the change except that the revision to subparagraph 5.3(2)(a)(iii) of NI 81-102 should be amended to refer to the investment fund complying with the criteria in subparagraph 5.6(1)(a)(i), clause 5.6(1)(a)(ii)(A), subparagraph 5.6(1)(a)(iii) and subparagraph 5.6(1)(a)(iv); subparagraph 5.6(1)(b)(i); paragraph 5.6(1)(c)…".
Eliminate Securityholder Approval Requirement	Two commenters suggested that the requirement for securityholder approval of fund mergers addressed in this Workstream be eliminated by adding them to subsection 5.3(2) of NI 81-102 as further circumstances where securityholder approval is not required. The commenters noted that securityholders remain adequately protected by the fact that: • the manager must conclude that the merger is beneficial to securityholders; • the IRC of the relevant fund must approve the merger under subsection 5.2(2) of NI 81-107; and • securityholders must be given at least 60 days' advance notice of the merger, which will provide securityholders with ample time to redeem their investments should they not wish to participate in the upcoming merger.	CSA Staff will investigate the possibility of minimizing the list of items for which securityholder votes are required by NI 81-102, section 5.1 in future stages of the current burden reduction initiative and will consider the commenters' views at that time.
Securityholder Approval Requirement Already Eliminated	Another commenter noted that the impact of the Proposed Amendments is to not only remove regulatory approval but to allow these mergers to be approved by the IRC in lieu of securityholders. The commenter noted that this is an appropriate result as securityholder engagement is low, the IRC can ensure that the proposal is uninfluenced by entities related to the manager or considerations other than the best interests of the fund, and the proposal achieves a fair and reasonable result for the investment fund.	CSA Staff note that there was no intention for the Proposed Amendments to eliminate the requirement for securityholder approval for mergers in a way that would go beyond what is currently permitted by securities regulations. CSA Staff are proposing revisions to subparagraph 5.3(2)(a)(iii) of NI 81-102 (as noted above) to address any confusion on this issue. Please also see above

		for information on CSA Staff's review of circumstances requiring securityholder votes.
Provide Confirmation Regarding Notice-and-Access	One commenter suggested that the CSA amend 81-102CP to expressly confirm that reliance on notice-and-access is sufficient for satisfying the condition in subparagraph 5.6(1)(f)(ii) of NI 81-102.	Consistent with recent merger approval decisions, CSA Staff are not stating that reliance on notice-and-access is sufficient for sending the Fund Facts of the continuing fund, pursuant to the requirement in subparagraph 5.6(1)(f)(ii) of NI 81-102. CSA Staff will investigate alternative securityholder delivery methods as part of a future stage of the current burden reduction initiative, and consider the commenter's views at that time.
Delete Subsection 7.3(2) of 81-102CP	One commenter suggested that subsection 7.3(2) of 81-102CP be deleted on the basis that merging a bigger terminating fund into a smaller continuing fund generally should not be considered a material change for the smaller continuing fund, as the relative sizes of the merging funds is irrelevant since all the assets received by the continuing fund will be suitable for it.	CSA Staff will investigate guidance and regulatory requirements regarding material changes in future stages of the current burden reduction initiative and will consider the commenter's views at that time.

WORKSTREAM SEVEN - SUPPORT

Issue	Comment	Response
Support for Workstream	Four commenters supported a repeal of the requirement to obtain regulatory approval for a change of manager, a change of control of manager and a change of custodian that occurs in connection with a change of manager.	CSA Staff thank the commenters for their support.

WORKSTREAM SEVEN - QUESTION 21

Given the oversight regime in place for investment fund managers, we are proposing to repeal the requirement for regulatory approval of a change of manager or a change of control of a manager under Part 5 (Fundamental Changes) of NI 81-102. Does this proposal raise any investor protection issues? If so, explain what measures, if any, securities regulators should consider in order to mitigate such issues. Alternatively, should we maintain the requirements for regulatory approval of these matters and seek to streamline the approval process by eliminating certain requirements in subsection 5.7(1) of NI 81-102? If so, please comment on whether such an approach would be preferable to the existing proposal, which has been put forward with consideration given to the presence of the investment fund manager registration regime.

Issue	Comment	Response
No Investor Protection Concerns in Eliminating Change of Manager and Change of Control of Manager Approval Requirements	Five commenters noted that repealing the requirements for regulatory approval of a change of manager or a change of control of a manager under Part 5 of NI 81-102 does not raise any investor protection concerns.	CSA Staff agree.
Other Safeguards in Place	Several commenters noted that even with the removal of the requirements, there still exist safeguards to ensure investor protection in the context: • One commenter noted that oversight of the transaction will continue to be exercised under sections 11.9 and 11.10 of NI 31-103, any conflict of interest matter will be subject to the oversight of the fund's IRC, and securityholders will have the opportunity to vote on any changes included in section 5.1 of NI 81-102. • Another commenter noted that the IFM is a registrant registered and regulated pursuant to NI 31-103, registrants owe duties to the funds, and firms are subject to significant due diligence. Another commenter noted that removal of the change of manager approval requirement was appropriate given the regulatory regime for investment fund managers. • Three commenters noted that approval from the manager's principal regulator is still required under sections 11.9 and 11.10 of NI 31-103.	CSA Staff agree.
No Investor Protection Concerns in Eliminating Approval Requirement for Change of Custodian That Occurs in Connection with Change of Manager	Two commenters also noted that repealing the requirement for a change of custodian that occurs in connection with a change of manager does not raise investor protection concerns. One of the commenters noted that NI 81-102 prescribes the categories of companies qualified to act as the custodian of an investment fund's assets and limits the options to large Canadian financial institutions, and changing the selected Canadian financial institution following a change of control of a manager will not prejudice investors. The commenter also noted that in almost all cases, the custodian of Canadian investment funds is independent from the manager of those funds.	CSA Staff agree.
Enhanced Information Circular Disclosure Requirements Provide	One commenter noted that the enhanced disclosure requirements for the information circular as set out in proposed NI 81-102, paragraph 5.4(2)(a.2) will provide investors with information equivalent to what	CSA Staff agree that the enhanced disclosure requirements for the information circular are

Investors with Information Previously in Application	was provided in applications as required by NI 81-102, paragraph 5.7(1)(a).	generally equivalent, with some required modifications.
Add Pre-Notice Safeguard	One commenter noted that while an approval requirement is unnecessary with the implementation of the investment fund manager registration category, a regulatory pre-notice requirement would be desirable as it would give the regulators an opportunity to intervene if there is a regulatory issue with the proposed new IFM.	CSA Staff are not proposing to implement a regulatory pre-notice requirement. CSA Staff also note that investment fund managers are subject to a registration regime which includes detailed information filing requirements pursuant to Form 33-109F6 *Firm Registration* such as firm history, registration history, and financial condition. CSA Staff also note that changes to this information are provided pursuant to Form 33-109F5 *Change of Registration Information*.

WORKSTREAM SEVEN - QUESTION 22

When there is a change of manager or a change of control of a manager, should securityholders have the right to redeem their securities without paying any redemption fees before the change? If so, what should be the period after the announcement of the change during which securityholders should be allowed to redeem their securities without having to pay any redemption fees?

Issue	Comment	Response
Do Not Permit Securityholder Redemption Without Payment of Redemption Fees	Six commenters noted that securityholders should not be allowed to redeem their securities without the payment of any redemption fees before any change, when there is a change of manager or a change of control of a manager. Several commenters provided their rationale for this position: • Two commenters noted that such a right does not exist for any other fundamental changes set out in section 5.1 of NI 81-102, and that such a requirement may not be workable for ETFs. • One commenter noted that provided the disclosure that goes to investors about these events clearly states what charges will be payable, the CSA should not mandate a right to redeem their securities without paying any redemption fees before the change. • One commenter noted that redemption charge securities were created at a time when investors paid upfront commissions for mutual fund subscriptions, and the DSC was effectively a pre-payment penalty on a loan from the manager to the investor to fund that upfront commission. The commenter noted that in a standard loan, there would never be loan forgiveness on a change of control of the lender and this situation is directly analogous. • One commenter noted that investor protection is achieved in these instances by the right to vote, the disclosure required to implement such a change, and the IFM registration regime. • One commenter noted that the right could be used by investors that wish to withdraw cash from the investment fund, regardless of whether they agree or disagree with the proposed change. One commenter noted that the right would place managers in a conflict of interest since the manager may be forced to choose between (i) recommending a change to securityholders that the manager believes is in the best interests of the fund, and (ii) avoiding the potential financial consequences of recouping upfront distribution costs through ongoing management fees and redemption fees.	CSA Staff note the commenters' views and will not require, as part of the Amendments and Related Changes, that securityholders be given a right to redeem their securities without paying any redemption fees before the change, consistent with recent change of manager and change of control of manager approval decisions.

WORKSTREAM SEVEN - QUESTION 23

We propose to add to subsection 5.4(2) of NI 81-102 certain disclosure requirements in the Information Circular regarding a change of manager. Is there any other disclosure in the Information Circular that we should mandate, beyond what has been proposed? If so, please provide details.

Issue	Comment	Response
Add Materiality Threshold	Two commenters suggested adding a materiality threshold to proposed subparagraphs 5.4(2)(a.2)(ii) and one commenter suggested adding a materiality threshold to proposed subparagraph 5.4(2)(a.2)(iii).	CSA Staff agree and also added a materiality threshold in respect of information regarding the business, management and operations of the new investment fund manager.
Limit Information Required on Business, Management and Operations of New Investment Fund Manager	One commenter suggested limiting the application of proposed subparagraph 5.4(2)(a.2)(i) to executive officers and directors within the five years preceding the date of the notice or statement.	CSA Staff agree and have made the change.
No Additional Disclosure	Four commenters suggested that no additional disclosure be mandated.	CSA Staff note the commenters' views.

WORKSTREAM SEVEN - QUESTION 24

When a change of manager is planned, we are considering requiring that the related draft Information Circular be sent to securities regulators for approval before it is sent to securityholders in accordance with subsection 5.4(1) of NI 81-102. What concerns, if any, would arise from introducing this requirement? We expect that securities regulators would establish a process to review the Information Circular. If securities regulators took 10 business days to approve the Information Circular as part of the review process, would that create any issues with respect to the organization of the securityholder meeting?

Issue	Comment	Response
Do Not Introduce Requirement	Seven commenters noted that a requirement to obtain regulatory approval before the information circular is sent to securityholders should not be implemented. Several commenters provided their rationale for this view: • Two commenters noted that the proposed requirement is unduly burdensome, will require the investment fund manager to build in additional time to obtain approval, and will also need to be coordinated with timing requirements set out in NI 54-101. • One commenter noted that the requirement would create timing issues that could complicate the transition, and would increase the burden on registrants. • One commenter questioned the purpose of the regulatory approval given that the disclosure in the information circular remains the obligation of the investment fund issuer. • One commenter noted that the scope and rationale for the review is not clear, which would create additional burden for the securities regulator. • One commenter noted that timing is tight given the requirements in NI 54-101, and given that service providers typically request final versions of the meeting materials that are to be printed and delivered approximately 7 to 10 business days in advance of the delivery date. The commenter noted that adding 10 additional business days to allow the CSA to approve the information circular would mean that the final meeting materials would need to be ready up to 20 days prior to the delivery date (and potentially even earlier than that if there is some back and forth with the CSA on the content of the information circular). The commenter also noted that it is not a useful practice for the CSA to comment on the information circular, and that in the commenter's experience, the CSA have had immaterial drafting changes to the information circular when provided in the context of the NI 81-102 application. • One commenter noted that the requirement would likely to lead to the creation of new substantive requirements by the CSA outside the rule-making process and that the CSA should expect that managers will prepare information circulars in compliance with securities legislation, failing which securityholders will have recourse	CSA Staff note the commenters' views and have determined, at this time, to not implement any regulatory review of the information circular in the context of a change of manager, as part of the Amendments and Related Changes.

	against the manager and the CSA will have an opportunity for disciplinary action. • One commenter noted that it would be helpful to understand the rationale behind why the CSA believe that information circular approval is necessary for investor protection, and that without further information, considering the increased burden and resultant potential slow down of such transactions, the requirement should not be implemented.	
If Implemented, No Longer than Five Business Days for Review and Approval	Two commenters suggested that if the proposal were implemented, securities regulators should adopt a review period of five days. One of the commenters specifically added that it was uncertain whether the proposal reduced burden.	See above.
Adopt Review Process	One commenter noted that information circulars carry prospectus-level liability, and while mandatory review of them is an additional burden, it is one that will enhance investor protection and should be adopted.	CSA Staff note the commenter's view.

WORKSTREAM SEVEN - QUESTION 25

Investment funds currently rely on the form of Information Circular provided for in Form 51-102F5 Information Circular of NI 51-102, which was developed primarily for non-investment fund issuers.

a. Should Form 51-102F5 of NI 51-102 be replaced with an Information Circular form that is tailored to investment funds?

b. If investment funds had their own form of Information Circular, would this reduce costs or make it easier to comply with requirements to produce an Information Circular?

c. If investment funds had their own form of Information Circular, are there certain form requirements that should be added which would provide investors with useful disclosure that is not currently required by Form 51-102F5? Alternatively, are there disclosure requirements that could be removed? Please provide details.

d. Should investors receive additional tailored disclosure adapted to their needs? Would investors benefit from receiving a summary of key information from the Information Circular in a simple and comparable format, in addition to the Information Circular itself or as a distinctive part of the Information Circular (e.g. as a summary appearing at the front of the document)?

Issue	Comment	Response
Q25(a) - Replace Form 51-102F5 with Investment Fund Specific Information Circular Form	Five commenters noted that Form 51-102F5 of NI 51-102 should be replaced with an information circular form that is tailored to investment funds. Several commenters provided their rationale for this view: • One commenter noted that many of the requirements of Form 51-102F5 are not applicable to investment funds generally, and in particular, to investment funds in the context of a meeting of securityholders to approve a fundamental change. • One commenter noted that a tailored information circular would reduce the regulatory burden of attempting to adapt the current form to the particularities of the change and improve consistency, to the benefit of investors. • One commenter noted that the benefits of a form designed to address the specific circumstances of investment funds would outweigh the upfront burden associated with migrating to new form requirements.	CSA Staff will investigate the request for an information circular form tailored to investment funds as part of future stages of the current burden reduction initiative, and will consider the commenters' views at that time.
Q25(a) - Value of New Investment Fund Information Circular Form Unclear	Two commenters suggested that there was a lack of clarity about whether a new information circular form would add value. • One commenter noted that it was not aware of investment fund managers being unable to meet their disclosure obligations under the current form, and questioned the value of a new form, even though it may be slightly easier for investment fund managers over the longer term. • The other commenter noted that there have been no real complaints about use of the form such that a change of form is warranted at this time.	See above.
Q25(a) - Provide Flexibility Regarding Which Form to Use	One commenter noted that to the extent an alternative form is available to investment funds, it should be up to the investment fund manager to decide which form to use.	See above.

Q25(b) – New Information Circular Form for Investment Funds Beneficial	Three commenters noted that a new form of information circular for investment funds would reduce burden, and provided their rationale: • One commenter noted that while the introduction of a new form of information circular would require the expenditure of some time and effort to become familiar with the form requirements and creation of the initial document, there would be a benefit to investment fund issuers and their investors over the long-term. • One commenter noted that a new form would reduce costs of preparation, enhance compliance, and provide investors with salient information with respect to the change. • One commenter noted that a form tailored to funds will make it easier to comply with requirements to produce an information circular and will result in more meaningful disclosure to securityholders of funds.	See above.
Q25(b) – New Information Circular Form for Investment Funds Likely Not Easier to Use	One commenter noted that it is not particularly difficult to comply with the information circular requirements today and it is difficult to imagine that a new form would make it easier.	See above.
Q25(c) – Suggestions for Form 51-1012F5 Modifications Not Available	One commenter noted that it did not have the time to consider this issue but would be pleased to collaborate with the CSA on this work.	See above.
Q25(c) – No Information Missing in Form 51-1012F5 but Opportunity to Improve Readability	One commenter noted that it could not identify any specific information missing from the form, and would not want to see additions to the form that would increase costs to complete it. The commenter noted that a change would be an opportunity to improve its readability in the investment funds context.	See above.
Q25(c) – Remove Information Not Relevant to Investment Funds, Create new Workstream, No Requirement for Comparability	One commenter noted that a number of items currently prescribed in Form 51-102F5 are irrelevant to investment funds. The commenter also noted that designing a new form of information circular should be a new initiative. The commenter also noted that a format creating comparability between information circulars is not required.	See above.
Q25(c) – No New Form Required but If Created, Remove Information Not Relevant to Investment Funds	Two commenters did not think a new form was required, but noted that if one was created, certain items should be removed. One commenter suggested that items not relevant to investment funds, such as details regarding compensation of directors, could be removed. One commenter provided a more detailed list of Items from Form 51-102F5 that could be removed or streamlined: • Item 5 (Interest of Certain Persons or Companies in Matters to be Acted Upon), which is not necessary in the investment fund context. • Item 7 (Election of Directors) which is not applicable in the investment fund context. • Item 8 (Executive Compensation) which is not applicable in the investment fund context (and how the investment fund manager is compensated is already provided for in other	See above.

	continuous disclosure documents applicable to investment funds). • Item 9 (Securities Authorized for Issuance Under Equity Compensation Plan) which is not applicable in the investment fund context. • Item 10 (Indebtedness of Directors and Executive Officers) which is not applicable in the investment fund context as an investment fund cannot lend money. • Item 15 (Restricted Securities) which is not applicable in the investment fund context.	
Q25(d) – Additional Tailored Disclosure Beneficial if Optional	Three commenters suggested that investment funds should have the flexibility to provide additional tailored disclosure. Two of those commenters suggested or appeared to suggest that additional tailored disclosure might benefit investors, with one of those commenters specifying that it should be optional where an issuer believes it will assist investors in understanding the matters to be voted on and thus, encourage participation in the process.	See above.
Q25(d) – Additional Tailored Disclosure and Comparability Not Necessary	One commenter noted that additional tailored disclosure is not necessary, and that the concept of comparability does not apply to information circulars in the same manner as Fund Facts or simplified prospectuses.	See above.
Q25(d) – Summary of Key Information Desirable If Optional	One commenter noted that while a summary page may be beneficial to investors, mandating it would not reduce regulatory burden.	See above.
Q25(d) – Summary of Key Information Not Desirable	Three commenters were not of the view that a summary document was desirable. • One commenter noted that often the particulars of a fundamental change are complex and not easily summarized, which would lead to significant duplication of disclosure. • One commenter noted that summary information is typically included in the management letter that accompanies the information circular, and that a requirement to prepare a summary would increase repetition and do little to facilitate investor understanding. • One commenter noted that it is unnecessary to prescribe a summary or use other plain language objectives since the number of information circulars requested by investors under the notice-and-access regime is extremely low, and that as an alternative, in such a future project, the CSA may consider slightly expanding the disclosure contained in the notice sent pursuant to proposed paragraph 12.2.1(a) of NI 81-106.	See above.

WORKSTREAM SEVEN - OTHER

Issue	Comment	Response
Confirm Scope of Registration Review Unchanged	Two commenters noted that it would be useful for investment fund managers to understand whether the scope of review under NI 31-103 will be the same, or if that review will be expanded to include a review of matters relating to NI 81-102.	CSA Staff are not seeking to relocate approval requirements removed as part of Workstream 7 into NI 31-103.
Repeal OSC Staff Notice 81-710	Two commenters suggested the OSC repeal OSC Staff Notice 81-710 *Approvals for Change in Control of a Mutual Fund Manager and Change of a Mutual Fund Manager under National Instrument 81-102 Mutual Fund.* The commenters noted this has resulted in many changes of control of manager being treated in practice as a change of manager that requires securityholder approval under paragraph 5.1(1)(b) of NI 81-102.	OSC Staff will investigate a repeal of the notice in a future stage of the current burden reduction initiative and consider the commenters' views at that time.

WORKSTREAM EIGHT - SUPPORT

Issue	Comment	Response
Support for Workstream	Six commenters supported codification of exemptive relief granted in respect of Fund Facts delivery for managed accounts, portfolio rebalancing plans and automatic switch programs. Some commenters supported certain specific elements of Workstream 8: • One commenter supported codification in the context of permitted clients that are not individuals. • Two commenters supported codification in the context of managed accounts and permitted clients that are not individuals. • Two commenters supported the CSA's proposed amendments to Form 81-101F3 to conform with certain disclosure requirements in Form 41-101F4.	CSA Staff thank the commenters for their support.
Workstream Does Not Reduce Regulatory Burden	One commenter noted that codification of various prospectus delivery relief is a housekeeping matter that does not change regulatory burden.	CSA Staff are of the view that the anticipated benefits of providing an exemption from the Fund Facts delivery requirement for mutual fund purchases made in managed accounts or by permitted clients that are not individuals, include cost savings in the printing and delivery of Fund Facts. The anticipated benefits of codifying exemptive relief from the Fund Facts delivery requirement by expanding the PAC Exception for subsequent purchases under model portfolio products and portfolio rebalancing services include cost savings in the printing and delivery of Fund Facts. Other anticipated benefits include enhanced disclosure to investors with a single consolidated Fund Facts for all the classes or series of securities of the mutual fund in the automatic switch program, and cost savings in the printing and delivery of Fund Facts for investors in an automatic switch program.

WORKSTREAM EIGHT - QUESTION 26

Currently, a separate Fund Facts or ETF Facts must be filed for each class or series of a mutual fund or ETF that is subject to NI 81-101, or NI 41-101 respectively. The Proposed Amendments contemplate allowing a mutual fund to prepare a single consolidated Fund Facts that includes all the classes or series covered by certain automatic switch programs on the basis that the only distinction between the classes or series relates to fees.

a. Should the CSA consider allowing the preparation and filing of consolidated Fund Facts and ETF Facts where there are no distinguishing features between classes or series other than fees, even in circumstances where there is no automatic switch program? Alternatively, should the CSA consider mandating consolidation in such circumstances? In either case, we anticipate revising the form requirements of Form 81-101F3 to be consistent with paragraph 3.2.05(e) of NI 81-101 as set out in Appendix B, Schedule 8 of this publication.

b. Are there other circumstances where consolidation should be allowed or mandated? If so, what parameters should be placed on such consolidation? Additionally, what disclosure changes would need to be made to Form 81-101F3 to accommodate the consolidation?

Issue	Comment	Response
Q26(a) - Permit Optional Consolidated Fund Facts and ETF Facts Where Fees and Investment Minimums are Only Differences	One commenter supported allowing the optional preparation and filing of consolidated Fund Facts and ETF Facts even in circumstances where no automatic switch program is in place, provided there are no material distinguishing features between classes or series other than fees and investment minimums. The commenter noted that it did not support mandatory consolidation at this time because not all series and classes may be appropriate for a given investor, and in those scenarios, fund issuers may prefer to present clients only with fund information that is appropriate to their specific investment needs.	Further to stakeholder support for the optional preparation and filing of consolidated Fund Facts and consolidated ETF Facts, the CSA expect to publish proposed amendments to Form 81-101F3 and Form 41-101F4 for public comment. The CSA will also consider testing sample consolidated Fund Facts and consolidated ETF Facts with investors.
Q26(a) - Permit Optional Consolidated Fund Facts and ETF Facts Where Fees, Expenses and Eligibility Requirements are Only Differences	One commenter supported allowing the optional preparation and filing of consolidated Fund Facts and ETF Facts even in circumstances where no automatic switch program is in place, where the only differences between the series are the fees and expenses of those series, and the eligibility requirements to hold such series.	See above.
Q26(a) - Permit Optional Consolidated Fund Facts and ETF Facts Where Fees are Only Differences	Two commenters supported permitting the preparation and filing of consolidated Fund Facts and ETF Facts even in the absence of an automatic switch program, where there are no distinguishing features between classes or series other than fees. One of the commenters noted that such consolidation should be optional, that the four-page maximum length for a Fund Facts would need to be revisited, and that a notice requirement be considered	See above.

Q26(b) - Permit Consolidated Fund Facts and ETF Facts (With No Apparent Caveats)	Six commenters supported permitting the preparation and filing of consolidated Fund Facts and ETF Facts even in the absence of an automatic switch program with no apparent caveats, although one commenter noted such consolidation would need to address the potential for client confusion. Several commenters provided information on the expected benefits of consolidation: • One commenter noted that allowing preparation of a consolidated Fund Facts or ETF facts that would include all series of a fund would have resulted in savings of almost $1 million annually for itself (an investment fund manager) alone. The commenter also noted that cost savings would likely arise for dealers and financial advisors as well. • One commenter noted that Fund Facts are among the highest cost items associated with investment fund disclosure. • One commenter noted that consolidation would make it substantially easier for investors and financial advisors to compare different mutual funds, which is consistent with the regulatory objective these documents were designed to achieve.	See above.
Q26(b) - Report Performance for Series with Highest Management Fee	One commenter noted that while each series participates in a single portfolio, and as such has the same holdings, the other differences mean a different net asset value and performance for each series. The commenter suggested that performance for the series with the highest management fee can be reported in a manner similar to applicable portions of proposed paragraph 3.2.05(e) of NI 81-102.	See above.
Q26(b) - Permit Optional Consolidated Fund Facts and ETF Facts Where Hedging, Distribution Policies, Purchase Options are Only Differences	One commenter supported allowing consolidation where the differences between the series are one or more of the following: (i) whether or not the series hedges its foreign currency exposure; (ii) distribution policies (e.g. fixed period distributions v. variable less frequent distributions); and (iii) purchase options available for the series. The commenter also noted that Canadian life insurance companies are permitted to consolidate in the Fund Facts of a segregated fund multiple classes or series providing different	See above.

	levels of guarantees within the same Fund Facts.	
Q26(b) - No Other Circumstances Where Consolidation Warranted	One commenter did not know of other circumstances where consolidation is warranted and would result in investor protection being preserved.	See above.
Q26(b) - Extend Workstream 8 Changes to ETFs	One commenter suggested that similar changes should be provided for the ETF Facts form.	The amendments to NI 41-101 provide exemptions from the ETF Facts delivery requirement for managed accounts, permitted clients who are not individuals, portfolio rebalancing plans and automatic switch programs. These exemptions mirror the exemptions provided from the Fund Facts delivery requirement.
Q26(b) - Use Designated Website to Shorten Length of Consolidated Fund Facts or ETF Facts	One commenter noted that there are very few differences between different series or classes of funds, and noted that to prevent the form from becoming too long, the information can be provided on the designated website and there can be cross-references in the Fund Facts and ETF facts to the investment fund's designated website where necessary.	See above.

WORKSTREAM EIGHT - OTHER

Issue	Comment	Response
Reconsider Exemptions Related to Delivery Requirements Within Dealer Model Portfolio Programs Where Discretionary Trading Permitted for Fund Substitution Purposes	One commenter noted that exemptions related to delivery requirements within dealer model portfolio programs should be reconsidered where discretionary trading is permitted for the purposes of fund substitution, which would be of particular relevance if the Mutual Fund Dealers Association (MFDA) receives CSA approval to implement the proposed amendments to MFDA Rule 2.3.1(b) (Discretionary Trading) outlined in Bulletin #0782-P (2).	The proposed amendments to MFDA Rule 2.3.1(b) (Discretionary Trading) outlined in Bulletin #0782-P (2) have not yet been finalized. The Proposed Amendments codify exemptive relief that is routinely granted for portfolio rebalancing plans. Past exemptive relief from the Fund Facts delivery requirement for portfolio rebalancing plans do not contemplate discretionary trading for the purposes of fund substitution.
Revise Definition of Automatic Switch Program to Apply Whether the Failure to meet the Eligibility Criteria is the Result of a Purchase, Redemption or Market Movement	Two commenters noted that the definition of automatic switch program is too restrictive and would only permit a switch in situations in which the investor fails to meet the eligibility criteria because of redemptions by the investor, and that it should apply whether the failure to meet the eligibility criteria is the result of a purchase, redemption or market movement. One commenter noted that it would be challenging for a dealer to provide Fund Facts to an investor moved into a class or series with a higher management fee as a result of an automatic switch due to negative market movement. One commenter proposed drafting amendments as follows: "automatic switch program" means a contract or other arrangement under which automatic switches on a predetermined ~~dates~~ **basis** are made for a ~~purchaser~~ **holder** of securities of a class or series of a mutual fund as a result of the ~~purchaser~~ **securityholder satisfying or failing to satisfy the eligibility criteria relating to minimum investment amounts set out in the mutual fund's offering documents;** ~~(a) satisfying the minimum investment amount of that class or series, and~~ ~~(b) failing to satisfy the minimum investment amount for the class or series of securities of the mutual fund that were subject to the automatic switch, in whole or in part, because securities of the class or series were previously redeemed;~~	The objectives of the Proposed Amendments, among others, are to codify exemptive relief that is routinely granted. Past decisions granting exemptive relief from the Fund Facts delivery requirement for automatic switch programs do not contemplate switching investors to a higher fee series due to negative market movement. Exemptive relief from the Fund Facts delivery requirement was previously granted for automatic switch programs because investors make their investment decisions at the outset and the automatic switches to lower fee series benefit the investors. The past exemptive relief decisions and the Proposed Amendments do not contemplate switching investors to a higher fee series due to negative market movement as it would be unfair to the investors to do so without delivery of the Fund Facts.

Revise Definition of Automatic Switch Program Such that Business Parameters of Each Automatic Switch Program are not Prescribed; Alternatively Undertake Certain Amendments	One commenter noted that if this definition is not changed, it will lead to confusion regarding the manner in which these programs must operate in order to fall within the definition, and will unnecessarily exclude versions of automatic switch programs without a policy basis for that exclusion. The commenter noted that the CSA does not need to prescribe in this codification the business parameters of each automatic switch program as long as those parameters are set out in the mutual fund's prospectus, and suggested that paragraphs (a) and (b) of the proposed definition of "automatic switch program" be replaced with the following: "satisfying, or failing to satisfy, the minimum investment amount of that class or series of securities of the mutual fund." In the alternative, the commenter had drafting comments on the proposed language. The drafting comments were as follows: • First, the commenter suggested deleting the words *"that were subject to the automatic switch"* as the commenter views them as suggesting that an investor who initially purchased high net worth securities never can be automatically switched out of those securities for failing to satisfy the minimum investment amount in the future, which the commenter disagrees with. • Second, the commenter suggested clarifying the meaning of the phrase *"in whole or in part".* • Third, the commenter suggested that according to the proposed definition, an investor who initially did not qualify to hold high net worth securities nonetheless can receive the benefit of an automatic switch into those securities if, due solely to positive performance of the mutual fund, the value of those securities later satisfies the minimum investment amount, but if the investor later ceases to meet the minimum investment amount due solely to negative performance of the mutual fund, the investor cannot be automatically switched out of the high net worth securities. The commenter disagreed with this.	The Proposed Amendments codify exemptive relief that is routinely granted from the Fund Facts delivery requirement for automatic switch programs. The commenter's suggestions fall outside the parameters of the past exemptive relief decisions. The phrase "in whole or in part" refers to a purchaser failing to satisfy the minimum investment amount for a class or series of mutual fund securities that were subject to an automatic switch as a result of a redemption alone, or a redemption subsequent to a market movement decline. Please see the response for "Revise Definition of Automatic Switch Program to Apply Whether the Failure to meet the Eligibility Criteria is the Result of a Purchase, Redemption or Market Movement", above. As mentioned above, exemptive relief from the Fund Facts delivery requirement was previously granted for automatic switch programs because investors make their investment decisions at the outset and the

	• Fourth, the commenter suggested that the proposed definition requires that the mutual fund have the operational capability to generate reports that can identify whether a previous redemption by the investor was a contributing reason why the investor no longer satisfies the minimum investment amount. The commenter noted that not all mutual funds have this capability, and foreclosing the codification to those mutual funds would harm investors that could have otherwise switched to the high net worth securities sooner than if the switch requires an instruction from the investor through their dealer to the mutual fund, and would prevent dealers from benefiting from automation of the process for switching investors to a more suitable class or series of securities. Another commenter made a similar, but more specific note that the Proposed Amendments don't cover all types of switches, and that codification should be extended to any switch to a different category or series, so long as the only difference is that the fees are lower.	automatic switches to lower fee series benefit the investors. In all the past decisions which granted exemptive relief from the Fund Facts delivery requirement for automatic switch programs, the filers made representations that market value declines would not result in higher fee switches. The Proposed Amendments are consistent with the parameters set out in the past decisions.
Revise Definition of Automatic Switch Program to Remove Reference to Purchaser	One commenter noted that the reference to "purchaser" within the definition of automatic switch programs and within section 3.2.05 is not appropriate as the investor is switched to another class or series by the investment fund issuer or its investment fund manager only after the investor has already purchased or is holding securities of the mutual fund or mutual fund family. The commenter proposed drafting amendments as follows: Despite subsection 3.2.01(1), a dealer is not required to deliver or send to a ~~purchaser~~ **securityholder** of a security of a class or series of securities of a mutual fund the most recently filed Fund Facts document for the applicable class or series of securities of the mutual fund in connection with the ~~purchase~~ **switch** of a security of the mutual fund made pursuant to an ~~automatic switch in an~~ automatic switch program if all of the following apply: (a) ~~the purchase is not the first purchase under the automatic switch program;~~ ~~(b) the dealer has provided a notice to the purchaser that states,~~ ~~(i) subject to paragraph (c), the purchaser will not receive a fund facts document after the date of the notice, unless the purchaser specifically requests it,~~ ~~(ii) the purchaser is entitled to receive upon request, at no cost to the purchaser, the most recently filed fund facts document by calling a specified~~	The terms "purchaser" and "purchase" are consistent with the Fund Facts delivery requirement set out in subsection 3.2.01(1) of NI 81-101. Under securities legislation, a switch in a series or class of mutual fund securities is technically a redemption of a series or class of mutual fund securities followed by a purchase of a series or class of mutual fund securities. A purchase of a series or class of mutual fund securities made pursuant to a switch would trigger the requirement to deliver the Fund Facts to the purchaser.

	~~toll-free number, or by sending a request by mail or e-mail to a specified address or e-mail address,~~ ~~(iii) how to access the fund facts document electronically, and~~ ~~(iv) the purchaser will not have a right of withdrawal under securities legislation for subsequent purchases of a security of a mutual fund under the automatic purchase program, but will continue to have a right of action if there is a misrepresentation in the prospectus or any document incorporated by reference into the prospectus;~~ ~~(c) at least annually, the dealer notifies the purchaser in writing of how the purchaser can request the most recently filed fund facts document;~~ ~~(d) the dealer delivers or sends the most recently filed fund facts document to the purchaser if the purchaser requests it;~~ ~~(e) for the first purchase under the automatic switch program,~~ the fund facts document delivered to the purchaser contains all of the following disclosure modifications to Form 81-101F3 Contents of Fund Facts Document for all the classes or series of securities of the mutual fund in the automatic switch program:	
Replace Obligation of Dealer to Deliver Notice with Disclosure in Fund Facts	One commenter noted that as proposed, the automatic switch program carried out by the investment fund manager is conditional on the obligation of the dealer to deliver a notice to the purchaser under proposed paragraph 3.2.05(b), however, the investment fund manager does not have actual knowledge of whether the notice has, in fact, been provided. The commenter suggested instead requiring certain disclosure in the Fund Facts, which it prepared a draft of: The manager operates a program that automatically switches your investment between different series within the fund depending on the size of your investment. You will not receive the fund facts document for the series to which you are being switched under the program unless you specifically request it. You also can obtain, at any time and free of charge, the most recently filed fund facts document for your investment in the fund by contacting us at **[insert manager toll-free number, email address and mailing address]**. You also can access the fund facts document at www.sedar.com and searching the name of the fund, or by visiting our website at **[insert designated website]**. You do not have a right of withdrawal under securities legislation after a switch is made under	Under an automatic switch program, a dealer may deliver the Fund Facts for every switch in accordance with the Fund Facts delivery requirement or rely on the exemption provided in section 3.2.05 and deliver the notices as set out in paragraphs 3.2.05(b) and (c) of NI 81-101. The Fund Facts delivery requirement is a dealer requirement, and similarly, if a dealer uses the exemption provided in section 3.2.05, the dealer must deliver the notices required in paragraphs 3.2.05(b) and (c) of NI 81-101. The Fund Facts provides key information about a mutual fund, in a standardized form to allow for comparability. The notice requirements set out in paragraph

	this program, but you continue to have a right of action it there is a misrepresentation in the fund's prospectus or in any document incorporated by reference into that prospectus.	3.2.05(b) of NI 81-101 relate to the delivery of the Fund Facts and the purchaser's right of withdrawal and do not belong in the Fund Facts, which is a product document.
Contemplate Automatic Switch Programs that Begin at a Later Stage	One commenter noted that where an investment fund manager begins to offer an automatic switch program at a later stage, the Proposed Amendment should contemplate a notification plan through which the investment fund manager can notify existing investors of the key features of the automatic switch program, including: the differences in management fees between the class or series of fund within the automatic switch program; the eligibility criteria for each such class or series; that the investor may be switched to higher or lower fee series based on the eligibility criteria; and that the management fee will not exceed the management fee of the highest management fee class or series.	The requirements in section 3.2.05 apply equally to new automatic switch programs and existing automatic switch programs. These requirements are consistent with the conditions in past decisions that granted relief from the Fund Facts delivery requirement for both new and existing automatic switch programs.
Consolidation of Fund Facts Document for each of the Classes or Series in an Automatic Switch Program Should be Optional	One commenter noted that under the Proposed Amendment, investment fund issuers that offer an automatic switch program will be required to consolidate the Fund Facts for each of the classes or series in the automatic switch program, but that this should be permissive rather than mandatory to enable investment fund managers to determine which approach best suits their automatic switch program.	If the exemption in section 3.2.05 is used, then a consolidated Fund Facts, set out in in accordance with paragraph 3.2.05(e), must be delivered to purchasers. Fund managers who opt not to deliver to purchasers a consolidated Fund Facts in accordance with the conditions set out in paragraph 3.2.05(e) cannot rely on the exemption provided for in this section.
Remove Notice Requirement for Portfolio Rebalancing Programs and Automatic Switch Programs	One commenter noted that the Proposed Amendments for both the portfolio rebalancing program and the automatic switch program require the dealer to provide the investor with a notice at least annually setting out how the most recently filed Fund Facts can be obtained, and the commenter noted that this requirement should be removed as it adds to the regulatory burden, often with no corresponding benefit given the low opt-in rates. Another commenter noted more broadly that the requirement in paragraph 3.2.03(c) of NI 81-101 should be reviewed.	The objective of Project RID is to reduce any undue regulatory burden and to streamline requirements without negatively impacting investor protection or efficiency of the capital markets. Consistent with past decisions granting exemptive relief from the Fund Facts delivery requirements for switches made in automatic switching programs, the annual notice reduces regulatory burden because it is sent in lieu of pre-sale delivery of the

		Fund Facts to purchasers for each switch in an automatic switching program. The annual notice provides purchasers with information on how to access the most recently filed Fund Facts and it is one of the key conditions to ensure that the exemption does not negatively impact investor protection. As part of CSA's Project RID project, we plan to review disclosure in continuous disclosure documents in a subsequent phase so notice requirements may be reviewed in a future CSA Project RID workstream.
Extend Delivery Exemption for Managed Accounts and Permitted Clients to ETFs	Three commenters noted that the Proposed Amendments to provide an exemption from delivery of the Fund Facts for managed accounts and permitted clients should also apply to delivery of the ETF Facts for managed accounts and permitted clients, as the policy rationale is the same for both types of investment funds.	The Amendments include an equivalent exemption from the delivery of ETF Facts for managed accounts and permitted clients.
Managed Account and Permitted Client Delivery Exemption Codification Unnecessary and Guidance Preferred	One commenter noted that it does not consider that subsection 3.2.01(1) requires delivery of ETF facts or Fund Facts to the ultimate account holders in respect of ETF or mutual fund investments made in managed accounts or by permitted clients that are not individuals, and would have preferred that the CSA acknowledge this by way of companion policy to both 81-101 and 41-101, as opposed to the proposed rule change.	Since the publication of subsection 3.2.01(1), filers have asked for clarification regarding the delivery requirements for both Fund Facts and ETF Facts for managed accounts and permitted clients. The Amendments include an equivalent exemption from the delivery of ETF Facts for managed accounts and permitted clients. The CSA take the view that rule amendments are preferable to guidance in a companion policy in order to provide filers with regulatory certainty.
Permit Deviations from Fund Facts Form Requirements Where Required Disclosure Not	One commenter noted that the Proposed Amendments do not take into consideration that only one class or series may be new or distributed for less than a calendar year or 12 consecutive months, as applicable, and that investment funds and their managers should be able to	Subparagraph 3.2.05(e)(xv) sets out the disclosure requirements where some of the classes or series of the

Accurate for a Particular Fund	modify the prescribed disclosure to reflect this situation. The commenter also noted more broadly that mutual funds and their managers should be permitted to deviate from the Fund Facts form requirements where the required disclosure is inaccurate and does not reflect the situation of the mutual fund.	mutual fund in the automatic switch program is new. The Fund Facts is intended to provide key information about a mutual in a simple, accessible and comparable format that is delivered to investors before they make their investment decision. The CSA remind filers to speak with staff regarding questions relating to compliance with the Fund Facts form requirements. Filers are also reminded that they may file an application for exemptive relief from the Fund Facts form requirements to be evidenced by the issuance of a final prospectus receipt if the filer is of the view that compliance with the Fund Facts requirements would result in misleading disclosure for investors.
Adopt Principles Based Delivery Exemption	Three commenters supported a principles-based exemption from the Fund Facts delivery requirement: • One commenter noted that the exemptions and the Proposals should be expanded to simply say that there is no obligation to deliver the Fund Facts in any circumstance where the investor is not required to specifically authorize the particular purchase. The commenter noted that this would reduce regulatory burden by creating a prospectus delivery exemption for other current comparable circumstances, and anticipating future circumstances where a Fund Facts delivery exemption should exist. • One commenter noted that the codification be applied to all purchases where the investor is not submitting a purchase order. • One commenter noted that where investors are not making an investment decision, there should not be a requirement to deliver the Fund Facts document.	The CSA are of the view that a principles-based exemption from the Fund Facts delivery requirement may negatively impact investor protection. The Proposed Amendments codify exemptive relief that is routinely granted from the Fund Facts delivery requirement. In circumstances where an exemption from the Fund Facts delivery requirement is not available, filers can file an application for exemptive relief with appropriate submissions.
Introduce Corresponding Trade Confirmation Exemption	Two commenters suggested that in each circumstance where no Fund Facts are required to be delivered to the investor, there should be a corresponding exemption from the requirement to deliver a trade confirmation relating to the purchase. Another commenter requested the CSA	The Proposed Amendments codify exemptive relief that is routinely granted from the

	clarify its position on the requirement to deliver trade confirmations where the Fund Facts delivery requirement does not apply as a result of the Workstream 8 amendments.	Fund Facts delivery requirement. The CSA are not aware of exemptive relief that is routinely granted from the trade confirmation delivery requirement, either independently or in connection with exemptive relief from the Fund Facts delivery requirement.
Revise Portfolio Rebalancing Plan Definition	One commenter suggested that the proposed new definition of "portfolio rebalancing plan" in NI 81-101 be revised so that it reads "target weightings ranging from 0% to 100% for each of those mutual funds", as certain portfolio rebalancing plans may involve the selection by the investor of a portfolio of securities of two or more mutual funds where the target weighting of one or more such mutual funds may initially be set at zero.	The Proposed Amendments codify exemptive relief that is routinely granted from the Fund Facts delivery requirement for portfolio rebalancing plans. Past exemptive relief from the Fund Facts delivery requirement for portfolio rebalancing plans do not contemplate discretionary target weightings.
Permit Access Equals Delivery	One commenter suggested that there should not be a requirement to deliver the Fund Facts as it is readily available and can be requested at any time.	As we have previously stated throughout the various stages of the CSA Point of Sale disclosure initiative, we do not consider "access equals delivery" to meet the principles set out in the Point of Sale Framework. The Companion Policy to NI 81-101 states that simply making the Fund Facts available on a website or referring an investor to a general website address where the Fund Facts can be found, does not constitute delivery under NI 81-101, even if the investor consents to that method of delivery.

REPORT PRESENTATION

Issue	Comment	Response
Blacklines	One commenter noted that comprehensive blacklines should be provided when proposing large-scale amendments such as these.	The CSA will consider the comment when proposing amendments in the future.
Consequential Amendments Unrelated to Regulatory Burden Reduction	One commenter noted that consequential amendments to certain instruments for reasons not directly related to efforts to reduce regulatory burden should be described in order to provide the industry a fair opportunity to review them and provide commentary.	The consequential amendments at issue are those contained in Appendix B – Schedule 8 sections 10-20, and Appendix B – Schedule 9 of the September 12, 2019 publication for comment. Given the fact that the consequential amendments were described in the notice under Workstream Eight, part (d) (for those in Appendix B – Schedule 8 sections 10-20) or were contained in their own schedule (for those in Appendix B – Schedule 9), CSA Staff are not of the view that any further highlighting of the changes in a subsequent publication is required.

LIST OF COMMENTERS

1. Advocis (The Financial Advisors Association of Canada)
2. AGF Investments Inc.
3. Alternative Investment Management Association
4. BlackRock Asset Management Canada Limited
5. Borden Ladner Gervais LLP
6. Broadridge Financial Solutions, Inc.
7. CFA Societies Canada – Canadian Advocacy Council
8. Desjardins
9. Eric Adelson
10. Fasken Martineau DuMoulin LLP
11. Fidelity Investments Canada ULC
12. Franklin Templeton Investments Corp.
13. IGM Financial Inc.
14. Invesco Canada Ltd.
15. Mackenzie Financial Corporation
16. Manulife Asset Management Limited and Manulife Securities
17. National Bank Investments Inc.
18. Portfolio Management Association of Canada
19. Stan Turner
20. The Investment Funds Institute of Canada
21. TSX Inc.
22. Vanguard Investments Canada Inc.

ANNEX C

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2021-7
(Section 149.1, The Securities Act)

AMENDMENTS AND RELATED CHANGES

SCHEDULE 1-A
AMENDMENTS TO NATIONAL INSTRUMENT 81-101 *MUTUAL FUND PROSPECTUS DISCLOSURE*

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

2. Section 1.1 is amended

(a) in the definition of "material contract" by replacing

(i)* "**annual information form" with "***simplified prospectus***", and***

(ii) "Item 16 of Form 81-101F2 Contents of Annual Information Form**" with "**Item 4.17 of Part A of Form 81-101F1 Contents of Simplified Prospectus**",**

(b) by repealing the definition of "multiple AIF", and

(c) by repealing the definition of "single AIF".

3. Section 2.1 is amended

(a) by replacing paragraphs (1)(a), (b) and (c) with the following:

(a) that files a preliminary prospectus must file the preliminary prospectus in the form of a preliminary simplified prospectus prepared and certified in accordance with Form 81-101F1 and concurrently file a preliminary fund facts document, for each class or series of securities of the mutual fund, prepared in accordance with Form 81-101F3;

(b) that files a *pro forma* prospectus must file the *pro forma* prospectus in the form of a *pro forma* simplified prospectus prepared and certified in accordance with Form 81-101F1 and concurrently file a *pro forma* fund facts document, for each class or series of securities of the mutual fund, prepared in accordance with Form 81-101F3;

(c) that files a prospectus must file the prospectus in the form of a simplified prospectus prepared and certified in accordance with Form 81-101F1 and concurrently file a fund facts document, for each class or series of securities of the mutual fund, prepared in accordance with Form 81-101F3;***, and***

(b) by repealing subparagraph (1)(d)(i).

4. Section 2.2 is amended

(a) by deleting "or to an annual information form" in subsection (1),

(b) by deleting “or annual information form” in paragraph (1)(a),

(c) by deleting “or annual information form” in paragraph (1)(b),

(d) by deleting “or to an annual information form” in subsection (3),

(e) by deleting “or annual information form” in item 1 of subsection (3), and

(f) by deleting “, or annual information form” in item 2 of subsection (3).

5. Section 2.3 is amended

(a) by deleting “, a preliminary annual information form*”*, *wherever it occurs,*

(b) by replacing “preliminary annual information form***” with “***preliminary simplified prospectus***” in subparagraph (1)(a)(i),***

(c) by deleting “, preliminary annual information form”, wherever it occurs,

(d) by deleting “, a pro forma annual information form”, wherever it occurs,

(e) by repealing subparagraph (2)(b)(ii),

(f) by deleting “, pro forma annual information form” wherever it occurs,

(g) by deleting “, an annual information form” wherever it occurs,

(h) by replacing “annual information form” with “simplified prospectus” in subparagraph (3)(a)(iii),

(i) by repealing subparagraph (3)(b)(ii),

(j) by deleting “and an amendment to the annual information form***” in paragraph (4)(a),***

(k) by replacing “annual information form” with “simplified prospectus” in subparagraph (4)(a)(i),

(l) by repealing subparagraph (4)(b)(ii),

(m) by repealing subsection (5),

(n) by deleting “or (5)” in paragraph (5.1)(a), and

(o) by replacing “annual information form” with “simplified prospectus” in subparagraph (5.1)(a)(i).

6. Item 1 of section 3.1 is repealed.

7. Subsection 3.3(2) is repealed.

8. Section 3.5 is replaced with the following:

Soliciting expressions of interest

3.5 A multiple SP that includes a *pro forma* simplified prospectus and a preliminary simplified prospectus must not be used to solicit expressions of interest**.**

9. Section 4.1 is amended

(a) by deleting ", annual information form" in subsection (1), and

(b) by repealing paragraph (2)(c).

10. Section 4.2 is amended by deleting, ", an annual information form*".*

11. Section 5.4 is repealed.

12. Section 5.1.1 is replaced by the following:

5.1.1 Interpretation For the purposes of this Part,

"**manager certificate form**" means a certificate in the form set out in Item 16 of Part A of Form 81-101F1 and attached to the simplified prospectus,

*"***mutual fund certificate form**" means a certificate in the form set out in Item 15 of Part A of Form 81-101F1 and attached to the simplified prospectus,

*"***principal distributor certificate form**" means a certificate in the form set out in Item 18 of Part A of Form 81-101F1 and attached to the simplified prospectus, and

*"***promoter certificate form**" means a certificate in the form set out in Item 17 of Part A of Form 81-101F1 and attached to the simplified prospectus**.**

13. Section 5.1.2 is amended by deleting ", the amendment to the annual information form*".*

14. Section 6.2 is amended

(a) by replacing subsection (1) with the following:

(1) Subject to subsection (2) and without limiting the manner in which an exemption may be evidenced, the granting under this Part of an exemption from any form or content requirements relating to a simplified prospectus or fund facts document may be evidenced by the issuance of a receipt for a simplified prospectus or an amendment to a simplified prospectus.**,**

*(b) in subsection (2) by replacing "*The issuance of a receipt for a simplified prospectus and annual information form or an amendment to a simplified prospectus or annual information form is not evidence that the exemption has been granted unless*" with "*The issuance of a receipt for a simplified prospectus or an amendment to a simplified prospectus is not evidence that the exemption has been granted unless*",*

(c) by deleting "and annual information form" in subparagraph (2)(a)(i),

(d) by deleting "or annual information form" in subparagraph (2)(a)(ii), and

(e) by deleting "and annual information form" in subparagraph (2)(a)(iii).

15. Form 81-101F1 Contents of Simplified Prospectus is replaced with the following:

Form 81-101F1

Contents of Simplified Prospectus

Table of Contents

PART TITLE

General Instructions

General

(1) This Form describes the disclosure required in a simplified prospectus of a mutual fund. Each Item of this Form outlines disclosure requirements. Instructions as to how you are to provide this disclosure are printed in italic type.

(2) Terms defined in National Instrument 81-101 Mutual Fund Prospectus Disclosure, National Instrument 81-102 Investment Funds or National Instrument 81-105 Mutual Fund Sales Practices and used in this Form have the meanings that they have in those national instruments.

(3) A simplified prospectus must state the required information concisely and in plain language.

(4) Respond as simply and directly as is reasonably possible. Include only as much information as is necessary for an understanding of the fundamental and particular characteristics of the mutual fund. Brevity is especially important in describing practices or aspects of a mutual fund's operations that are materially the same as those of other mutual funds.

(5) National Instrument 81-101 Mutual Fund Prospectus Disclosure requires the simplified prospectus to be presented in a format that assists in readability and comprehension. This Form does not mandate the use of a specific format to achieve these goals. However, mutual funds are encouraged to use, as appropriate, tables, captions, bullet points or other organizational techniques that assist in presenting the required disclosure clearly and concisely.

(6) Each Item must be presented under the heading or sub-heading stipulated in this Form; references to the relevant Item number are optional. If no sub-heading for an Item is stipulated in this Form, a mutual fund may include sub-headings, under the required headings, at its option.

(7) A simplified prospectus may contain photographs and artwork only if they are relevant to the business of the mutual fund, mutual fund family or members of the organization of the mutual fund and are not misleading.

(8) Any footnotes to tables provided for under any Item in this Form may be deleted if the substance of the footnotes is otherwise provided.

Contents of a Simplified Prospectus

(9) A simplified prospectus consists of two sections, a Part A section and a Part B section.

(10) The Part A section of a simplified prospectus contains the response to the Items in Part A of this Form and contains introductory information about the mutual fund, general information about mutual funds and information applicable to the mutual funds managed by the mutual fund organization.

(11) The Part B section of a simplified prospectus contains the response to the Items in Part B of this Form and contains specific information about the mutual fund to which the simplified prospectus pertains.

(12) Despite securities legislation, a simplified prospectus must present each Item in the Part A section and each Item in the Part B section in the respective order provided for in this Form.

Consolidation of Simplified Prospectuses into a Multiple SP

(13) Subsection 5.1(1) of National Instrument 81-101 Mutual Fund Prospectus Disclosure states that simplified prospectuses must not be consolidated to form a multiple SP unless the Part A sections of each simplified prospectus are substantially similar. The Part A sections in a consolidated document need not be repeated. These provisions permit a mutual fund organization to create a document that contains the disclosure for a number of mutual funds in the same family.

(14) Subsection 5.1(4) of National Instrument 81-101 Mutual Fund Prospectus Disclosure states that a simplified prospectus of an alternative mutual fund must not be consolidated with a simplified prospectus of another mutual fund that is not an alternative mutual fund.

(15) As with a single SP, a multiple SP consists of two Parts:

1. A Part A section that contains general information about the mutual funds, or the mutual fund family, described in the document.

2. A number of Part B sections, each of which provide specific information about one mutual fund. The Part B sections must not be consolidated with each other so that, in a multiple SP, information about each mutual fund described in the document must be provided on a fund-by-fund or catalogue basis and set out for each mutual fund separately the information required under Part B of this Form. Each Part B section must start on a new page.

(16) Section 5.3 of National Instrument 81-101 Mutual Fund Prospectus Disclosure permits the Part B sections of a multiple SP to be bound separately from the Part A section of the document. If one Part B section is bound separately from the Part A section of the document, all Part B sections must be separate from the Part A section of the document.

(17) Subsection 5.3(2) of National Instrument 81-101 Mutual Fund Prospectus Disclosure permits Part B sections that have been bound separately from the related Part A section to be bound either individually or together, at the option of the mutual fund organization. There is no prohibition against the same Part B section of a multiple SP being bound by itself for distribution to some investors, and also being bound with the Part B section of other mutual funds for distribution to other investors.

(18) Section 3.2 of National Instrument 81-101 Mutual Fund Prospectus Disclosure provides that the requirement under securities legislation to deliver a preliminary prospectus for a mutual fund will be satisfied by the delivery of a preliminary simplified prospectus, either with or without the documents incorporated by reference. Mutual fund organizations that bind separately the Part B sections of a multiple SP from the Part A section are reminded that, since a simplified prospectus consists of a Part A section and a Part B section, delivery of both sections is necessary in order to satisfy the delivery obligations in connection with the sale of securities of a particular mutual fund.

(19) Part A of this Form generally refers to disclosure required for "a mutual fund" in a "simplified prospectus". Modify the disclosure as appropriate to reflect multiple mutual funds covered by a multiple SP.

(20) A mutual fund that has more than one class or series of securities that are referable to the same portfolio may treat each class or series as a separate mutual fund for the 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.

(21) As provided in National Instrument 81-102 Investment Funds, 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 Mutual Fund Prospectus Disclosure and this Form.

Part A – General Disclosure

Item 1 – Front Cover Disclosure

For a single SP, or multiple SP, in which the Part A section and the Part B sections are bound together

1.1(1) Indicate on the front cover whether the document is a preliminary simplified prospectus, a *pro forma* simplified prospectus or a simplified prospectus for each of the mutual funds to which the document pertains.

1.1(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.

1.1(3) If the mutual fund to which the simplified prospectus pertains is an alternative mutual fund, indicate that fact on the front cover.

1.1(4) State on the front cover of a document that contains a preliminary simplified prospectus the following:

> "A copy of this document has been filed with [the securities regulatory authority(ies) in each of/certain of the provinces/provinces and territories of Canada] but has not yet become final for the purpose of a distribution. Information contained in this document may not be complete and may have to be amended. The [units/shares] described in this document may not be sold to you until receipts for this document are obtained by the mutual fund from the [securities regulatory authority(ies)]."

1.1(5) If a commercial copy of the document that contains a preliminary simplified prospectus is prepared, print the legend referred to in subsection (4) in red ink.

1.1(6) If the document contains a preliminary simplified prospectus or a simplified prospectus, indicate the date of the document, which is the date of the certificates. This date must be within three business

days of the date the document is filed with the securities regulatory authority. Write the date in full, using the name of the month. A document that is a *pro forma* simplified prospectus need not be dated, but may reflect the anticipated date of the simplified prospectus.

1.1(7) State, in substantially the following words:

"No securities regulatory authority has expressed an opinion about these [units/shares] and it is an offence to claim otherwise."

INSTRUCTION:

Complete the bracketed information in subsection (4)

(a) by inserting the name of each jurisdiction of Canada in which the mutual fund intends to offer securities under the prospectus,

(b) by stating that the filing has been made in each of the provinces of Canada or each of the provinces and territories of Canada, or

(c) by identifying the filing jurisdictions of Canada by exception (i.e. every province of Canada or every province and territory of Canada, except [excluded jurisdictions]).

For a multiple SP in which the Part A section is bound separately from the Part B sections
1.2(1) Comply with Item 1.1.

1.2(2) State prominently, in substantially the following words:

"A complete simplified prospectus for the mutual funds listed on this page consists of this document and an additional disclosure document that provides specific information about the mutual funds in which you are investing. This document provides general information applicable to all of the [name of mutual fund family] funds. You must be provided with the additional disclosure document."

Item 2 – Table of Contents

For a single SP, or multiple SP, in which the Part A section and the Part B sections are bound together
2.1(1) Include a table of contents.

2.1(2) Include in the table of contents, under the heading "Fund Specific Information", a list of all of the mutual funds to which the document pertains, with the numbers of the pages where information about each mutual fund can be found.

2.1(3) Begin the table of contents on a new page, which may be the inside front cover of the document.

For a multiple SP in which the Part A section is bound separately from the Part B sections
2.2(1) Include a table of contents for the Part A section of the simplified prospectus.

2.2(2) Begin the table of contents on a new page, which may be the inside front cover of the document.

2.2(3) Include, immediately following the table of contents and on the same page, a list of the mutual funds to which the simplified prospectus pertains and details on how the Part B disclosure for each mutual fund will be provided.

Item 3 – Introductory Disclosure

Provide, either on a new page or immediately after the table of contents, the following statements in substantially the following words:

"This document contains selected important information to help you make an informed investment decision and to help you understand your rights as an investor.

This document is divided into two parts. The first part, [from pages ..... through .....], contains general information applicable to all of the [name of fund family] Funds. The second part, [from pages ..... through .....] [which is separately bound], contains specific information about each of the Funds described in this document.

Additional information about each Fund is available in the following documents:

- the most recently filed Fund Facts document;
- the most recently filed annual financial statements;
- any interim financial report filed after those annual financial statements;
- the most recently filed annual management report of fund performance;
- any interim management report of fund performance filed after that annual management report of fund performance.

These documents are incorporated by reference into this document, which means that they legally form part of this document just as if they were printed as a part of this document. You can get a copy of these documents, at your request, and at no cost, by calling [toll-free/collect] [insert the toll-free telephone number or telephone number where collect calls are accepted, as required by section 3.4 of the Instrument], or from your dealer.

These documents are available on the mutual fund's designated website at [insert mutual funds' designated website address], or by contacting the [mutual funds/mutual fund family] at [insert e-mail address].

These documents and other information about the Funds are available at www.sedar.com."

Item 4 – Responsibility for Mutual Fund Administration

Manager

4.1(1) State the name, address, telephone number, e-mail address and, if applicable, the internet address of the mutual fund's manager.

4.1(2) Briefly describe the services provided by the manager.

4.1(3) List the names, municipality of residence, and the respective current positions and offices held with the manager, of all partners, directors and executive officers of the manager of the mutual fund as at the date of the simplified prospectus.

4.1(4) Identify the name and municipality of residence of the ultimate designated person and chief compliance officer of the manager of the mutual fund.

4.1(5) Describe the circumstances under which each agreement with the manager of the mutual fund

may be terminated and include a brief description of the material terms of the agreement.

4.1(6) At the option of the mutual fund, provide, under a separate sub-heading, details of the manager of the mutual fund, including the history and background of the manager and any overall investment strategy or approach used by the manager in connection with the mutual funds for which it acts as manager.

4.1(7) If a mutual fund holds, in accordance with section 2.5 of National Instrument 81-102 *Investment 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.

Portfolio Adviser

4.2(1) If the manager of the mutual fund provides portfolio management services in connection with the mutual fund, state that fact.

4.2(2) If the manager does not provide portfolio management services, state the name and the municipality of the principal or head office for each portfolio adviser of the mutual fund.

4.2(3) Briefly describe the services provided by each portfolio adviser.

4.2(4) Briefly describe the relationship of each portfolio adviser to the manager, unless the manager provides all portfolio management services in connection with the mutual fund.

4.2(5) Identify the individuals employed by the manager or each portfolio adviser who make investment decisions, explain their role in the investment decision-making process, provide their names and titles, and explain whether their decisions are subject to the oversight, approval or ratification of a committee.

4.2(6) Describe the circumstances under which any agreement with a portfolio adviser of the mutual fund may be terminated and include a brief description of the material terms of this agreement.

Brokerage Arrangements

4.3(1) If any brokerage transactions involving client brokerage commissions of the mutual fund have been or might be directed to a dealer in return for the provision of any good or service, by the dealer or a third party, other than order execution, state

(a) the process for, and factors considered in, selecting a dealer to effect securities transactions for the mutual fund, including, for greater certainty, whether receiving goods or services in addition to order execution is a factor, and whether and how the process may differ for a dealer that is an affiliated entity,

(b) the nature of the arrangements under which order execution goods and services or research goods and services might be provided,

(c) each type of good or service, other than order execution, that might be provided, and

(d) the method by which a portfolio adviser makes a good faith determination that the mutual fund, on whose behalf the portfolio adviser directs any brokerage transactions involving client brokerage commissions to a dealer in return for the provision of any order execution goods and services or research goods and services, by the dealer or a third party, receives reasonable benefit considering both the use of the goods or services and the amount of client brokerage commissions paid.

4.3(2) Since the date of the last simplified prospectus, if any brokerage transactions involving the client brokerage commissions of the mutual fund have been or might be directed to a dealer in return for the provision of any good or service, by the dealer or a third party, other than order execution, state

(a) each type of good or service, other than order execution, that has been provided to the manager or a portfolio adviser of the mutual fund, and

(b) the name of any affiliated entity that provided any good or service referred to in paragraph (a), separately identifying each affiliated entity and each type of good or service provided by each affiliated entity.

4.3(3) If any brokerage transactions involving the client brokerage commissions of the mutual fund have been or might be directed to a dealer in return for the provision of any good or service, by the dealer or a third party, other than order execution, state that the name of any other dealer or third party that provided a good or service referred to in paragraph (2)(a), that was not disclosed under paragraph (2)(b), will be provided upon request by contacting the mutual fund or mutual fund family at [insert telephone number] or at [insert mutual fund or mutual fund family e-mail address].

INSTRUCTION:

Terms defined in National Instrument 23-102 — Use of Client Brokerage Commissions have the same meaning in this Item.

Principal Distributor

4.4(1) If applicable, state the name and address of the principal distributor of the mutual fund.

4.4(2) Briefly describe the services provided by the principal distributor of the mutual fund.

4.4(3) Briefly describe the relationship of the principal distributor to the manager.

4.4(4) Describe the circumstances under which any agreement with the principal distributor of the mutual fund may be terminated and include a brief description of the material terms of this agreement.

Directors, Executive Officers and Trustees

4.5(1) For a mutual fund that is a corporation,

(a) list the names and municipality of residence of all directors and executive officers,

(b) state all positions and offices with the mutual fund currently held by each person required to be listed under paragraph (a),

(c) briefly describe the services provided by each person required to be listed under paragraph (a), and

(d) briefly describe the relationship of each person required to be listed under paragraph (a) to the manager.

4.5(2) For a mutual fund that is a trust,

(a) state the name and municipality of residence of each person or company that is a trustee of the mutual fund,

(b) state all positions and offices with the mutual fund currently held by each person required to be listed under paragraph (a),

(c) briefly describe the services provided by each person required to be listed under paragraph (a), and

(d) briefly describe the relationship of each person required to be listed under paragraph (a) to the manager.

4.5(3) For a mutual fund that is a limited partnership, provide the information required by this Item for the general partner of the mutual fund, modified as appropriate.

Custodian

4.6(1) State the name, municipality of the principal or head office, and nature of business of the custodian and any principal sub-custodian of the mutual fund.

4.6(2) Briefly describe the services provided by the custodian and any principal sub-custodian of the mutual fund.

4.6(3) Briefly describe the relationship of the custodian and any principal sub-custodian to the manager.

4.6(4) Describe generally the sub-custodian arrangements of the mutual fund.

INSTRUCTION:

A "principal sub-custodian" is a sub-custodian to whom custodial authority has been delegated in respect of a material portion or segment of the portfolio assets of the mutual fund.

Auditor

4.7 State the name and municipality of the auditor of the mutual fund.

Registrar

4.8(1) If there is a registrar of securities of the mutual fund, state the name of the registrar and each municipality in which the register of securities of the mutual fund is kept.

4.8(2) Briefly describe the services provided by the registrar.

4.8(3) Briefly describe the relationship of the registrar to the manager.

Securities Lending Agent

4.9(1) State the name of each securities lending agent of the mutual fund and the municipality of each securities lending agent's principal or head office.

4.9(2) State whether any securities lending agent of the mutual fund is an affiliate or associate of the manager of the mutual fund.

4.9(3) Briefly describe the material terms of each agreement with each securities lending agent. Include the amount of collateral required to be delivered in connection with a securities lending transaction as a percentage of the market value of the loaned securities, and briefly describe any indemnities provided in, and

the termination provisions of, each agreement.

Cash Lender

4.10(1) In the case of an alternative mutual fund, state the name of each person or company that has entered into an agreement to lend money to the alternative mutual fund or provides a line of credit or similar lending arrangement to the alternative mutual fund.

4.10(2) State whether any person or company required to be named under subsection (1) is an affiliate or associate of the manager of the alternative mutual fund.

Other Service Providers

4.11(1) State the name, municipality of the principal or head office, and the nature of the business of each person or company not previously named under Items 4.1 to 4.10 that provides a service that is material to the mutual fund, including, for greater certainty, services relating to portfolio valuation, fund accounting, and the purchase and sale of portfolio assets by the mutual fund.

4.11(2) For each person or company identified under subsection (1), briefly describe the following:

(a) the services provided by that person or company;

(b) the relationship of that person or company to the manager;

(c) the material terms and conditions of the contractual arrangements by which the person or company has been retained.

Independent Review Committee and Fund Governance

4.12(1) Provide detailed information concerning the governance of the mutual fund, including, for greater certainty,

(a) all of the following:

(i) a description of the mandate and responsibilities of the independent review committee;

(ii) the composition of the independent review committee and the reasons for any change in the composition of the independent review committee since the date of the most recently filed simplified prospectus;

(iii) the following statement:

"The independent review committee prepares, at least annually, a report of its activities for securityholders and makes such reports available on the mutual fund's designated website at [insert mutual fund's designated website address], or at the securityholder's request and at no cost, by contacting the [mutual fund/mutual fund family] at [insert mutual fund's/mutual fund family's e-mail address].",

(b) a description of any other body or group that has responsibility for fund governance and the extent to which its members are independent of the manager of the mutual fund, and

(c) a description of the policies, practices or guidelines of the mutual fund, or of the manager, relating to the business practices, sales practices, risk management controls and internal conflicts of interest, and if the mutual fund or the manager has no such policies, practices or guidelines, a statement to that effect.

4.12(2) Despite subsection (1), if the information required by subsection (1) is not the same for substantially all of the mutual funds described in the document, provide only that information that is the same for substantially all of the mutual funds and provide the remaining disclosure required by that subsection under Item 3 of Part B of this Form.

INSTRUCTION:

If the mutual fund has an independent review committee, state in the disclosure provided under paragraph (1)(c) that National Instrument 81-107 Independent Review Committee for Investment Funds requires the manager to have policies and procedures relating to conflicts of interest.

Affiliated Entities

4.13(1) State whether any person or company that provides services to the mutual fund or the manager in relation to the mutual fund is an affiliated entity of the manager, and include a diagram, with a descriptive title, showing the relationships of those affiliated entities with each other.

4.13(2) State that the amount of fees received from the mutual fund by each person or company described under subsection (1) is disclosed in the audited financial statements of the mutual fund.

INSTRUCTIONS:

(1) A person or company is an affiliated entity of another person or company if one is a subsidiary entity of the other, if both are subsidiary entities of the same person or company or if each of them is a controlled entity of the same person or company.

(2) A person or company is a controlled entity of another person or company if any of the following apply:

(a) in the case of a person or company,

(i) voting securities of the first-mentioned person or company carrying more than 50% of the votes for the election of directors are held, otherwise than by way of security only, by or for the benefit of the other person or company, and

(ii) the votes carried by the securities are entitled, if exercised, to elect a majority of the directors of the first-mentioned person or company;

(b) in the case of a partnership that does not have directors, other than a limited partnership, the second-mentioned person or company holds more than 50% of the interests in the partnership;

(c) in the case of a limited partnership, the general partner is the second-mentioned person or company.

(3) A person or company is a subsidiary entity of another person or company if any of the following apply:

(a) the person or company is a controlled entity of any of the following:

(i) the other person or company;

(ii) the other person or company and one or more persons or companies, each of which is a controlled entity of that other person or company;

(iii) two or more persons or companies, each of which is a controlled entity of the other person or company;

(b) the person or company is a subsidiary entity of another person or company that is that other person or company's subsidiary entity.

(4) For the purposes of subsection (1) "provides services" includes, for greater certainty, the provision of brokerage services in connection with execution of portfolio transactions for the mutual fund.

Dealer Manager Disclosure

4.14 If the mutual fund is dealer managed, disclose that fact and that the mutual fund is subject to the restrictions set out in section 4.1 of National Instrument 81-102 *Investment Funds*, and summarize section 4.1 of National Instrument 81-102 *Investment Funds*.

Policies and Practices

4.15(1) If the mutual fund intends to use derivatives or sell securities short, describe the policies and practices of the mutual fund to manage the risks associated with engaging in those types of transactions.

4.15(2) In the disclosure provided under subsection (1), include disclosure pertaining to all of the following:

(a) whether there are written policies and procedures in place that set out the objectives and goals for derivatives trading and short selling and any risk management procedures applicable to those transactions;

(b) who is responsible for setting and reviewing the policies and procedures referred to in paragraph (a), 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;

(c) whether there are trading limits or other controls on derivative trading or short selling in place and who is responsible for authorizing the trading and placing limits or other controls on the trading;

(d) whether there are individuals or groups that monitor the risks independent of those who trade;

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

4.15(3) 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.

4.15(4) In the disclosure provided under subsection (3), include disclosure of all of the following:

(a) the involvement of any agent in administering the transactions on behalf of the mutual fund pursuant to any agreement between the parties;

(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 any 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 placing 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;

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

4.15(5) Unless the mutual fund invests only in non-voting securities, describe the policies and procedures that the mutual fund follows when voting proxies relating to portfolio securities, including, for greater certainty,

(a) the procedures that are followed when a vote presents a conflict between the interests of securityholders and those of the manager of the mutual fund, a portfolio adviser of the mutual fund, an affiliate or associate of the mutual fund, an affiliate or associate of the manager of the mutual fund, or an affiliate or associate of a portfolio adviser of the mutual fund, and

(b) the policies and procedures of a portfolio adviser of the mutual fund, or any other third party, that the mutual fund follows, or that are followed on the mutual fund's behalf, to determine how to vote proxies relating to portfolio securities.

4.15(6) State that a copy of the policies and procedures that the mutual fund follows when voting proxies relating to portfolio securities is available on request, at no cost, by calling [toll-free/collect call telephone number] or by writing to [address].

5.15(7) State that the mutual fund's proxy voting record, for the most recent period ended June 30 of each year, is available free of charge to any securityholder of the mutual fund upon request at any time after August 31 of that year. If the proxy voting record is available on the mutual fund's designated website, provide the website address.

INSTRUCTIONS:

(1) The disclosure provided under this Item must make appropriate distinctions between the risks associated with the intended use by the mutual fund of derivatives for hedging purposes and the mutual fund's intended use of derivatives for non-hedging purposes.

(2) The mutual fund's proxy voting policies and procedures must satisfy the requirements of section 10.2 of National Instrument 81-106 Investment Fund Continuous Disclosure.

Remuneration of Directors, Officers and Trustees

4.16(1) If the management functions of the mutual fund are carried out by employees of the mutual fund, disclose, in respect of those employees, the information concerning executive compensation that is required to be disclosed for executive officers of an issuer under securities legislation. The disclosure in this Form must be made in accordance with the disclosure requirements of Form 51-102F6 *Statement of Executive Compensation*.

4.16(2) Describe any arrangements 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 directors of the mutual fund, members of an independent board of governors or advisory board of the mutual fund and members of the independent review committee of the mutual fund, including the amounts paid, the name of the individual and any expenses reimbursed by the mutual fund to the individual

(a) in that capacity, including any additional amounts payable for committee participation or special assignments, and

(b) as a consultant or expert.

4.16(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.

Material Contracts

4.17(1) List and provide particulars pertaining to all of the following:

(a) the articles of incorporation, continuation or amalgamation, the declaration of trust or trust agreement of the mutual fund, the limited partnership agreement or any other constating or establishing documents of the mutual fund;

(b) any agreement of the mutual fund or trustee with the manager of the mutual fund;

(c) any agreement of the mutual fund, the manager or trustee with each portfolio adviser of the mutual fund;

(d) any agreement of the mutual fund, the manager or trustee with the custodian of the mutual fund;

(e) any agreement of the mutual fund, the manager or trustee with the principal distributor of the mutual fund;

(f) any other material agreement.

4.17(2) State a reasonable time at which and place where the agreements listed under subsection (1) may be inspected by prospective or existing securityholders.

4.17(3) Include, in describing particulars of the agreements, the date of, parties to, consideration paid by the mutual fund under, termination provisions of, and general nature of, the agreements.

INSTRUCTION:

This Item does not require disclosure of agreements entered into in the ordinary course of business of the mutual fund.

Legal Proceedings

4.18(1) Briefly describe any ongoing material legal proceedings, which for greater certainty includes administrative proceedings, to which the mutual fund, its manager or its principal distributor is a party.

4.18(2) For all matters disclosed under subsection (1), disclose all of the following:

(a) the name of the court, agency or administrative body having jurisdiction;

(b) the date on which the proceeding was commenced;

(c) the principal parties to the proceeding;

(d) the nature of the proceeding and, if applicable, the amount claimed;

(e) whether the proceedings are being contested and the present status of the proceedings.

4.18(3) To the extent known, provide the disclosure referred to in paragraphs (2)(a), (c), (d) and (e) in respect of any material proceedings known to be contemplated.

4.18(4) Describe any penalties or other sanctions imposed and the grounds on which they were imposed, or the terms of any settlement agreement and the circumstances that gave rise to the settlement agreement, if the manager of the mutual fund, a director or officer of the mutual fund or a partner, director or officer of the manager of the mutual fund, in the 10 years before the date of the simplified prospectus has

(a) been subject to any penalties or sanctions imposed by a court or securities regulator relating to trading in securities, promotion or management of a publicly-traded mutual fund, theft or fraud, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in determining whether to purchase securities of the mutual fund;

(b) entered into a settlement agreement with a court, securities regulatory or other regulatory body, in relation to any of the matters referred to in paragraph (a).

4.18(5) If the manager of the mutual fund, or a director or officer of the mutual fund or the partner, director or officer of the manager of the mutual fund has, within the 10 years before the date of the simplified prospectus, been subject to any penalties or sanctions imposed by a court or securities regulator relating to trading in securities, promotion or management of a publicly traded mutual fund, or theft or fraud, or has entered into a settlement agreement with a regulatory authority in relation to any of these matters, describe the penalties or sanctions imposed and the grounds on which they were imposed, or the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement.

Designated Website

4.19 State, in substantially the following words:

"A mutual fund is required to post certain regulatory disclosure documents on a designated website. The designated website(s) of the mutual fund(s) this document pertains to can be found at the following location(s): [insert the mutual fund's designated website address or addresses, as applicable]."

Item 5 - Valuation of Portfolio Securities

5.1(1) Describe the methods used to value the different types or classes of portfolio assets of the mutual fund and its liabilities for the purpose of calculating net asset value.

5.1(2) If the valuation methods established by the manager differ from Canadian GAAP, describe the differences.

5.1(3) If the manager has discretion to deviate from the mutual fund's valuation methods described under subsection (1), disclose when and to what extent the discretion may be exercised and, if it has been exercised in the past three years, provide an example of how it has been exercised or, if it has not been exercised in the past three years, state that fact.

Item 6 - Calculation of Net Asset Value

6.1(1) Describe the method followed or to be followed by the mutual fund in determining the net asset value.

6.1(2) State the frequency at which the net asset value is determined and the date and time of day at which it is determined.

6.1(3) Describe the manner in which the net asset value and net asset value per security of the mutual fund will be made available to the public and state that the information will be available at no cost to the public.

6.1(4) In the case of a money market mutual fund, if the fund intends to maintain a constant net asset

value per security, disclose that intention and disclose how the mutual fund intends to maintain a constant net asset value.

Item 7 - Purchases, Switches and Redemptions

7.1(1) Briefly describe how an investor can purchase and redeem the securities of the mutual fund or switch them for securities of other mutual funds, state how often the mutual fund is valued, and state that the issue and redemption price of those securities is based on the mutual fund's net asset value of a security of that class, or series of a class, next determined after the receipt by the mutual fund of the purchase order or redemption order.

7.1(2) State that, under extraordinary circumstances, the rights of investors to redeem securities may be suspended by the mutual fund and describe the circumstances under which the suspension of redemption rights could occur.

7.1(3) For a new mutual fund that is being sold on a best-efforts basis, state whether the issue price will be fixed during the initial distribution period, and state when the mutual fund will begin issuing and redeeming securities based on the net asset value per security of the mutual fund.

7.1(4) Describe all available purchase options and state, if applicable, that the choice of different purchase options requires the investor to pay different fees and expenses and, if applicable, that the choice of different purchase options affects the amount of compensation paid by a member of the organization of the mutual fund to a dealer. Include cross-references to the disclosure provided under Items 9 and 10 of Part A of this Form.

7.1(5) Describe the adverse effects, if any, that short-term trades in securities of the mutual fund by an investor may have on other investors in the mutual fund.

7.1(6) Describe the restrictions, if any, that may be imposed by the mutual fund to deter short-term trades, including the circumstances, if any, under which such restrictions may not apply.

7.1(7) If the mutual fund does not impose restrictions on short-term trades, state the specific basis for the view of the manager that it is appropriate for the mutual fund not to do so.

7.1(8) Describe the policies and procedures of the mutual fund relating to the monitoring, detection and deterrence of short-term trades of mutual fund securities. If the mutual fund has no such policies and procedures, state that fact.

7.1(9) Describe any arrangements, whether formal or informal, with any person or company, that permit short-term trades in securities of the mutual fund, including, for greater certainty,

(a) the name of the person or company, and

(b) the terms of such arrangements, including, for greater certainty,

(i) any restrictions imposed on the short-term trades, and

(ii) any compensation or other consideration received by the manager, the mutual fund or any other party pursuant to the arrangements.

7.1(10) Describe how the securities of the mutual fund are distributed. If sales are effected through a principal distributor, provide a brief description of any arrangements with the principal distributor.

7.1(11) Disclose that a dealer may make provision in arrangements that it has with an investor that will require the investor to compensate the dealer for any losses suffered by the dealer in connection with a failed settlement of a purchase of securities of the mutual fund caused by the investor.

7.1(12) Disclose that a dealer may make provision in arrangements that it has with an investor that will require the investor to compensate the dealer for any losses suffered by the dealer in connection with any failure of the investor to satisfy the requirements of the mutual fund or securities legislation for a redemption of securities of the mutual fund.

INSTRUCTIONS:

(1) The disclosure required under subsection (4) must describe currency purchase plans, if applicable.

(2) In the disclosure required by subsections (5) to (7), include a brief description of the short-term trading activities in the mutual fund that are considered by the manager to be inappropriate or excessive. If the manager imposes a short-term trading fee, include a cross-reference to the disclosure provided under Item 9 of Part A of this Form.

Item 8 - Optional Services Provided by the Mutual Fund Organization

8. If applicable, under the heading "Optional Services", describe the optional services that may be obtained by typical investors from the mutual fund organization.

INSTRUCTION:

Disclosure made under this Item must include, for example, any asset allocation services, registered tax plans, regular investment and withdrawal plans, periodic purchase plans, contractual plans, periodic withdrawal plans or switch privileges.

Item 9 - Fees and Expenses

General Disclosure

9.1(1) Set out information about the fees and expenses payable by the mutual fund and by investors in the mutual fund under the heading "Fees and Expenses".

9.1(2) If the mutual fund holds securities of other mutual funds, disclose all of the following:

(a) any fees and expenses payable by the other mutual fund in addition to the fees and expenses payable by the mutual fund;

(b) that 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) that 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;

(d) that 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.

9.1(3) The information required by this Item is a summary of the fees, charges and expenses of the mutual fund and investors presented in the form of the following table, appropriately completed, and introduced

using substantially the following words:

> "This table lists the fees and expenses that you may have to pay if you invest in the [insert the name of the mutual fund]. You may have to pay some of these fees and expenses directly. The Fund may have to pay some of these fees and expenses, which will reduce the value of your investment in the Fund."

9.1(4) Include the fees for any optional services provided by the mutual fund organization, as described under Item 8 of Part A of this Form, in the table.

9.1(5) Under "Operating Expenses" in the table, include a description of the fees and expenses payable in connection with the independent review committee. If the information is not the same for each mutual fund described in the document, provide the disclosure in the description of fees and expenses required for each fund under Item 3 of Part B of this Form and include a cross-reference to that information in the table required under this Item.

9.1(6) If management fees are payable directly by investors, add a line item in the table to disclose the maximum percentage that could be paid by investors.

9.1(7) If the manager permits negotiation of a management fee rebate, provide disclosure of these arrangements. If these arrangements are not available for each mutual fund described in the document, make this disclosure in the description of fees and expenses required for each fund by Item 3 of Part B of this Form and include a cross-reference to that information in the table required by this Item.

Fees and Expenses Payable by the Fund	
Management Fees	*[See Instruction (1)] [disclosure re management fee rebate program]*
Operating Expenses	*[See Instructions (2) and (3)] Fund[s] pay[s] all operating expenses, including .....*
Fees and Expenses Payable Directly by You	
Sales Charges	*[specify percentage, as a percentage of .....]*
Switch Fees	*[specify percentage, as a percentage of ....., or specify amount]*
Redemption Fees	*[specify percentage, as a percentage of ....., or specify amount]*
Short-term Trading Fees	*[specify percentage, as a percentage of .....]*
Registered Tax Plan Fees *[include this disclosure and specify the type of fees if the registered tax plan is sponsored by the mutual fund and is described in the simplified prospectus]*	*[specify amount]*
Other Fees and Expenses *[specify type]*	*[specify amount]*

INSTRUCTIONS:

> *(1) If the table pertains to more than one mutual fund and not all of the mutual funds pay the same management fees, under "Management Fees" in the table, do either of the following:*
>
> > *(a) state that the management fees are unique to each mutual fund, include management fee disclosure for each mutual fund as a separate line item in the table required by Item 3 of Part B of this Form for that mutual fund, and include a cross-reference to that table;*
> >
> > *(b) list the amount of the management fee, including any performance or incentive fee, for each mutual fund separately.*

(2) If the table pertains to more than one mutual fund and not all of the mutual funds have the same obligations to pay operating expenses, under "Operating Expenses" in the table, do either of the following:

(a) state that the operating expenses payable by the mutual funds are unique to each mutual fund, include a description of the operating expenses payable by each mutual fund as a separate line item in the table required by Item 3 of Part B of this Form for that mutual fund, and include a cross-reference to that table;

(b) provide the disclosure concerning the operating expenses for each mutual fund contemplated by this Item separately.

(3) Under "Operating Expenses", state whether the mutual fund pays all of its operating expenses and list the main components of those expenses. If the mutual fund pays only certain operating expenses and is not responsible for payment of all such expenses, adjust the statement in the table to reflect the proper contractual responsibility of the mutual fund.

(4) Show all fees and expenses payable by the mutual fund, even if it is expected that the manager of the mutual fund or other member of the organization of the mutual fund will waive or absorb some or all of those fees and expenses.

(5) If the management fees of a mutual fund are payable directly by a securityholder and vary so that specific disclosure of the amount of the management fees cannot be disclosed in the simplified prospectus of the mutual fund, or cannot be derived from disclosure in the simplified prospectus, provide as much disclosure as possible about the management fees to be paid by securityholders, including the highest possible rate or range of those management fees.

Management Fee Rebate or Distribution Programs

9.2(1) Disclose details of any arrangements that are in effect or will be in effect during the currency of the simplified prospectus if those arrangements will result, directly or indirectly, in a securityholder in the mutual fund paying, as a percentage of the securityholder's investment in the mutual fund, a management fee that differs from that payable by another securityholder.

9.2(2) In the disclosure required by subsection (1), describe all of the following:

(a) who pays the management fee;

(b) when the management fee is to be paid, whether a reduced fee is paid or whether the full fee is paid with a repayment of a portion of the management fee to be paid at a later date;

(c) the person or company that funds the reduction or repayment of management fees, when the reduction or repayment is made and whether it is made in cash or in securities of the mutual fund;

(d) whether the differing management fees are negotiable or calculated in accordance with a fixed schedule;

(e) if the management fees are negotiable, the factors or criteria relevant to the negotiations and state who negotiates the fees with the investor;

(f) whether the differing management fees payable are based on the number or value of the securities of the mutual fund purchased during a specified period or the number or value of the securities of the mutual fund held at a particular time;

(g) any other factors or criteria that could affect the amount of the management fees payable.

9.2(3) Disclose the income tax consequences to the mutual fund and its securityholders of a management fee structure that results in a securityholder paying a management fee that differs from that payable by another securityholder.

Item 10 - Dealer Compensation

10. Provide the disclosure of sales practices and equity interests required under sections 8.1 and 8.2 of National Instrument 81-105 *Mutual Fund Sales Practices*.

INSTRUCTIONS:

(1) Briefly state the compensation paid and the sales practices followed by the members of the organization of the mutual fund in a concise and explicit manner, without explaining the requirements and parameters for permitted compensation contained in National Instrument 81-105 Mutual Fund Sales Practices.

(2) If the manager or another member of the mutual fund's organization pays trailing commissions, so state and provide an explanation of the basis of calculation of these commissions and the range of the rates of such commissions. If the mutual fund organization from time to time pays the permitted marketing expenses of participating dealers on a co-operative basis, so state. If the mutual fund organization from time to time holds educational conferences that sales representatives of participating dealers may attend or from time to time pays certain of the expenses incurred by participating dealers in holding educational conferences for sales representatives, so state.

(3) If the members of the organization of the mutual fund follow any other sales practices permitted by National Instrument 81-105 Mutual Fund Sales Practices, briefly describe these sales practices.

(4) Include a brief summary of the equity interests between the members of the organization of the mutual fund and participating dealers and representatives as required by section 8.2 of National Instrument 81-105 Mutual Fund Sales Practices. This disclosure may be provided by means of a diagram or table.

Item 11 - Income Tax Considerations

Income Tax Considerations for the Mutual Fund
11.1 Describe, in general terms, the basis upon which the income and capital receipts of the mutual fund are taxed.

Income Tax Considerations for Investors
11.2(1) Describe, in general terms, the income tax consequences, to the securityholders of the securities offered, of all of the following:

(a) any distribution to the securityholders in the form of dividends or otherwise, including amounts reinvested in securities of the mutual fund;

(b) the redemption of securities;

(c) the issuance of securities;

(d) any transfers between mutual funds;

(e) gains or losses that occur on the disposition of securities of the mutual fund by the investor.

11.2(2) The description provided in response to subsection (1) must explain the different tax treatment applicable to mutual fund securities held in a registered tax plan as compared to mutual fund securities held in

non-registered accounts.

11.2(3) Describe the impact of the mutual fund's distribution policy on a taxable investor who acquires securities of the mutual fund late in a calendar year.

11.2(4) If material, describe the potential impact of the mutual fund's anticipated portfolio turnover rate on a taxable investor.

11.2(5) Describe how the adjusted cost base of a security of a mutual fund can be calculated by those investors holding securities outside a registered tax plan.

INSTRUCTIONS:

(1) If management fees are paid directly by investors, describe generally the income tax consequences to taxable investors of this arrangement.

(2) Subsection (2) is particularly relevant for investors who hold their mutual fund investments through RRSPs, if they have invested in a mutual fund that requires management fees to be paid directly by the investors. Detailed disclosure of the tax consequences of this arrangement on those investors must be made by those mutual funds.

Item 12 - Statement of Rights

Under the heading "What Are Your Legal Rights?", state in substantially the following words:

"Under securities law in some provinces and territories, you have the right to

• withdraw from an agreement to buy mutual funds within two business days after you receive a simplified prospectus or Fund Facts document, or

• cancel your purchase within 48 hours after you receive confirmation of the purchase.

In some provinces and territories, you also have the right to cancel a purchase, or in some jurisdictions, claim damages, if the simplified prospectus, Fund Facts document or financial statements contain a misrepresentation. You must act within the time limits set by law in the applicable province or territory."

For more information, see the securities law of your province or territory or ask a lawyer."

Item 13 - Additional Information

13.1(1) Disclose any other material facts relating to the securities proposed to be offered that are not disclosed elsewhere in this Form.

13.1(2) Provide any disclosure required or permitted to be disclosed in a prospectus under securities legislation or by a decision of the regulator or securities regulatory authority pertaining to the mutual fund that is not otherwise required to be disclosed under this Form.

INSTRUCTIONS:

(1) An example of a provision of securities legislation relevant to this Item is the requirement contained in the conflict of interest provisions of the securities legislation of a number of jurisdictions to the effect that a mutual fund must not make an investment in respect of which a related person will receive any fee or compensation except for fees paid pursuant to a contract disclosed in, among other things, a prospectus. Another example is the requirement of some jurisdictions that certain statements be included in a simplified prospectus of a mutual fund with a non-Canadian manager.

(2) For a single SP, provide the disclosure under this Item or under Item 11 of Part B of this Form, whichever is more appropriate.

(3) For a multiple SP, the disclosure must be provided under this Item if the disclosure pertains to all of the mutual funds described in the document. If the disclosure does not pertain to all of those funds, provide the disclosure in the fund-specific disclosure required or permitted under Item 11 of Part B of this Form.

Item 14 - Exemptions and Approvals

Describe all exemptions from, or approvals in relation to, this Instrument, National Instrument 81-102 *Investment Funds*, National Instrument 81-105 *Mutual Fund Sales Practices* or National Policy Statement No. 39 obtained by the mutual fund or the manager that continue to be relied upon by the mutual fund or the manager.

Item 15 - Certificate of the Mutual Fund

15.1(1) Include a certificate of the mutual fund that states,

(a) for a simplified prospectus,

"This simplified prospectus and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus, as required by the securities legislation of [insert the jurisdictions in which qualified] and do not contain any misrepresentations.",

(b) for an amendment to a simplified prospectus that does not restate the simplified prospectus,

"This amendment no. [specify amendment number and date], together with the [amended and restated] simplified prospectus dated [specify], [amending and restating the simplified prospectus dated [specify],] [as amended by [specify prior amendments and dates]] and the documents incorporated by reference into the [amended and restated] simplified prospectus, [as amended,] constitute full, true and plain disclosure of all material facts relating to the securities offered by the [amended and restated] simplified prospectus, [as amended,] as required by the securities legislation of [insert the jurisdictions in which qualified] and do not contain any misrepresentations.", and

(c) for an amendment that amends and restates a simplified prospectus,

"This amended and restated simplified prospectus dated [specify] [, amending and restating the simplified prospectus dated [specify]] [, as amended by [specify prior amendments and dates]] and the documents incorporated by reference into the [amended and restated] simplified prospectus, [as amended,] constitute full, true and plain disclosure of all material facts relating to the securities offered by the [amended and restated] simplified prospectus, [as amended,] as required by the securities legislation of [insert the jurisdictions in which qualified] and do not contain any misrepresentations.".

15.1(2) The certificate required to be signed by the mutual fund must, if the mutual fund is a trust, be signed by either of the following:

(a) if any trustee of the mutual fund is an individual, by each individual who is a trustee or by a duly authorized attorney of the individual;

(b) if any trustee of the mutual fund is a corporation, by the duly authorized signing officer or officers of the corporation.

15.1(3) Despite subsection (2), if the declaration of trust or trust agreement establishing the mutual fund delegates the authority to do so, or otherwise authorizes a person to do so, the certificate form required to be signed by the trustee or trustees of the mutual fund may be signed by the person to whom the authority is delegated or who is authorized.

15.1(4) Despite subsections (2) and (3), if the trustee of the mutual fund is also its manager, the certificate must indicate that it is being signed by the person or company both in its capacity of trustee and in its capacity as manager of the mutual fund and must be signed in the manner prescribed by Item 16.

Item 16 - Certificate of the Manager of the Mutual Fund

16.1(1) Include a certificate of the manager of the mutual fund in the same form as the certificate signed by the mutual fund.

16.1(2) The certificate must, if the manager is a company, be signed by the chief executive officer and the chief financial officer of the manager, and on behalf of the board of directors of the manager by any two directors of the manager, other than the chief executive officer or chief financial officer, duly authorized to sign.

16.1(3) Despite subsection (2), if the manager has only three directors, two of whom are the chief executive officer and chief financial officer, the certificate required by subsection (2) to be signed on behalf of the board of directors of the manager must be signed by the remaining director of the manager.

Item 17 - Certificate of Each Promoter of the Mutual Fund

17.1(1) Include a certificate of each promoter of the mutual fund in the same form as the certificate signed by the mutual fund.

17.1(2) The certificate to be signed by the promoter must be signed by any officer or director of the promoter duly authorized to sign.

Item 18 - Certificate of the Principal Distributor of the Mutual Fund

18.1(1) Include a certificate of the principal distributor of the mutual fund that states:

"To the best of our knowledge, information and belief, this simplified prospectus and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus, as required by the securities legislation of [insert the jurisdictions in which qualified] and do not contain any misrepresentations."

18.1(2) The certificate to be signed by the principal distributor must be signed by any officer or director of the principal distributor duly authorized to sign.

INSTRUCTION:

For a mutual fund that has a principal distributor, the certificate required by this Item is necessary to satisfy the requirements of securities legislation that an underwriter sign a certificate to a prospectus.

Part B – Fund-Specific Information

Item 1 - General

(1) For a multiple SP in which the Part B sections are bound separately from the Part A section, include at the bottom of each page of a Part B section a footer in substantially the following words and in a type size consistent with the rest of the document:

> "This document provides specific information about [name of Fund]. It should be read in conjunction with the rest of the simplified prospectus of the [name of mutual fund family] dated [insert date]. This document and the document that provides general information about [name of mutual fund family] together constitute the simplified prospectus."

(2) If a Part B section is an amended and restated document, add to the footer required by subsection (1) a statement that the document has been amended and restated on [insert date].

(3) For a single SP, or a multiple SP, in which the Part A section and the Part B sections are bound together, include all of the following:

(a) at the top of the first page of the first Part B section in the document, the heading "Specific Information about Each of the Mutual Funds Described in this Document" for a multiple SP, or "Specific Information about the [name of Fund]" for a single SP;

(b) at the top of each page of a Part B section of the document, a heading consisting of the name of the mutual fund described on that page.

(4) For a multiple SP in which the Part A section is bound separately from the Part B sections, include at the top of each page of a Part B section of the document a heading consisting of the name of the mutual fund described on that page.

Item 2 - Part B Introduction

(1) Disclose under the heading "What Is a Mutual Fund and What Are the Risks of Investing in a Mutual Fund?" all of the following:

(a) a brief general description of the nature of a mutual fund;

(b) the risk factors and other investment considerations that an investor should take into account that are associated with investing in mutual funds generally.

(2) At a minimum, in response to the requirements of subsection (1), include disclosure in substantially the following words:

"Mutual funds own different types of investments, depending upon the fund's investment objectives. The value of these investments will change from day to day, reflecting changes in interest rates, economic conditions and market and company news. As a result, the value of a mutual fund's [units/shares] may go up and down, and the value of your investment in a mutual fund may be more or less when you redeem it than when you purchased it.

[If applicable], The full amount of your investment in any [name of mutual fund family] mutual fund is not guaranteed.

Unlike bank accounts or GICs, mutual fund [units/shares] are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer."

(3) For a multiple SP, at the option of the mutual fund, include any information that is applicable to more than one of the mutual funds, including for greater certainty, all of the following:

(a) explanatory information;

(b) risk factors;

(c) investment considerations;

(d) investment restrictions;

(e) descriptions of the securities offered under the simplified prospectus;

(f) details regarding the name, formation and history of the mutual fund.

(4) Any information included in an introductory section under subsection (3) may be omitted elsewhere in the Part B section of the document.

INSTRUCTIONS:

(1) In providing disclosure under subsection (1), follow the instructions under Item 9 of Part B of this Form, as appropriate.

(2) Subsection (3) may be used to avoid the need for repetition of standard information in each Part B section of a multiple SP.

(3) Examples of explanatory information that may be disclosed under subsection (3) at the option of the mutual fund are

(a) definitions or explanations of terms used in each Part B section, such as "portfolio turnover rate" and "management expense ratio", and

(b) a discussion or explanation of the tables or charts that are required in each Part B section of the document.

(4) Examples of the risks that may be disclosed under subsection (3) at the option of the mutual fund are stock market risk, interest rate risk, foreign security risk, foreign currency risk, specialization risk and risk associated with the use of derivatives. If risk disclosure is provided under that subsection, the fund-specific disclosure about each mutual fund described in the document must contain a reference to the appropriate parts of this risk disclosure.

Item 3 - Fund Details

Disclose, in a table, all of the following:

(a) the type of mutual fund that the mutual fund is best characterized as;

(b) whether the mutual fund is eligible as an investment for registered retirement savings plans, registered retirement income funds or deferred profit-sharing plans;

(c) if this information is not contained in the table required by Item 9.1 of Part A of this Form, all of the following:

(i) the amount of the management fee, including any performance or incentive fee, charged to the mutual fund;

(ii) details concerning the operating expenses paid by the mutual fund contemplated by Instruction (3) of Item 9.1 of Part A of this Form;

(iii) the amount of the fees and expenses payable in connection with the independent review committee, charged to the mutual fund;

(d) any information required by Item 4 of Part A of this Form to be contained in Part B.

INSTRUCTIONS:

(1) If the mutual fund pays a fee that is determined by the performance of the mutual fund, the disclosure required by paragraph 7.1(1)(c) of National Instrument 81-102 Investment Funds to be described in a simplified prospectus of the mutual fund must be included in a footnote to the description of the incentive fee in the table.

(2) Examples of types of mutual funds that could be listed in response to paragraph (a) are money market, equity, bond or balanced funds related, if appropriate, to a geographical region, or any other description that accurately identifies the type of mutual fund.

(3) In providing the disclosure contemplated by paragraph (c), provide any disclosure required by, and follow, the Instructions to Item 9.1 of Part A of this Form.

Item 4 - Fundamental Investment Objectives

(1) Set out under the heading "What Does the Fund Invest in?" and under the sub-heading "Investment Objectives" the fundamental investment objectives of the mutual fund, including information that describes the fundamental nature of the mutual fund, or the fundamental features of the mutual fund, that distinguish it from other mutual funds.

(2) Describe the nature of any securityholder or other approval that may be required in order to change the fundamental investment objectives of the mutual fund and any of the material investment strategies to be used to achieve those investment objectives.

(3) Describe any restrictions on investments adopted by the mutual fund, beyond what is required under securities legislation, that pertain to the fundamental nature of the mutual fund.

(4) If the mutual fund purports to arrange a guarantee or insurance in order to protect all or some of the principal amount of an investment in the mutual fund, include this fact as a fundamental investment

objective of the mutual fund and do all of the following:

(a) identify the person or company providing the guarantee or insurance;

(b) provide the material terms of the guarantee or insurance, including the maturity date of the guarantee or insurance;

(c) if applicable, state that the guarantee or insurance does not apply to the amount of any redemptions before the maturity date of the guarantee or before the death of the securityholder and that redemptions before that date would be based on the net asset value of the mutual fund at the time;

(d) modify any other disclosure required by this section appropriately.

(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, and

(b) briefly describe the nature of that permitted index or those permitted indices.

INSTRUCTIONS:

(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.

(2) A mutual fund's fundamental investment objectives must indicate if the mutual fund primarily invests, or intends to primarily invest, or if its name implies that it will primarily invest, in any of the following:

(a) a particular type of issuer, such as foreign issuers, small capitalization issuers or issuers located in emerging market countries;

(b) a particular geographic location or industry segment;

(c) portfolio assets other than securities.

(3) If a particular investment strategy is a material aspect of the mutual fund, as evidenced by the name of the mutual fund or the manner in which the mutual fund is marketed, disclose this strategy as an investment objective. This instruction would be applicable, for example, to a mutual fund that described itself as an "asset allocation fund" or a "mutual fund that invests primarily through the use of derivatives".

(4) If the mutual fund is an alternative mutual fund, describe the features of the mutual fund that cause it to fall within the definition of "alternative mutual fund" in National Instrument 81-102 Investment Funds. If those features include the use of leverage, disclose the sources of leverage (e.g., cash borrowing, short selling, use of derivatives) that the fund is permitted to use as well as the maximum aggregate exposure to those sources of leverage the alternative mutual fund is permitted to have, as a percentage calculated in accordance with section 2.9.1 of National Instrument 81-102 Investment Funds.

Item 5 - Investment Strategies

(1) Describe under the heading "What Does the Fund Invest in?" and under the sub-heading "Investment Strategies" all of the following:

(a) the principal investment strategies that the mutual fund intends to use in achieving its investment objectives;

(b) the process by which each portfolio adviser of the mutual fund selects securities for the fund's portfolio, including any investment approach, philosophy, practice or technique used by the portfolio adviser or any particular style of portfolio management that the portfolio adviser intends to follow;

(c) if the mutual fund may hold securities of 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 the net asset value 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.

(2) Indicate what types of securities, other than those held by the mutual fund in accordance with its fundamental investment objectives, may form part of the mutual fund's portfolio assets under normal market conditions.

(3) If the mutual fund intends to use derivatives

(a) for hedging purposes only, state that the mutual fund may use derivatives for hedging purposes only, and

(b) for non-hedging purposes, or for hedging and non-hedging purposes, briefly describe

(i) how derivatives are or will be used in conjunction with other securities to achieve the mutual fund's investment objectives,

(ii) the types of derivatives expected to be used and give a brief description of the nature of each type, and

(iii) the limits of the mutual fund's use of derivatives.

(4) State whether any, and if so what proportion, of the assets of the mutual fund may or will be invested in foreign securities.

(5) If the mutual fund may depart temporarily from its fundamental investment objectives as a result of adverse market, economic, political or other conditions, disclose any temporary defensive tactics that may be used in response to such conditions.

(6) If the mutual fund intends to enter into securities lending, repurchase or reverse repurchase transactions under section 2.12, 2.13 or 2.14 of National Instrument 81-102 *Investment Funds*, include all of the following:

(a) a statement that the mutual fund may enter into securities lending, repurchase or reverse repurchase transactions;

(b) a brief description of

(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 a brief description of the nature of each type, and

(iii) the limits of the mutual fund's entering into of those transactions.

(7) 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% 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.

(8) If the mutual fund intends to sell securities short under section 2.6.1 of National Instrument 81-102 *Investment Funds*,

(a) state that the mutual fund may sell securities short, and

(b) briefly describe

(i) the short selling process, and

(ii) how short sales of securities 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.

(9) In the case of an alternative mutual fund that borrows cash in accordance with subsection 2.6(2) of National Instrument 81-102 *Investment Funds*,

(a) state that the alternative mutual fund is permitted to borrow cash and the maximum amount the fund is permitted to borrow, and

(b) briefly describe how borrowing will be used in conjunction with other strategies of the alternative mutual fund to achieve its investment objectives.

INSTRUCTION:

A mutual fund may, in responding to this Item, provide a discussion of the general investment approach or philosophy followed by the portfolio advisers of the mutual fund.

Item 6 - Investment Restrictions

(1) Include a statement to the effect that the mutual fund is subject to certain restrictions and

requirements contained in securities legislation, including National Instrument 81-102 *Investment Funds*, that are designed in part to ensure that the investments of the mutual fund are diversified and relatively liquid and to ensure the proper administration of the mutual fund, and state that the mutual fund is managed in accordance with these restrictions and requirements.

(2) If the mutual fund has received the approval of a securities regulatory authority to vary any of the investment restrictions and requirements contained in securities legislation, including National Instrument 81-102 *Investment Funds*, provide details of the permitted variations.

(3) Describe any restrictions on investments adopted by the mutual fund, beyond what is required under securities legislation, that do not pertain to the fundamental nature of the mutual fund.

(4) If the mutual fund has relied on the approval of the independent review committee and the relevant requirements of National Instrument 81-107 *Independent Review Committee for Investment Funds* to vary any of the investment restrictions and requirements contained in securities legislation, including National Instrument 81-102 *Investment Funds*, provide details of the permitted variations.

(5) If the mutual fund has relied on the approval of the independent review committee to implement a reorganization with, or transfer of assets to, another mutual fund or to proceed with a change of auditor of the mutual fund as permitted by National Instrument 81-102 *Investment Funds*, provide details.

(6) State any restrictions on the investment objectives and investment strategies that arise out of any of the following:

(a) whether the securities of the mutual fund are or will be a qualified investment within the meaning of the ITA for plans registered under the ITA;

(b) whether the securities of the mutual fund are or will be recognized as a registered investment within the meaning of the ITA.

(7) State whether the mutual fund has deviated, in the last year, from the provisions of the ITA that are applicable to the fund in order for the fund's securities to be either of the following:

(a) qualified investments within the meaning of the ITA for plans registered under the ITA;

(b) registered investments within the meaning of the ITA.

(8) State the consequences of any deviation referred to in subsection (7).

Item 7 - Description of Securities Offered by the Mutual Fund

(1) Describe the designation of securities, or the classes or series of securities, offered by the mutual fund under the related simplified prospectus and describe all material attributes and characteristics of the securities, including, for greater certainty, all of the following:

(a) dividend or distribution rights;

(b) voting rights;

(c) liquidation or other rights upon the termination of the mutual fund;

(d) conversion rights;

(e) redemption rights;

(f) any procedures necessary to amend any of the rights referred to in paragraphs (a) to (e).

(2) Describe the rights of securityholders to approve any of the following:

(a) the matters set out in section 5.1 of National Instrument 81-102 *Investment Funds*;

(b) any matters provided for in the constating documents of the mutual fund.

INSTRUCTIONS:

(1) If the rights attached to the securities being offered are materially limited or qualified by those attached to any other class or series of securities of the mutual fund or if another class or series of securities of the mutual fund ranks ahead of or equally with the securities being offered, include, as part of the disclosure provided, information regarding those other securities that will enable investors to understand the rights attaching to the securities being offered.

(2) In responding to the disclosure required by paragraph (1)(a), state whether distributions are made by the mutual fund in cash or reinvested in securities of the mutual fund and indicate when distributions are made.

Item 8 - Name, Formation and History of the Mutual Fund

(1) State the full name of the mutual fund and the address of its head or registered office.

(2) State the laws under which the mutual fund was formed and the date and manner of its formation.

(3) Identify the constating documents of the mutual fund and, if material, state whether the constating documents have been amended in the last 10 years and describe the amendments.

(4) If the mutual fund's name has been changed in the last 10 years, state the mutual fund's former name or names and the date or dates of the name change or changes.

(5) Disclose, and provide details about, any major events affecting the mutual fund in the last 10 years. Include information, if applicable, about the following:

(a) the mutual fund having participated in, or been formed from, an amalgamation or merger with one or more other mutual funds;

(b) the mutual fund having participated in any reorganization or transfer of assets in which the securityholders of another issuer became securityholders of the mutual fund;

(c) any changes in fundamental investment objectives or material investment strategies;

(d) any portfolio adviser changes;

(e) any changes in, or of control of, the manager;

(f) the mutual fund, before it filed a prospectus as a mutual fund, having existed as a closed-end investment fund, non-public mutual fund or other entity.

INSTRUCTION:

In disclosing the date on which the mutual fund started, use the date on which the securities of the mutual fund first became available to the public, which will be on, or about, the date of the issuance of the first receipt for a prospectus of the mutual fund. For a mutual fund that formerly offered its securities privately, disclose this fact.

Item 9 - Risks

(1) Set out specific information concerning any material risks associated with an investment in the mutual fund, under the heading "What Are the Risks of Investing in the Fund?".

(2) If securities of a mutual fund representing more than 10% of the net asset value of the mutual fund are held by a single securityholder, including another mutual fund, the mutual fund must disclose all of the following:

(a) the percentage of the net asset value of the mutual fund that those securities represent as at a date within 30 days of the date of the simplified prospectus of the mutual fund;

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

(3) If the mutual fund may hold securities of a foreign mutual fund in accordance with paragraph 2.5(3)(b) of National Instrument 81-102 *Investment Funds*, disclose the risks associated with that investment.

(4) For a money market fund, include disclosure to the effect that although the mutual fund intends to maintain a constant price for its securities, there is no guarantee that the price will not go up and down.

(5) Include specific cross-references to the risks described under Item 2 of Part B of this Form that are applicable to the mutual fund.

(6) If the mutual fund offers more than one class or series of securities, disclose the risk that the investment performance, expenses or liabilities of one class or series may affect the value of the securities of another class or series, if applicable.

(7) 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 asset value 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.

(8) If, at any time during the 12-month period immediately preceding the date that is 30 days before the date of the simplified prospectus, more than 10% of the net asset value of a mutual fund was invested in the securities of an issuer, other than a government security or a security issued by a clearing corporation, disclose all of the following:

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

(b) the maximum percentage of the net asset value of the mutual fund that securities of that issuer represented during the 12-month period;

(c) 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.

(9) As applicable, describe the risks associated with the mutual fund entering into

(a) derivative transactions for non-hedging purposes,

(b) securities lending, repurchase or reverse repurchase transactions,

(c) short sales of securities, and

(d) borrowing arrangements.

(10) In the case of an alternative mutual fund, include disclosure explaining that the alternative mutual fund is permitted to invest in asset classes and use investment strategies that are not permitted for other types of mutual funds and explain how these investment strategies could affect investors' risk of losing money on their investment in the fund.

INSTRUCTIONS:

(1) Consider the mutual fund's portfolio investments as a whole.

(2) Provide the disclosure in the context of the mutual fund's fundamental investment objectives and investment strategies, outlining the risks associated with any particular aspect of those fundamental investment objectives and investment strategies.

(3) Include a discussion of general market, political, market sector, liquidity, interest rate, foreign currency, diversification, credit, legal and operational risks, as appropriate.

(4) Include a brief discussion of general investment risks, such as specific company developments, stock market conditions and general economic and financial conditions in those countries where the investments of the mutual fund are listed for trading, applicable to the particular mutual fund.

(5) In responding to subsection (8), it is necessary to disclose only that, at a time during the 12-month period referred to, more than 10% 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 (8)(b), the mutual fund is not required to provide particulars or a summary of any such occurrences.

Item 10 - Investment Risk Classification Methodology

For a mutual fund,

(a) state in substantially the following words:

"The investment risk level of this mutual fund is required to be determined in accordance with a standardized risk classification methodology that is based on the mutual fund's historical volatility as measured by the 10-year standard deviation of the returns of the mutual fund."

(b) if the mutual fund has less than 10 years of performance history and complies with Item 4 of Appendix F to National Instrument 81-102 *Investment Funds*, provide a brief description of the other mutual fund or reference index, as applicable,

(c) if the other mutual fund or reference index referred to in paragraph (b) has been changed since the most recently filed prospectus, provide details of when and why the change was made, and

(d) disclose that the standardized risk classification methodology used to identify the investment risk level of the mutual fund is available on request, at no cost, by calling [toll free/collect call telephone number] or by writing to [address].

INSTRUCTION:

Include a brief description of the formulas, methods or criteria used by the manager of the mutual fund in identifying the investment risk level of the mutual fund.

Item 11 - Additional Information

Any disclosure under Item 13 of Part A that does not pertain to all the mutual funds described in the document must be included here.

Item 12 - Back Cover

(1) State the name of the mutual fund or funds included in the document or the mutual fund family, as well as the name, address and telephone number of the manager of the mutual fund or funds.

(2) State, in substantially the following words:

"Additional information about the fund[s] is available in the fund['s/s'] Fund Facts document, management reports of fund performance and financial statements. These documents are incorporated by reference into this simplified prospectus, which means that they legally form part of this document just as if they were printed as a part of this document.

You can get a copy of these documents, at your request, and at no cost, by calling [toll-free/collect] [insert the toll-free telephone number or telephone number where collect calls are accepted, as required under section 3.4 of the Instrument], or from your dealer or by e-mail at [insert e-mail address].

These documents and other information about the fund[s], such as information circulars and material contracts, are also available [on the [insert name of mutual fund] designated website at [insert mutual fund's designated website address] or] at www.sedar.com."

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16. ***The Instruction at the end of Item 1 of Part I of Form 81-101F3*** **Contents of Fund Facts Document** ***is replaced with the following:***

The date for a fund facts document that is filed with a preliminary simplified prospectus or simplified prospectus must be the date of the certificate in the simplified prospectus. The date for a fund facts document that is filed with a pro forma simplified prospectus must be the date of the anticipated simplified prospectus. The date for an amended fund facts document must be the date of the certificate contained in the related amended simplified prospectus.**.**

17. ***Item 2 of Part II of Form 81-101F3*** **Contents of Fund Facts Document** ***is amended by deleting "***annual information form,***".***

Transition

18. Before September 6, 2022, an investment fund is not required to comply with National Instrument 81-101 *Mutual Fund Prospectus Disclosure*, as amended by this Instrument, if the investment fund complies with National Instrument 81-101 *Mutual Fund Prospectus Disclosure* as it was in force on January 5, 2022.

Effective Date

19(1) This Instrument comes into force on January 6, 2022.

19(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after January 6, 2022, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

19(3) This Instrument may be cited as MSC Rule 2021-7.

SCHEDULE 1-B

CHANGES TO COMPANION POLICY 81-101 *MUTUAL FUND PROSPECTUS DISCLOSURE*

1. ***Companion Policy 81-101 Mutual Fund Prospectus Disclosure is changed by this Document.***

2. ***Section 2.1 is changed***

   (a) ***by replacing "***three disclosure documents***" with "***two disclosure documents***" in item 2 of subsection (3),***

   (b) ***in item 2 of subsection (3), by adding "***and***" after "***a simplified prospectus;***" and deleting "***● an annual information form; and***", and***

   (c) ***by deleting "***, annual information form***" in item 3 of subsection (3).***

3. ***Section 2.2 is changed by adding the following after subsection (2):***

   (3) A person granted an exemption from a requirement in Form 81-101F1 or Form 81-101F2 prior to January 6, 2022, is exempt, after January 5, 2022, from any substantially similar requirement in Form 81-101F1.

   (4) A person granted an exemption from a requirement in securities legislation prior to January 6, 2022 on the condition that certain disclosure be provided in an annual information form prepared in accordance with Form 81-101F2, may, after January 5, 2022, provide such disclosure in a simplified prospectus prepared in accordance with Form 81-101F1.

4. ***Section 2.3 is repealed.***

5. ***Section 2.4 is changed by deleting "***and the annual information form***".***

6. ***Section 2.7 is changed by***

   (a) ***replacing subsection (1) with the following:***

      (1) Subsection 2.3(5.1) of the Instrument requires an amendment to a simplified prospectus to be filed whenever an amendment to a fund facts document is filed. If the substance of the amendment to the fund facts document would not require a change to the text of the simplified prospectus, the amendment to the simplified prospectus would consist only of the certificate page referring to the mutual fund to which the amendment to the fund facts document pertains.**,**

   (b) ***deleting "***and annual information form***" in subsection (3), and***

   (c) ***deleting "***preliminary annual information form and***" in subsection (8).***

7. ***Section 3.1 is changed by deleting "***, annual information form***".***

8. ***Section 3.2 is changed by***

   (a) ***replacing the first paragraph of subsection (1) with the following:***

      Subsection 4.1(1) requires that a simplified prospectus and fund facts document be presented in a format that assists in readability and comprehension. The Instrument and related forms also set out certain aspects of a simplified prospectus and fund facts document that must be presented in a

required format, requiring some information to be presented in the form of tables, charts or diagrams. Within these requirements, mutual funds have flexibility in the format used for simplified prospectuses and fund facts documents.***, and***

(b) deleting "or annual information form***" in subsection (3), wherever it occurs.***

9. Subsection 4.2(2) is replaced with the following:

(2) A new mutual fund may be added to a multiple SP that contains final simplified prospectuses. In this case, an amended multiple SP containing disclosure of the new mutual fund, as well as a new fund facts document for each class or series of the new mutual fund would be filed. The preliminary filing would constitute the filing of a preliminary simplified prospectus and fund facts document for the new mutual fund, and a draft amended and restated simplified prospectus for each existing mutual fund. The final filing of documents would include a simplified prospectus and fund facts document for the new mutual fund, and an amended and restated simplified prospectus for each previously existing mutual fund. An amendment to an existing fund facts document would generally not be necessary.**.**

10. Subsection 4.1.3(1) is changed by deleting "and annual information form***".***

11. Part 6 is repealed.

12. The heading to section 7.1 is replaced with "**Delivery of the Simplified Prospectus***".***

13. Section 7.6 is changed by deleting ", annual information form***".***

14. Section 7.9 is replaced with the following:

The Instrument and related forms contain no restrictions on the delivery of non-educational material such as promotional brochures with the simplified prospectus. This type of material may, therefore, be delivered with, but cannot be included within, or attached to, the simplified prospectus. The Instrument does not permit the binding of educational and non-educational material with the fund facts document. The intention of the Instrument is not to unreasonably encumber the fund facts document with additional documents.**.**

15. Section 8.2 is changed by replacing the first two sentences with the following:

Item 4.2 of Part A of Form 81-101F1 requires disclosure concerning the individuals employed by the manager or portfolio adviser that make investment decisions.**.**

16. Section 9.1 is changed by deleting ", annual information form***" whenever it occurs.***

17. Section 10.1 is changed by deleting ", an annual information form***".***

18. These changes become effective on January 6, 2022.

SCHEDULE 1-C

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2021-8
(Section 149.1, The Securities Act)

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 paragraph (b) of the definition of "*sales communication*" by repealing item 2.*

*3. Section 1.1 is amended in paragraph (b) of the definition of "*sales communication*" by adding the following item:*

3.1 An ETF facts document or preliminary or *pro forma* ETF facts document**..**

*4. Subsection 3.3(1) is amended by deleting "*preliminary annual information form,*" and "*, annual information form*".*

*5. Subparagraph 5.6(1)(f)(ii) is amended by adding "*or ETF facts document*" after "*fund facts document*".*

6. Subclause 5.6(1)(f)(iii)(A)(II) is repealed.

*7. Section 10.3 is amended by deleting "*or annual information form*" in subsections (2) and (4).*

8. Paragraph 15.2(1)(b) is amended by deleting ", the preliminary annual information form*" and "*, the annual information form*".*

Transition
9. Before September 6, 2022, an investment fund is not required to comply with National Instrument 81-102 *Investment Funds*, as amended by this Instrument, if the investment fund complies with

(a) National Instrument 81-101 *Mutual Fund Prospectus Disclosure* as it was in force on January 5, 2022, and

(b) National Instrument 81-102 *Investment Funds* as it was in force on January 5, 2022.

Effective Date
10.1(1) This Instrument comes into force on January 6, 2022.

10.1(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after January 6, 2022, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

Citation
11. This Instrument may be cited as MSC Rule 2021-8.

SCHEDULE 1-D

CHANGES TO COMPANION POLICY 81-102 *INVESTMENT FUNDS*

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

2. Subsection 7.5(3) is changed by replacing ", simplified prospectus or annual information form***" with "***or simplified prospectus***".***

3. Section 13.1(3) is replaced with the following:

(3) An advertisement that presents information in a manner that distorts information contained in the preliminary prospectus or prospectus, or preliminary prospectus, preliminary fund facts document or prospectus, and fund facts document, as applicable, of an investment fund or that includes a visual image that provides a misleading impression will be considered to be misleading**.**

4. These changes become effective on January 6, 2022.

SCHEDULE 1-E

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2021-9
(Section 149.1, *The Securities Act*)

AMENDMENTS TO NATIONAL INSTRUMENT 81-106 *INVESTMENT FUND CONTINUOUS DISCLOSURE*

1. National Instrument 81-106 Investment Fund Continuous Disclosure is amended by this Instrument.

2. The definition of "material contract" in section 1.1 is amended by replacing

*(a) "*an annual information form*" with "*a simplified prospectus*", and*

*(b) "*Item 16 of Form 81-101F2*" with "*item 4.17 of Part A of Form 81-101F1*".*

3. Subsection 9.4(2) is replaced with the following:

9.4(2) Subject to subsections (2.1), (2.2) and (2.3), an annual information form that is required to be filed must be completed

(a) in accordance with Form 41-101F2 if the investment fund last distributed securities under a prospectus prepared in accordance with that Form,

(b) in accordance with Form 81-101F1 if the mutual fund last distributed securities under a prospectus prepared in accordance with that Form, or

(c) in accordance with Form 81-101F2.

9.4(2.1) For the purposes of completing Form 41-101F2 under paragraph (2)(a),

(a) a reference in Form 41-101F2 to "prospectus" must be read as a reference to "annual information form",

(b) the items of Form 41-101F2 that are applicable to distributions of securities only and are inapplicable to any other case, do not apply,

(c) item 1.1, items 1.4 to 1.15, paragraph 3.3(1)(b), paragraph 3.3(1)(f), item 3.5, paragraph 3.6(3)(a) and items 7.1, 9.1, 11, 14.1, 15.2, 16, 17.1, 17.2, 24, 25, 26, 28, 29.2, 36, 38 and 39 of Form 41-101F2 do not apply,

(d) item 1.3 of Form 41-101F2 must be read as follows:

(1) State on the front cover that the document is an annual information form for each of the mutual funds to which the document pertains.

(2) State 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, state the name of each of those classes or series covered in the document.

(3) State the date of the document, which is the date of the certificates for the document. This date must be within three business days of the date it is filed with the securities regulatory authority. Write the date of the document in full, writing the name of the month.

(4) State, in substantially the following words:

"No securities regulatory authority has expressed an opinion about these [units/shares] and it is an offence to claim otherwise.",

(e) a reference to the term "distribution" in item 3.2 of Form 41-101F2 must be read as a reference to "investment fund",

(f) subsections 19.1(11) to (13) of Form 41-101F2 do not apply to an investment fund that is a corporation, except for the requirement to include disclosure in respect of the independent review committee,

(g) item 21 of Form 41-101F2 must be completed in respect of all of the securities of the investment fund, and

(h) item 35.1 of Form 41-101F2 must be completed despite no distribution taking place.

9.4(2.2) For the purposes of completing Form 81-101F1 under paragraph (2)(b),

(a) a reference in Form 81-101F1 to "simplified prospectus" must be read as a reference to "annual information form",

(b) the items of Form 81-101F1 that are applicable to distributions of securities only and are inapplicable to any other case, do not apply,

(c) general instruction (18), subsection 1.1(4), subsection 1.1(5), subsection 1.1(7), item 3, item 4.4, paragraph 4.17(1)(e), subsections 7(3) to (11) and items 12, 15, 16, 17, 18 of Part A of Form 81-101F1 do not apply,

(d) item 4.16 of Part A of Form 81-101F1 does not apply to an investment fund that is a corporation, except for the requirement to include disclosure in respect of the independent review committee,

(e) item 7 of Part B of Form 81-101F1 must be completed in respect of all of the securities of the investment fund, and

(f) subsection 12(2) of Part B of Form 81-101F1 must be read as follows:

(2) State, in substantially the following words:

• "Additional information about the Fund[s] is available in the Fund['s/s'] Fund Facts document, management reports of fund performance and financial statements.

• You can get a copy of these documents, at your request, and at no cost, by calling [toll-free/collect] [insert the toll-free telephone number or telephone number where collect calls are accepted, as required by section 3.4 of the Instrument], or from your dealer or by e-mail at [insert e-mail address].

• These documents and other information about the Fund[s], such as information circulars and material contracts, are also available [on the [insert name of mutual fund] designated website at [insert investment fund designated website address] or] at www.sedar.com."

9.4(2.3) For the purposes of completing Form 81-101F2 under paragraph (2)(c),

(a) a reference to "mutual fund" in Form 81-101F2 must be read as a reference to "investment fund",

(b) general instructions (3), (10) and (14) of Form 81-101F2 do not apply,

(c) subsections (3), (4) and (6) of item 1.1 of Form 81-101F2 do not apply,

(d) subsections (3), (4) and (6) of item 1.2 of Form 81-101F2 do not apply,

(e) item 5 of Form 81-101F2 must be completed in respect of each [class/series] of securities of the investment fund,

(f) item 15 of Form 81-101F2 does not apply to an investment fund that is a corporation, except for the disclosure required to be made in respect of the independent review committee, and

(g) items 19, 20, 21 and 22 of Form 81-101F2 do not apply..

4. Subsection 10.2(3) is replaced with the following:

10.2(3) An investment fund must include a summary of the policies and procedures required under this section in its prospectus.

Transition

5. Before September 6, 2022, an investment fund is not required to comply with National Instrument 81-106 *Investment Fund Continuous Disclosure*, as amended by this Instrument, if the investment fund complies with

(a) National Instrument 81-101 *Mutual Fund Prospectus Disclosure* as it was in force on January 5, 2022, and

(b) National Instrument 81-106 *Investment Fund Continuous Disclosure* as it was in force on January 5, 2022.

Effective Date

6.(1) This Instrument comes into force on January 6, 2022.

6.(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after January 6, 2022, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

6.(3) This Instrument may be cited as MSC Rule 2021-9.

SCHEDULE 1-F

CHANGE TO COMPANION POLICY 81-106 *INVESTMENT FUND CONTINUOUS DISCLOSURE*

1. Companion Policy* 81-106 *Investment Fund Continuous Disclosure is changed by this Document.

2. Section 10.1 is changed by deleting ", an annual information form***" in subsection 10.1(1).***

3. This change becomes effective on January 6, 2022.

SCHEDULE 1-G

CHANGE TO NATIONAL POLICY 11-202 *PROCESS FOR PROSPECTUS REVIEWS IN MULTIPLE JURISDICTIONS*

1. ***National Policy 11-202 Process for Prospectus Reviews in Multiple Jurisdictions is changed by this Document.***

2. ***Section 2.1 is changed by deleting "***and annual information form***" in the definition of "***long form prospectus***".***

3. This change becomes effective on January 6, 2022.

SCHEDULE 1-H

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2021-
(Section 149.1, The Securities Act)

AMENDMENTS TO NATIONAL INSTRUMENT 13-101 *SYSTEM FOR ELECTRONIC DOCUMENT ANALYSIS AND RETRIEVAL (SEDAR)*

1. National Instrument 13-101 System for Electronic Document Analysis and Retrieval (SEDAR) is amended by this Instrument.

2. Under the heading "Securities Offerings", Appendix A is amended by deleting ", Annual Information Form*" wherever it occurs.*

Transition
3. Before September 6, 2022, an investment fund is not required to comply with National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)*, as amended by this Instrument, if the investment fund complies with

(a) National Instrument 81-101 *Mutual Fund Prospectus Disclosure* as it was in force on January 5, 2022, and

(b) National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)* as it was in force on January 5, 2022.

Effective Date
4.(1) This Instrument comes into force on January 6, 2022.

4.(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after January 6, 2022, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

4.(3) This Instrument may be cited as MSC Rule 2021-

SCHEDULE 1-I

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2021-11
(Section 149.1, The Securities Act)

AMENDMENTS TO MULTILATERAL INSTRUMENT 13-102 *SYSTEM FEES FOR SEDAR AND NRD*

1. Multilateral Instrument 13-102 System Fees for SEDAR and NRD is amended by this Instrument.

2. The row in Appendix B corresponding to Item 3 is replaced with the following:

3	Investment fund issuers / securities offerings	Simplified prospectus and fund facts document (National Instrument 81-101 *Mutual Fund Prospectus Disclosure*)	$585.00, which applies in total to a combined filing, if one simplified prospectus is used to qualify the investment fund securities of more than one investment fund for distribution	$162.50, which applies in total to a combined filing, if one simplified prospectus is used to qualify the investment fund securities of more than one investment fund for distribution

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Transition

3. Before September 6, 2022, an investment fund is not required to comply with Multilateral Instrument 13-102 *System Fees for SEDAR and NRD*, as amended by this Instrument, if the investment fund complies with

(a) National Instrument 81-101 *Mutual Fund Prospectus Disclosure* as it was in force on January 5, 2022, and

(b) Multilateral Instrument 13-102 *System Fees for SEDAR and NRD* as it was in force on January 5, 2022.

Effective Date

4.(1) This Instrument comes into force on January 6, 2022.

4.(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after January 6, 2022, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

4.(3) This Instrument may be cited as MSC Rule 2021-11.

SCHEDULE 1-J

CHANGES TO COMPANION POLICY 41-101 *GENERAL PROSPECTUS REQUIREMENTS*

1. Companion Policy 41-101 General Prospectus Requirements is changed by this Document.

2. The following is added after Part 5A:

Part 5B: Exemptive Relief to File Prospectus Prepared in Accordance with Form 81-101F1

5B.1 Previous Form Exemptions A mutual fund granted an exemption to file a simplified prospectus prepared in accordance with Form 81-101F1 and an annual information form prepared in accordance with Form 81-101F2 in lieu of a prospectus prepared in accordance with Form 41-101F2, may comply with such an exemption after January 5, 2022 by filing a simplified prospectus in accordance with Form 81-101F1**.**

3. These changes become effective on January 6, 2022.

SCHEDULE 2-A

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2021-12
(Section 149.1, The Securities Act)

AMENDMENTS TO NATIONAL INSTRUMENT 41-101 *GENERAL PROSPECTUS REQUIREMENTS*

1. National Instrument 41-101 General Prospectus Requirements is amended by this Instrument.

2. Section 1.1 is amended by adding the following definition:

"**designated website**" has the same meaning as in National Instrument 81-106 *Investment Fund Continuous Disclosure*;**.**

*3. Subsection 3B.4(1) is amended by replacing "*If an ETF or the ETF's family has a website, the ETF must post to at least one of those websites*" with "*The ETF must post on its designated website*".*

*4. Subsection 3B.4(2) is amended by replacing "*posted to*" with "*posted on*".*

5. Subsection 3B.4(3) is repealed.

6. Form 41-101F2 Information Required in an Investment Fund Prospectus is amended

(a) by adding the following after Item 19.12:

19.13 Designated Website

State, in substantially the following words:

"An investment fund is required to post certain regulatory disclosure documents on a designated website. The designated website(s) of the investment fund(s) this document pertains to can be found at the following location(s): [insert the investment fund's designated website address or addresses, as applicable]."**,**

*(b) by replacing in Item 20.3(a) "*website*" with* "designated website"*, and*

(c) by replacing in Item 37.1 "[If applicable] These documents are available on the [investment fund's/investment fund family's] Internet site at [insert investment fund's Internet site address]***" *with* "**These documents are available on the investment fund's website at [insert the investment fund's designated website address]**".**

7. Form 41-101F3 Information Required in a Scholarship Plan Prospectus is amended

(a) by replacing Item 12(2) of Part A with the following:

(2) State the name, address, toll-free telephone number, email address of the investment fund manager of the plan and the scholarship plan's designated website address. If applicable, also state the website address of the investment fund manager of the plan.**,**

(b) *by replacing in Item 4.1(1) of Part B* "[Insert if applicable - You'll also find these documents on our website at [insert the scholarship plan's website address]]" *with* "You'll also find these documents on our website at [insert the scholarship plan's designated website address]**",**

(c) *by replacing in Item 15.1(2) of Part B* "[Insert if applicable - You'll also find these documents on our website at [insert the scholarship plan's website address]]**"** *with* **"**You'll also find these documents on our website at [insert the scholarship plan's designated website address]**",**

(d) *by replacing in Item 6.1 of Part C* "website" *with* "designated website",

(e) *by replacing in subsection (1) of the Instructions under Item 6.3 of Part C* "website" *with* **"**designated website**",**

(f) *by replacing in Item 2.5(2) of Part D* "Internet Site" *wherever it occurs with* "designated website**",**

(g) by adding the following after Item 2.17 of Part D:

2.18 Designated Website

State, in substantially the following words:

"A scholarship plan is required to post certain regulatory disclosure documents on a designated website. The designated website(s) of the scholarship plan(s) this document pertains to can be found at the following location(s): [insert the scholarship plan's designated website address or addresses, as applicable]."***, and***

*(h) by replacing in Item 5.4(3) of Part D "*scholarship plan's website address" *with* "scholarship plan's designated website address**".**

8. Form 41-101F4 Information Required in an ETF Facts Document is amended

(a) by replacing in paragraph (h) of Item 1 of Part I "[insert the website of the ETF, the ETF's family or the manager of the ETF] [as applicable]***" with "**[insert the ETF's designated website]***", and***

(b) by replacing Item 2(4) of Part I with the following:

Where updated Quick Facts, Trading Information and Pricing Information are posted on the designated website of the ETF, state the following:

"For more updated Quick Facts, Trading Information and Pricing Information, visit [insert the ETF'S designated website]."**.**

Transition

9. Before September 6, 2022, an investment fund is not required to comply with National Instrument 41-101 *General Prospectus Requirements*, as amended by this Instrument, if the investment fund complies with *National Instrument 41-101 General Prospectus Requirements* as it was in force on January 5, 2022.

Effective Date

10.(1) This Instrument comes into force on January 6, 2022.

10.(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after January 6, 2022, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

10.(3) This Instrument may be cited as MSC Rule 2021-12.

SCHEDULE 2-B

CHANGES TO COMPANION POLICY 41-101 *GENERAL PROSPECTUS REQUIREMENTS*

1. Companion Policy 41-101 General Prospectus Requirements is changed by this Document.

2. Subsection 5A.4(1) is changed

(a) by replacing **"**to the website of the ETF, the ETF's family or the manager of the ETF, as applicable**"** ***with*** **"**on its designated website**"*****, and***

(b) by replacing "website***" wherever it occurs elsewhere with "***designated website***".***

3. Subsection 5A.4(2) is changed

(a) by replacing "Many ETFs have fund profiles that are available on a website of the ETF, the ETF's family or the manager of the ETF.**"** ***with*** **"**Many ETFs have fund profiles which they can choose to make available on their designated website, or another website.**"*****, and***

(b) by replacing "to a website to highlight the availability of more up-to-date trading and pricing information for an ETF***"*** ***with*** **"**on the ETF's designated website or another website to highlight the availability of more up-to-date trading and pricing information for that ETF**".**

4. These changes become effective on January 6, 2022.

SCHEDULE 2-C

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2021-
(Section 149.1, The Securities Act)

AMENDMENTS TO NATIONAL INSTRUMENT 81-101 *MUTUAL FUND PROSPECTUS DISCLOSURE*

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

2. Section 1.1 is amended by adding the following definition:

"designated website" has the meaning ascribed to that term in National Instrument 81-106 *Investment Fund Continuous Disclosure*;**.**

3. Section 2.3.1 is amended

*(a) by replacing in subsection (1) "*If a mutual fund or the mutual fund's family has a website, the mutual fund must post to at least one of those websites*" with* "A mutual fund must post on its designated website"*,*

(b) by replacing in subsection (2) "posted to the website" *with* "posted on the designated website", and

(c) by repealing subsection (3).

4. Form 81-101F2 Contents of Annual Information Form is amended by adding the following after Item 10.10:

10.11 Designated Website

State, in substantially the following words:

"A mutual fund is required to post certain regulatory disclosure documents on a designated website. The designated website(s) of the mutual fund(s) this document pertains to, can be found at the following location(s): [insert the mutual fund's designated website address or addresses as applicable]."**.**

5. Form 81-101F3 Contents of Fund Facts Document is amended by replacing in paragraph (e) of Item 1 of Part I "[insert the website of the mutual fund, the mutual fund's family or the manager of the mutual fund] [as applicable]*" with "*[insert the mutual fund's designated website]*".*

Transition

6. Before September 6, 2022, a mutual fund is not required to comply with National Instrument 81-101 *Mutual Fund Prospectus Disclosure*, as amended by this Instrument, if the mutual fund complies with National Instrument 81-101 *Mutual Fund Prospectus Disclosure* as it was in force on January 5, 2022.

Effective Date

7.(1) This Instrument comes into force on January 6, 2022.

7.(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after January 6, 2022, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

7.(3) This Instrument may be cited as MSC Rule 2021-

SCHEDULE 2-D

CHANGES TO COMPANION POLICY 81-101 *MUTUAL FUND PROSPECTUS DISCLOSURE*

1. Companion Policy 81-101 Mutual Fund Prospectus Disclosure is changed by this Document.

2. Section 2.8 is changed

(a) by replacing "to the website of the mutual fund, the mutual fund's family or the manager of the mutual fund, as applicable***" with "***on its designated website***", and***

(b) by replacing "website***" wherever it occurs elsewhere with "***designated website***".***

3. Subsection 4.1.3(3) is changed

(a) by replacing "to the website of the mutual fund, the mutual fund's family or the manager of the mutual fund***" with "***on its designated website***", and***

(b) by replacing "to a website***" with "***on a designated website***".***

4. Subsection 7.4(2) is changed by replacing "on a website***" with "***on a mutual fund's designated website***".***

5. These changes become effective on January 6, 2022.

SCHEDULE 2-E

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2021-14
(Section 149.1, The Securities Act)

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 by adding the following definition:

"designated website" has the meaning ascribed to that term in National Instrument 81-106 *Investment Fund Continuous Disclosure*;**.**

3. Clause 5.6(1)(f)(iii)(B) is replaced with the following:

(B) access those documents at the designated website address;**.**

Transition

4. Before September 6, 2022, an investment fund is not required to comply with National Instrument 81-102 *Investment Funds*, as amended by this Instrument, if the investment fund complies with

(a) in the case of a mutual fund to which National Instrument 81-101 *Mutual Fund Prospectus Disclosure* applies, National Instrument 81-101 *Mutual Fund Prospectus Disclosure* as it was in force on January 5, 2022,

(b) in the case of an investment fund not referred to in paragraph (a), National Instrument *41-101 General Prospectus Requirements* as it was in force on January 5, 2022, and

(c) National Instrument 81-102 *Investment Funds* as it was in force on January 5, 2022.

Effective Date

5.(1) This Instrument comes into force on January 6, 2022.

5.(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after January 6, 2022, this Instrument come into force on the day on which it is filed with the Registrar of Regulations.

5.(3) This Instrument may be cited as MSC Rule 2021-14.

SCHEDULE 2-F

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2021-15
(Section 149.1, The Securities Act)

AMENDMENTS TO NATIONAL INSTRUMENT 81-106 *INVESTMENT FUND CONTINUOUS DISCLOSURE*

1. National Instrument 81-106 Investment Fund Continuous Disclosure is amended by this Instrument.

2. Section 1.1 is amended by adding the following definition:

"designated website" means, in relation to an investment fund, a website designated by the fund under section 16.1.2;**.**

3. Paragraph 5.2(5)(d) is amended by replacing "investment fund's website, if applicable,*" with "*investment fund's designated website**".***

4. Paragraph 5.3(4)(b) is amended by replacing "investment fund's website, if applicable,*" with "*investment fund's designated website**".***

*5. Section 5.5 is amended by replacing "*An investment fund that is a reporting issuer and that has a website must post to the website" *with* "An investment fund that is a reporting issuer must post on its designated website**".***

*6. Subsection 6.2(2) is amended by replacing "*An investment fund that has a website must post to the website" *with* "An investment fund must post on its designated website*".*

*7. Subsection 10.4(2) is amended by replacing "*An investment fund that has a website must post the proxy voting record to the website*" with "*An investment fund must post the proxy voting record on its designated website**".***

*8. Paragraph 11.2(1)(b) is amended by replacing "*on the website of the investment fund or the investment fund manager*" with "*on the investment fund's designated website*".*

9. Subsection 14.2(7) is replaced with the following:

14.2 (7) An investment fund that publishes its net asset value or net asset value per security in the financial press, or posts its net asset value or net asset value per security on its designated website, must provide its current net asset value or net asset value per security on a timely basis to the financial press or post it to its designated website on a timely basis, as applicable**.**

10. The following Part is added:

PART 16.1 INVESTMENT FUND WEBSITE

Application

16.1.1 This Part applies to an investment fund that is a reporting issuer.

Requirement to Have a Designated Website

16.1.2 (1) An investment fund must designate one qualifying website on which the fund intends to post disclosure as required by securities legislation.

(2) In this section, a "qualifying website" of an investment fund is a website that is

(a) publicly accessible, and

(b) established and maintained by the fund or on its behalf by one or more of the following persons:

(i) its investment fund manager;

(ii) a person or company designated by its investment fund manager.

(3) The designated website referred to in (1) must be identified as the designated website in the following, as applicable:

(a) item 19.13 of Form 41-101F2, if the investment fund last distributed securities under a prospectus prepared in accordance with that form;

(b) item 2.18 of Part D of Form 41-101F3, if the scholarship plan last distributed securities under a prospectus prepared in accordance with that form;

(c) item 4.19 of Form 81-101F1, if the mutual fund last distributed securities under a prospectus prepared in accordance with that form;

(d) item 10.11 of Form 81-101F2, if the investment fund is required to file an annual information form under section 9.2 of this Instrument**.**

11. Form 81-106F1 Contents of Annual and Interim Management Report of Fund Performance *is amended*

*(a) in Item 1 of Part B by replacing "*website at [insert address]*" with "*website at [insert the address of the designated website]*",*

*(b) in subsection (9) of the Instructions under Item 5 of Part B by replacing "*are available on the internet at www.sedar.com.*" with "*are available on the investment fund's designated website and at www.sedar.com.", *and*

*(c) in Item 1 of Part C by replacing "*website at [insert address]*" with "*website at [insert the address of the designated website]***".**

Transition

12. Before September 6, 2022, an investment fund is not required to comply with National Instrument 81-106 *Investment Fund Continuous Disclosure*, as amended by this Instrument, if the investment fund complies with

(a) in the case of a mutual fund to which National Instrument 81-101 *Mutual Fund Prospectus Disclosure* applies, National Instrument 81-101 *Mutual Fund Prospectus Disclosure* as it was in force on January 5, 2022,

(b) in the case of an investment fund not referred to in paragraph (a), *National Instrument 41-101 General Prospectus Requirements* as it was in force on January 5, 2022, and

(c) National Instrument 81-106 *Investment Fund Continuous Disclosure* as it was in force on January 5, 2022.

Effective Date

13.(1) This Instrument comes into force on January 6, 2022.

13.(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after January 6, 2022, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

13.(3) This Instrument may be cited as MSC Rule 2021-15.

SCHEDULE 2-G

CHANGES TO COMPANION POLICY 81-106 *INVESTMENT FUND CONTINUOUS DISCLOSURE*

1. Companion Policy 81-106 Investment Fund Continuous Disclosure is changed by this Document.

2. Section 4.5 is repealed.

3. Subsection 6.1(4) is changed by replacing **"**to the fund's website if it has one**"** ***with*** **"**on the fund's designated website"**.**

4. Section 9.1 is changed by replacing **"**make the results of that calculation available to the financial press**"** ***with*** **"**make the results of that calculation available on its designated website or to the financial press**".**

5. The following Part is added:

PART 11 INVESTMENT FUND WEBSITE

11.1 Requirement to designate a website

(1) The purpose of Part 16.1 is to improve investor access to investment fund regulatory disclosure and other information that characterizes a fund. Investment funds' websites typically include regulatory disclosure (e.g., a prospectus, a fund facts document, an ETF facts document, continuous disclosure documents), as well as other information on a fund (e.g. a fund profile) and its management (e.g., the names of its investment fund manager, portfolio manager, custodian, trustee). Section 16.1.2 of the Instrument does not prescribe the disclosure that must be posted on an investment fund's designated website. The regulatory disclosure that must be posted on an investment fund's designated website is included in other provisions of the securities legislation applicable to reporting investment funds.

(2) The CSA would generally consider that an investment fund's designated website includes a set of webpages on the internet containing links to each other and made available online by the investment fund, its investment fund manager or a person designated by its investment fund manager.

In the CSA's view, an investment fund's designated website must be open-access to everybody and free of charge. The designated website may contain a webpage that is accessible only by the fund's securityholders (for example, with an access code and a password) for the sole purpose of posting confidential or non-public information that is not required by securities legislation.

(3) We note that an investment fund's regulatory disclosure and other information may be disseminated on a website that is established and maintained by the investment fund's manager or a person designated by the fund's manager, which may include a third-party service provider or an affiliate or an associate of the investment fund's manager.

The CSA does not expect an investment fund to create a stand-alone website to fulfil its obligations to post regulatory disclosure on a designated website. In order to improve flexibility and access to disclosure, investment funds may identify as a designated website, the website of another investment fund managed by the same investment fund manager, or of an affiliate or an associate of the investment fund's manager.

In any case, the investment fund's designated website is expected to clearly identify and differentiate between the information applicable to each investment fund. The designated website's user interface should make it clear to investors where information relating to their particular investment can be located.

(4) The Instrument does not specify how an investment fund should structure its designated website. Investment funds may choose to post all regulatory disclosure and other information pertaining to one investment fund on a single webpage dedicated to this fund or instead aggregate some regulatory disclosure and other key information for several investment funds that are part of the same investment fund family into a single webpage. The CSA expect that investment funds and their investment fund managers will adopt a consistent and harmonized structure within an investment fund's designated website in order to avoid any confusion amongst users.

(5) The investment fund's designated website should be designed in a manner that allows an individual investor with a reasonable level of technological skill and knowledge to easily do any of the following:

(a) access, read and search the information and the documents posted on the website;

(b) download and print the documents.

(6) Maintenance and supervision of an investment fund's designated website and its content should be accounted for in the compliance systems of the investment fund and its manager. The establishment and maintenance of a compliance system by investment fund managers is required under section 11.1 of NI 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. We also expect investment funds and their managers to take steps to protect themselves against cyber threats. In this respect, they should review and consult guidance issued by securities regulators and self-regulatory organizations.

(7) Investment funds and their investment fund managers should ensure the designated website accurately discloses regulatory disclosure and other information. If inaccurate disclosure regarding a fund is found on the designated website, it should be removed or updated as soon as possible. A website that contains information that is out-of-date could in certain cases be considered inaccurate and misleading.

The Instrument does not specify the length of time that regulatory disclosure and other information must remain on an investment fund's designated website. The CSA are of the view that regulatory disclosure and other information should stay on a designated website for a reasonable length of time, and at least until replaced with more current information or documents. Some disclosure should be updated more frequently depending on its nature or its importance to current and potential investors (e.g. net asset values per security and past performance).

We generally encourage investment funds and their managers to archive documents or information that may retain historical or other value to investors on the designated website. However, documents or information that mislead investors should be removed.

(8) An investment fund and its manager may create hyperlinks leading to third-party websites. In such cases, a warning informing individuals that they are about to leave the investment fund's designated website may be appropriate.

(9) Section 16.1.2, sets out that an investment fund designates its website by identifying it in a specified location of the investment fund's prospectus, or its annual information form if it is required to file one under section 9.2. Where a prospectus or annual information form is prepared in respect of more than one investment fund, the designated websites of each investment fund, where they are different, should be disclosed.

When the fund designates its website under section 16.1.2, that website becomes the fund's designated website, including for the purpose of all requirements where a fund is required to disclose a designated website. For example, as required in Item 1 of Part I of Form 41-101F4 *Information Required in an ETF Facts Document* and in Item 1 of Part I of Form 81-101F3 *Contents of Fund Facts Document*, the website noted in the ETF facts document or fund facts document must reference the same website. If the address of the designated website is modified, it would be acceptable for the website located at the previous address to redirect visitors to the new address of the designated website, with a corresponding update to the prospectus or annual information form, and each other document that is required to refer to the designated website, occurring at the time of the next renewal or filing.

(10) Investment fund managers should consider the guidance concerning outsourcing found in sections 7.3 and Part 11 of the Companion Policy 31-103 CP, including that which indicates that the investment fund manager is responsible for any functions delegated or outsourced and must supervise the service provider.

6. These changes become effective on January 6, 2022.

SCHEDULE 2-H

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2021-16
(Section 149.1, The Securities Act)

AMENDMENTS TO NATIONAL INSTRUMENT 81-107 *INDEPENDENT REVIEW COMMITTEE FOR INVESTMENT FUNDS*

1. National Instrument 81-107 Independent Review Committee for Investment Funds is amended by this Instrument.

2. The Instrument is amended by adding the following section:

Definition of **"designated website"**

1.8 In this Instrument, "designated website" has the meaning ascribed to that term in National Instrument 81-106 *Investment Fund Continuous Disclosure*.

3. Paragraph 4.4(2)(b) is replaced with the following:

(b) be made available and prominently displayed by the manager on the investment fund's designated website;.

Transition

4. Before September 6, 2022, an investment fund is not required to comply with National Instrument 81-107 *Independent Review Committee for Investment Funds*, as amended by this Instrument, if the investment fund complies with

(a) in the case of a mutual fund to which National Instrument 81-101 *Mutual Fund Prospectus Disclosure* applies, National Instrument 81-101 *Mutual Fund Prospectus Disclosure* as it was in force on January 5, 2022,

(b) in the case of an investment fund not referred to in paragraph (a), *National Instrument 41-101 General Prospectus Requirements* as it was in force on January 5, 2022, and

(c) National Instrument 81-107 *Independent Review Committee for Investment Funds* as it was in force on January 5, 2022.

Effective Date

5.(1) This Instrument comes into force on January 6, 2022.

5.(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after January 6, 2022, this Instrument come into force on the day on which it is filed with the Registrar of Regulations.

5.(3) This Instrument may be cited as MSC Rule 2021-16.

SCHEDULE 2-I

CHANGES TO COMMENTARY IN NATIONAL INSTRUMENT 81-107 *INDEPENDENT REVIEW COMMITTEE FOR INVESTMENT FUNDS*

1. ***The Commentary to National Instrument 81-107 Independent Review Committee for Investment Funds is changed by this Document.***

2. ***Paragraph 2 of the Commentary to section 4.4 is changed***

(a) by replacing "the website of the investment fund, the investment fund family or the manager, as applicable***" with "***the investment fund's designated website***", and***

(b) by replacing "on the website***" with "***on the designated website***".***

3. These changes become effective on January 6, 2022.

SCHEDULE 3-A

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2021-17
(Section 149.1, The Securities Act)

AMENDMENTS TO NATIONAL INSTRUMENT 81-106 *INVESTMENT FUND CONTINUOUS DISCLOSURE*

1. *National Instrument 81-106 Investment Fund Continuous Disclosure is amended by this Instrument.*

2. *Section 1.1 is amended by adding the following definitions:*

"information circular" means a document prepared in accordance with Form 51-102F5 *Information Circular*;

"intermediary" has the same meaning as in section 1.1 of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*;

"meeting" means, except in sections 10.2, 10.3 and 16.3, a meeting of securityholders of an investment fund;

"NOBO" has the same meaning as in section 1.1 of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*;

"notice-and-access" means the delivery procedures referred to in section 12.2.1;

"notification of meeting and record dates" has the same meaning as in section 1.1 of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*;

"proximate intermediary" has the same meaning as in section 1.1 of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*;

"proxy-related materials" means securityholder materials relating to a meeting that a person or company that solicits proxies is required under corporate law or securities legislation to send to a registered holder or beneficial owner of the securities of an investment fund;

"send" includes to deliver or forward, or arrange to deliver or forward, by any means;

"stratification" means procedures whereby a paper copy of the information circular and, if applicable, the financial statements of the investment fund are included with the documents required to be sent in order to use notice-and-access under section 12.2.1;**.**

3. *The Instrument is amended by adding the following sections:*

12.2.1 Notice-and-access

A person or company that solicits proxies from a registered holder of securities of an investment fund under subsection 12.2(2) of this Instrument, or sends proxy-related materials to beneficial owners of an investment fund under section 2.7 of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*, must not use notice-and-access to send proxy-related materials to the registered holder or beneficial owner unless all of the following apply:

(a) the registered holder or beneficial owner is sent a notice that contains only the following information:

(i) the date, time and location of the meeting;

(ii) a description of each matter or group of related matters identified in the form of proxy to be voted on, unless that information is already included in the form of proxy, in Form 54-101F6 *Request for Voting Instructions Made by Reporting Issuer* or in Form 54-101F7 *Request for Voting Instructions Made by Intermediary*, that is sent to the registered holder or beneficial owner under paragraph (b);

(iii) the website addresses for SEDAR and the non-SEDAR website where the proxy-related materials are posted;

(iv) a reminder to review the information circular before voting;

(v) an explanation of how to obtain a paper copy of the information circular and, if applicable, the financial statements of the investment fund, from the person or company soliciting proxies;

(vi) a plain-language explanation of notice-and-access that includes the following information:

(A) if stratification is used, a list of the types of registered holders or beneficial owners who will receive paper copies of the information circular and, if applicable, the financial statements of the investment fund;

(B) the estimated date and time by which a request for a paper copy of the information circular and, if applicable, the financial statements of the investment fund, is to be received in order for the registered holder or beneficial owner to receive the paper copy in advance of any deadline for the submission of the proxy or the voting instructions for the meeting, and the date of the meeting;

(C) an explanation of how the registered holder or beneficial owner is to return the proxy or the voting instructions, including any deadline for return of the proxy or the voting instructions;

(D) the sections of the information circular where disclosure regarding each matter or group of related matters identified in the notice can be found;

(E) a toll-free telephone number the registered holder or beneficial owner can call to get information about notice-and-access;

(b) by prepaid mail, courier or the equivalent,

(i) the registered holder is sent the notice, and a form of proxy for use at the meeting, at least 30 days before the date of the meeting, and

(ii) the beneficial owner is sent the notice and a Form 54-101F6 or Form 54-101F7, using the procedures referred to in section 2.9 or 2.12 of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*, as applicable;

(c) the proxy-related materials are sent at least 30 days, and no more than 50 days, before the date of the meeting;

(d) if proxy-related materials are sent directly to a NOBO using notice-and-access, the notice and, if applicable, any paper copies of information circulars and financial statements, are sent at least 30 days before the date of the meeting;

(e) if proxy-related materials are sent indirectly to a beneficial owner using notice-and-access, the notice and, if applicable, any paper copies of information circulars or financial statements are sent to any proximate intermediary,

(i) at least 3 business days before the 30th day before the date of the meeting, in the case of proxy-related materials that are to be sent on by the proximate intermediary by first class mail, courier or the equivalent, and

(ii) at least 4 business days before the 30th day before the date of the meeting, in the case of proxy-related materials that are to be sent on by the proximate intermediary using any other type of prepaid mail;

(f) in the case of a solicitation by or on behalf of management of the investment fund, or if another person or company soliciting proxies has requested a meeting, the notification of meeting and record dates is filed on SEDAR and that filing occurs on the same date that the notification of meeting and record dates is sent under subsection 2.2(1) of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*;

(g) public electronic access to the information circular, the notice and the form of proxy is provided on or before the date that the notice is sent to the registered holder or beneficial owner, as follows:

(i) the documents are filed on SEDAR;

(ii) the documents are posted for no less than one year on

(A) the investment fund's designated website, in the case of a solicitation by or on behalf of management of the investment fund, and

(B) a website other than SEDAR, in the case of a solicitation by or on behalf of any other person or company;

(h) a toll-free telephone number is provided for use by the registered holder or beneficial owner to request a paper copy of the information circular and, if applicable, the financial statements of the investment fund at any time

(i) following the date that the notice is sent to the registered holder or beneficial owner, and

(ii) on or before the date of the meeting, including any adjournment;

(i) if a request for a paper copy of the information circular and, if applicable, the financial statements of the investment fund is received by telephone using the toll-free telephone number provided in the notice or by any other means, a paper copy of the document requested is sent free of charge by the person or company to the registered holder or beneficial owner at the address specified in the request,

(i) in the case of a request received before the date of the meeting, within 3 business days after receiving the request, by first class mail, courier or the equivalent, and

(ii) in the case of a request received on or after the date of the meeting, and within one year of the date the information circular is filed on SEDAR, within 10 calendar days after receiving the request, by prepaid mail, courier or the equivalent;

(j) the notice is not sent with any other document other than the following:

(i) a form of proxy, Form 54-101F6 or Form 54-101F7;

(ii) if financial statements of the investment fund are to be presented at the meeting, the financial statements;

(iii) if the meeting is to approve a reorganization of the investment fund with another investment fund as contemplated by paragraph 5.1(1)(f) of National Instrument 81-102 *Investment Funds*, Form 81-101F3 *Contents of Fund Facts Document* or Form 41-101F4 *Information Required in an ETF Facts Document* for the continuing investment fund;

(k) the notice is not combined with any document other than a form of proxy, Form 54-101F6 or Form 54-101F7;

(l) the information circular discloses that proxy-related materials are being sent to registered holders or beneficial owners of the investment fund using notice-and-access, and if stratification is used, the types of registered holders or beneficial owners who will receive paper copies of the information circular and, if applicable, the financial statements of the investment fund;

(m) the cost of sending the information circular and, if applicable, the financial statements of the investment fund, to a registered holder or beneficial owner, if a paper copy is requested by the registered holder or beneficial owner, is paid by the manager of the investment fund or other person or company soliciting proxies that is not the investment fund.

12.2.2 Restrictions on Information Gathering

(1) A person or company using notice-and-access that receives a request for a paper copy of the information circular or the financial statements of the investment fund, through the toll-free telephone number provided in the notice referred to in paragraph 12.2.1(a) or by any other means, must not

(a) ask for any information about the person or company making the request, other than the name and address to which the information circular and, if applicable, the financial statements are to be sent, or

(b) disclose or use the name or address of the person or company making the request for any purpose other than sending the information circular or the financial statements of the investment fund.

(2) A person or company that posts proxy-related materials to a website under subparagraph 12.2.1(1)(g)(ii) must not collect information that can be used to identify a person or company that has accessed the website.

12.2.3 Posting Materials on Non-SEDAR Website

(1) A person or company that posts proxy-related materials to a website under subparagraph 12.2.1(1)(g)(ii) must also post on the website all of the following:

(a) any disclosure regarding the meeting that the person or company has sent to registered holders or beneficial owners;

(b) any written communications the person or company has made available to the public regarding each matter or group of matters to be voted on at the meeting, whether or not the communications were sent to registered holders or beneficial owners.

(2) For greater certainty, a person or company that posts proxy-related materials on a website under subparagraph 12.2.1(1)(g)(ii) must do so in a manner and format that permits an individual with a reasonable level of computer skill and knowledge to easily do all of the following:

(a) access, read and search the materials;

(b) download and print the materials.

12.2.4 Record Date for Notice of Meeting, Abridgement of Time and Notification of Meeting Date and Record Date

(1) A person or company that solicits proxies from a registered holder or beneficial owner using notice-and-access, in the case of solicitation by or on behalf of management of an investment fund, must

(a) despite paragraph 2.1(b) of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*, set or request a record date for notice of the meeting that is no fewer than 40 days before the date of the meeting,

(b) specify in the notification of meeting and record dates sent under section 2.2 of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* that proxy-related materials are being sent to registered holders or beneficial owners using notice-and-access, and

(c) not abridge the time prescribed under paragraph 2.1(b), subsection 2.2(1) or subsection 2.5(1) of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* unless the person or company

(i) complies with paragraphs 2.20 (a) to (c) of that Instrument, and

(ii) sends the notification of meeting and record dates sent under section 2.2 of that Instrument at least 3 business days before the record date for notice of the meeting.

(2) In the case of a person or company not referred to in subsection (1) that requests a meeting, the person or company must request the following:

(a) a record date for notice of the meeting that is no fewer than 40 days before the date of the meeting;

(b) that the notification of meeting and record dates sent under section 2.2 of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* state that proxy-related materials are being sent to registered holders or beneficial owners using notice-and-access.

12.2.5 Consent to Other Delivery Methods - For greater certainty, section 12.2.1 does not

(a) prevent a registered holder or beneficial owner from consenting to the use of other delivery methods to send proxy-related materials,

(b) terminate or modify a consent that a registered holder or beneficial owner previously gave to a person or company regarding the use of other delivery methods to send proxy-related materials to the registered holder or beneficial owner, or

(c) prevent a person or company that solicits proxies, an intermediary or any other person or company from sending proxy-related materials to a registered holder or beneficial owner using a method to which the registered holder or beneficial owner has consented prior to January 5, 2022.

12.2.6 Instructions to Receive Paper Copies

(1) Despite section 12.2.1, an investment fund or its manager or management may obtain standing instructions from a registered holder of securities of the investment fund, and an intermediary may obtain standing instructions from a client that is a beneficial owner of securities of the investment fund, that a paper copy of the information circular or the financial statements of the investment fund be sent to the registered holder or beneficial owner in all cases when using notice-and-access in respect of a meeting of the investment fund.

(2) If an investment fund or its manager or management has obtained standing instructions from a registered holder under subsection (1), the investment fund, its manager or management must do all of the following:

(a) include with the notice referred to in paragraph 12.2.1(a) any paper copies of information circulars or financial statements of the investment fund referred to in the registered holder's standing instructions;

(b) notify the registered holder, by including a statement in the notice referred to in paragraph 12.2.1(a) or by another method, of the means by which the registered holder may revoke the registered holder's standing instructions.

(3) If an intermediary has obtained standing instructions from a beneficial owner under subsection (1), the intermediary must do all of the following:

(a) if the investment fund or its manager or management is sending proxy-related materials directly under section 2.9 of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*, indicate in the NOBO list provided to the investment fund or its manager or management, those NOBOs who have provided standing instructions under subsection (1) as at the date the NOBO list is generated;

(b) if the intermediary is sending proxy-related materials to a beneficial owner on behalf of an investment fund or its manager or management using notice-and-access, request appropriate quantities of paper copies of the information circular and, if applicable, the financial statements of the investment fund, from the investment fund or its manager or management, for forwarding to beneficial owners who have provided standing instructions to be sent paper copies;

(c) include with the notice a description, or otherwise inform the beneficial owner of, the means by which the beneficial owner may revoke the beneficial owner's standing instructions.

12.2.7 Compliance with National Instrument 51-102 and National Instrument 54-101 –

(1) A person or company that solicits proxies must comply with the following:

(a) Items 7.12 and 9.9 of Form 54-101F2 Request for Beneficial Ownership Information;

(b) Form 54-101F5 Electronic Format for NOBO List.

(2) For the purposes of subsection (1), "notice-and-access" and "stratification", as used in Items 7.12 and 9.9 of Form 54-101F2 and in Form 54-101F5, have the same meaning as in this Instrument..

Transition

4. Before September 6, 2022, if an investment fund has not designated a website as its designated website, the reference to "designated website" in paragraph 12.2.1(g) of National Instrument 81-106 *Investment Fund Continuous Disclosure* must be read as a reference to the investment fund's or its manager's website.

Effective Date

5. (1) This Instrument comes into force on January 5, 2022.

5.(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after January 5, 2022, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

5.(3) This Instrument may be cited as MSC Rule 2021-17.

SCHEDULE 3-B

CHANGES TO COMPANION POLICY 81-106 *INVESTMENT FUND CONTINUOUS DISCLOSURE*

1. Companion Policy 81-106 Investment Fund Continuous Disclosure is changed by this Document.

2. The following is added after section 8.1:

8.2 Notice-and-access

(1) In the Instrument and this Companion Policy, references to registered holders and beneficial owners should be read to correspond with references to forms of proxy or voting instruction forms, as appropriate.

We expect that persons or companies that solicit proxies will only use notice-and-access for a particular meeting where they have no reason to believe it is inappropriate or inconsistent with the purposes of notice-and-access to do so, taking into account factors such as

- the purpose of the meeting,
- whether a better participation rate would be obtained by sending the information circular with the other proxy-related materials, and
- whether notice-and-access resulted in material declines in beneficial owner voting rates in prior meetings where notice-and-access was used.

(2) With respect to matters to be voted on at the meeting, the notice must only contain a description of each matter or group of related matters identified in the form of proxy, unless that information is already included in the form of proxy or voting instruction form. We expect that persons or companies who use notice-and-access will state each matter or group of related matters in the form of proxy or voting instruction form in a reasonably clear and user-friendly manner. For example, it would be inappropriate to identify the matter to be voted on solely by referring to disclosure contained in the information circular as follows: "To vote For or Against the resolution in Schedule A of the management information circular".

The plain-language explanation of notice-and-access required in the notice can also address other aspects of the proxy voting process. However, there should not be any substantive discussion of the matters to be considered at the meeting.

(3) Paragraph 12.2.1(h) requires establishment of a toll-free telephone number for the registered holder or beneficial owner to request a paper copy of the information circular. A person or company soliciting proxies may choose, but is not required, to provide additional methods for requesting a paper copy of the information circular. If persons or companies soliciting proxies do so, they must still comply with the fulfillment timelines in paragraph 12.2.1(i).

(4) Section 12.2.2 is intended to restrict intentional information gathering about registered holders or beneficial owners who make requests for paper copies of information circulars or access the non-SEDAR website.

(5) Section 12.2.3 is intended to enable registered holders and beneficial owners to access the posted proxy-related materials in a user-friendly manner. For example, requiring the registered holder or beneficial owner to navigate through several web pages to access the proxy-related materials, even within the same website, would not be user-friendly. Providing the registered holder or beneficial owner with the specific URL where the documents are posted would be more user-friendly. We encourage persons or companies soliciting proxies and their service providers to develop best practices in this regard.

(6) We expect that where stratification is used for purposes other than complying with registered holder or beneficial owner instructions, it is used to enhance effective communication, and not used if it would potentially disenfranchise registered holders or beneficial owners.

(7) Section 12.2.5 permits other delivery methods, such as electronic means, to be used to send proxy-related materials if the consent of the registered holder or beneficial owner has been obtained.

(8) National Policy 11-201 *Electronic Delivery of Documents* discusses the sending of materials by electronic means. The guidelines set out in National Policy 11-201 *Electronic Delivery of Documents*, particularly the suggestion that consent be obtained to an electronic transmission of a document, are applicable to documents sent under the Instrument.

(9) Whether persons or companies soliciting proxies may do so in compliance with foreign notice-and-access rules is not contemplated.

(10) A single investor may hold securities of the same class or series in two or more accounts with the same address. Delivering a single set of securityholder materials to that person or company would satisfy the delivery requirements under the Instrument. We encourage this practice as a way to help reduce the costs of securityholder communications.

(11) "Notice-and-access", as used in all of the following provisions of Companion Policy 54-101CP – *Communication with Beneficial Owners of Securities of a Reporting Issuer*, have the same meaning as in the Instrument, in addition to any other required adaptations:

- subsection 3.1(1);
- subsection 3.4.1(2);
- section 5.1..

3. These changes become effective on January 5, 2022.

SCHEDULE 4-A

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2021-18
(Section 149.1, The Securities Act)

AMENDMENTS TO NATIONAL INSTRUMENT 41-101 *GENERAL PROSPECTUS REQUIREMENTS*

1. National Instrument 41-101 General Prospectus Requirements is amended by this Instrument.

2. Subparagraph 9.1(1)(b)(ii) is replaced with the following:

(ii) **Personal Information Form and Authorization to Collect, Use and Disclose Personal Information** – a completed personal information form for,

(A) each director and executive officer of the issuer,

(B) each promoter of the issuer, and

(C) if the promoter is not an individual,

(I) in the case of an issuer that is not an investment fund, each director and executive officer of the promoter, and

(II) in the case of an issuer that is an investment fund, and the promoter is not the manager of the investment fund, each director and executive officer of the promoter; and**.**

3. Section 9.1 is amended by adding the following subsection after 9.1(1):

(1.1) Despite subparagraph 9.1(1)(b)(ii), an investment fund is not required to deliver a personal information form for an individual referred to in subparagraph (1)(b)(ii) if the individual has submitted a Form 33-109F4 *Registration of Individuals and Review of Permitted Individuals* under National Instrument 33-109 *Registration Information*.**.**

Effective Date

4.(1) This Instrument comes into force on January 5, 2022.

4.(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after January 5, 2022, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

4.(3) This Instrument may be cited as MSC Rule 2021-18.

SCHEDULE 4-B

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2021-19
(Section 149.1, The Securities Act)

AMENDMENTS TO NATIONAL INSTRUMENT 81-101 *MUTUAL FUND PROSPECTUS DISCLOSURE*

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

2. Subparagraph 2.3(1)(b)(ii) is replaced with the following:

(ii) a personal information form for all of the following:

(A) each director and executive officer of the mutual fund;

(B) each promoter of the mutual fund;

(C) if the promoter is not an individual and is not the manager of the mutual fund, each director and executive officer of the promoter,**.**

3. The following is added after subsection 2.3(1):

(1.0.1) Despite subparagraph 2.3(1)(b)(ii), a mutual fund is not required to deliver a personal information form for an individual referred to in subparagraph (1)(b)(ii) if the individual has submitted a Form 33-109F4 *Registration of Individuals and Review of Permitted Individuals* under National Instrument 33-109 *Registration Information***.**

4. Subparagraph 2.3(2)(b)(iv) is replaced with the following:

(iv) a personal information form for all of the following:

(A) each director and executive officer of the mutual fund;

(B) each promoter of the mutual fund;

(C) if the promoter is not an individual and is not the manager of the mutual fund, each director and executive officer of the promoter, and**.**

5. The following is added after subsection 2.3(2):

(2.0.1) Despite subparagraph 2.3(2)(b)(iv), a mutual fund is not required to deliver a personal information form for an individual referred to in subparagraph (2)(b)(iv) if the individual has submitted a Form 33-109F4 *Registration of Individuals and Review of Permitted Individuals* under National Instrument 33-109 *Registration Information*.**.**

Effective Date

6.(1) This Instrument comes into force on January 5, 2022.

6.(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after January 5, 2022, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

6.(3) This Instrument may be cited as MSC Rule 2021-19.

SCHEDULE 5-A

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2021-20
(Section 149.1, The Securities Act)

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 by replacing the definition of "*designated rating*" with the following:*

"designated rating" means a credit rating from a designated rating organization listed below, from a DRO affiliate of an organization listed below, from a designated rating organization that is a successor credit rating organization of an organization listed below or from a DRO affiliate of the successor credit rating organization, that is at or above one of the following corresponding rating categories, or that is at or above a category that replaces one of the following corresponding rating categories, if

(a) there has been no announcement from the designated rating organization, from a DRO affiliate of the organization, from a designated rating organization that is a successor credit rating organization or from a DRO affiliate of the successor credit rating organization, of which the investment fund or its manager is or reasonably should be aware that the credit rating of the security or instrument to which the designated rating was given may be down-graded to a rating category that is not referred to in this definition, and

(b) no designated rating organization listed below, no DRO affiliate of an organization listed below, no designated rating organization that is a successor credit rating organization of an organization listed below and no DRO affiliate of such successor credit rating organization, has rated the security or instrument in a rating category that is not referred to in this definition:

Designated Rating Organization	**Commercial Paper/Short Term Debt**	**Long Term Debt**
DBRS Limited	R-1 (low)	A
Fitch Ratings, Inc.	F1	A
Moody's Canada Inc.	P-1	A2
S&P Global Ratings Canada	A-1 (Low)	A

.

3. Section 1.1. is amended

(a) by deleting "and" *after the definition of* "underlying interest",

(b) by replacing "." with ";" *after the definition of* "underlying market exposure", and

(c) by adding the following definitions:

"U.S. GAAP" has the same meaning as in section 1.1. of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

"U.S. AICPA GAAS" has the same meaning as in section 1.1 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

"U.S. PCAOB GAAS" has the same meaning as in section 1.1. of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*..

4. Section 1.2 is amended by adding the following subsection:

(2.1) Despite subsection (1), section 2.5.1 also applies to an investment fund that is not a reporting issuer..

5. The Instrument is amended by adding the following section:

2.5.1 Investments in Other Investment Funds by Funds Not Reporting Issuers –

(1) In this section, "significant interest" and "substantial security holder" have the meaning,

(a) except in British Columbia, ascribed to those terms in the investment fund conflict of interest investment restrictions, and

(b) in British Columbia, ascribed to those terms in section 2 of BC Instrument 81-513 *Self-Dealing*.

(2) The investment fund conflict of interest investment restrictions and the investment fund conflict of interest reporting requirements do not apply to an investment fund that is not a reporting issuer and that purchases or holds securities of another investment fund that is not a reporting issuer if

(a) the investment fund's securities are distributed solely under an exemption from the prospectus requirement,

(b) the purchase or holding is in accordance with paragraphs 2.5(2)(b), (d), (e) and (f),

(c) the other investment fund prepares annual financial statements for its most recently completed financial year, and obtains an auditor's report with respect to those statements, within 90 days after the end of that financial year,

(d) the other investment fund prepares interim financial statements for its most recently completed interim period within 60 days after the end of that interim period,

(e) the audited annual financial statements referred to in paragraph (c) and the interim financial statements referred to in paragraph (d) are prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises, IFRS or U.S. GAAP,

(f) the audited annual financial statements referred to in paragraph (c) are audited in accordance with Canadian GAAS, International Standards on Auditing, U.S. AICPA GAAS or U.S. PCAOB GAAS and the auditor's report referred to in paragraph (c) expresses an unmodified or unqualified opinion, as applicable,

(g) the other investment fund complies with section 2.4,

(h) the other investment fund has the same redemption and valuation dates as the investment fund,

(i) any purchase of the other fund's securities is made at a price that equals the net asset value per security of the other fund calculated in accordance with section 14.2 of National Instrument 81-106 *Investment Fund Continuous Disclosure*,

(j) before an investor purchases securities of the investment fund, the investor is provided a document that discloses

(i) that the fund may purchase securities of other related funds from time to time,

(ii) that the manager of the fund is any of the following, as applicable:

(A) the manager of each of the other funds;

(B) the portfolio adviser of each of the other funds;

(C) an affiliate of the manager of each of the other funds;

(D) an affiliate of the portfolio adviser of each of the other funds,

(iii) the approximate or maximum percentage of net assets of the fund that is intended to be invested in securities of the other fund,

(iv) the fees, expenses and any performance or special incentive distributions payable by the other fund,

(v) the process or criteria used to select the other fund,

(vi) for each officer, director or substantial security holder of the fund's manager, or of the fund, that has a significant interest in the other fund, the approximate amount of the significant interest that each officer, director or substantial securityholder holds in the other fund expressed as a percentage of the other fund's net asset value, and any conflicts of interest or potential conflicts of interest,

(vii) if the officers, directors and substantial securityholders of the fund's manager or of the fund, in aggregate, hold a significant interest in the other fund,

(A) the actual or approximate amount of the significant interest they hold, on an aggregate basis, expressed as a percentage of the other fund's net asset value, and

(B) any conflicts of interest or potential conflicts of interest, and

(viii) that investors are entitled to receive, on request and free of charge,

(A) a copy of the offering memorandum or other similar disclosure document of each other fund, if available, and

(B) the audited annual financial statements, accompanied by an auditor's report, and interim financial statements, if any, relating to each other fund, and

(k) investors are informed annually of their right to receive, on request and free of charge, a copy of the documents referred to in subparagraph (j)(viii).

(3) The investment fund conflict of interest investment restrictions and the investment fund conflict of interest reporting requirements do not apply to an investment fund that is not a reporting issuer and that purchases or holds securities of another investment fund if the other investment fund is a reporting issuer and the purchase or holding is in accordance with section 2.5.

6. *Subsection 4.1(4) is replaced with the following:*

(4) Subsection (1) does not apply to an investment in a class of securities of a reporting issuer if,

(a) at the time of the investment,

(i) the independent review committee of the dealer managed investment fund has approved the transaction in accordance with subsection 5.2(2) of NI 81-107, and

(ii) the distribution of securities of the reporting issuer is made by prospectus or under an exemption from the prospectus requirement;

(b) during the 60 days after the period referred to in subsection (1), any of the following apply:

(i) the investment is made on an exchange on which the securities of the reporting issuer are listed and traded;

(ii) if the security is a debt security that does not trade on an exchange, the ask price is readily available and the price paid is not higher than the available ask price of the debt security at the time of the investment, and

(c) no later than the time the dealer managed investment fund files its annual financial statements, the manager of the dealer managed investment fund files the particulars of each investment made by the dealer managed investment fund during its most recently completed financial year..

7. *The* second row of Appendix D is replaced by the following row:

All Jurisdictions	Paragraphs 13.5(2)(a) and (b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and subsection 4.1(2) of this Instrument

.

8. The table in Appendix E is deleted and replaced by the following:

Jurisdiction	**Securities Legislation Reference**
Alberta	Paragraph 191(1)(a) of the *Securities Act* (Alberta)
British Columbia	Paragraph 9(a) of BC Instrument 81-513 *Self-Dealing*
New Brunswick	Paragraph 143(1)(a) of the *Securities Act* (New Brunswick)
Newfoundland and Labrador	Paragraph 118(1)(a) of the *Securities Act* (Newfoundland and Labrador)
Nova Scotia	Paragraph 125(1)(a) of the *Securities Act* (Nova Scotia)
Ontario	Item 117(1)1 of the *Securities Act* (Ontario)
Saskatchewan	Paragraph 126(1)(a) of the *Securities Act, 1988* (Saskatchewan)

Effective Date

9.(1) This Instrument comes into force on January 5, 2022.

9.(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after January 5, 2022, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

9.(3) This Instrument may be cited as MSC Rule 2021-20.

SCHEDULE 5-B

CHANGES TO COMPANION POLICY 81-102 *INVESTMENT FUNDS*

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

2. ***Section 3.4 is changed by adding the following subsection:***

    (3) Section 2.5.1 of the Instrument provides that certain investment restrictions and reporting requirements do not apply to investments by investment funds that are not reporting issuers, including investments in other investment funds that are not reporting issuers, made in accordance with the conditions in section 2.5.1 of the Instrument. Paragraphs 2.5.1(2)(c) to (f) of the Instrument also specify the accounting preparation and auditing standards that apply to the preparation and auditing of financial statements of an underlying fund in which an investment fund that is not a reporting issuer, determines to invest in reliance on the exemption**.**

3. ***Subsection 3.8(1) is changed by adding the following sentence at the end of the first paragraph: "***For purchases of debt securities made during the 60-day period after distribution, commentary 7 to section 6.1 of NI 81-107 provides guidance to assist in determining if the ask price for a debt security is readily available.*".*

4. These changes become effective on January 5, 2022.

SCHEDULE 5-C

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2021-21
(Section 149.1, The Securities Act)

AMENDMENTS TO NATIONAL INSTRUMENT 81-107 *INDEPENDENT REVIEW COMMITTEE FOR INVESTMENT FUNDS*

1. National Instrument 81-107 Independent Review Committee for Investment Funds is amended by this Instrument.

2. Subsection 1.1 is amended by adding the following after subsection (2):

(3) Despite subsection (1), sections 6.1 to 6.5 also apply to an investment fund that is not a reporting issuer.

(4) Despite subsection (1), sections 6.1 and 6.5 also apply in respect of a managed account**.**.

3. Paragraph 5.2(1)(b) is replaced with the following:

(b) a transaction in securities of an issuer described in any of the following:

(i) subsection 6.2(1);

(ii) subsection 6.3(1);

(iii) subsection 6.4(1);

(iv) subsection 6.5(1);**.**

4. Section 6.1 is amended

(a) by replacing "is quoted; or" *at the end of clause (1)(a)(i)(C) with* "is quoted, or",

(b) by adding the following after clause (1)(a)(i)(C):

(D) the last sale price as defined under the Universal Market Integrity Rules of the Investment Industry Regulatory Organization of Canada, as amended from time to time; or**,**

(c) by deleting "and" *after paragraph (1)(a),*

(d) by adding the following after paragraph (1)(a):

(a.1) "managed account" means an account, or an investment portfolio, that is managed by a portfolio manager or portfolio adviser on behalf of a client under an investment management agreement but does not include

(i) an account of a "responsible person" as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations,* or

(ii) an account of an investment fund; and**,**

(e) by replacing subsection (2) with the following:

(2) A portfolio manager of a managed account or a portfolio manager of an investment fund, including, for greater certainty, an investment fund that is not a reporting issuer, may purchase a security of an issuer from, or sell a security of an issuer to, another investment fund, including, for greater certainty, an investment fund that is not a reporting issuer, managed by the same manager or an affiliate of the manager, if, at the time of the transaction,

(a) the portfolio manager, on behalf of the investment fund or managed account, is purchasing from or selling to another investment fund that is a reporting issuer or, if the investment fund is not a reporting issuer, the manager has appointed an independent review committee that complies with sections 3.7 and 3.9 for the purpose of approving the transaction,

(b) the independent review committee has approved the transaction under subsection 5.2(2),

(c) the investment management agreement for the managed account authorizes the purchase or sale of the security,

(d) the bid and ask price of the security is readily available,

(e) the investment fund receives no consideration and the only cost for the transaction is the nominal cost incurred by the investment fund to print or otherwise display the trade,

(f) the transaction is executed at the current market price of the security, and

(g) the transaction is subject to market integrity requirements.**,**

(f) by adding the following after subsection (2):

(2.1) An investment fund, or a portfolio manager on behalf of a managed account, referred to in subsection (2), must keep records in accordance with the record-keeping requirements applicable to registered firms set out in sections 11.5 and 11.6 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.**,**

(g) by replacing subsection (3) with the following:

(3) With respect to a purchase or sale of a security referred to in subsection (2), National Instrument 21-101 *Marketplace Operation*, and Parts 6 and 8 of National Instrument 23-101 *Trading Rules*, do not apply to any of the following:

(a) a portfolio manager or portfolio adviser of an investment fund, including for greater certainty, an investment fund that is not a reporting issuer;

(b) a portfolio manager or portfolio adviser of a managed account;

(c) an investment fund, including for greater certainty, an investment fund that is not a reporting issuer;

(d) a managed account.**,**

(h) by replacing subsection (4) with the following:

(4) With respect to a purchase or sale of a security referred to in subsection (2), the inter-fund self-dealing investment prohibitions do not apply to any of the following:

(a) a portfolio manager or portfolio adviser of an investment fund, including for greater certainty, an investment fund that is not a reporting issuer;

(b) a portfolio manager or portfolio adviser of a managed account;

(c) an investment fund, including for greater certainty, an investment fund that is not a reporting issuer;

(d) a managed account.*, and*

(i) by replacing subsection (5) with the following:

(5) With respect to a purchase or sale of a security referred to in subsection (2), the dealer registration requirement does not apply to a portfolio manager or portfolio adviser of an investment fund, including, for greater certainty, an investment fund that is not a reporting issuer.

5. Section 6.2 is replaced with the following:

(1) An investment fund, including for greater certainty, an investment fund that is not a reporting issuer, may make or hold an investment in the security of an issuer related to it, to its manager or to an entity related to its manager, if,

(a) at the time the investment is made,

(i) in the case of an investment made by an investment fund that is not a reporting issuer,

(A) the manager of the investment fund has appointed an independent review committee that complies with sections 3.7 and 3.9 for the purpose of approving the investment, and

(B) the independent review committee has approved the investment in compliance with subsection 5.2(2), and

(ii) in the case of an investment made by an investment fund that is a reporting issuer, the investment fund's independent review committee has approved the investment in compliance with subsection 5.2(2), and

(b) the purchase is made on an exchange on which the securities of the issuer are listed and traded.

(2) After an investment referred to in subsection (1) is made, and no later than the time the investment fund files its annual financial statements, the manager of the investment fund must file the particulars of the investment with the securities regulatory authority or regulator.

(3) The investment fund conflict of interest investment restrictions do not apply to an investment fund, including, for greater certainty, an investment fund that is not a reporting issuer, with respect to an investment fund referred to in subsection (1) if the investment is made in accordance with that subsection.

(4) For the purpose of subsection (3), "investment fund conflict of interest investment restrictions" has the meaning ascribed to that term in National Instrument 81-102 *Investment Funds.*

6. *The Instrument is amended by adding the following sections:*

6.3 Transactions in securities of related issuers – Secondary market non-exchange traded debt securities

(1) An investment fund, including, for greater certainty, an investment fund that is not a reporting issuer, may make an investment in the secondary market in a non-exchange traded debt security of an issuer related to it, to its manager or to an entity related to the manager, and continue to hold the debt security, if the conditions set out in subsection (2) are satisfied.

(2) For the purposes of subsection (1), an investment fund may make an investment in a debt security referred to in subsection (1) if,

(a) at the time the investment is made,

(i) in the case of an investment made by an investment fund that is not a reporting issuer,

(A) the manager of the investment fund has appointed an independent review committee that complies with sections 3.7 and 3.9 for the purpose of approving the investment, and

(B) the independent review committee has approved the investment in compliance with subsection 5.2(2), and

(ii) in the case of an investment made by an investment fund that is a reporting issuer, the investment fund's independent review committee has approved the investment in compliance with subsection 5.2(2),

(b) at the time the investment is made, the debt security has a designated rating as defined in paragraph (b) of the definition of "designated rating" in National Instrument 44-101 *Short Form Prospectus Distributions,*

(c) in the case of an investment made on a marketplace, the price paid for the debt security is not more than the price for the debt security determined in accordance with the requirements of that marketplace,

(d) in the case of an investment that is not made on a marketplace, the price paid for the debt security is not more than

(i) the price at which an arm's length seller is willing to sell the debt security,

(ii) the price quoted publicly, immediately before the investment is made, by an independent marketplace, or

(iii) the price quoted, immediately before the investment is made, by an arm's length purchaser or seller of the debt security, and

(e) the investment is subject to the applicable "market integrity requirements" as defined in section 6.1, if any.

(3) After an investment referred to in subsection (2) is made, and no later than the time the investment fund files its annual financial statements, the manager of the investment fund must file the particulars of the investment with the securities regulatory authority or regulator.

(4) The investment fund conflict of interest investment restrictions do not apply to an investment fund, including, for greater certainty, an investment fund that is not a reporting issuer, with respect to an investment referred to in subsection (2) if the investment is made in accordance with that subsection.

(5) For the purpose of subsection (4), "investment fund conflict of interest investment restrictions" has the meaning ascribed to that term in National Instrument 81-102 *Investment Funds*.

6.4 Transactions in securities of related issuers – Primary market distributions of long-term debt securities

(1) An investment fund, including, for greater certainty, an investment fund that is not a reporting issuer, may make an investment in a long-term debt security of an issuer related to it, to its manager or to an entity related to the manager, if the investment is made under a distribution of the long-term debt security of that issuer, and continue to hold the debt security, if,

(a) at the time the investment is made,

(i) in the case of an investment made by an investment fund that is not a reporting issuer,

(A) the manager of the investment fund has appointed an independent review committee that complies with sections 3.7 and 3.9 for the purpose of approving the investment, and

(B) the independent review committee has approved the investment in compliance with subsection 5.2(2), and

(ii) in the case of an investment made by an investment fund that is a reporting issuer, the investment fund's independent review committee has approved the investment in compliance with subsection 5.2(2),

(iii) the debt security has a term to maturity greater than 365 days,

(iv) the debt security is not asset-backed commercial paper,

(v) the debt security has a designated rating as defined in paragraph (b) of the definition of "designated rating" in National Instrument 44-101 *Short Form Prospectus Distributions*,

(vi) the distribution is for at least $100 million, and

(vii) at least two purchasers that are arm's length purchasers, including, for greater certainty, "independent underwriters" within the meaning of National Instrument 33-105 *Underwriting Conflicts*, have collectively purchased at least 20% of the distribution,

(b) the price paid for the long-term debt security is not higher than the lowest price paid by any arm's length purchaser that participates in the distribution, and

(c) immediately after the investment is made,

(i) the investment fund holds no more than 5% of its net assets in long-term debt securities of the issuer, and

(ii) the investment fund, together with other investment funds managed by the manager, hold no more than 20% of the long-term debt securities issued in the distribution.

(2) After an investment referred to in subsection (1) is made, and no later than the time the investment fund files its annual financial statements, the manager of the investment fund must file the particulars of the investment with the securities regulatory authority or regulator.

(3) The investment fund conflict of interest investment restrictions do not apply to an investment fund, including, for greater certainty, an investment fund that is not a reporting issuer, with respect to an investment referred to in subsection (2) if the investment is made in accordance with that subsection.

(4) For the purpose of subsection (3), "investment fund conflict of interest investment restrictions" has the meaning ascribed to that term in National Instrument 81-102 *Investment Funds*.

6.5 Transactions in debt securities with a related dealer – principal trades in debt securities

(1) A portfolio manager or portfolio adviser, acting on behalf of an investment fund, including, for greater certainty, an investment fund that is not a reporting issuer, or acting on behalf of a managed account as defined in section 6.1, may cause the investment fund or managed account to purchase a debt security of any issuer from, or sell a debt security of any issuer to, a dealer related to the portfolio manager, acting for its own account, if, at the time of the transaction,

(a) in the case of an investment fund that is not a reporting issuer,

(i) the manager of the investment fund has appointed an independent review committee that complies with sections 3.7 and 3.9 for the purpose of approving the transaction, and

(ii) the independent review committee has approved the transaction in compliance with subsection 5.2(2),

(b) in the case of an investment fund that is a reporting issuer, the investment fund's independent review committee has approved the transaction in compliance with subsection 5.2(2),

(c) the investment management agreement for the managed account authorizes the purchase or sale of the debt security,

(d) the bid and ask price of the security transacted is readily available,

(e) the purchase is not executed at a price that is higher than the available ask price or the sale is not executed at a price that is lower than the available bid price, and

(f) the purchase or sale is subject to the applicable market integrity requirements as defined in section 6.1.

(2) An investment fund, or a portfolio manager on behalf of a managed account referred to in subsection (1), must keep records in accordance with the record-keeping requirements applicable to registered firms set out in sections 11.5 and 11.6 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations.*

(3) With respect to a purchase or sale of a security referred to in subsection (1), the inter-fund self-dealing investment prohibitions do not apply to any of the following:

(a) a portfolio manager or portfolio adviser of an investment fund, including for greater certainty, an investment fund that is not a reporting issuer;

(b) a portfolio manager or portfolio adviser of a managed account;

(c) an investment fund, including for greater certainty, an investment fund that is not a reporting issuer;

(d) a managed account..

7. Appendix B Inter-Fund Self-Dealing Conflict of Interest Provisions is replaced with the following:

APPENDIX B INTER-FUND SELF-DEALING CONFLICT OF INTEREST PROVISIONS

JURISDICTION	LEGISLATION REFERENCE
Alberta	Paragraph 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and section 4.2 of National Instrument 81-102 *Investment Funds*
British Columbia	Paragraph 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and section 4.2 of National Instrument 81-102 *Investment Funds*
Manitoba	Paragraph 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and section 4.2 of National Instrument 81-102 *Investment Funds*
New Brunswick	Paragraph 144(1)(b) of the *Securities Act* (New Brunswick) Subsection 11.7(6) of Local Rule 31-501 *Registration Requirements* Paragraph 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and section 4.2 of National Instrument 81-102 *Investment Funds*
Newfoundland and Labrador	Paragraph 119(2)(b) of the *Securities Act* (Newfoundland and Labrador) Subsection 103(6) of Reg. 805/96 Paragraph 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and section 4.2 of National Instrument 81-102 *Investment Funds*
Northwest Territories	Paragraph 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and section 4.2 of National Instrument 81-102 *Investment Funds*
Nova Scotia	Paragraph 126(2)(b) of the *Securities Act* (Nova Scotia)

	Subsection 32(6) of the General Securities Rules Paragraph 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and section 4.2 of National Instrument 81-102 *Investment Funds*
Nunavut	Paragraph 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and section 4.2 of National Instrument 81-102 *Investment Funds*
Ontario	Paragraph 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and section 4.2 of National Instrument 81-102 *Investment Funds*
Prince Edward Island	Paragraph 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and section 4.2 of National Instrument 81-102 *Investment Funds*
Quebec	Paragraph 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and section 4.2 of National Instrument 81-102 *Investment Funds*
Saskatchewan	Paragraph 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and section 4.2 of National Instrument 81-102 *Investment Funds*
Yukon	Paragraph 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and section 4.2 of National Instrument 81-102 *Investment Funds*

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Effective Date

8.(1) This Instrument comes into force on January 5, 2022.

8.(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after January 5, 2022, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

8.(3) This Instrument may be cited as MSC Rule 2021-21.

SCHEDULE 5-D

CHANGES TO COMMENTARY IN NATIONAL INSTRUMENT 81-107 *INDEPENDENT REVIEW COMMITTEE FOR INVESTMENT FUNDS*

1. ***The Commentary to National Instrument 81-107 Independent Review Committee for Investment Funds is changed by this Document.***

2. ***Commentary 2 to section 1.1 is changed by adding the following:***

   Part 6, however, provides exemptions that may be relied on in connection with certain trades involving managed accounts and investment funds that are not reporting issuers.**.**

3. ***Commentary to section 2.2 is changed by adding the following paragraph:***

   5. The CSA do not consider a manager's organization of an investment fund (such as the initial setting of fees or the initial choice of service providers) to be subject to IRC review, unless the manager's decisions give rise to a conflict of interest concerning the manager's obligations to existing investment funds within the manager's fund family. However, the CSA expect the manager will establish policies and procedures for any conflict of interest matters arising from the investment fund's organization or otherwise and refer to the IRC these policies and procedures and any decisions related to such matters.

   It is anticipated that the manager will wish to engage the IRC early in the establishment of any new investment fund to ensure the IRC is adequately informed of potential new conflicts of interest..

4. ***Commentary to section 5.1 is changed by adding the following paragraph:***

   5. The CSA do not consider the expenses incurred by existing investment funds in establishing an IRC under this Instrument to be caught in section 5.1 of NI 81-107. We do not view section 5.1 as intending to capture the costs associated with compliance by an investment fund with new regulatory requirements..

5. ***Commentary 2 to section 6.1 is changed***

   (a) ***by adding the following after "****investment funds****":***

   *, including investment funds that are not reporting issuers and managed accounts,***,**

   (b) ***by adding the following at the end of the first paragraph:***

   *The CSA are of the view that this section applies to inter-fund trades between fund families of the same manager provided the purchase or sale is made in accordance with subsection (2).***, and**

   (c) ***by replacing the second paragraph with the following:***

   Funds that are not reporting issuers must appoint an IRC for the purpose of approving inter-fund trades in order to be eligible to rely upon the exemption. At a minimum, the IRC for the funds that are not reporting issuers must comply with sections 3.7 and 3.9 of the Instrument. It is up to the IRC and the manager to tailor the IRC's responsibilities for investment funds that are not reporting issuers beyond that.

   The portfolio manager or portfolio adviser of a managed account must obtain the authorization of its client to conduct inter-fund trades in the investment management agreement in order to be eligible to rely upon the exemption.**.**

6. ***Commentary 7 to section 6.1 is changed by replacing the reference to*** "Paragraph 2(c)" **with "**Paragraph 2(d)"**.**

7. ***Commentary 8 to section 6.1 is changed by replacing the reference to*** "paragraph 2(f)" ***with*** "paragraph 2(g)"**.**

8. ***Commentary 9 to section 6.1 is changed by replacing the paragraph with the following:***

   *Subsection 2.1 sets expectations regarding the records of the investment fund must keep of its inter-fund trades made in reliance on this section. These records should comply with the recordkeeping requirements applicable to registered firms as set out in sections 11.5 and 11.6 of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations***..**

9. ***Commentary 1 to section 6.2 is changed***

   (a) by replacing "*mutual funds****" with "****investment funds****", and***

   (b) by adding "*including investment funds that are not reporting issuers,****" after "****elsewhere in Canada,****".***

10. ***Commentary 2 to section 6.2 is changed by adding the following after the second paragraph:***

*Funds that are not reporting issuers must appoint an IRC for the purpose of approving inter-fund trades in order to be eligible to rely upon the exemption. At a minimum, the IRC for the funds that are not reporting issuers must comply with sections 3.7 and 3.9 of the Instrument. It is up to the IRC and the manager to tailor the IRC's responsibilities for investment funds that are not reporting issuers beyond that***..**

11. ***The following is added after section 6.3:***

Commentary

1. This section is intended to relieve investment funds, including investment funds that are not reporting issuers, from the prohibitions in the securities legislation of each securities regulatory authority that preclude investments in debt securities of related issuers that do not trade on an exchange. Because these securities do not trade on an exchange, paragraphs (2)(c) and (2)(d) impose alternative criteria to help ensure the investments occur at a fair and objective price.

2. This section sets out the minimum conditions for purchases to proceed without regulatory exemptive relief. An IRC may consider including in any approval any terms or conditions in prior exemptive relief orders, waivers or approvals obtained from the securities regulatory authorities. The CSA expect that the IRC may give its approval in the form of a standing instruction as described in section 5.4 to allow the manager greater flexibility in its decisions.

Funds that are not reporting issuers must appoint an IRC for the purpose of approving inter-fund trades in order to be eligible to rely upon the exemption. At a minimum, for the funds that are not reporting issuers, the IRC must comply with sections 3.7 and 3.9 of the Instrument. It is up to the IRC and the manager to tailor the IRC's responsibilities for investment funds that are not reporting issuers beyond that.

3. The designated rating referred to in this section is the "designated rating" as defined in paragraph (b) of its definition in National Instrument 44-101 Short Form Prospectus Distributions. Fund managers should note that the definition of designated rating in paragraph (b) of National Instrument 44-101 Short Form

Prospectus Distributions also identifies the specific Designated Rating Organizations that are contemplated for the purpose of determining the designated rating.

4. This section contemplates that the manager will comply with the applicable reporting requirements under securities legislation for each purchase. The filing referred to in subsection (3) should be filed on the SEDAR group profile number of the investment fund, as a continuous disclosure document.

*5. If an IRC gives its approval for the investment fund to purchase securities of an issuer described in this section, and then subsequently withdraws its approval for additional purchases, the CSA will not consider the continued holding of the securities to be subject to paragraph 1.2(b) of the Instrument. However, we will expect the manager to consider whether continuing to hold those securities is a conflict of interest matter that paragraph 1.2(a) of the Instrument would require the manager to refer to the IRC.***.**

12. The following is added after section 6.4:

Commentary

1. This section is intended to relieve investment funds, including investment funds that are not reporting issuers, from the prohibitions in the securities legislation of each securities regulatory authority that preclude investments in debt securities of related issuers under primary treasury offerings or distributions by those issuers. The additional conditions in this section to IRC approval are designed to mitigate the risk of the related issuer using the investment funds as captive financing vehicles and impose alternative criteria to help ensure the investments occur at a fair and objective price.

2. This section sets out the minimum conditions for purchases to proceed without regulatory exemptive relief. An IRC may consider including in any approval any terms or conditions in prior exemptive relief orders, waivers or approvals obtained from the securities regulatory authorities. The CSA expect that the IRC may give its approval in the form of a standing instruction as described in section 5.4 to allow the manager greater flexibility in its decisions.

Funds that are not reporting issuers must appoint an IRC for the purpose of approving inter-fund trades in order to be eligible to rely upon the exemption. At a minimum, for the funds that are not reporting issuers, the IRC must comply with sections 3.7 and 3.9 of the Instrument. It is up to the IRC and the manager to tailor the IRC's responsibilities for investment funds that are not reporting issuers beyond that.

3. The designated rating referred to in this section is the "designated rating" as defined in paragraph (b) of its definition in National Instrument 44-101 Short Form Prospectus Distributions. Fund managers should note that the definition of designated rating in paragraph (b) of National Instrument 44-101 Short Form Prospectus Distributions also identifies the specific Designated Rating Organizations that are contemplated for the purpose of determining the designated rating.

4. This section contemplates that the manager will comply with the applicable reporting requirements under securities legislation for each purchase. The filing referred to in subsection 6.4(2) should be filed on the SEDAR group profile number of the investment fund, as a continuous disclosure document.

*5. If an IRC gives its approval for the investment fund to purchase securities of an issuer described in this section, and then subsequently withdraws its approval for additional purchases, the CSA will not consider the continued holding of the securities to be subject to paragraph 1.2(b) of the Instrument. However, we will expect the manager to consider whether continuing to hold those securities is a conflict of interest matter that paragraph 1.2(a) of the Instrument would require the manager to refer to the IRC.***.**

13. The following is added after the newly added section 6.5:

Commentary

1. The term "inter-fund self-dealing investment prohibitions" is defined in section 1.5 of this Instrument. For the purposes of this section, it is intended to capture the prohibitions in the securities legislation and certain regulations of each securities regulatory authority regarding trades in securities between an investment fund or a managed account and a related dealer acting as principal for its own account.

This section is intended to relieve investment funds, including managed accounts and investment funds that are not reporting issuers, from the inter-fund self-dealing prohibitions in connection with principal trades in debt securities. Because debt securities do not generally trade on an exchange, the additional conditions in this section to IRC approval impose alternative criteria to help ensure the investments occur at a fair and objective price.

2. This section sets out the minimum conditions for purchases to proceed without regulatory exemptive relief. An IRC may consider including in any approval any terms or conditions in prior exemptive relief orders, waivers or approvals obtained from the securities regulatory authorities. The CSA expect that the IRC may give its approval in the form of a standing instruction as described in section 5.4 to allow the manager greater flexibility in its decisions.

Funds that are not reporting issuers must appoint an IRC for the purpose of approving principal trades in debt securities in order to be eligible to rely upon the exemption. At a minimum, the IRC for the funds that are not reporting issuers must comply with sections 3.7 and 3.9 of the Instrument. It is up to the IRC and the manager to tailor the IRC's responsibilities for investment funds that are not reporting issuers beyond that. The portfolio manager or portfolio adviser of a managed account must obtain the authorization of its client to conduct principal trades with a related dealer in the investment management agreement in order to be eligible to rely upon the exemption.

*3. Subsection (2) sets out the minimum expectations regarding the records an investment fund must keep of its trades made in reliance on this section. The records should be detailed and sufficient to establish a proper audit trail of the transactions.***.**

14. Commentary 1 to section 7.2 is deleted.

15. The Commentary to section 8.2 is deleted.

16. These changes become effective on January 5, 2022.

SCHEDULE 5-E

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2021-22
(Section 149.1, The Securities Act)

AMENDMENT TO NATIONAL INSTRUMENT 45-106 *PROSPECTUS EXEMPTIONS*

1. National Instrument 45-106 Prospectus Exemptions is amended by this Instrument.

*2. In Section 1.1, the definition of "*designated rating*" is replaced with the following:*

"designated rating" has the same meaning as in National Instrument 81-102 Investment Funds;**.**

Effective Date

3.(1) This Instrument comes into force on January 5, 2022.

3.(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after January 5, 2022, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

3.(3) This Instrument may be cited as MSC Rule 2021-22.

SCHEDULE 5-F

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2021-23
(SECTION 149.1, THE SECURITIES ACT)

AMENDMENT TO NATIONAL INSTRUMENT 81-106 *INVESTMENT FUND CONTINUOUS DISCLOSURE*

1. National Instrument 81-106 Investment Fund Continuous Disclosure is amended by this Instrument.

*2. In Section 1.1, the definition of "*designated rating*" is replaced with the following*:

"designated rating" has the same meaning as in National Instrument 81-102 *Investment Funds*;**.**

Effective Date

3.(1) This Instrument comes into force on January 5, 2022.

3.(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after January 5, 2022, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

3.(3) This Instrument may be cited as MSC Rule 2021-23.

SCHEDULE 5-G

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2021-24
(SECTION 149.1, THE SECURITIES ACT)

AMENDMENT TO NATIONAL INSTRUMENT 31-103 *REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS*

1. National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations is amended by this Instrument.

2. In Section 1.1, the definition of "designated rating" *is replaced with the following*:

"designated rating" has the same meaning as in National Instrument 81-102 *Investment Funds*;**.**

Effective Date

3.(1) This Instrument comes into force on January 5, 2022.

3.(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after January 5, 2022, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

3.(3) This Instrument may be cited as MSC Rule 2021-24.

SCHEDULE 6-A

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2021-25
(Section 149.1, The Securities Act)

AMENDMENTS TO NATIONAL INSTRUMENT 81-102 *INVESTMENT FUNDS*

1. National Instrument 81-102 Investment Funds is amended by this Instrument.

2. Subparagraph 5.3(2)(a)(iii) is replaced with the following:

(iii) all of the following apply to the reorganization or transfer of assets of the investment fund:

(A) subparagraph 5.6(1)(a)(i), clause 5.6(1)(a)(ii)(A), subparagraph 5.6(1)(a)(iii) and subparagraph 5.6(1)(a)(iv);

(B) subparagraph 5.6(1)(b)(i);

(C) paragraph 5.6(1)(c);

(D) paragraph 5.6(1)(d);

(E) paragraph 5.6(1)(g);

(F) paragraph 5.6(1)(h);

(G) paragraph 5.6(1)(i);

(H) paragraph 5.6(1)(j);

(I) paragraph 5.6(1)(k);.

3. Subparagraph 5.6(1)(a) is replaced with the following:

(a) the investment fund is being reorganized with, or its assets are being transferred to, another investment fund to which this Instrument applies, and all of the following apply:

(i) the other investment fund is managed by the manager, or an affiliate of the manager, of the investment fund;

(ii) either of the following apply:

(A) a reasonable person would consider the other investment fund to have substantially similar fundamental investment objectives and valuation procedures, and a substantially similar fee structure, to those of the investment fund;

(B) if the other investment fund has different fundamental investment objectives or valuation procedures or a different fee structure, the following apply:

(I) the manager reasonably believes that the transaction is in the best interests of the investment fund despite the differences;

(II) the circular referred to in subparagraph (f)(i) includes disclosure of the differences and explains why the manager is of the belief that the transaction is in the best interests of the investment fund despite the differences;

(iii) the other investment fund is not in default of any requirement of securities legislation;

(iv) the other investment fund is a reporting issuer in the local jurisdiction and, if it is a mutual fund, has a current prospectus in the local jurisdiction;.

4. Paragraph 5.6(1)(b) is replaced with the following:

(b) either of the following apply:

(i) the transaction is a "qualifying exchange" within the meaning of section 132.2 of the ITA or is a tax-deferred transaction under subsection 85(1), 85.1(1), 86(1) or 87(1) of the ITA;

(ii) if the transaction is not a "qualifying exchange" within the meaning of section 132.2 of the ITA or a tax-deferred transaction under subsection 85(1), 85.1(1), 86(1) or 87(1) of the ITA, the following apply:

(A) the manager reasonably believes that the transaction is in the best interests of the investment fund despite the tax treatment of the transaction;

(B) the circular referred to in subparagraph (f)(i)

(I) discloses that the transaction is not a "qualifying exchange" within the meaning of section 132.2 of the ITA or a tax-deferred transaction under subsection 85(1), 85.1(1), 86(1) or 87(1) of the ITA,

(II) discloses the reason why the transaction is not structured so that subparagraph (i) applies, and

(III) explains why the manager is of the belief that the transaction is in the best interests of the investment fund despite the tax treatment of the transaction;.

Effective Date

5.(1) This Instrument comes into force on January 5, 2022.

5.(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after January 5, 2022, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

5.(3) This Instrument may be cited as MSC Rule 2021-25.

SCHEDULE 6-B

CHANGE TO COMPANION POLICY 81-102 *INVESTMENT FUNDS*

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

2. ***Section 7.2 is replaced with "***Subsection 5.6(1) of the Instrument provides that mergers of investment funds may be carried out on the conditions described in that subsection without prior approval of the securities regulatory authority. The Canadian securities regulatory authorities consider that the types of transactions contemplated by subsection 5.6(1) of the Instrument when carried out in accordance with the conditions of that subsection address the fundamental regulatory concerns raised by mergers of investment funds. This includes circumstances where a transaction does not satisfy the pre-approval criteria in clause 5.6(1)(a)(ii)(A) or subparagraph 5.6(1)(b)(i) but certain conditions are satisfied. In particular, the manager must come to the determination that the transaction is in the best interests in the investment fund and explain that view in the materials sent to securityholders. In circumstances where portfolios of the consolidating investment funds will be required to be realigned before a merger, the Canadian securities regulatory authorities note that paragraph 5.6(1)(h) of the Instrument provides that none of the costs and expenses associated with the transaction may be borne by the investment fund. Brokerage commissions payable as a result of any portfolio realignment necessary to carry out the transaction would, in the view of the Canadian securities regulatory authorities, be costs and expenses associated with the transaction.***".***

3. This change becomes effective on January 5, 2022.

SCHEDULE 7-A

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2021-26
(Section 149.1, The Securities Act)

AMENDMENTS TO NATIONAL INSTRUMENT 81-102 *INVESTMENT FUNDS*

1. National Instrument 81-102 Investment Funds is amended by this Instrument.

2. Subsection 5.4(2) is replaced by the following:

(2) The notice referred to in subsection (1) must contain or be accompanied by the following:

(a) a statement in an information circular that includes all of the following:

(i) a description of the change or transaction proposed to be made or entered into;

(ii) in the case of a matter referred to in paragraph 5.1(1)(a) or (a.1), the effect that the change would have had on the management expense ratio of the investment fund if the change were in effect throughout the investment fund's last completed financial year;

(iii) in the case of a matter referred to in paragraph 5.1(1)(b),

(A) all material information regarding the business, management and operations of the new manager, including, for greater certainty, details of the history and background of its executive officers and directors within the 5 years preceding the date of the notice or statement,

(B) a description of all material effects the change will have on the business, operations or affairs of the investment fund,

(C) a description of all material effects the change will have on the investment fund's securityholders, and

(D) a description of any material changes made to any material contract regarding the administration of the investment fund;

(iv) the date of the proposed implementation of the change or transaction;

(b) all information and documents required to be sent in order to comply with the applicable proxy solicitation provisions of securities legislation for the meeting**.**

3. Subsection 5.5(1) is amended

(a) by repealing paragraphs (a) and (a.1),

(b) by adding "or" at the end of paragraph (b), and

(c) by repealing paragraph (c).

4. Paragraphs 5.7(1)(a) and (c) are repealed.

Effective Date

5.(1) This Instrument comes into force on January 5, 2022.

5.(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after January 5, 2022, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

5.(3) This Instrument may be cited as MSC Rule 2021-26.

SCHEDULE 7-B

CHANGE TO COMPANION POLICY 81-102 *INVESTMENT FUNDS*

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

2. Section 7.1 is repealed.

3. This change becomes effective on January 5, 2022.

SCHEDULE 8-A

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2021-27
(Section 149.1, The Securities Act)

AMENDMENTS TO NATIONAL INSTRUMENT 41-101 *GENERAL PROSPECTUS REQUIREMENTS*

1. *National Instrument 41-101 General Prospectus Requirements is amended by this Instrument.*

2. *Part 3C is amended by adding the following sections:*

3C.2.2 Delivery of ETF facts documents for subsequent purchases under a pre-authorized purchase plan or a portfolio rebalancing plan

(1) In this section:

"portfolio rebalancing plan" has the same meaning as in section 1.1 of National Instrument 81-101 *Mutual Fund Prospectus Disclosure*;

"pre-authorized purchase plan" has the same meaning as in section 1.1 of National Instrument 81-101 *Mutual Fund Prospectus Disclosure*.

(2) Despite subsection 3C.2(2), a dealer is not required to deliver or send to the purchaser the most recently filed ETF facts document for the applicable class or series of securities of the ETF in connection with a purchase of a security of an ETF made pursuant to a pre-authorized purchase plan or a portfolio rebalancing plan if all of the following apply:

(a) the purchase is not the first purchase under the plan;

(b) the dealer has provided a notice to the purchaser that states

(i) that the purchaser will not receive an ETF facts document after the date of the notice, unless the purchaser specifically requests the document,

(ii) that the purchaser is entitled to receive upon request, at no cost to the purchaser, the most recently filed ETF facts document by calling a specified toll-free number, or by sending a request by mail or e-mail to a specified address or e-mail address,

(iii) how to access the ETF facts document electronically,

(iv) that the purchaser will not have a right of withdrawal under securities legislation for subsequent purchases of a security of an ETF under the plan, but will continue to have a right of action if there is a misrepresentation in the prospectus or any document incorporated by reference into the prospectus, and

(v) that the purchaser may terminate the plan at any time;

(c) at least annually during the term of the plan, the dealer notifies the purchaser in writing of how the purchaser can request the most recently filed ETF facts document;

(d) the dealer delivers or sends the most recently filed ETF facts document to the purchaser if the purchaser requests the document.

3C.2.3 Delivery of ETF facts documents for managed accounts and permitted clients

(1) In this section:

"managed account" has the same meaning as in section 1.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*;

"permitted client" has the same meaning as in section 1.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

(2) Despite subsection 3C.2(2), a dealer is not required to deliver or send to the purchaser the most recently filed ETF facts document for the applicable class or series of securities of the ETF in connection with the purchase of a security of the ETF if either of the following apply:

(a) the purchase is made in a managed account;

(b) the purchaser is a permitted client that is not an individual.

3C.2.4 Delivery of ETF facts documents for automatic switch programs

(1) In this section:

"automatic switch" has the same meaning as in section 1.1 of National Instrument 81-101 *Mutual Fund Prospectus Disclosure*;

"automatic switch program" has the same meaning as in section 1.1 of National Instrument 81-101 *Mutual Fund Prospectus Disclosure*.

(2) Despite subsection 3C.2(2), a dealer is not required to deliver or send to the purchaser the most recently filed ETF facts document for the applicable class or series of securities of the ETF in connection with the purchase of a security of the ETF made as an automatic switch pursuant to an automatic switch program if all of the following apply:

(a) the purchase is not the first purchase under the automatic switch program;

(b) the dealer has provided a notice to the purchaser that states

(i) that the purchaser will not receive an ETF facts document after the date of the notice, unless the purchaser specifically requests the document,

(ii) that the purchaser is entitled to receive upon request, at no cost to the purchaser, the most recently filed ETF facts document by calling a specified toll-free number, or by sending a request by mail or e-mail to a specified address or e-mail address,

(iii) how to access the ETF facts document electronically, and

(iv) that the purchaser will not have a right of withdrawal under securities legislation for subsequent purchases of a security of an ETF under the automatic purchase program, but will continue to have a right of action if there is a misrepresentation in the prospectus or any document incorporated by reference into the prospectus;

(c) at least annually, the dealer notifies the purchaser in writing of how the purchaser can request the most recently filed ETF facts document;

(d) the dealer delivers or sends the most recently filed ETF facts document to the purchaser if the purchaser requests the document;

(e) with respect to the first purchase under the automatic switch program, the ETF facts document delivered or sent to the purchaser included the ETF facts automatic switch program information as defined in Appendix F**.**

3. *Subsection 3C.3(1) is amended by replacing* "3C.2" *with* "3C.2, 3C.2.2 or 3C.2.4".

4. *The following appendix is added:*

APPENDIX F

ETF Facts Automatic Switch Program Information for Section 3C.2.4

For the purposes of paragraph 3C.2.4(2)(e),"ETF facts automatic switch program information" means a completed Form 41-101F4 *Information Required in an ETF Facts Document* modified as follows:

(a) the heading under item 1(d) of Part I includes the name of each class or series of securities of the ETF in the automatic switch program;

(b) the brief introduction to the ETF facts document under item 1(h) of Part I includes the name of each class or series of securities of the ETF in the automatic switch program;

(c) item 2(1) of Part I includes, for each class or series of securities of the ETF in the automatic switch program, the date the securities of the class or series first became available to the public;

(d) item 2(1) of Part I includes the management expense ratio of only the class or series of securities of the ETF in the automatic switch program with the highest management fee;

(e) the "Quick Facts" table referred to in item 2(1) of Part 1 includes a footnote that states all of the following:

(i) that the ETF facts document pertains to all of the classes or series of securities of the ETF in the automatic switch program;

(ii) that further details about the automatic switch program are disclosed in the "How much does it cost?" section of the ETF facts document;

(iii) that further details, about the minimum investment amount applicable to each of the classes or series of securities of the ETF in the automatic switch program, are disclosed in the fee decrease table under the sub-heading "ETF expenses" of the ETF facts document ;

(iv) that the management expense ratio of each of the classes or series of securities of the ETF in the automatic switch program is disclosed in the "ETF expenses" section of the ETF facts document;

(f) item 2(2) of Part I includes the ticker symbols of each of class or series of securities of the ETF in the automatic switch program;

(g) item 2(2) of Part I includes the average daily volume of only the class or series of securities of the ETF in the automatic switch program with the highest management fee;

(h) item 2(2) of Part I includes the number of days traded of only the class or series of securities of the ETF in the automatic switch program with the highest management fee;

(i) item 2(3) of Part I includes the market price of only the class or series of securities of the ETF in the automatic switch program with the highest management fee;

(j) item 2(3) of Part I includes the net asset value of only the class or series of securities of the ETF in the automatic switch program with the highest management fee;

(k) item 2(3) of Part I includes the average bid-ask spread of only the class or series of securities of the ETF in the automatic switch program with the highest management fee;

(l) item 5(1) of Part I includes all of the following as part of the introduction:

(i) under the heading "How has the ETF performed?", the name of only the class or series of securities of the ETF with the highest management fees;

(ii) a statement explaining that the performance for each of the classes or series of securities of the ETF in the automatic switch program will be similar to the performance of the class or series of securities of the ETF with the highest management fee, but will vary as a result of the difference in fees, as set out in the fee decrease table under the sub-heading "ETF expenses";

(m) item 5(3), (4) and (5) of Part I, under the sub-headings "Year-by-year returns," "Best and worst 3-month returns," and "Average return", includes the required performance data relating only to the class or series of securities of the ETF with the highest management fee;

(n) item 1(1.1) of Part II includes all of the following:

(i) under the heading "How much does it cost?", in the introductory statement, the name of each class or series of securities of the ETF in the automatic switch program;

(ii) as a part of the introductory statement, a summary of the automatic switch program that includes all of the following:

(A) an explanation that the automatic switch program offers separate classes or series of securities of the ETF that charge progressively lower management fees;

(B) an explanation of the scenarios in which the automatic switches will be made, including, for greater certainty, the scenario in which automatic switches will be made due to the purchaser no longer meeting the minimum investment amount for a particular class or series of securities of the ETF;

(C) a statement that a purchaser will not pay higher management fees as a result of the automatic switches than those charged to the class or series of securities of the ETF with the highest management fee;

(D) a statement that information about the progressively lower management fees for the classes or series of securities of the ETF in the automatic switch program is available in the fee decrease table under the sub-heading "ETF expenses" of the ETF facts document;

(E) a statement that further details about the automatic switch program are disclosed in specific sections of the prospectus of the ETF;

(F) a statement that purchasers should speak to their representative for more information about the automatic switch program;

(o) if the ETF is not newly established, item 1(1.3)(2) of Part II includes all of the following:

(i) the management expense ratio and ETF expenses of each of the classes or series of securities of the ETF in the automatic switch program or, if certain expense information is not available for a particular class or series of securities, the words "not available" in the corresponding part of the table;

(ii) a row in the "Annual rate" table

(A) in which the first column states "For every $1,000 invested, this equals:", and

(B) that discloses the respective equivalent dollar amounts of the ETF expenses of each class or series of securities of the ETF in the automatic switch program included in the table for every $1,000 invested;

(p) item 1(1.3)(2) of Part II includes, at the end of the disclosure under the sub-heading "ETF expenses", all of the following:

(i) a table that includes

(A) the name of, and minimum investment amounts associated with, each class or series of securities of the ETF in the automatic switch program, and

(B) the combined management and administration fee decrease of each class or series of securities of the ETF in the automatic switch program from the management fee of the class or series of securities of the ETF with the highest management fee, disclosed as a percentage;

(ii) an introduction to the table referred to in subparagraph (i) stating that the table sets out the combined management and administration fee decrease of each class or series of securities the ETF in the automatic switch program from the management fee of the class or series of securities of the ETF with the highest management fee;

(q) if all the classes or series of securities of the ETF in the automatic switch program are not newly established, item 1(1.3)(3) of Part II includes all of the following:

(i) a statement that the class or series of securities of the ETF with the highest management fee has the highest management fee among all of the classes or series of securities of the ETF in the automatic switch program;

(ii) a statement above the "Annual rate" table required under item 1(1.3)(2) of Part II stating "As of [the date of the most recently filed management report of fund performance], the ETF expenses were as follows:";

(r) if some of the classes or series of securities of the ETF in the automatic switch program are newly established, item 1(1.3)(3) of Part II includes all of the following:

(i) a statement that the class or series of securities of the ETF with the highest management fee has the highest management fee among all of the classes or series of securities of the ETF in the automatic switch program;

(ii) a statement disclosing that the ETF expenses information is not available for certain classes or series of securities of the ETF in the automatic switch program because they are new;

(iii) a statement above the "Annual rate" table required under item 1(1.3)(2) of Part II stating "As of [the date of the most recently filed management report of fund performance], the ETF expenses were as follows:";

(s) if the ETF is newly established, item 1(1.3)(4) of Part II includes all of the following:

(i) a statement that the class or series of securities of the ETF with the highest management fee has the highest management fee among all of the classes or series of securities of the ETF in the automatic switch program;

(ii) the rate of the management fee of only the class or series of securities of the ETF with the highest management fee;

(iii) a statement that the operating expenses and trading costs are not yet available because the ETF is new**.**

5. *Subsection (11) of the General Instructions of Form 41-101F4 Information Required in an ETF Facts Document is replaced with the following:*

(11) Unless the exception in section 3C.2.4 of National Instrument 41-101 General Prospectus *Requirements applies, an ETF facts document must disclose information about only one class or series of securities of an ETF. ETFs that have more than one class or series that are referable to the same portfolio of assets must prepare a separate ETF facts document for each class or series.***.**

Expiration of exemptions and waivers

6.(1) Any exemption from or waiver of a provision of National Instrument 41-101 *General Prospectus Requirements* in relation to ETF facts document delivery requirements in section 3C.2(2) for ETFs in a pre-authorized purchase plan, portfolio rebalancing plan or an automatic switch program expires on January 5, 2022.

6.(2) In British Columbia, subsection (1) does not apply.

Transition for pre-authorized purchase plans, portfolio rebalancing plans and automatic switch programs

7.(1) In this section,

"automatic switch" has the same meaning as in section 1.1 of National Instrument 81-101 *Mutual Fund Prospectus Disclosure*;

"automatic switch program" has the same meaning as in section 1.1 of National Instrument 81-101 *Mutual Fund Prospectus Disclosure*;

"portfolio rebalancing plan" has the same meaning as in section 1.1 of National Instrument 81-101 *Mutual Fund Prospectus Disclosure*;

"pre-authorized purchase plan" has the same meaning as in section 1.1 of National Instrument 81-101 *Mutual Fund Prospectus Disclosure*.

7.(2) For the purposes of section 3C.2.2 and 3C.2.4 of National Instrument 41-101 *General Prospectus Requirements*, as enacted by section 2 of this Instrument, the first purchase of a security of an ETF made pursuant to a pre-authorized purchase plan, portfolio rebalancing plan or an automatic switch program on or after January 5, 2022 is considered to be the first purchase under the plan or program, as applicable.

7.(3) Subsection (1) does not apply to a pre-authorized purchase plan, portfolio rebalancing plan or an automatic switch program established before January 5, 2022 if a notice providing information substantially similar to the notice referred to in paragraph 3C.2.2(2)(c) or 3C.2.4(2)(c) of National Instrument 41-101 *General Prospectus Requirements*, as enacted by section 2 of this Instrument, was delivered or sent to the purchaser between January 5, 2021 and January 5, 2022.

Effective Date

8.(1) This Instrument comes into force on January 5, 2022.

8.(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after January 5, 2022, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

8.(3) This Instrument may be cited as MSC Rule 2021-27.

SCHEDULE 8-B

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2021-28
(Section 149.1, The Securities Act)

AMENDMENTS TO NATIONAL INSTRUMENT 81-101 *MUTUAL FUND PROSPECTUS DISCLOSURE*

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

2. Section 1.1 is amended by adding the following definitions:

"automatic switch" means a purchase of securities of a class or series of securities of a mutual fund, immediately following a redemption of the same value of securities of another class or series of securities of that mutual fund, if the only material differences between the two classes or series are both of the following:

(a) a difference in the management fees;

(b) a difference in the purchaser's minimum investment amounts;

"automatic switch program" means an agreement under which automatic switches are to be made on predetermined dates for a purchaser of securities of a class or series of a mutual fund as a result of the purchaser

(a) satisfying the minimum investment amount for the class or series, and

(b) failing to satisfy, in whole or in part, the minimum investment amount for the class or series of securities of the mutual fund that were subject to the automatic switch because those securities were redeemed;

"portfolio rebalancing plan" means an agreement, that can be terminated at any time, under which a purchaser

(a) selects

(i) a portfolio of securities of two or more mutual funds, and

(ii) target weightings for securities of each of those mutual funds held by the purchaser, and

(b) on predetermined dates, purchases or redeems securities referred to in paragraph (a) in order to bring the holdings of each of those securities within the applicable target weighting;**.**

3. Section 3.2.01 is amended

(a) by replacing subparagraph (4)(a)(ii) with the following:

(ii) delivered or sent to the purchaser in accordance with section 3.2.02 and the conditions set out in that section are satisfied**,**

(b) by replacing paragraph (4)(b) with the following:

(b) section 3.2.03 or 3.2.05 applies and the conditions set out in the applicable section are satisfied, or**,** *and*

(c) by replacing paragraph (4)(c) with the following:

(c) section 3.2.04 or 3.2.04.1 applies.

4. *Section 3.2.03 is replaced with the following:*

3.2.03 Delivery of Fund Facts Document for Subsequent Purchases Under a Pre-authorized Purchase Plan or a Portfolio Rebalancing Plan

Despite subsection 3.2.01(1), a dealer is not required to deliver or send to the purchaser the most recently filed fund facts document for the applicable class or series of securities of the mutual fund in connection with a purchase of a security of the mutual fund made pursuant to a pre-authorized purchase plan or a portfolio rebalancing plan if all of the following apply:

(a) the purchase is not the first purchase under the plan;

(b) the dealer has provided a notice to the purchaser that states

(i) that the purchaser will not receive a fund facts document after the date of the notice unless the purchaser specifically requests the document,

(ii) that the purchaser is entitled to receive upon request, at no cost to the purchaser, the most recently filed fund facts document by calling a specified toll-free number, or by sending a request by mail or e-mail to a specified address or e-mail address,

(iii) how to access the fund facts document electronically,

(iv) that the purchaser will not have a right of withdrawal under securities legislation for subsequent purchases of a security of a mutual fund under the plan, but will continue to have a right of action if there is a misrepresentation in the prospectus or any document incorporated by reference into the prospectus, and

(v) that the purchaser may terminate the plan at any time;

(c) at least annually during the term of the plan, the dealer notifies the purchaser in writing of how the purchaser can request the most recently filed fund facts document;

(d) the dealer delivers or sends the most recently filed fund facts document to the purchaser if the purchaser requests the document**.**

5. *Section 3.2.04 is replaced with the following:*

3.2.04 Delivery of Fund Facts Document for Managed Accounts and Permitted Clients

Despite subsection 3.2.01(1), a dealer is not required to deliver or send to the purchaser the most recently filed fund facts document for the applicable class or series of securities of the mutual fund in connection with the purchase of a security of the mutual fund if either of the following apply:

(a) the purchase is made in a managed account;

(b) the purchaser is a permitted client that is not an individual**.**

6. Section 3.2.05 is replaced with the following:

3.2.05 Delivery of Fund Facts Document for Automatic Switch Programs

Despite subsection 3.2.01(1), a dealer is not required to deliver or send to the purchaser the most recently filed fund facts document for the applicable class or series of securities of the mutual fund in connection with the purchase of a security of the mutual fund made as an automatic switch pursuant to an automatic switch program if all of the following apply:

(a) the purchase is not the first purchase under the automatic switch program;

(b) the dealer has provided a notice to the purchaser that states

(i) that the purchaser will not receive a fund facts document after the date of the notice unless the purchaser specifically requests the document,

(ii) that the purchaser is entitled to receive upon request, at no cost to the purchaser, the most recently filed fund facts document by calling a specified toll-free number, or by sending a request by mail or e-mail to a specified address or e-mail address,

(iii) how to access the fund facts document electronically, and

(iv) that the purchaser will not have a right of withdrawal under securities legislation for subsequent purchases of a security of a mutual fund under the automatic purchase program, but will continue to have a right of action if there is a misrepresentation in the prospectus or any document incorporated by reference into the prospectus;

(c) at least annually, the dealer notifies the purchaser in writing of how the purchaser can request the most recently filed fund facts document;

(d) the dealer delivers or sends the most recently filed fund facts document to the purchaser if the purchaser requests the document;

(e) with respect to the first purchase under the automatic switch program, the fund facts document delivered or sent to the purchaser included the fund facts automatic switch program information as defined in Appendix A**.**.

7. The following is added after section 3.2.05:

3.2.06 Electronic Delivery of the Fund Facts Document

(1) If the purchaser of a security of a mutual fund consents, a fund facts document that may be or is required to be delivered or sent under this Part may be delivered or sent electronically.

(2) For the purposes of subsection (1), a fund facts document may be delivered or sent to the purchaser by means of an e-mail that contains either of the following:

(a) the fund facts document as an attachment;

(b) a hyperlink that leads directly to the fund facts document**.**.

8. Section 5.2 is amended

(a) *by replacing* "3.2.03, or 3.2.04" *with* "3.2.03, or 3.2.05" *in subsection (4)*, and

(b) by replacing "3.2.03, or 3.2.04;" *with* "3.2.03, or 3.2.05;" *in paragraph (4)(c).*

9. The following Appendix A is added following NI 81-101:

APPENDIX A

Fund Facts Automatic Switch Program Information for Section 3.2.05

For the purposes of paragraph 3.2.05(e), "fund facts automatic switch program information" means a completed Form 81-101F3 *Contents of Fund Facts Document* modified as follows:

(a) the heading under item 1(c.1) of Part I includes the name of each class or series of securities of the mutual fund in the automatic switch program;

(b) the brief introduction to the fund facts document under item 1(e) of Part I includes the name of each class or series of securities of the mutual fund in the automatic switch program;

(c) item 2 of Part I includes the fund codes of each of the classes or series of securities of the mutual fund in the automatic switch program;

(d) item 2 of Part I includes, for each class or series of securities of the mutual fund in the automatic switch program, the date the securities of the class or series first became available to the public;

(e) item 2 of Part I includes the management expense ratio of only the class or series of securities of the mutual fund in the automatic switch program with the highest management fee;

(f) item 2 of Part I includes the minimum investment amount and each additional investment amount of only the class or series of securities of the mutual fund in the automatic switch program with the highest management fee;

(g) the "Quick Facts" table referred to in item 2 of Part I includes a footnote that states all of the following:

(i) that the fund facts document pertains to all of the classes or series of securities of the mutual fund in the automatic switch program;

(ii) that further details about the automatic switch program are disclosed in the "How much does it cost?" section of the fund facts document;

(iii) that further details about the minimum investment amount applicable to each of the classes or series of securities of the mutual fund in the automatic switch program are disclosed in the fee decrease table under the sub-heading "Fund expenses" of the fund facts document;

(iv) that the management expense ratio of each of the classes or series of securities of the mutual fund in the automatic switch program is disclosed in the "Fund expenses" section of the fund facts document;

(h) item 5(1) of Part I includes all of the following as part of the introduction:

(i) under the heading "How has the fund performed?", the name of only the class or series of securities of the mutual fund with the highest management fees;

(ii) a statement explaining that the performance for each of the classes or series of securities of the mutual fund in the automatic switch program will be similar to the performance of the class or series of securities of the mutual fund with the highest management fee, but will vary as a result of the difference in fees, as set out in the fee decrease table under the sub-heading "Fund expenses";

(i) item 5(2), (3) and (4) of Part I, under the sub-headings "Year-by-year returns," "Best and worst 3-month returns," and "Average return", includes the required performance data relating only to the class or series of securities of the mutual fund with the highest management fee;

(j) item 1(1.1) of Part II includes all of the following:

(i) under the heading "How much does it cost?", in the introductory statement, the name of each class or series of securities of the mutual fund in the automatic switch program;

(ii) as a part of the introductory statement, a summary of the automatic switch program that includes all of the following:

(A) an explanation that the automatic switch program offers separate classes or series of securities of the mutual fund that charge progressively lower management fees;

(B) an explanation of the scenarios in which the automatic switches will be made, including, for greater certainty, the scenario in which automatic switches will be made due to the purchaser no longer meeting the minimum investment amount for a particular class or series of securities of the mutual fund;

(C) a statement that a purchaser will not pay higher management fees as a result of the automatic switches than those charged to the class or series of securities of the mutual fund with the highest management fee;

(D) a statement that information about the progressively lower management fees for the classes or series of securities of the mutual fund in the automatic switch program is available in the fee decrease table under the sub-heading "Fund expenses" of the fund facts document;

(E) a statement that further details about the automatic switch program are disclosed in specific sections of the simplified prospectus of the mutual fund;

(F) a statement that purchasers should speak to their representative for more information about the automatic switch program;

(k) item 1(1.2) of Part II, under the sub-heading "Sales charges", includes the names of each class or series of securities of the mutual fund in the automatic switch program in the introduction, if applicable;

(l) if the mutual fund is not newly established, item 1(1.3)(2) of Part II includes all of the following:

(i) the management expense ratio and fund expenses of each of the classes or series of securities of the mutual fund in the automatic switch program or, if certain expense information is not available for a particular class or series of securities, the words "not available" in the corresponding part of the table;

(ii) a row in the "Annual rate" table

(A) in which the first column states "For every $1,000 invested, this equals:", and

(B) that discloses the respective equivalent dollar amounts of the fund expenses of each class or series of securities of the mutual fund in the automatic switch program included in the table for every $1,000 invested;

(m) item 1(1.3)(2) of Part II includes, at the end of the disclosure under the sub-heading "Fund expenses", all of the following:

(i) a table that includes

(A) the name of, and minimum investment amounts associated with, each class or series of securities of the mutual fund in the automatic switch program, and

(B) the combined management and administration fee decrease of each class or series of securities of the mutual fund in the automatic switch program from the management fee of the class or series of securities of the mutual fund with the highest management fee, disclosed as a percentage;

(ii) an introduction to the table referred to in subparagraph (i) stating that the table sets out the combined management and administration fee decrease of each class or series of securities of the mutual fund in the automatic switch program from the management fee of the class or series of securities of the mutual fund with the highest management fee;

(n) if all the classes or series of securities of the mutual fund in the automatic switch program are not newly established, item 1(1.3)(3) of Part II includes all of the following:

(i) a statement that the class or series of securities of the mutual fund with the highest management fee has the highest management fee among all of the classes or series of securities of the mutual fund in the automatic switch program;

(ii) a statement above the "Annual rate" table required under item 1(1.3)(2) of Part II stating "As of [the date of the most recently-filed management report of fund performance], the fund expenses were as follows:";

(o) if some of the classes or series of securities of the mutual fund in the automatic switch program are newly established, item 1(1.3)(3) of Part II includes all of the following:

(i) a statement that the class or series of securities of the mutual fund with the highest management fee has the highest management fee among all of the classes or series of securities of the mutual fund in the automatic switch program;

(ii) a statement disclosing that the fund expenses information is not available for certain classes or series of securities of the mutual fund in the automatic switch program because they are new;

(iii) a statement above the "Annual rate" table required under item 1(1.3)(2) of Part II stating "As of [the date of the most recently filed management report of fund performance], the fund expenses were as follows:";

(p) if the mutual fund is newly established, item 1(1.3)(4) of Part II includes all of the following:

(i) a statement that the class or series of securities of the mutual fund with the highest management fee has the highest management fee among all of the classes or series of securities of the mutual fund in the automatic switch program;

(ii) the rate of the management fee of only the class or series of securities of the mutual fund with the highest management fee;

(iii) a statement that the operating expenses and trading costs are not yet available because the mutual fund is new..

10. Subsection (10) of the General Instructions of Form 81-101F3 Contents of Fund Facts Document is replaced with the following:

(10) Unless the exception in section 3.2.05 of National Instrument 81-101 Mutual Fund Prospectus Disclosure applies, a fund facts document must disclose information about only one class or series of securities of a mutual fund. Mutual funds that have more than one class or series that are referable to the same portfolio of assets must prepare a separate fund facts document for each class or series..

11. Subsection (4) of Item 3 of Part I of Form 81-101F3 Contents of Fund Facts Document is replaced with the following:

(4) Unless the mutual fund is a newly established mutual fund, under the sub-heading "Top 10 investments [date]", include a table disclosing all of the following:

(a) the top 10 positions held by the mutual fund, each expressed as a percentage of the net asset value of the mutual fund;

(b) the percentage of net asset value of the mutual fund represented by the top 10 positions;

(c) the total number of positions held by the mutual fund..

12. Subsection (5) of Item 3 of Part I of Form 81-101F3 Contents of Fund Facts Document is replaced with the following:

(5) Unless the mutual fund is a newly established mutual fund, under the sub-heading "Investment mix [date]" include at least one, and up to two, charts or tables that illustrate the investment mix of the mutual fund's investment portfolio..

13. Item 3 of Part I of Form 81-101F3 Contents of Fund Facts Document is amended by adding the following subsection:

(6) For a newly established mutual fund, state the following under the sub-headings "Top 10 investments [date]" and "Investment mix [date]":

This information is not available because this fund is new..

14. Subsection (3) of Item 4 of Part I of Form 81-101F3 Contents of Fund Facts Document is replaced with the following:

(3) If the mutual fund does not have any guarantee or insurance, under the sub-heading "No guarantees", include a statement using wording substantially similar to the following:

Like most mutual funds, this fund doesn't have any guarantees. You may not get back the amount of money you invest..

15. Item 4 of Part I of Form 81-101F3 Contents of Fund Facts Document is amended by adding the following subsection:

(4) If the mutual fund does have a guarantee or insurance feature protecting all or some of the principal amount of an investment in the mutual fund, under the sub-heading "Guarantees", disclose all of the following:

(a) the identity of the person or company providing the guarantee or insurance;

(b) a brief description of the material terms of the guarantee or insurance, including the maturity date of the guarantee or insurance**.**

16. Subsection (1) of Item 5 of Part I of Form 81-101F3 Contents of Fund Facts Document is replaced with the following:

(1) Unless the mutual fund is a newly established mutual fund, under the heading "How has the fund performed?", include an introduction using wording substantially similar to the following:

This section tells you how [name of class/series of securities described in the fund facts document] [units/shares] of the fund have performed over the past [insert number of calendar years shown in the bar chart required under paragraph (2)(a)] years. Returns are after expenses have been deducted. These expenses reduce the fund's returns**.**

17. Item 5 of Part I of Form 81-101F3 Contents of Fund Facts Document is amended by adding the following subsection:

(1.1) For a newly established mutual fund, under the heading "How has the fund performed?", include an introduction using the following wording:

This section tells you how [name of class/series of securities described in the fund facts document] [units/shares] of the fund have performed. However, this information is not available because the fund is new**.**

18. Subsection (2) of Item 5 of Part I of Form 81-101F3 Contents of Fund Facts Document is replaced with the following:

(2) Under the sub-heading "Year-by-year returns",

(a) for a mutual fund that has completed at least one calendar year, include all of the following:

(i) a bar chart that shows the annual total return of the mutual fund, in chronological order with the most recent year on the right of the bar chart, for the lesser of

(A) each of the 10 most recently completed calendar years, and

(B) each of the completed calendar years in which the mutual fund has been in existence and which the mutual fund was a reporting issuer;

(ii) an introduction to the bar chart using wording substantially similar to the following:

This chart shows how [name of class/series of securities described in the fund facts document] [units/shares] of the fund performed in each of the past [insert number of calendar years shown in the bar chart required under paragraph (a)]. The fund dropped in value in [for the particular years shown in the bar chart required under paragraph (a), insert the number of years in which the value of the mutual fund dropped] of the [insert number of calendar years shown in the bar chart required

in paragraph (a)] years. The range of returns and change from year to year can help you assess how risky the fund has been in the past. It does not tell you how the fund will perform in the future.

(b) for a mutual fund that has not yet completed a calendar year, state the following:

This section tells you how [name of class/series of securities described in the fund facts document] [units/shares] of the fund have performed in past calendar years. However, this information is not available because the fund has not yet completed a calendar year.

(c) for a newly established mutual fund, state the following:

This section tells you how [name of class/series of securities described in the fund facts document] [units/shares] of the fund have performed in past calendar years. However, this information is not available because the fund is new**.**

19. Subsection (3) of Item 5 of Part I of Form 81-101F3 Contents of Fund Facts Document is replaced with the following:

(3) Under the sub-heading "Best and worst 3-month returns",

(a) for a mutual fund that has completed at least one calendar year, include all of the following:

(i) information for the period covered in the bar chart required under paragraph (2)(a) in the form of the following table:

	Return	**3 months ending**	**If you invested $1,000 at the beginning of the period**
Best return	(see instruction 8)	(see instruction 10)	Your investment would [rise/drop] to (see instruction 12).
Worst return	(see instruction 9)	(see instruction 11)	Your investment would [rise/drop] to (see instruction 13).

(ii) an introduction to the table using wording substantially similar to the following:

This table shows the best and worst returns for the [name of class/series of securities described in the fund facts document] [units/shares] of the fund in a 3-month period over the past [insert number of calendar years shown in the bar chart required under paragraph (2)(a)]. The best and worst 3-month returns could be higher or lower in the future. Consider how much of a loss you could afford to take in a short period of time.

(b) for a mutual fund that has not yet completed a calendar year, state the following:

This section shows the best and worst returns for the [name of class/series of securities described in the fund facts document] [units/shares] of the fund in a 3-month period. However, this information is not available because the fund has not yet completed a calendar year.

(c) for a newly established mutual fund, state the following:

This section shows the best and worst returns for the [name of class/series of securities described in the fund facts document] [units/shares] of the fund in a 3-month period. However, this information is not available because the fund is new**.**

20. Subsection (4) of Item 5 of Part I of Form 81-101F3 Contents of Fund Facts Document is replaced the following subsection:

(4) Under the sub-heading "Average return",

(a) for a mutual fund that has completed at least 12 consecutive months, include all of the following:

(i) the final value of a hypothetical $1000 investment in the mutual fund as at the end of the period that ends within 60 days before the date of the fund facts document and consists of the lesser of

(A) 10 years, and

(B) the time since inception of the mutual fund;

(ii) the annual compounded rate of return that equates the hypothetical $1000 investment to the final value.

(b) for a mutual fund that has not yet completed 12 consecutive months, state the following:

This section shows the value and annual compounded rate of return of a hypothetical $1,000 investment in [name of class/series of securities described in the fund facts document] [units/shares] of the fund. However, this information is not available because the fund has not yet completed 12 consecutive months.

(c) for a newly established mutual fund, state the following:

This section shows the value and annual compounded rate of return of a hypothetical $1,000 investment in [name of class/series of securities described in the fund facts document] [units/shares] of the fund. However, this information is not available because the fund is new..

21. Instruction (5) of Item 5 of Part I of Form 81-101F3 Contents of Fund Facts Document is repealed.

Expiration of exemptions and waivers

22.(1) Any exemption from or waiver of a provision of National Instrument 81-101 *Mutual Fund Prospectus Disclosure* in relation to fund facts document delivery requirements in section 3.2.01(1) for mutual funds in a portfolio rebalancing plan or an automatic switch program expires on January 5, 2022.

22.(2) In British Columbia, subsection (1) does not apply.

Transition for portfolio rebalancing plans and automatic switch programs

23.(1) For the purposes of sections 3.2.03 and 3.2.05 of National Instrument 81-101 *Mutual Fund Prospectus Disclosure*, as enacted by sections 4 and 6 of this Instrument, the first purchase of a security of a mutual fund made pursuant to a portfolio rebalancing plan or an automatic switch program on or after January 5, 2022 is considered to be the first purchase under the plan or program, as applicable.

23.(2) Subsection (1) does not apply to a portfolio rebalancing plan or an automatic switch program established before January 5, 2022, if a notice providing information substantially similar to the notice referred to in paragraph 3.2.03(c) or 3.2.05(c) of National Instrument 81-101 *Mutual Fund Prospectus Disclosure*, as enacted by section 4 and 6 of this Instrument, was delivered or sent to the purchaser between January 5, 2021 and January 5, 2022.

Effective Date

24.(1) This Instrument comes into force on January 5, 2022.

24.(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after January 5, 2022, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

24.(3) This Instrument may be cited as MSC Rule 2021-28.

SCHEDULE 9

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2021-29
(Section 149.1, The Securities Act)

AMENDMENTS TO NATIONAL INSTRUMENT 41-101 *GENERAL PROSPECTUS REQUIREMENTS*

1. *National Instrument 41-101 General Prospectus Requirements is amended by this Instrument.*

2. *Section 3C.6 is replaced with the following:*

Dealer as agent

3C.6(1) For the purpose of this Part, a dealer acts as agent of the purchaser if the dealer is acting solely as agent of the purchaser with respect to the purchase and sale in question and has not received and has no agreement to receive compensation from or on behalf of the vendor with respect to the purchase and sale.

3C.6(2) Subsection (1) does not apply in Ontario.

3C.6(3) Subsection (1) does not apply in Québec.

3C.6(4) Subsection (1) does not apply in British Columbia**.**

3. Section 3C.7 is replaced with the following:

Purchaser's right of action for failure to deliver or send

3C.7(1) A purchaser has a right of action if an ETF facts document is not delivered or sent as required by subsection 3C.2(2), as the purchaser would otherwise have when a prospectus is not delivered or sent as required under securities legislation and, for that purpose, an ETF facts document is a prescribed document under the statutory right of action.

3C.7(2) In Alberta, instead of subsection (1), section 206 of the *Securities Act* (Alberta) applies.

3C.7(3) In Manitoba, instead of subsection (1), section 141.2 of the *Securities Act* (Manitoba) applies and the ETF facts document is a prescribed document for the purposes of section 141.2.

3C.7(4) In Nova Scotia, instead of subsection (1), section 141 of the *Securities Act* (Nova Scotia) applies.

3C.7(5) In Ontario, instead of subsection (1), section 133 of the *Securities Act* (Ontario) applies.

3C.7(6) In Québec, instead of subsection (1), section 214.1 of the *Securities Act* (Québec) applies.

3C.7(7) In British Columbia, for the purpose of subsection (1), "statutory right of action" means section 135 of the *Securities Act* (British Columbia).

3C.7(8) In Saskatchewan, instead of subsection (1), section 141 of *The Securities Act, 1988* applies**.**

Effective Date

4.(1) This Instrument comes into force on January 5, 2022.

4.(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after January 5, 2022, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.

4.(3) This Instrument may be cited as MSC Rule 2021-29.

ANNEX D

LOCAL MATTERS

There are no local Manitoba matters.

ANNEX E

BLACKLINES REFLECTING AMENDMENTS AND RELATED CHANGES ARISING FROM ALL WORKSTREAMS

SCHEDULE 1-A
NATIONAL INSTRUMENT 41-101 *GENERAL PROSPECTUS REQUIREMENTS*

Table of Contents

Part 1: — Definitions and Interpretations

1.1 Definitions — In this Instrument:

“accredited investor” has the same meaning as in section 1.1 of NI 45-106;

“acquisition” has the same meaning as in Part 8 of NI 51-102;

“acquisition date” has the same meaning as in section 1.1 of NI 51-102;

“acquisition of related businesses” has the same meaning as in Part 8 of NI 51-102;

“Aequitas personal information form” means a personal information form for an individual prepared pursuant to Aequitas NEO Exchange Inc. Form 3, as amended from time to time;

“alternative credit support” has the same meaning as in section 13.4 of NI 51-102;

“alternative mutual fund” has the same meaning as in section 1.1 of NI 81-102;

“asset-backed security” has the same meaning as in section 1.1 of NI 51-102;

“base offering” means the number or principal amount of the securities distributed under a prospectus by an issuer or selling securityholder, excluding

(a) any over-allotment option granted in connection with the distribution, or the securities issuable on the exercise of any such over-allotment option, and

(b) securities issued or paid as compensation to a person or company for acting as an underwriter in respect of securities that are distributed under the prospectus, on an “as-if-converted” basis if these securities include securities that are convertible or exchangeable securities;

“board of directors” has the same meaning as in section 1.1 of NI 51-102;

“business acquisition report” has the same meaning as in section 1.1 of NI 51-102;

“business day” means any day other than a Saturday, a Sunday or a statutory holiday;

“class” has the same meaning as in section 1.1 of NI 51-102;

“credit supporter” has the same meaning as in section 13.4 of NI 51-102;

“custodian” means the institution appointed by an investment fund to act as custodian of the portfolio assets of the investment fund;

“date of transition to IFRS” has the same meaning as in section 1.1 of NI 51-102;

“derivative” means an instrument, agreement or security, the market price, value or payment obligation of which is derived from, referenced to, or based on an underlying interest;

“designated foreign jurisdiction” has the same meaning as in section 1.1 of NI 52-107;

"designated rating organization" has the same meaning as in National Instrument 44-101 *Short Form Prospectus Distributions*;

"designated website" has the same meaning as in National Instrument 81-106 *Investment Fund Continuous Disclosure*;

"DRO affiliate" has the same meaning as in section 1 of NI 25-101;

"equity investee" has the same meaning as in section 1.1 of NI 51-102;

"equity security" means a security of an issuer that carries a residual right to participate in the earnings of the issuer and, on the liquidation or winding up of the issuer, in its assets;

"ETF" or "exchange-traded mutual fund" means a mutual fund in continuous distribution, the securities of which are

(a) listed on an exchange, and

(b) trading on an exchange or an alternative trading system;

"ETF facts document" means a completed Form 41-101F4;

"executive officer" means, for an issuer or an investment fund manager, an individual who is

(a) a chair, vice-chair or president,

(a.1) a chief executive officer or chief financial officer

(b) a vice-president in charge of a principal business unit, division or function including sales, finance or production, or

(c) performing a policy-making function in respect of the issuer or investment fund manager;

"final prospectus notice" means,

(a) in British Columbia, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario and Saskatchewan, a written communication relating to a final prospectus if that communication is permitted by a provision in securities legislation listed opposite the jurisdiction in Appendix E, or

(b) in every other jurisdiction of Canada, a written communication relating to a final prospectus that only

(i) identifies the security proposed to be issued,

(ii) states the price of the security, and

(iii) states the name and address of a person or company from whom purchases of the security may be made and from whom a final prospectus may be obtained;

"financial statements" includes interim financial reports;

"first IFRS financial statements" has the same meaning as in section 1.1 of NI 51-102;

"foreign disclosure requirements" has the same meaning as in section 1.1 of NI 52-107;

"Form 41-101F1" means Form 41-101F1 *Information Required in a Prospectus* of this Instrument;

"Form 41-101F2" means Form 41-101F2 *Information Required in an Investment Fund Prospectus* of this Instrument;

"Form 41-101F3" means Form 41-101F3 *Information Required in a Scholarship Plan Prospectus* of this Instrument;

"Form 41-101F4" means Form 41-101F4 *Information Required in an ETF Facts Document* of this Instrument;

"Form 44-101F1" means Form 44-101F1 *Short Form Prospectus* of NI 44-101;

"Form 51-101F1" means Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information* of NI 51-101;

"Form 51-101F2" means Form 51-101F2 *Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor* of NI 51-101;

"Form 51-101F3" means Form 51-101F3 *Report of Management and Directors on Oil and Gas Disclosure* of NI 51-101;

"Form 51-102F1" means Form 51-102F1 *Management's Discussion & Analysis* of NI 51-102;

"Form 51-102F2" means Form 51-102F2 *Annual Information Form* of NI 51-102;

"Form 51-102F4" means Form 51-102F4 *Business Acquisition Report* of NI 51-102;

"Form 51-102F5" means Form 51-102F5 *Information Circular* of NI 51-102;

"Form 51-102F6" means Form 51-102F6 *Statement of Executive Compensation* of NI 51-102;

"Form 51-102F6V" means Form 51-102F6V *Statement of Executive Compensation — Venture Issuers* of NI 51-102;

"Form 52-110F1" means Form 52-110F1 *Audit Committee Information Required in an AIF* of NI 52-110;

"Form 52-110F2" means Form 52-110F2 *Disclosure by Venture Issuers* of NI 52-110;

"Form 58-101F1" means Form 58-101F1 *Corporate Governance Disclosure* of NI 58-101;

"Form 58-101F2" means Form 58-101F2 *Corporate Governance Disclosure (Venture Issuers)* of NI 58-101;

"full and unconditional credit support" means

(a) alternative credit support that

(i) entitles the holder of the securities to receive payment from the credit supporter, or enables the holder to receive payment from the issuer, within 15 days of any failure by the issuer to make a payment, and

(ii) results in the securities receiving the same credit rating as, or a higher credit rating than, the credit rating they would have received if payment had been fully and unconditionally guaranteed by the credit supporter, or would result in the securities receiving such a rating if they were rated, or

(b) a full and unconditional guarantee of the payments to be made, as interpreted in section 1.5, by the issuer of securities, as stipulated in the terms of the securities or in an agreement governing rights of holders of the securities, that results in the holder of such securities being entitled to receive payment from the credit supporter within 15 days of any failure by the issuer to make a payment;

"independent review committee" means an independent review committee under NI 81-107;

"information circular" has the same meaning as in section 1.1 of NI 51-102;

"interim period" has the same meaning as in

(a) section 1.1 of NI 51-102 for an issuer other than an investment fund, or

(b) section 1.1 of NI 81-106 for an investment fund;

"investment dealer" has the same meaning as in section 1.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*;

"IPO venture issuer" means an issuer that

(a) files a long form prospectus,

(b) is not a reporting issuer in any jurisdiction immediately before the date of the final long form prospectus, and

(c) at the date of the long form prospectus, does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on

(i) the Toronto Stock Exchange,

(i.1) Aequitas NEO Exchange Inc.,

(ii) a U.S. marketplace, or

(iii) a marketplace outside of Canada and the United States of America, other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc;

"issuer's GAAP" has the same meaning as in section 1.1 of NI 52-107;

"junior issuer" means an issuer

(a) that files a preliminary prospectus,

(b) that is not a reporting issuer in any jurisdiction,

(c) whose total consolidated assets as at the date of the most recent statement of financial position of the issuer included in the preliminary prospectus are less than $10,000,000,

(d) whose consolidated revenue as shown in the most recent annual statement of comprehensive income of the issuer included in the preliminary prospectus is less than $10,000,000, and

(e) whose equity as at the date of the most recent statement of financial position of the issuer included in the preliminary prospectus is less than $10,000,000,

taking into account all adjustments to asset, revenue and equity calculations necessary to reflect each significant proposed acquisition of a business or related business by an issuer that has progressed to a state where a reasonable person would believe that the likelihood of the issuer completing the acquisition is high, and each completed significant acquisition of a business or related business that was completed,

(f) for paragraphs (c) and (e), before the date of the preliminary prospectus and after the date of the issuer's most recent statement of financial position included in the preliminary prospectus as if each acquisition had taken place as at the date of the issuer's most recent statement of financial position included in the preliminary prospectus, and

(g) for paragraph (d), after the last day of the most recent annual statement of comprehensive income of the issuer included in the preliminary prospectus as if each acquisition had taken place at the beginning of the issuer's most recently completed financial year for which a statement of comprehensive income is included in the preliminary prospectus;

“labour sponsored or venture capital fund” has the same meaning as in section 1.1 of NI 81-106;

“lead underwriter” means, in respect of a syndicate of underwriters,

(a) the underwriter designated under the underwriting agreement to act as the manager of the syndicate, or

(b) if more than one underwriter is designated under the underwriting agreement to act as a manager of the syndicate, the underwriter designated under the agreement to have primary decision-making authority;

“limited-use version” means a template version in which the spaces for information have been completed in accordance with any of the following:

(a) subsection 13.7(2) or 13.8(2);

(b) subsection 7.6(2) of NI 44-101;

(c) subsection 9A.3(2) of NI 44-102;

(d) subsection 4A.3(3) of NI 44-103;

“long form prospectus” means a prospectus filed in the form of Form 41-101F1, Form 41-101F2 or Form 41-101F3;

“plan summary” means a document prepared in accordance with the requirements of Part A of Form 41-101F3;

“marketing materials” means a written communication intended for potential investors regarding a distribution of securities under a prospectus that contains material facts relating to an issuer, securities or an offering but does not include the following:

(a) a prospectus or any amendment;

(b) a standard term sheet;

(c) a preliminary prospectus notice;

(d) a final prospectus notice;

“marketplace” has the same meaning as in section 1.1 of NI 51-102;

“material contract” means any contract that an issuer or any of its subsidiaries is a party to, that is material to the issuer;

“mineral project” has the same meaning as in section 1.1 of NI 43-101;

“NI 14-101” means National Instrument 14-101 *Definitions*;

“NI 33-105” means National Instrument 33-105 *Underwriting Conflicts*;

“NI 43-101” means National Instrument 43-101 *Standards of Disclosure for Mineral Projects*;

“NI 44-101” means National Instrument 44-101 *Short Form Prospectus Distributions*;

“NI 44-102” means National Instrument 44-102 *Shelf Distributions*;

“NI 44-103” means National Instrument 44-103 *Post-Receipt Pricing*;

“NI 45-106” means National Instrument 45-106 *Prospectus Exemptions*;

"NI 51-101" means National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*;

"NI 51-102" means National Instrument 51-102 *Continuous Disclosure Obligations*;

"NI 52-107" means National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

"NI 52-110" means National Instrument 52-110 *Audit Committees*;

"NI 58-101" means National Instrument 58-101 *Disclosure of Corporate Governance Practices*;

"NI 81-101" means National Instrument 81-101 *Mutual Fund Prospectus Disclosure*;

"NI 81-102" means National Instrument 81-102 *Investment Funds*;

"NI 81-106" means National Instrument 81-106 *Investment Fund Continuous Disclosure*;

"NI 81-107" means National Instrument 81-107 *Independent Review Committee for Investment Funds*;

"non-voting security" means a restricted security that does not carry the right to vote generally, except for a right to vote that is mandated, in special circumstances, by law;

"old financial year" means the financial year of an issuer that immediately precedes a transition year;

"over-allocation position" means the amount, determined as at the closing of a distribution, by which the aggregate number or principal amount of securities that are sold by one or more underwriters of the distribution exceeds the base offering;

"over-allotment option" means a right granted to one or more underwriters by an issuer or a selling securityholder of the issuer in connection with the distribution of securities under a prospectus to acquire, for the purposes of covering the underwriter's over-allocation position, a security of an issuer that has the same designation and attributes as a security that is distributed under such prospectus, and which

(a) expires not later than the 60th day after the date of the closing of the distribution, and

(b) is exercisable for a number or principal amount of securities that is limited to the lesser of

(i) the over-allocation position, and

(ii) 15% of the base offering;

"personal information form" means,

(a) a completed Schedule 1 of Appendix A,

(b) a completed TSX/TSXV personal information form submitted by an individual to the Toronto Stock Exchange or to the TSX Venture Exchange to which is attached a completed certificate and consent in the form set out in Schedule 1 — Part B of Appendix A, or

(c) a completed Aequitas personal information form submitted by an individual to Aequitas NEO Exchange Inc., to which is attached a completed certificate and consent in the form set out in Schedule 1 — Part B of Appendix A;

"predecessor personal information form" means,

(a) a completed Schedule 1 of Appendix A in the form that was in effect from March 17, 2008 until May 14, 2013, or

(b) a completed TSX/TSXV personal information form to which is attached a completed certificate and consent in the form that was in effect from March 17, 2008 until May 14, 2013

"preliminary prospectus notice" means,

(a) in a jurisdiction other than Québec, a communication relating to a preliminary prospectus if that communication is permitted by a provision in securities legislation listed opposite the jurisdiction in Appendix D, or

(b) in Québec, a written communication relating to a preliminary prospectus that only

(i) identifies the security proposed to be issued,

(ii) states the price of the security, if determined, and

(iii) states the name and address of a person or company from whom purchases of the security may be made and from whom a preliminary prospectus may be obtained;

"principal securityholder" means a person or company who beneficially owns, or controls or directs, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to any class of voting securities of the issuer;

"private issuer" has the same meaning as in section 2.4 of NI 45-106;

"profit or loss attributable to owners of the parent" has the same meaning as in Canadian GAAP applicable to publicly accountable enterprises;

"profit or loss from continuing operations attributable to owners of the parent" has the same meaning as in Canadian GAAP applicable to publicly accountable enterprises;

"publicly accountable enterprise" has the same meaning as in Part 3 of NI 52-107;

"related credit supporter" of an issuer means a credit supporter of the issuer that is an affiliate of the issuer;

"restricted security" means an equity security that is not a preferred security of an issuer if any of the following apply:

(a) there is another class of securities of the issuer that carries a greater number of votes per security relative to the equity security,

(b) the conditions attached to the class of equity securities, the conditions attached to another class of securities of the issuer, or the issuer's constating documents have provisions that nullify or significantly restrict the voting rights of the equity securities,

(c) the issuer has issued another class of equity securities that entitle the owners of securities of that other class to participate in the earnings or assets of the issuer to a greater extent, on a per security basis, than the owners of the first class of equity securities, or

(d) except in Ontario and British Columbia, the regulator determines that the equity security is a restricted security;

"restricted security reorganization" means any event resulting in the creation of restricted securities, directly or through the creation of subject securities or securities that are, directly or indirectly, convertible, or exercisable or exchangeable for, restricted securities or subject securities or any change in the rights attaching to restricted securities, subject securities or securities that are, directly or indirectly, convertible into, or exercisable or exchangeable for, restricted securities or subject securities, including

(a) any

(i) amendment to an issuer's constating documents,

(ii) resolution of the board of directors of an issuer setting the terms of a series of securities of the issuer, or

(iii) restructuring, recapitalization, reclassification, arrangement, amalgamation or merger, or

(b) if the issuer has one or more classes of restricted securities outstanding, an amendment to an issuer's constating documents to increase

(i) the per security voting rights attached to any class of securities without at the same time making a proportionate increase in the per security voting rights attached to any other securities of the issuer, or

(ii) the number of a class of securities authorized, other than a restricted security;

"restricted security term" means each of the terms "non-voting security", "subordinate voting security", and "restricted voting security";

"restricted voting security" means a restricted security that carries a right to vote subject to a restriction on the number or percentage of securities that may be voted or owned by one or more persons or companies, unless the restriction is

(a) permitted or prescribed by statute or regulation, and

(b) is applicable only to persons or companies that are not citizens or residents of Canada or that are otherwise considered as a result of any law applicable to the issuer to be non-Canadians;

"restructuring transaction" has the same meaning as in section 1.1 of NI 51-102;

"retrospective" has the same meaning as in section 1.1 of NI 51-102;

"retrospectively" has the same meaning as in section 1.1 of NI 51-102;

"reverse takeover" has the same meaning as in section 1.1 of NI 51-102;

"reverse takeover acquirer" has the same meaning as in section 1.1 of NI 51-102;

"road show" means a presentation to potential investors, regarding a distribution of securities under a prospectus, conducted by one or more investment dealers on behalf of an issuer in which one or more executive officers, or other representatives, of the issuer participate;

"SEC issuer" has the same meaning as in section 1.1 of NI 52-107;

"short form prospectus" means a prospectus filed in the form of Form 44-101F1;

"special warrant" means a security that, by its terms or the terms of an accompanying contractual obligation,

(a) entitles or requires the holder to acquire another security without payment of material additional consideration and obliges the issuer of either security to undertake efforts to file a prospectus to qualify the distribution of the other security, or

(b) entitles or requires the holder to acquire another security without payment of material additional consideration and the issuer files a prospectus to qualify the distribution of the other security;

"standard term sheet" means a written communication intended for potential investors regarding a distribution of securities under a prospectus that contains no information other than that referred to in subsections 13.5(2) and (3), subsections 13.6(2) and (3), subsections 7.5(2) and (3) of NI 44-101, subsections 9A.2(2) and (3) of NI 44-102 or subsections 4A.2(2) and (3) of NI 44-103, relating to an issuer, securities or an offering, but does not include the

following:

(a) a preliminary prospectus notice;

(b) a final prospectus notice;

“subject security” means a security that results, or would result if and when issued, in an existing class of securities being considered restricted securities;

“subordinate voting security” means a restricted security that carries a right to vote, if there are securities of another class outstanding that carry a greater right to vote on a per security basis;

“successor credit rating organization” has the same meaning as in National Instrument 44-101 *Short Form Prospectus Distributions*;

“template version” means a version of a document with spaces for information to be added in accordance with any of the following:

(a) subsection 13.7(2) or 13.8(2);

(b) subsection 7.6(2) of NI 44-101;

(c) subsection 9A.3(2) of NI 44-102;

(d) subsection 4A.3(3) of NI 44-103;

“transition year” means the financial year of an issuer or business in which the issuer or business changes its financial year-end;

“TSX/TSXV personal information form” means a personal information form for an individual pursuant to Toronto Stock Exchange Form 4 or TSX Venture Exchange Form 2A, each as amended from time to time;

“U.S. AICPA GAAS” has the same meaning as in section 1.1 of NI 52-107;

“U.S. GAAP” has the same meaning as in section 1.1 of NI 52-107;

“U.S. marketplace” has the same meaning as in section 1.1 of NI 51-102;

“U.S. PCAOB GAAS” has the same meaning as in section 1.1 of NI 52-107;

“venture issuer” has the same meaning as in section 1.1 of NI 51-102 except the “applicable time” is the date the prospectus is filed;

“waiting period” means the period of time between the issuance of a receipt by the regulator for a preliminary prospectus and the issuance of a receipt by the regulator for a final prospectus.

1.2 Interpretation of “prospectus”, “preliminary prospectus”, “final prospectus”, “long form prospectus”, and “short form prospectus” — (1) In this Instrument, a reference to a “prospectus” includes a preliminary long form prospectus, a final long form prospectus, a preliminary short form prospectus, and a final short form prospectus.

(2) In this Instrument, a reference to a “preliminary prospectus” includes a preliminary long form prospectus and a preliminary short form prospectus.

(3) In this Instrument, a reference to a “final prospectus” includes a final long form prospectus and a final short form prospectus.

(4) In this Instrument, a reference to a “long form prospectus” includes a preliminary long form prospectus and a final long form prospectus.

(5) In this Instrument, a reference to a “short form prospectus” includes a preliminary short form prospectus and a final short form prospectus.

(6) Despite subsections (1), (2), and (3), in Form 41-101F1, Form 41-101F2, Form 41-101F3 and Form 41-101F4,

(a) a reference to a “prospectus” only includes a preliminary long form prospectus and a final long form prospectus,

(b) a reference to a “preliminary prospectus” only includes a preliminary long form prospectus, and

(c) a reference to a “final prospectus” only includes a final long form prospectus.

1.3 Interpretation of “business” — In this Instrument, unless otherwise stated, a reference to a business includes an interest in an oil and gas property to which reserves, as defined in NI 51-101, have been specifically attributed.

1.4 Interpretation of “affiliate” — In this Instrument, an issuer is an affiliate of another issuer if the issuer would be an affiliate of the other issuer under subsection 1.1(2) of NI 51-102.

1.5 Interpretation of “payments to be made” — For the purposes of the definition of “full and unconditional credit support”, payments to be made by an issuer of securities as stipulated in the terms of the securities include

(a) any amounts to be paid as dividends in accordance with, and on the dividend payment dates stipulated in, the provisions of the securities, whether or not the dividends have been declared, and

(b) any discretionary dividends, provided that the terms of the securities or an agreement governing rights of holders of the securities expressly provides that the holder of the securities will be entitled, once the discretionary dividend is declared, to receive payment from the credit supporter within 15 days of any failure by the issuer to pay the declared dividend.

Part 2: — Requirements for All Prospectus Distributions

2.1 Application of the Instrument — (1) Subject to subsection (2), this Instrument applies to a prospectus filed under securities legislation, a distribution of securities subject to the prospectus requirement and a purchase of securities of an ETF.

(2) This Instrument does not apply to a prospectus filed under NI 81-101 or a distribution of securities under such a prospectus.

2.2 Language — (1) An issuer must file a prospectus and any other document required to be filed under this Instrument or NI 44-101 in French or in English.

(2) In Québec, a prospectus and any document required to be incorporated by reference into a prospectus must be in French or in French and English.

(3) Despite subsection (1), if an issuer files a document only in French or only in English but delivers to an investor or prospective investor a version of the document in the other language, the issuer must file that other version not later than when it is first delivered to the investor or prospective investor.

(4) If an issuer files a document under this Instrument that is a translation of a document prepared in a language other than French or English, the issuer must

(a) attach a certificate as to the accuracy of the translation to the filed document, and

(b) make a copy of the document in the original language available on request.

2.3 General requirements — (1) An issuer must not file its first amendment to a preliminary prospectus more than 90 days after the date of the receipt for the preliminary prospectus.

(1.1) An issuer must not file a final prospectus more than 90 days after the date of the receipt for the preliminary prospectus or an amendment to the preliminary prospectus which relates to the final prospectus.

(1.2) If an issuer files an amendment to a preliminary prospectus, the final prospectus must be filed within 180 days from the date of the receipt of the preliminary prospectus.

(2) An issuer must not file

(a) a prospectus more than three business days after the date of the prospectus, and

(b) an amendment to a prospectus more than three business days after the date of the amendment to the prospectus.

2.4 Special warrants — (1) An issuer must not file a prospectus or an amendment to a prospectus to qualify the distribution of securities issued upon the exercise of special warrants or other securities acquired on a prospectus-exempt basis unless holders of the special warrants or other securities have been provided with a contractual right of rescission.

(2) A contractual right of rescission under subsection (1) must provide that, if a holder of a special warrant who acquires another security of the issuer on exercise of the special warrant as provided for in the prospectus is, or becomes, entitled under the securities legislation of a jurisdiction to the remedy of rescission because of the prospectus or an amendment to the prospectus containing a misrepresentation,

(a) the holder is entitled to rescission of both the holder's exercise of its special warrant and the private placement transaction under which the special warrant was initially acquired,

(b) the holder is entitled in connection with the rescission to a full refund of all consideration paid to the underwriter or issuer, as the case may be, on the acquisition of the special warrant, and

(c) if the holder is a permitted assignee of the interest of the original special warrant subscriber, the holder is entitled to exercise the rights of rescission and refund as if the holder was the original subscriber.

Part 3: — Form of Prospectus

3.1 Form of prospectus — (1) Subject to subsections (2), (2.1) and (3), an issuer filing a prospectus must file the prospectus in the form of Form 41-101F1.

(2) An issuer that is an investment fund, other than a scholarship plan, filing a prospectus must file the prospectus in the form of Form 41-101F2.

(2.1) An issuer that is a scholarship plan filing a prospectus must file the prospectus in the form of Form 41-101F3.

(3) An issuer that is qualified to file a short form prospectus may file a short form prospectus.

Part 3A — Scholarship Plan Prospectus Requirements

3A.1 Plain language and presentation — (1) A scholarship plan prospectus must be prepared using plain language and in a format that assists in readability and comprehension.

(2) A scholarship plan prospectus must

(a) present all information briefly and concisely,

(b) present the items listed in Parts A to D of Form 41-101F3 in the order set out in those parts,

(c) use only the headings and sub-headings prescribed by Form 41-101F3 unless stated otherwise,

(d) contain only information that is specifically mandated or permitted by Form 41-101F3, and

(e) not incorporate by reference into the scholarship plan prospectus, information that is required to be included in a scholarship plan prospectus.

(3) A plan summary must

(a) be prepared for each scholarship plan offered under a scholarship plan prospectus or multiple scholarship plan prospectus, and

(b) not exceed 4 pages in length.

3A.2 Combinations of documents — (1) Subject to subsection (2), a scholarship plan prospectus may be consolidated with one or more scholarship plan prospectuses to a form a multiple scholarship plan prospectus.

(2) A scholarship plan prospectus must not be consolidated with one or more scholarship plan prospectuses to form a multiple scholarship plan prospectus unless the portions of each scholarship plan prospectus prepared in accordance with the requirements of Parts B and D of Form 41-101F3 are substantially similar.

3A.3 Order of contents of bound documents — If documents are attached to, or bound with, a scholarship plan prospectus or multiple scholarship plan prospectus

(a) the scholarship plan prospectus or multiple scholarship plan prospectus must be the first document contained in the package, and

(b) no pages must come before the scholarship plan prospectus or multiple scholarship plan prospectus other than, at the option of the scholarship plan, a general front cover and table of contents pertaining to the entire package.

3A.4 Plan summary — (1) Despite section 3A.3, a plan summary must not be attached to, or bound with, any other part of a scholarship plan prospectus, or to any other document, except as provided in this section.

(2) A plan summary of a scholarship plan may be attached to or bound with one or more plan summaries of other scholarship plans if the binding, to a reasonable person, would help present the information in a simple, accessible and comparable format.

3A.5 Documents to be delivered or sent upon request — (1) On request by a person or company, a scholarship plan must deliver or send a copy of one or more the following documents free of charge to the person or company:

(a) the scholarship plan prospectus or multiple scholarship plan prospectus;

(b) any document incorporated by reference into the scholarship plan prospectus;

(c) any portion of a document described in paragraph (a) or (b).

(2) A document requested under subsection (1) must be delivered or sent within 3 business days of receipt of the request.

Part 3B: — ETF Facts Document Requirements

3B.1 Application — This Part applies only to an ETF.

3B.2 Plain language and presentation — (1) An ETF facts document must be prepared using plain language and be in a format that assists in readability and comprehension.

(2) An ETF facts document must

(a) be prepared for each class and each series of securities of an ETF in accordance with Form 41-101F4,

(b) present the items listed in the Part I section of Form 41-101F4 and the items listed in the Part II section of Form 41-101F4 in the order stipulated in those parts,

(c) use the headings and sub-headings stipulated in Form 41-101F4,

(d) contain only the information that is specifically required or permitted to be in Form 41-101F4,

(e) not incorporate any information by reference, and

(f) not exceed four pages in length.

3B.3 Preparation in the required form — Despite provisions in securities legislation relating to the presentation of the content of a prospectus, an ETF facts document for an ETF must be prepared in accordance with this Instrument.

3B.4 Websites — (1) The ETF must post on its designated website ~~If an ETF or the ETF's family has a website, the ETF must post to at least one of those websites~~ an ETF facts document filed under this Part as soon as practicable and, in any event, within 10 days after the date that the document is filed.

(2) An ETF facts document posted on ~~posted to~~ the website referred to in subsection (1) must

(a) be displayed in a manner that would be considered prominent to a reasonable person; and

(b) not be combined with another ETF facts document.

(3) [Repealed] ~~Subsection (1) does not apply if the ETF facts document is posted to a website of the manager of the ETF in the manner required under subsection (2).~~

Part 3C: — Delivery of ETF Facts Documents for Investment Funds

3C.1 Application — This Part applies only to an ETF.

3C.2 Obligation to deliver ETF facts documents — (1) The obligation to deliver or send a prospectus under securities legislation does not apply in respect of an ETF.

(2) A dealer acting as agent for a purchaser who receives an order for the purchase of a security of an ETF must, unless the dealer has previously done so, deliver or send to the purchaser the most recently filed ETF facts document for the applicable class or series of securities of the ETF not later than midnight on the second business day after entering into the purchase of the security.

(3) In Nova Scotia, an ETF facts document is a prescribed disclosure document for the purposes of subsection 76(1A) of the *Securities Act* (Nova Scotia).

(4) In Nova Scotia, a security of an ETF is a prescribed investment fund security for the purposes of subsections 76(1B) and (1C) of the *Securities Act* (Nova Scotia).

(5) In Ontario, an ETF facts document is a disclosure document prescribed under subsection 71(1.1) of the *Securities Act* (Ontario).

(6) In Ontario, a security of an ETF is an investment fund security prescribed for the purposes of subsections 71(1.2) and (1.3) of the *Securities Act* (Ontario).

3C.2.1 Delivery of ETF facts documents for no-trailing-commission ETF switches — (1) In this section,

"no-trailing-commission ETF switch" means, in respect of a client of a participating dealer, a purchase of securities of a class or series of an ETF in respect of which an investment fund manager does not pay the participating dealer a trailing commission immediately following a redemption of securities of another class or series of the ETF in respect of which the investment fund manager pays the participating dealer a trailing commission, if all of the following apply:

(a) the aggregate value of the securities purchased is the same as the aggregate value of the securities redeemed;

(b) there are no material differences between the class or series of securities purchased and the class or series of securities redeemed other than the rate of management fees charged in respect of the two classes or series;

(c) the participating dealer, who executed the purchase and redemption of the securities, was not required by securities legislation or the rules of an SRO applicable to the dealer to make a suitability determination in respect of the client in connection with those securities;

"suitability determination" has the same meaning as in section 1.1 of National Instrument 81-105 *Mutual Fund Sales Practices*.

(2) Despite subsection 3C.2(2), a dealer is not required to deliver or send to the purchaser of a security of an ETF the most recently filed ETF facts document for the applicable class or series of securities of the ETF in connection with a no-trailing-commission ETF switch.

3C.2.2 Delivery of ETF facts documents for subsequent purchases under a pre-authorized purchase plan or a portfolio rebalancing plan — (1) In this section:

"portfolio rebalancing plan" has the same meaning as in section 1.1 of National Instrument 81-101 *Mutual Fund Prospectus Disclosure*;

"pre-authorized purchase plan" has the same meaning as in section 1.1 of National Instrument 81-101 *Mutual Fund Prospectus Disclosure*.

(2) Despite subsection 3C.2(2), a dealer is not required to deliver or send to the purchaser the most recently filed ETF facts document for the applicable class or series of securities of the ETF in connection with a purchase of a security of an ETF made pursuant to a pre-authorized purchase plan or a portfolio rebalancing plan if all of the following apply:

(a) the purchase is not the first purchase under the plan;

(b) the dealer has provided a notice to the purchaser that states

(i) that the purchaser will not receive an ETF facts document after the date of the notice, unless the purchaser specifically requests the document,

(ii) that the purchaser is entitled to receive upon request, at no cost to the purchaser, the most recently filed ETF facts document by calling a specified toll-free number, or by sending a request by mail or e-mail to a specified address or e-mail address,

(iii) how to access the ETF facts document electronically,

(iv) that the purchaser will not have a right of withdrawal under securities legislation for subsequent purchases of a security of an ETF under the plan, but will continue to have a right of action if there is a misrepresentation in the prospectus or any document incorporated by reference into the prospectus, and

(v) that the purchaser may terminate the plan at any time;

(c) at least annually during the term of the plan, the dealer notifies the purchaser in writing of how the purchaser can request the most recently filed ETF facts document;

(d) the dealer delivers or sends the most recently filed ETF facts document to the purchaser if the purchaser requests the document.

3C.2.3 Delivery of ETF facts documents for managed accounts and permitted clients — (1) In this section:

"managed account" has the same meaning as in section 1.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*;

"permitted client" has the same meaning as in section 1.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

(2) Despite subsection 3C.2(2), a dealer is not required to deliver or send to the purchaser the most recently filed ETF facts document for the applicable class or series of securities of the ETF in connection with the purchase of a security of the ETF if either of the following apply:

(a) the purchase is made in a managed account;

(b) the purchaser is a permitted client that is not an individual.

3C.2.4 Delivery of ETF facts documents for automatic switch programs — (1) In this section:

"automatic switch" has the same meaning as in section 1.1 of National Instrument 81-101 *Mutual Fund Prospectus Disclosure*;

"automatic switch program" has the same meaning as in section 1.1 of National Instrument 81-101 *Mutual Fund Prospectus Disclosure*.

(2) Despite subsection 3C.2(2), a dealer is not required to deliver or send to the purchaser the most recently filed ETF facts document for the applicable class or series of securities of the ETF in connection with the purchase of a security of the ETF made as an automatic switch pursuant to an automatic switch program if all of the following apply:

(a) the purchase is not the first purchase under the automatic switch program;

(b) the dealer has provided a notice to the purchaser that states

(i) that the purchaser will not receive an ETF facts document after the date of the notice, unless the purchaser specifically requests the document,

(ii) that the purchaser is entitled to receive upon request, at no cost to the purchaser, the most recently filed ETF facts document by calling a specified toll-free number, or by sending a request by mail or e-mail to a specified address or e-mail address,

(iii) how to access the ETF facts document electronically, and

(iv) that the purchaser will not have a right of withdrawal under securities legislation for subsequent purchases of a security of an ETF under the automatic purchase program, but will continue to have a right of action if there is a misrepresentation in the prospectus or any document incorporated by reference into the prospectus;

(c) at least annually, the dealer notifies the purchaser in writing of how the purchaser can request the most recently filed ETF facts document;

(d) the dealer delivers or sends the most recently filed ETF facts document to the purchaser if the purchaser requests the document;

(e) with respect to the first purchase under the automatic switch program, the ETF facts document delivered or sent to the purchaser included the ETF facts automatic switch program information as defined in Appendix F.

3C.3 Combinations of ETF facts documents for delivery purposes — (1) An ETF facts document delivered or sent under section 3C.2, 3C.2.2 or 3C.2.4 ~~3C.2~~ must not be combined with any other materials or documents including, for greater certainty, another ETF facts document, except one or more of the following:

(a) a general front cover pertaining to the package of combined materials and documents;

(b) a trade confirmation which discloses the purchase of securities of the ETF;

(c) an ETF facts document of another ETF if that ETF facts document is also being delivered or sent under section 3C.2;

(d) the prospectus of the ETF;

(e) any material or document incorporated by reference into the prospectus;

(f) an account application document;

(g) a registered tax plan application or related document.

(2) If a trade confirmation referred to in subsection (1)(b) is combined with an ETF facts document, any other disclosure documents required to be delivered or sent to satisfy a regulatory requirement for purchases listed in the trade confirmation may be combined with the ETF facts document.

(3) If an ETF facts document is combined with any of the materials or documents referred to in subsection (1), a table of contents specifying all documents must be combined with the ETF facts document, unless the only other documents combined with the ETF facts document are the general front cover permitted under paragraph (1)(a) or the trade confirmation permitted under paragraph (1)(b).

(4) If one or more ETF facts documents are combined with any of the materials or documents referred to in subsection (1), only the general front cover permitted under paragraph (1)(a), the table of contents required under subsection (3) and the trade confirmation permitted under paragraph (1)(b) may be placed in front of those ETF facts documents.

3C.4 Combinations of ETF facts documents for filing purposes — For the purposes of sections 6.2, 9.1 and 9.2, an ETF facts document may be combined with another ETF facts document in a prospectus.

3C.5 Time of receipt — (1) For the purpose of this Part, where the latest ETF facts document referred to in subsection 3C.2(2) is sent by prepaid mail, it shall be deemed conclusively to have been received in the ordinary course of mail by the person or company to whom it was addressed.

(2) Subsection (1) does not apply in Ontario.

(3) Subsection (1) does not apply in Québec.

[Note: In Ontario, the same time of receipt is reflected in an amendment to s. 71(4) of the Securities Act (Ontario).]

3C.6 Dealer as agent — (1) For the purpose of this Part, a dealer acts as agent of the purchaser if the dealer is acting solely as agent of the purchaser with respect to the purchase and sale in question and has not received and has no agreement to receive compensation from or on behalf of the vendor with respect to the purchase and sale.

(2) Subsection (1) does not apply in Ontario.

(3) Subsection (1) does not apply in Québec.

(4) Subsection (1) does not apply in British Columbia.

~~3C.6 Dealer as agent — (1) For the purpose of this Part, a dealer acts as agent of the purchaser if the dealer is acting solely as agent of the purchaser with respect to the purchase and sale in question and has not received and has no agreement to receive compensation from or on behalf of the vendor with respect to the purchase and sale.~~

~~(2) Subsection (1) does not apply in Ontario.~~

~~(3) Subsection (1) does not apply in Québec.~~

[Note: In Ontario, the same agency rule is reflected in an amendment to s. 71(7) of the Securities Act (Ontario).]

3C.7 Purchaser's right of action for failure to deliver or send — (1) A purchaser has a right of action if an ETF facts document is not delivered or sent as required by subsection 3C.2(2), as the purchaser would otherwise have when a prospectus is not delivered or sent as required under securities legislation and, for that purpose, an ETF facts document is a prescribed document under the statutory right of action.

(2) In Alberta, instead of subsection (1), section 206 of the *Securities Act* (Alberta) applies.

(3) In Manitoba, instead of subsection (1), section 141.2 of the *Securities Act* (Manitoba) applies and the ETF facts document is a prescribed document for the purposes of section 141.2.

(4) In Nova Scotia, instead of subsection (1), section 141 of the *Securities Act* (Nova Scotia) applies.

(5) In Ontario, instead of subsection (1), section 133 of the *Securities Act* (Ontario) applies.

(6) In Québec, instead of subsection (1), section 214.1 of the *Securities Act* (Québec) applies.

(7) In British Columbia, for the purpose of subsection (1), "statutory right of action" means section 135 of the *Securities Act* (British Columbia).

(8) In Saskatchewan, instead of subsection (1), section 141 of *The Securities Act, 1988* applies.

~~3C.7 Purchaser's right of action for failure to deliver or send — (1) A purchaser has a right of action if an ETF facts document is not delivered or sent as required by subsection 3C.2(2), as the purchaser would otherwise have when a prospectus is not delivered or sent as required under securities legislation and, for that purpose, an ETF facts document is a prescribed document under the statutory right of action.~~

~~(2) In Alberta, instead of subsection (1), section 206 of the Securities Act (Alberta) applies.~~

~~(3) In Manitoba, instead of subsection (1), section 141.2 of the Securities Act (Manitoba) applies and the ETF facts document is a prescribed document for the purposes of section 141.2.~~

~~(4) In Nova Scotia, instead of subsection (1), section 141 of the Securities Act (Nova Scotia) applies.~~

~~(5) In Ontario, instead of subsection (1), section 133 of the Securities Act (Ontario) applies.~~

~~(6) In Québec, instead of subsection (1), section 214.1 of the Securities Act (Québec) applies.~~

Part 4: — Financial Statements and Related Documents in a Long Form Prospectus

4.1 Application — (1) An issuer, other than an investment fund, that files a long form prospectus must include in the long form prospectus the financial statements and the management's discussion and analysis required by this Instrument.

(2) Subject to Part 15, an investment fund that files a long form prospectus must include in the long form prospectus the financial statements and the management reports of fund performance required by this Instrument.

(3) For the purposes of this Part, "financial statements" do not include pro forma financial statements.

4.2 Audit of financial statements — (1) Any financial statements included in a long form prospectus filed in the form of Form 41-101F1 must be audited in accordance with NI 52-107 unless an exception in section 32.5 or subsection 35.1(3) of Form 41-101F1 applies.

(2) Any financial statements, other than an interim financial report, included in or incorporated by reference into a long form prospectus of an investment fund filed in the form of Form 41-101F2 or Form 41-101F3 must meet the audit requirements of Part 2 of NI 81-106.

4.3 Review of unaudited financial statements — (1) Subject to subsection (2) and (3), any unaudited financial statements included in, or incorporated by reference into, a long form prospectus must have been reviewed in

accordance with the relevant standards set out in the Handbook for a review of financial statements by the person or company's auditor or a review of financial statements by a public accountant.

(2) Subsection (1) does not apply to an investment fund's unaudited financial statements filed after the date of filing of the prospectus that are incorporated by reference into the prospectus under Part 15.

(3) If NI 52-107 permits the financial statements of the person or company in subsection (1) to be audited in accordance with

(a) U.S. AICPA GAAS, the unaudited financial statements may be reviewed in accordance with the review standards issued by the American Institute of Certified Public Accountants,

(a.1) U.S. PCAOB GAAS, the unaudited financial statements may be reviewed in accordance with the review standards issued by the Public Company Accounting Oversight Board (United States of America),

(b) International Standards on Auditing, the unaudited financial statements may be reviewed in accordance with International Standards on Review Engagement issued by the International Auditing and Assurance Standards Board, or

(c) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the person or company is subject, the unaudited financial statements

(i) may be reviewed in accordance with review standards that meet the foreign disclosure requirements of the designated foreign jurisdiction, or

(ii) do not have to be reviewed if

(A) the designated foreign jurisdiction does not have review standards for unaudited financial statements, and

(B) the long form prospectus includes disclosure that the unaudited financial statements have not been reviewed.

4.4 Approval of financial statements and related documents — (1) An issuer must not file a long form prospectus unless each financial statement, each management's discussion and analysis, and each management report of fund performance, as applicable, of a person or company included in, or incorporated by reference into, the long form prospectus has been approved by the board of directors of the person or company.

(2) An investment fund that is a trust must not file a long form prospectus unless each financial statement and each management report of fund performance of the investment fund included in, or incorporated by reference into, the long form prospectus has been approved by the trustee or trustees of the investment fund or another person or company authorized to do so by the constating documents of the investment fund.

Part 5: — Certificates

5.1 Interpretation — For the purposes of this Part,

(a) "issuer certificate form" means a certificate in the form set out in

(i) section 37.2 of Form 41-101F1,

(ii.1) section 9.1 of Part D of Form 41-101F3.

(ii) section 39.1 of Form 41-101F2,

(iii) section 21.2 of Form 44-101F1,

(iv) NI 44-102 in

(A) section 1.1 of Appendix A,

(B) section 2.1 of Appendix A,

(C) section 1.1 of Appendix B, or

(D) section 2.1 of Appendix B, or

(v) NI 44-103 in

(A) paragraph 7 of subsection 3.2(1), or

(B) paragraph 3 of subsection 4.5(2), and

(b) “underwriter certificate form” means a certificate in the form set out in

(i) section 37.3 of Form 41-101F1,

(ii) section 39.3 of Form 41-101F2,

(ii.1) section 9.3 of Part D of Form 41-101F3.

(iii) section 21.3 of Form 44-101F1,

(iv) NI 44-102 in

(A) section 1.2 of Appendix A,

(B) section 2.2 of Appendix A,

(C) section 1.2 of Appendix B, or

(D) section 2.2 of Appendix B, or

(v) NI 44-103 in

(A) paragraph 8 of subsection 3.2(1), or

(B) paragraph 4 of subsection 4.5(2).

5.2 Date of certificates — The date of the certificates in a prospectus or an amendment to a prospectus must be the same as the date of the prospectus or the amendment to the prospectus, as applicable.

5.3 Certificate of issuer — (1) Except in Ontario, a prospectus must contain a certificate signed by the issuer.
[Note: In Ontario, section 58 of the Securities Act *(Ontario) imposes a similar requirement that a prospectus contain a certificate of the issuer.]*[1]

(2) A prospectus certificate that is required to be signed by the issuer under this Instrument or other securities legislation must be in the applicable issuer certificate form.

5.4 Corporate issuer — (1) Except in Ontario, if the issuer is a company, a prospectus certificate that is required to be signed by the issuer under this Instrument or other securities legislation must be signed

(a) by the chief executive officer and the chief financial officer of the issuer, and

(b) on behalf of the board of directors, by

(i) any two directors of the issuer, other than the persons referred to in paragraph (a) above, or

(ii) if the issuer has only three directors, two of whom are the persons referred to in paragraph (a), all of the directors of the issuer.

(2) Except in Ontario, if the regulator is satisfied that either or both of the chief executive officer or chief financial officer cannot sign a certificate in a prospectus, the regulator may accept a certificate signed by another officer.

[Note: In Ontario, section 58 of the Securities Act *(Ontario) imposes similar requirements regarding who must sign the issuer certificate.]*

5.5 Trust issuer — (1) If the issuer is a trust, a prospectus certificate that is required to be signed by the issuer under this Instrument or other securities legislation must be signed by

(a) the individuals who perform functions for the issuer similar to those performed by the chief executive officer and the chief financial officer of a company, and

(b) two trustees of the issuer, on behalf of the trustees of the issuer.

(2) If a trustee that is signing the certificate of the issuer is

(a) an individual, the individual must sign the certificate,

(b) a company, the certificate must be signed

(i) by the chief executive officer and the chief financial officer of the trustee, and

(ii) on behalf of the board of directors of the trustee, by

(A) any two directors of the trustee, other than the persons referred to in subparagraph (i), or

(B) if the trustee has only three directors, two of whom are the persons referred to in subparagraph (i), all of the directors of the trustee,

(c) a limited partnership, the certificate must be signed by each general partner of the limited partnership as described in subsection 5.6(2) in relation to an issuer that is a limited partnership, or

(d) not referred to in paragraphs (a), (b) or (c), the certificate may be signed by any person or company with authority to bind the trustee.

(3) Despite subsections (1) and (2), if the issuer is an investment fund and the declaration of trust, trust indenture or trust agreement establishing the investment fund delegates the authority to do so, or otherwise authorizes an individual or company to do so, the certificate may be signed by the individual or company to whom the authority is delegated or that is authorized to sign the certificate.

(4) Despite subsections (1) and (2), if the trustees of an issuer, other than an investment fund, do not perform functions for the issuer similar to those performed by the directors of a company, the trustees are not required to sign the prospectus certificate of the issuer provided that at least two individuals who do perform functions for the issuer similar to those performed by the directors of a company sign the certificate.

(5) If the regulator is satisfied that an individual who performs functions for the issuer similar to those performed by either the chief executive officer or the chief financial officer of a company cannot sign a certificate in a prospectus, the regulator may accept a certificate signed by another individual.

5.6 Limited partnership issuer — (1) If the issuer is a limited partnership, a prospectus certificate that is required to be

signed by the issuer under this Instrument or other securities legislation must be signed by

(a) the individuals who perform functions for the issuer similar to those performed by the chief executive officer and the chief financial officer of a company, and

(b) each general partner of the issuer.

(2) If a general partner of the issuer is

(a) an individual, the individual must sign the certificate,

(b) a company, the certificate must be signed

(i) by the chief executive officer and the chief financial officer of the general partner, and

(ii) on behalf of the board of directors of the general partner, by

(A) any two directors of the general partner, other than the persons referred to in subparagraph (i), or

(B) if the general partner has only three directors, two of whom are the persons referred to in subparagraph (i), all of the directors of the general partner,

(c) a limited partnership, the certificate must be signed by each general partner of the limited partnership and, for greater certainty, this subsection applies to each general partner required to sign,

(d) a trust, the certificate must be signed by the trustees of the general partner as described in subsection 5.5(2) in relation to an issuer that is a trust, or

(e) not referred to in paragraphs (a) to (d), the certificate may be signed by any person or company with authority to bind the general partner.

(3) If the regulator is satisfied that an individual who performs functions for the issuer similar to those performed by either the chief executive officer or the chief financial officer of a company cannot sign a certificate in a prospectus, the regulator may accept a certificate signed by another individual.

5.7 Other issuer — If an issuer is not a company, trust or limited partnership, a prospectus certificate that is required to be signed by the issuer under this Instrument or other securities legislation must be signed by the persons or companies that, in relation to the issuer, are in a similar position or perform a similar function to the persons or companies required to sign under sections 5.4, 5.5 and 5.6.

5.8 Reverse takeovers — Except in Ontario, if an issuer is involved in a proposed reverse takeover that has progressed to a state where a reasonable person would believe that the likelihood of the reverse takeover being completed is high, a prospectus must contain a certificate, in the applicable issuer certificate form, signed

(a) by the chief executive officer and the chief financial officer of the reverse takeover acquirer, and

(b) on behalf of the board of directors of the reverse takeover acquirer, by

(i) any two directors of the reverse takeover acquirer, other than the persons referred to in paragraph (a) above, or

(ii) if the reverse takeover acquirer has only three directors, two of whom are the persons referred to in paragraph (a), all of the directors of the reverse takeover acquirer.

5.9 Certificate of underwriter — (1) Except in Ontario, a prospectus must contain a certificate signed by each underwriter who, with respect to the securities offered by the prospectus, is in a contractual relationship with the issuer or a

securityholder whose securities are being offered by the prospectus.

[Note: In Ontario, subsection 59(1) of the Securities Act *(Ontario) imposes a similar requirement that a prospectus contain a certificate signed by each underwriter in a contractual relationship with the issuer.]*

(2) A prospectus certificate that is required to be signed by an underwriter under this Instrument or other securities legislation must be in the applicable underwriter certificate form.

(3) Except in Ontario, with the consent of the regulator, a certificate in a prospectus may be signed by the underwriter's agent duly authorized in writing by the underwriter.

[Note: In Ontario, subsection 59(2) of the Securities Act *(Ontario) provides a similar discretion to the Director to permit the certificate to be signed by an underwriter's agent.]*

5.10 Certificate of investment fund manager — (1) If the issuer has an investment fund manager, a prospectus must contain a certificate, in the applicable issuer certificate form, signed by the investment fund manager.

(2) If the investment fund manager is a company, the certificate must be signed

(a) by the chief executive officer and the chief financial officer of the investment fund manager, and

(b) on behalf of the board of directors, by

(i) any two directors of the investment fund manager, other than the persons referred to in paragraph (a) above, or

(ii) if the investment fund manager has only three directors, two of whom are the persons referred to in paragraph (a), all of the directors of the investment fund manager.

(3) If the investment fund manager is a limited partnership, the certificate must be signed by the general partner of such limited partnership as described in subsection 5.6(2) in relation to an issuer that is a limited partnership.

5.10.1 Certificate of principal distributor — (1) If the issuer is an investment fund that has a principal distributor, a prospectus must contain a certificate, in the applicable underwriter certificate form, signed by the principal distributor.

(2) The certificate to be signed by the principal distributor must be signed by an officer or director of the principal distributor who is authorized to sign.

5.11 Certificate of promoter — (1) Except in Ontario, a prospectus must contain a certificate signed by each promoter of the issuer.

[Note: In Ontario, subsection 58(1) of the Securities Act *(Ontario) imposes a similar requirement that a prospectus shall contain a certificate signed by each promoter of the issuer.]*

(2) A prospectus certificate required to be signed by a promoter under this Instrument or other securities legislation must be in the applicable issuer certificate form.

(3) Except in Ontario, the regulator may require any person or company who was a promoter of the issuer within the two preceding years to sign a certificate to the prospectus, in the applicable issuer certificate form.

[Note: In Ontario, subsection 58(6) of the Securities Act *(Ontario) provides the Director with similar discretion to require a person or company who was a promoter of the issuer within the two preceding years to sign a prospectus certificate, subject to such conditions as the Director considers proper.]*

(4) Despite subsection (3), in British Columbia, the powers of the regulator with respect to the matters described in subsection (3) are set out in the *Securities Act* (British Columbia).

(5) Except in Ontario, with the consent of the regulator, a certificate of a promoter in a prospectus may be signed by an agent duly authorized in writing by the person or company required to sign the certificate.

[Note: In Ontario, subsection 58(7) of the Securities Act *(Ontario) provides the Director with similar discretion to permit a certificate in a prospectus to be signed by an agent of a promoter.*

5.12 Certificate of credit supporter — (1) If there is a related credit supporter of the issuer or a subsidiary of the issuer, a prospectus must contain a certificate of the related credit supporter, in the applicable issuer certificate form, signed

(a) by the chief executive officer and the chief financial officer of the credit supporter, and

(b) on behalf of the board of directors of the credit supporter, by

(i) any two directors of the credit supporter, other than the persons referred to in paragraph (a) above, or

(ii) if the credit supporter has only three directors, two of whom are the persons referred to in paragraph (a), all of the directors of the credit supporter.

(2) With the consent of the regulator, a certificate in a prospectus may be signed by the credit supporter's agent duly authorized in writing by the credit supporter.

(3) Except in Ontario, the regulator may require any other person or company that is a credit supporter of either the issuer or a subsidiary of the issuer to sign a certificate to the prospectus, in the applicable issuer certificate form.

[Note: In Ontario, subsection 58(6) of the Securities Act *(Ontario) provides the Director with similar discretion to require a person or company who is a guarantor of the securities being distributed to sign a prospectus certificate, subject to such conditions as the Director considers proper.]*

(4) Despite subsection (3), in British Columbia, the powers of the regulator with respect to the matters described in subsection (3) are set out in the *Securities Act* (British Columbia).

5.13 Certificate of selling securityholders — (1) Except in Ontario, the regulator may require any person or company that is a selling securityholder to sign a certificate to the prospectus, in the applicable issuer certificate form.

(2) Despite subsection (1), in British Columbia, the powers of the regulator with respect to the matters described in subsection (1) are set out in the *Securities Act* (British Columbia).

5.14 Certificate of operating entity — (1) For the purposes of this section, the term "operating entity" means, in relation to an issuer, a person or company through which the business of the issuer, or a material part of the business of the issuer, is conducted and for which the issuer is required under securities legislation, or has undertaken, to provide to its securityholders separate financial statements of the person or company if the issuer's financial statements do not include consolidated information concerning the person or company.

(2) A prospectus of an issuer that is a trust must contain a certificate, in the applicable issuer certificate form, signed

(a) by the chief executive officer and the chief financial officer of the operating entity, and

(b) on behalf of the board of directors of the operating entity, by

(i) any two directors of the operating entity, other than the persons referred to in paragraph (a) above, or

(ii) if the operating entity has only three directors, two of whom are the persons referred to in paragraph (a), all of the directors of the operating entity.

5.15 Certificate of other persons — (1) Except in Ontario, the regulator may, in its discretion, require any person or company to sign a certificate to the prospectus, in the form that the regulator considers appropriate.

(2) Despite subsection (1), in British Columbia, the powers of the regulator with respect to the matters described in subsection (1) are set out in the *Securities Act* (British Columbia).

Part 6: — Amendments

6.1 Form of amendment — (1) An amendment to a prospectus must be either

(a) an amendment that does not fully restate the text of the prospectus, or

(b) an amended and restated prospectus.

(2) An amendment to a prospectus must be identified as follows:

(a) for an amendment that does not restate the text of the prospectus:

Amendment no. [insert amendment number] dated [insert date of amendment] to [identify prospectus] dated [insert date of prospectus being amended].

; or

(b) for an amended and restated prospectus:

Amended and restated [identify prospectus] dated [insert date of amendment], amending and restating [identify prospectus] dated [insert date of prospectus being amended].

(3) Despite subsections (1) and (2), an amendment to a plan summary must be prepared in accordance with Part A of Form 41-101F3 without any further identification, and dated as of the date the plan summary is being amended.

(4) An amendment to an ETF facts document must be prepared in accordance with Form 41-101F4 without any further identification, and dated as of the date the ETF facts document is being amended.

6.2 Required documents for filing an amendment — An issuer that files an amendment to a prospectus must

(a) file a signed copy of the amendment,

(b) deliver to the regulator a copy of the prospectus blacklined to show the changes made by the amendment, if the amendment is also a restatement of the prospectus,

(c) file or deliver any supporting documents required under this Instrument or other securities legislation to be filed or delivered with a prospectus, unless the documents originally filed or delivered with the prospectus are correct as of the date the amendment is filed,

(d) in case of an amendment to a final prospectus, file any consent letter required to be filed with a final prospectus, dated as of the date of the amendment, and

(e) in the case of an ETF, if the amendment relates to information in the ETF facts document,

(i) file an amendment to the ETF facts document, and

(ii) deliver to the regulator a copy of the ETF facts document, blacklined to show changes, including text deletions, from the latest ETF facts document previously filed.

6.2.1 Required documents for filing an amendment to an ETF facts document — An ETF that files an amendment to an ETF facts document must, unless section 6.2 applies,

(a) file an amendment to the corresponding prospectus, certified in accordance with Part 5,

(b) deliver to the regulator a copy of the ETF facts document, blacklined to show changes, including text deletions, from the latest ETF facts document previously filed, and

(c) file or deliver any other supporting documents required under this Instrument or other securities legislation, unless the documents originally filed or delivered are correct as of the date the amendment is filed.

6.3 Auditor's comfort letter — An issuer must deliver a new auditor's comfort letter, if an amendment to

(a) a preliminary long form prospectus materially affects, or relates to, an auditor's comfort letter delivered under subparagraph 9.1(b)(iii),

(b) a preliminary short form prospectus materially affects, or relates to, an auditor's comfort letter delivered under subparagraph 4.1(b)(ii) of NI 44-101.

6.4 Delivery of amendments — Except in Ontario, an issuer must deliver an amendment to a preliminary prospectus as soon as practicable to each recipient of the preliminary prospectus according to the record of recipients required to be maintained under securities legislation.

[Note: In Ontario, subsection 57(3) of the Securities Act *(Ontario) imposes a similar requirement regarding the delivery of amendments to a preliminary prospectus.]*

6.5 Amendment to a preliminary prospectus — (1) Except in Ontario, if, after a receipt for a preliminary prospectus is issued but before a receipt for the final prospectus is issued, a material adverse change occurs, an amendment to the preliminary prospectus must be filed as soon as practicable, but in any event within 10 days after the day the change occurs.

[Note: In Ontario, subsection 57(1) of the Securities Act *(Ontario) imposes a similar requirement to file an amendment to a preliminary prospectus where there has been a material adverse change.]*

(2) The regulator must issue a receipt for an amendment to a preliminary prospectus as soon as practicable after the amendment is filed.

6.6 Amendment to a final prospectus — (1) Except in Ontario, if, after a receipt for a final prospectus is issued but before the completion of the distribution under the final prospectus, a material change occurs, an issuer must file an amendment to the final prospectus as soon as practicable, but in any event within 10 days after the day the change occurs.

[Note: In Ontario, subsection 57(1) of the Securities Act *(Ontario) imposes a similar requirement to file an amendment to a final prospectus where there has been a material change.]*

(2) Except in Ontario, if, after a receipt for a final prospectus or an amendment to the final prospectus is issued but before the completion of the distribution under the final prospectus or the amendment to the final prospectus, securities in addition to the securities previously disclosed in the final prospectus or the amendment to the final prospectus are to be distributed, an amendment to the final prospectus disclosing the additional securities must be filed, as soon as practicable, but in any event within 10 days after the decision to increase the number of securities offered.

[Note: In Ontario, subsection 57(2) of the Securities Act *(Ontario) imposes a similar requirement to file an amendment to a prospectus any time there is a proposed distribution of securities in addition to that disclosed under the prospectus.]*

(3) Except in Ontario, the regulator must issue a receipt for an amendment to a final prospectus filed under this section unless the regulator considers that there are grounds set out in securities legislation that would cause the regulator not to issue the receipt for a prospectus.

[Note: In Ontario, subsection 57(2.1) of the Securities Act *(Ontario) imposes a similar obligation for the Director to issue a receipt for an amendment to a prospectus unless there are proper grounds for refusing the receipt.]*

(4) Except in Ontario, the regulator must not refuse to issue a receipt under subsection (3) without giving the issuer who filed the prospectus an opportunity to be heard.

[Note: In Ontario, subsections 57(2.1) and 61(3) of the Securities Act *(Ontario) impose a similar restriction on the Director to refuse to issue a receipt for a prospectus without first giving an issuer an opportunity to be heard.]*

(5) Except in Ontario, an issuer must not proceed with a distribution or additional distribution if an amendment to a final prospectus is required to be filed until a receipt for the amendment to the final prospectus is issued by the regulator.

[Note: In Ontario, subsection 57(2.2) of the Securities Act *(Ontario) imposes a similar restriction in respect of a distribution or additional distribution before a receipt is issued for an amendment to the final prospectus.]*

(6) Subsection (5) does not apply to an investment fund in continuous distribution.

[Note: In Ontario, section 2.2 of OSC Rule 41-801 Implementing National Instrument 41-101 General Prospectus Requirements and Consequential Amendments provides a similar exemption for an investment fund in continuous distribution from the requirement to obtain a receipt prior to making a distribution or additional distribution under an amendment to a final prospectus.]

Part 7: — Non-fixed Price Offerings and Reduction of Offering Price under a Final Prospectus

7.1 Application — This Part does not apply to an investment fund in continuous distribution.

7.2 Non-fixed price offerings and reduction of offering price — (1) A person or company distributing a security under a prospectus must do so at a fixed price.

(2) Despite subsection (1), and subject to subsection (2.1), securities may be distributed for cash at non-fixed prices under a prospectus if the securities have received a credit rating, on a provisional or final basis, from at least one designated rating organization or its DRO affiliate at the time of

(a) the filing of the preliminary short form prospectus, if the issuer is filing a prospectus in the form of a short form prospectus under NI 44-101, or

(b) the filing of the long form prospectus.

(2.1) If the only credit ratings of the securities referred to in subsection (2) are from Kroll Bond Rating Agency, Inc., its DRO affiliate, any successor credit rating organization of Kroll Bond Rating Agency, Inc. or any DRO affiliate of any successor credit rating organization of Kroll Bond Rating Agency, Inc., subsection (2) does not apply unless the distribution is of asset-backed securities.

(3) Despite subsection (1), if securities are distributed for cash under a prospectus, the price of the securities may be decreased from the initial offering price disclosed in the prospectus and, after such a decrease, changed from time to time to an amount not greater than the initial offering price, without filing an amendment to the prospectus to reflect the change, if

(a) the securities are distributed through one or more underwriters that have agreed to purchase all of the securities at a specified price,

(b) the proceeds to be received by the issuer or selling securityholders are disclosed in the prospectus as being fixed, and

(c) the underwriters have made a reasonable effort to sell all of the securities distributed under the prospectus at the initial offering price disclosed in the final prospectus.

(4) Despite subsections (2) and (3), the price at which securities may be acquired on exercise of rights must be fixed.

Part 8: — Best Efforts Distributions

8.1 Application — This Part does not apply to an investment fund in continuous distribution.

8.2 Distribution period — (1) Unless an amendment to the final prospectus is filed and the regulator has issued a receipt for the amendment, if securities are being distributed on a best efforts basis, the distribution must cease within 90 days after the date of the receipt for the final prospectus.

(2) Unless a further amendment to the final prospectus is filed and the regulator has issued a receipt for the further amendment, if an amendment to a final prospectus is filed and the regulator has issued a receipt for the amendment under subsection (1), the distribution must cease within 90 days after the date of the receipt for the amendment to the final prospectus.

(3) The total period of the distribution under subsections (1) and (2) must not end more than 180 days from the date of receipt for the final prospectus.

8.3 Minimum amount of funds — If securities are being distributed on a best efforts basis, other than an offering of securities to be distributed continuously, and the prospectus discloses that a minimum amount of funds must be raised,

(a) the issuer must appoint a registered dealer authorized to make the distribution, a Canadian financial institution, or a lawyer who is a practicing member in good standing with a law society of a jurisdiction in which the securities are being distributed, or a notary in Québec, to hold in trust all funds received from subscriptions until the minimum amount of funds stipulated in the final prospectus has been raised, and

(b) if the minimum amount of funds is not raised within the appropriate period of the distribution prescribed by section 8.2, the person or company holding the funds in trust referred to in paragraph (a) must return the funds to the subscribers without any deductions.

Part 8A: — Rights Offerings

8A.1 Application and definitions — (1) This Part applies to an issuer that files a preliminary or final prospectus to distribute rights.

(2) In this Part,

“additional subscription privilege” means a privilege, granted to a holder of a right, to subscribe for a security not subscribed for by any holder under a basic subscription privilege;

“basic subscription privilege” means a privilege to subscribe for the number or amount of securities set out in a rights certificate held by the holder of the rights certificate;

“managing dealer” means a person or company that has entered into an agreement with an issuer under which the person or company has agreed to organize and participate in the solicitation of the exercise of the rights issued by the issuer;

“market price” means, for securities of a class for which there is a published market,

(a) except as provided in paragraph (b),

(i) if the published market provides a closing price, the simple average of the closing price of securities of that class on the published market for each of the trading days on which there was a closing price falling not more than 20 trading days immediately before the day as of which the market price is being determined, or

(ii) if the published market does not provide a closing price, but provides only the highest and lowest prices of securities of the class traded, the average of the simple averages of the highest and lowest prices of securities of the class on the published market for each of the trading days on which there were highest and lowest prices falling not more than 20 trading days immediately before the day as of which the market price is being determined, or

(b) if trading of securities of the class on the published market has occurred on fewer than 10 of the immediately preceding 20 trading days, the average of the following amounts established for each of the 20 trading days

immediately before the day as of which the market price is being determined:

(i) the average of the closing bid and closing ask prices for each day on which there was no trading;

(ii) if the published market

(A) provides a closing price of securities of the class for each day that there was trading, the closing price, or

(B) provides only the highest and lowest prices, the average of the highest and lowest prices of securities of that class for each day that there was trading;

"published market" means, for a class of securities, a marketplace on which the securities are traded, if the prices at which they have been traded on that marketplace are regularly

(a) disseminated electronically, or

(b) published in a newspaper or business or financial publication of general and regular paid circulation;

"soliciting dealer" means a person or company whose interest in a distribution of rights is limited to soliciting the exercise of the rights by holders of those rights;

"stand-by commitment" means an agreement by a person or company to acquire the securities of an issuer not subscribed for under the basic subscription privilege or the additional subscription privilege.

(3) For the purpose of the definition of "market price", if there is more than one published market for a security and

(a) only one of the published markets is in Canada, the market price is determined solely by reference to that market,

(b) more than one of the published markets is in Canada, the market price is determined solely by reference to the published market in Canada on which the greatest volume of trading in the particular class of securities occurred during the 20 trading days immediately before the date as of which the market price is being determined, and

(c) none of the published markets are in Canada, the market price is determined solely by reference to the published market on which the greatest volume of trading in the particular class of securities occurred during the 20 trading days immediately before the date as of which the market price is being determined.

8A.2 Filing of prospectus for a rights offering — (1) An issuer must not file a prospectus for a distribution of rights unless all of the following apply:

(a) in addition to qualifying the distribution of the rights, the prospectus qualifies the distribution of the securities issuable upon the exercise of the rights;

(b) if there is a managing dealer, the managing dealer complies with section 5.9 as if the dealer were an underwriter;

(c) the exercise period for the rights is at least 21 days after the date on which the prospectus is sent to security holders;

(d) the subscription price for a security to be issued upon the exercise of a right is,

(i) if there is a published market for the security, lower than the market price of the security on the date of the final prospectus, or

(ii) if there is no published market for the security, lower than the fair value of the security on the date of

the final prospectus unless the issuer restricts all of its insiders from increasing their proportionate interest in the issuer through the exercise of the rights distributed under the prospectus or through a stand-by commitment.

(2) If subparagraph (1)(d)(ii) applies, the issuer must deliver to the regulator or, in Québec, the securities regulatory authority independent evidence of fair value.

8A.3 Additional subscription privilege — An issuer must not grant an additional subscription privilege to a holder of a right unless all of the following apply:

(a) the issuer grants the additional subscription privilege to all holders of a right;

(b) each holder of a right is entitled to receive, upon the exercise of the additional subscription privilege, the number or amount of securities equal to the lesser of

(i) the number or amount of securities subscribed for by the holder under the additional subscription privilege, and

(ii) the number calculated in accordance with the following formula:

x(y/z) where

x = the aggregate number or amount of securities available through unexercised rights after giving effect to the basic subscription privilege;

y = the number of rights exercised by the holder under the basic subscription privilege;

z = the aggregate number of rights exercised under the basic subscription privilege by holders of the rights that have subscribed for securities under the additional subscription privilege;

(c) all unexercised rights have been allocated on a pro rata basis to holders who subscribed for additional securities under the additional subscription privilege;

(d) the subscription price for the additional subscription privilege is the same as the subscription price for the basic subscription privilege.

8A.4 Stand-by commitments — If an issuer enters into a stand-by commitment for a distribution of rights, all of the following apply:

(a) the issuer must grant an additional subscription privilege to all holders of a right;

(b) the issuer must deliver to the regulator or, in Québec, the securities regulatory authority evidence that the person or company providing the stand-by commitment has the financial ability to carry out the stand-by commitment;

(c) the subscription price under the stand-by commitment must be the same as the subscription price under the basic subscription privilege.

8A.5 Appointment of depository — If an issuer has stated in a prospectus that no security will be issued upon the exercise of a right unless a stand-by commitment is provided, or unless proceeds of no less than the stated minimum amount are received by the issuer, all of the following apply:

(a) the issuer must appoint a depository to hold all money received upon the exercise of the rights until either the stand-by commitment is provided or the stated minimum amount is received and the depository is one of the following:

(i) a Canadian financial institution;

(ii) a registrant in the jurisdiction in which the funds are proposed to be held that is acting as managing dealer for the distribution of the rights, or, if there is no managing dealer for the distribution of the rights, that is acting as a soliciting dealer;

(b) the issuer and the depository must enter into an agreement, the terms of which require the depository to return the money referred to in paragraph (a) in full to the holders of rights that have subscribed for securities under the distribution of the rights if the stand-by commitment is not provided or if the stated minimum amount is not received by the depository during the exercise period for the rights.

8A.6 Amendment — If an issuer has filed a final prospectus for a distribution of rights, the issuer must not change the terms of the distribution.

Part 9: — Requirements for Filing a Long Form Prospectus

9.1 Required documents for filing a preliminary or pro forma long form prospectus — (1) An issuer that files a preliminary or pro forma long form prospectus must

(a) file the following with the preliminary or pro forma long form prospectus

(i) Signed Copy — in the case of a preliminary long form prospectus, a signed copy of the preliminary long form prospectus;

(ii) Documents Affecting the Rights of Securityholders — a copy of the following documents, and any amendments to the following documents, that have not previously been filed:

(A) articles of incorporation, amalgamation, continuation or any other constating or establishing documents of the issuer, unless the constating or establishing document is a statutory or regulatory instrument,

(B) by-laws or other corresponding instruments currently in effect,

(C) any securityholder or voting trust agreement that the issuer has access to and that can reasonably be regarded as material to an investor in securities of the issuer,

(D) any securityholders' rights plans or other similar plans, and

(E) any other contract of the issuer or a subsidiary of the issuer that creates or can reasonably be regarded as materially affecting the rights or obligations of the issuer's securityholders generally;

(iii) Material Contracts — a copy of any material contract required to be filed under section 9.3;

(iv) Investment Fund Documents — if the issuer is an investment fund, the documents filed under subparagraphs (ii) and (iii) must include a copy of

(A) any declaration of trust or trust agreement of the investment fund, limited partnership agreement, or any other constating or establishing documents of the investment fund,

(B) any agreement of the investment fund or the trustee with the manager of the investment fund,

(C) any agreement of the investment fund, the manager or trustee with the portfolio advisers of the investment fund,

(D) any agreement of the investment fund, the manager or trustee with the custodian of the investment fund, and

(E) any agreement of the investment fund, the manager or trustee with the principal distributor of the investment fund;

(iv.1) if the issuer is a scholarship plan, in addition to the documents filed under subparagraph (iv), a copy of the scholarship plan contract for the scholarship plan under the prospectus;

(iv.2) if the issuer is an ETF, in addition to the documents filed under subparagraph (iv), an ETF facts document for each class or series of securities of the ETF;

(v) Mining Reports — if the issuer has a mineral project, the technical reports required to be filed with a preliminary long form prospectus under NI 43-101;

(vi) Reports and Valuations — a copy of each report or valuation referred to in the preliminary long form prospectus for which a consent is required to be filed under section 10.1 and that has not previously been filed, other than a technical report that

(A) deals with a mineral project or oil and gas activities, and

(B) is not otherwise required to be filed under subparagraph (v); and

(vii) Marketing Materials — a copy of any template version of the marketing materials required to be filed under paragraph 13.7(1)(e);

(b) deliver to the regulator, concurrently with the filing of the preliminary or pro forma long form prospectus, the following:

(i) Blackline Copy of the Prospectus — in the case of a pro forma prospectus, a copy of the pro forma prospectus blacklined to show changes and the text of deletions from the latest prospectus filed;

(i.1) Blackline Copy of the ETF Facts Document — in the case of a pro forma prospectus for an ETF, a copy of the pro forma ETF facts document for each class or series of securities of the ETF blacklined to show changes and the text of deletions from the latest ETF facts document previously filed;

(ii) Personal Information Form and Authorization to Collect, Use and Disclose Personal Information — a completed personal information form for,

(A) each director and executive officer of the issuer,

(B) each promoter of the issuer, and

(C) if the promoter is not an individual,

(I) in the case of an issuer that is not an investment fund, each director and executive officer of the promoter, and

(II) in the case of an issuer that is an investment fund, and the promoter is not the manager of the investment fund, each director and executive officer of the promoter; and

~~(ii) Personal Information Form and Authorization to Collect, Use and Disclose Personal Information — a completed personal information form for,~~

~~(A) each director and executive officer of an issuer,~~

~~(B) if the issuer is an investment fund, each director and executive officer of the manager of the issuer,~~

~~(C) each promoter of the issuer, and~~

~~(D) if the promoter is not an individual, each director and executive officer of the promoter;~~

~~(E) [Repealed]~~

~~(F) [Repealed]~~

~~(G) [Repealed]~~

(iii) Auditor's Comfort Letter regarding Audited Financial Statements — if a financial statement of an issuer or a business included in, or incorporated by reference into, a preliminary or pro forma long form prospectus is accompanied by an unsigned auditor's report, a signed letter addressed to the regulator from the auditor of the issuer or of the business, as applicable, prepared in accordance with the form suggested for this circumstance in the Handbook; and

(iv) Marketing Materials — a copy of any template version of the marketing materials required to be delivered under paragraph 13.7(4)(c) or 13.12(2)(c).

(1.1) Despite subparagraph 9.1(1)(b)(ii), an investment fund is not required to deliver a personal information form for an individual referred to in subparagraph (1)(b)(ii) if the individual has submitted a Form 33-109F4 *Registration of Individuals and Review of Permitted Individuals* under National Instrument 33-109 *Registration Information*.

(2) Despite subparagraph (1)(b)(ii), an issuer is not required to deliver to the regulator a personal information form for an individual if the issuer, another issuer or, if the issuer is an investment fund, the manager of the investment fund issuer or another investment fund issuer, previously delivered a personal information form for the individual and all of the following are satisfied:

(a) the certificate and consent included in or attached to the personal information form was executed by the individual within three years preceding the date of filing of the preliminary or pro-forma long form prospectus;

(b) the responses given by the individual to questions 6 through 10 of the individual's personal information form are correct as at a date that is within 30 days of the filing of the preliminary or pro-forma long form prospectus;

(c) if the personal information form was previously delivered to the regulator by another issuer, the issuer delivers to the regulator, concurrently with the filing of the preliminary or pro forma long form prospectus, a copy of the previously delivered personal information form or alternative information that is satisfactory to the regulator.

(3) Until May 14, 2016, subparagraph (1)(b)(ii) does not apply to an issuer in respect of the delivery of a personal information form for an individual if the issuer or, if the issuer is an investment fund, the manager of the investment fund issuer, previously delivered to the regulator a predecessor personal information form for the individual and all of the following are satisfied:

(a) the certificate and consent included in or attached to the predecessor personal information form was executed by the individual within three years preceding the date of filing of the preliminary or pro-forma long form prospectus;

(b) the responses given by the individual to questions 4(B) and (C) and questions 6 through 9 or, in the case of a TSX/TSXV personal information form in effect after September 8, 2011, questions 6 through 10, of the individual's predecessor personal information form are correct as at a date that is within 30 days of the filing of the preliminary or pro-forma long form prospectus.

9.2 Required documents for filing a final long form prospectus — An issuer that files a final long form prospectus must

(a) file the following with the final long form prospectus:

(i) Signed Copy — a signed copy of the final long form prospectus;

(ii) Documents Affecting the Rights of Securityholders — a copy of any document described under subparagraph 9.1(1)(a)(ii) that has not previously been filed;

(iii) Material Contracts — a copy of each material contract required to be filed under section 9.3 that has not previously been filed under subparagraph 9.1(1)(a)(iii);

(iv) Investment Fund Documents — a copy of any document described under subparagraph 9.1(1)(a)(iv), (iv.1) or (iv.2) that has not previously been filed;

(v) Other Reports and Valuations — a copy of any report or valuation referred to in the final long form prospectus, for which a consent is required to be filed under section 10.1 and that has not previously been filed, other than a technical report that

(A) deals with a mineral project or oil and gas activities of the issuer, and

(B) is not otherwise required to be filed under subparagraph 9.1(1)(a)(v) or (vi);

(vi) Issuer's Submission to Jurisdiction — a submission to jurisdiction and appointment of agent for service of process of the issuer in the form set out in Appendix B, if an issuer is incorporated or organized in a foreign jurisdiction and does not have an office in Canada;

(vii) Non-Issuer's Submission to Jurisdiction — a submission to jurisdiction and appointment of agent for service of process of

(A) each selling securityholder,

(A.1) each director of the issuer, and

(B) any other person or company that provides or signs a certificate under Part 5 or other securities legislation, other than an issuer,

in the form set out in Appendix C, if the person or company is incorporated or organized in a foreign jurisdiction and does not have an office in Canada or is an individual who resides outside of Canada;

(viii) Expert's Consents — the consents required to be filed under section 10.1;

(ix) Credit Supporter's Consent — the written consent of the credit supporter to the inclusion of its financial statements in the final long form prospectus, if financial statements of a credit supporter are required under Item 33 of Form 41-101F1 to be included in a final long form prospectus and a certificate of the credit supporter is not required under section 5.12 to be included in the final long form prospectus;

(x) Undertaking in Respect of Credit Supporter Disclosure — an undertaking of the issuer to file the periodic and timely disclosure of a credit supporter similar to the disclosure provided under section 12.1 of Form 44-101F1, so long as the securities being distributed are issued and outstanding;

(xi) Undertaking in Respect of Continuous Disclosure — An undertaking of the issuer to provide to its securityholders separate financial statements for an operating entity that investors need to make an informed decision about investing in the issuer's securities if

(A) the issuer is an income trust that is formed as a mutual fund trust as that term is used in the *Income Tax Act* (Canada), other than an "investment fund" as defined in section 1.1 of NI 81-106,

(B) the underlying business or income producing assets of the operating entity generate net cash flow available for distribution to the issuer's securityholders, and

(C) the issuer's performance and prospects depend primarily on the performance and operations of the operating entity;

(xii) Undertaking to File Agreements, Contracts and Material Contracts — if an agreement, contract or declaration of trust under subparagraph (ii) or (iv) or a material contract under subparagraph (iii) has not been executed before the filing of the final long form prospectus but will be executed on or before the completion of the distribution, the issuer must file with the securities regulatory authority, no later than the time of filing of the final long form prospectus, an undertaking of the issuer to the securities regulatory authority to file the agreement, contract declaration of trust or material contract promptly and in any event

no later than seven days after execution of the agreement, contract, declaration of trust or material contract;

(xii.1) Undertaking to File Unexecuted Documents — if a document referred to in subparagraph (ii) does not need to be executed in order to become effective and has not become effective before the filing of the final long form prospectus, but will become effective on or before the completion of the distribution, the issuer must file with the securities regulatory authority, no later than the time of filing of the final long form prospectus, an undertaking of the issuer to the securities regulatory authority to file the document promptly and in any event no later than seven days after the document becomes effective;

(xiii) Undertaking in Respect of Restricted Securities — for distributions of non-voting securities, an undertaking of the issuer to give notice to holders of non-voting securities of a meeting of securityholders if a notice of such a meeting is given to its registered holders of voting securities; and

(xiv) Marketing Materials — a copy of any template version of the marketing materials required to be filed under paragraph 13.7(1)(e), 13.7(7)(a), 13.8(1)(e) or 13.8(7)(b) that has not previously been filed;

(b) deliver to the regulator, no later than the filing of the final long form prospectus

(i) Blackline Copy of the Prospectus — a copy of the final long form prospectus blacklined to show changes from the preliminary or pro forma long form prospectus;

(i.1) Blackline Copy of the ETF Facts Document — in the case of a final long form prospectus for an ETF, a copy of the ETF facts document for each class or series of securities of the ETF blacklined to show changes and the text of deletions from the preliminary or pro forma ETF facts document;

(ii) Communication with Exchange — if the issuer has made an application to list the securities being distributed on an exchange in Canada, a copy of a communication in writing from the exchange stating that the application for listing has been made and has been accepted subject to the issuer meeting the requirements for listing of the exchange;

(iii) Marketing Materials — a copy of any template version of the marketing materials required to be delivered under paragraph 13.7(4)(c), 13.8(4)(c) or 13.12(2)(c) that has not previously been delivered;

(iv) Evidence of financial ability — the evidence of financial ability required to be delivered under section 8A.4 if it has not previously been delivered; and

(v) Evidence of fair value — the evidence of fair value required to be delivered under subsection 8A.2(2) if it has not previously been delivered.

9.3 Material contracts — (1) Unless previously filed, an issuer that files a long form prospectus must file a material contract entered into

(a) since the beginning of the last financial year ending before the date of the prospectus, or

(b) before the beginning of the last financial year ending before the date of the prospectus if that material contract is still in effect.

(2) Despite subsection (1), an issuer is not required to file a material contract entered into in the ordinary course of business unless the material contract is

(a) a contract to which directors, officers, promoters, selling securityholders or underwriters are parties, other than a contract of employment,

(b) a continuing contract to sell the majority of the issuer’s products or services or to purchase the majority of the issuer’s requirements of goods, services, or raw materials,

(c) a franchise or licence or other agreement to use a patent, formula, trade secret, process or trade name,

(d) a financing or credit agreement with terms that have a direct correlation with anticipated cash distributions,

(e) an external management or external administration agreement, or

(f) a contract on which the issuer's business is substantially dependent.

(3) A provision in a material contract filed pursuant to subsections (1) or (2) may be omitted or marked to be unreadable if an executive officer of the issuer reasonably believes that disclosure of that provision would be seriously prejudicial to the interests of the issuer or would violate confidentiality provisions.

(4) Subsection (3) does not apply if the provision relates to

(a) debt covenants and ratios in financing or credit agreements,

(b) events of default or other terms relating to the termination of the material contract, or

(c) other terms necessary for understanding the impact of the material contract on the business of the issuer.

(5) If a provision is omitted or marked to be unreadable under subsection (3), the issuer must include a description of the type of information that has been omitted or marked to be unreadable immediately after the provision in the copy of the material contract filed by the issuer.

(6) Despite subsections (1) and (2), an issuer is not required to file a material contract entered into before January 1, 2002 if the issuer is a reporting issuer in at least one jurisdiction immediately before filing the prospectus.

Part 10: — Consents and Licences, Registrations and Approvals

10.1 Consents of experts — (1) Subject to subsection (1.1), an issuer must file the written consent of

(a) any solicitor, auditor, accountant, engineer, or appraiser,

(b) any notary in Québec, and

(c) any person or company whose profession or business gives authority to a statement made by that person or company.

(1.1) Subsection (1) does not apply unless the person or company is named in a prospectus or an amendment to a prospectus directly or, if applicable, in a document incorporated by reference into the prospectus or amendment,

(a) as having prepared or certified any part of the prospectus or the amendment,

(b) as having opined on financial statements from which selected information included in the prospectus has been derived and which audit opinion is referred to in the prospectus directly or in a document incorporated by reference, or

(c) as having prepared or certified a report, valuation, statement or opinion referred to in the prospectus or the amendment directly or in a document incorporated by reference.

(2) A consent referred to in subsection (1) must

(a) be filed no later than the time the final prospectus or the amendment to the final prospectus is filed or, for the purposes of future financial statements that have been incorporated by reference in a prospectus under subsection 15.2(3), no later than the date that those financial statements are filed,

(b) state that the person or company being named consents

(i) to being named, and

(ii) to the use of that person or company's report, valuation, statement or opinion,

(c) refer to the report, valuation, statement or opinion stating the date of the report, valuation, statement or opinion, and

(d) contain a statement that the person or company referred to in subsection (1)

(i) has read the prospectus, and

(ii) has no reason to believe that there are any misrepresentations in the information contained in it that are

(A) derived from the report, valuation, statement or opinion, or

(B) within the knowledge of the person or company as a result of the services performed by the person or company in connection with the report, financial statements, valuation, statement or opinion.

(3) In addition to any other requirement of this section, the consent of an auditor or accountant must also state

(a) the dates of the financial statements on which the report of the person or company is made, and

(b) that the person or company has no reason to believe that there are any misrepresentations in the information contained in the prospectus that are

(i) derived from the financial statements on which the person or company has reported, or

(ii) within the knowledge of the person or company as a result of the audit of the financial statements.

(4) Subsection (1) does not apply to a designated rating organization or its DRO affiliate that issues a rating to the securities being distributed under the prospectus.

10.2 Licences, registrations and approvals — If the proceeds of the distribution will be used to substantially fund a material undertaking that would constitute a material departure from the business or operations of the issuer and the issuer has not obtained all material licences, registrations and approvals necessary for the stated principal use of proceeds,

(a) the issuer must appoint a registered dealer authorized to make the distribution, a Canadian financial institution, or a lawyer who is a practicing member in good standing with a law society of a jurisdiction in which the securities are being distributed, or a notary in Québec, to hold in trust all funds received from subscriptions until all material licences, registrations and approvals necessary for the stated principal use of proceeds have been obtained, and

(b) if all material licences, registrations and approvals necessary for the operation of the stated principal use of proceeds have not been obtained within 90 days from the date of receipt of the final prospectus, the trustee must return the funds to subscribers.

Part 11: — Over-Allocation and Underwriters

11.1 Over-allocation — Securities that are sold to create the over-allocation position in connection with a distribution under a prospectus must be distributed under the prospectus.

11.2 Distribution of securities under a prospectus to an underwriter — Except as required under section 11.3, no person or company may distribute securities under a prospectus to any person or company acting as an underwriter in connection with the distribution of securities under the prospectus, other than

(a) an over-allotment option granted to one or more persons or companies for acting as an underwriter in connection with the distribution or any security issuable or transferable on the exercise of such an over-allotment option; or

(b) securities issued or paid as compensation to one or more persons or companies for acting as an underwriter in respect of other securities that are distributed under the prospectus, where the number or principal amount of the securities issued as compensation, on an as-if-converted basis, does not in the aggregate exceed 10% of the total of the base offering on an as-if converted basis plus any securities that would be acquired upon the exercise of an over-allotment option.

11.3 Take-up by underwriter — If an underwriter has agreed to purchase a specified number or principal amount of the securities at a specified price, the underwriter must take up the securities, if at all, within 42 days after the date of the receipt for the final prospectus.

Part 12: — Restricted Securities

12.1 Application — This Part does not apply to

(a) securities of mutual funds,

(b) securities that carry a right to vote subject to a restriction on the number or percentage of securities that may be voted or owned by persons or companies that are not citizens or residents of Canada or that are otherwise considered as a result of any law applicable to the issuer to be non-Canadians, but only to the extent of the restriction, and

(c) securities that are subject to a restriction, imposed by any law governing the issuer, on the level of ownership of the securities by a person, company or combination of persons or companies, but only to the extent of the restriction.

12.2 Use of restricted security term — (1) An issuer must not refer to a security in a prospectus by a term or a defined term that includes the word “common” unless the security is an equity security to which are attached voting rights exercisable in all circumstances, irrespective of the number or percentage of securities owned, that are not less, per security, than the voting rights attached to any other outstanding security of the issuer.

(2) An issuer must not refer in a prospectus to a term or defined term that includes the word “preference” or “preferred”, unless the security is a security, other than an equity security, to which is attached a preference or right over any class of equity security of the issuer.

(3) If restricted securities are referred to in the constating documents of the issuer by a term that is different from the appropriate restricted security term, the restricted securities may be described, in one place only in the prospectus, by the term used in the constating documents of the issuer; provided that, the description is not on the front page of the prospectus and is in the same type face and type size as that used generally in the body of the prospectus.

(4) A class of securities that is or may become restricted securities must be referred to in a prospectus using a term or a defined term that includes the appropriate restricted security term.

12.3 Prospectus filing eligibility — (1) Subject to subsection (3), an issuer must not file a prospectus under which restricted securities, subject securities or securities that are, directly or indirectly, convertible into, or exercisable or exchangeable for, restricted securities or subject securities, are distributed unless

(a) the distribution has received prior majority approval of the securityholders of the issuer in accordance with applicable law, including approval on a class basis if required and excluding any votes attaching at the time to securities held, directly or indirectly, by affiliates of the issuer or control persons of the issuer, or

(b) at the time of any restricted security reorganization related to the securities to be distributed

(i) the restricted security reorganization received prior majority approval of the securityholders of the issuer in accordance with applicable law, including approval on a class basis if required and excluding any votes

attaching at the time to securities held, directly or indirectly, by affiliates of the issuer or control persons of the issuer,

(ii) the issuer was a reporting issuer in at least one jurisdiction, and

(iii) no purposes or business reasons for the creation of restricted securities were disclosed that are inconsistent with the purpose of the distribution.

(2) Subject to subsection (3), for each approval referred to in subsection (1), the issuer must have provided prior written disclosure in an information circular or notice to its securityholders that included

(a) the name of each affiliate of the issuer that was a beneficial owner of securities of the issuer and the number of securities beneficially owned, directly or indirectly, by the affiliate as of the date of the information circular or notice to the extent known to the issuer after reasonable inquiry,

(b) the name of each control person and the number of securities beneficially owned, directly or indirectly, by the control person as of the date of the information circular or notice, to the extent known to the issuer after reasonable inquiry,

(c) a statement of the number of votes attaching to the securities that were excluded for the purpose of the approval to the extent known to the issuer after reasonable inquiry, and

(d) the purpose and business reasons for the creation of restricted securities.

(3) Subsections (1) and (2) do not apply if

(a) the securities offered by the prospectus are of an existing class of restricted securities that were created before December 21, 1984,

(b) the issuer was a private issuer immediately before filing the prospectus,

(c) the securities offered by the prospectus are of the same class as securities distributed under a previous prospectus that was filed by an issuer that was, at the time of filing the previous prospectus, a private issuer,

(d) the securities offered by the prospectus are previously unissued restricted securities distributed by way of stock dividend in the ordinary course to securityholders instead of a cash dividend if at the time of distribution there is a published market for the restricted securities,

(e) the securities offered by the prospectus are distributed as a stock split that takes the form of a distribution of previously unissued restricted securities by way of stock dividend to holders of the same class of restricted securities if at the time of distribution there is a published market for the restricted securities and the distribution is part of a concurrent distribution by way of stock dividend to holders of all equity securities under which all outstanding equity securities of the issuer are increased in the same proportion, or

(f) as of a date not more than seven days before the date of the prospectus, the issuer expects that in each local jurisdiction in which the prospectus will be filed the number of securities of each class of equity securities held by registered holders whose last address as shown on the books of the issuer is in the local jurisdiction, or beneficially owned by persons or companies in the local jurisdiction, will be less than two percent of the outstanding number of securities of the class after giving effect to the proposed distribution.

Part 13: — Advertising and Marketing in Connection with Prospectus Offerings of Issuers other than Investment Funds

13.0 Application — (1) This Part applies to issuers other than investment funds filing a prospectus in the form of Form 41-101F2 or Form 41-101F3.

(2) In this Part,

“comparables” means information that compares an issuer to other issuers;

“convertible security” has the same meaning as in section 1.1 of National Instrument 45-102 *Resale of Securities*;

“exchangeable security” has the same meaning as in section 1.1 of National Instrument 45-102 *Resale of Securities*;

“underlying security” has the same meaning as in section 1.1 of National Instrument 45-102 *Resale of Securities*;

“U.S. cross-border initial public offering” means an initial public offering of securities of an issuer being made contemporaneously in the United States of America and Canada by way of a prospectus filed with a securities regulatory authority in a jurisdiction of Canada and a U.S. prospectus filed with the SEC;

“U.S. cross-border offering” means an offering of securities of an issuer being made contemporaneously in the United States of America and Canada by way of a prospectus filed with a securities regulatory authority in a jurisdiction of Canada and a U.S. prospectus filed with the SEC, and includes a U.S. cross-border initial public offering;

“U.S. prospectus” means a prospectus that has been prepared in accordance with the disclosure and other requirements of U.S. federal securities law for an offering of securities registered under the 1933 Act.

(3) In this Part, for greater certainty, a reference to “provides” includes showing a document to a person without allowing the person to retain or make a copy of the document.

13.1 Legend for communications during the waiting period — (1) A preliminary prospectus notice or other communication used in connection with a prospectus offering during the waiting period must contain the following legend or words to the same effect:

> A preliminary prospectus containing important information relating to these securities has been filed with securities commissions or similar authorities in certain jurisdictions of Canada. The preliminary prospectus is still subject to completion or amendment. Copies of the preliminary prospectus may be obtained from [insert name and contact information for dealer or other relevant person or entity.] There will not be any sale or any acceptance of an offer to buy the securities until a receipt for the final prospectus has been issued.

(2) If the preliminary prospectus notice or other communication is in writing, include the wording required under subsection (1) in bold type that is at least as large as that used generally in the body of the text.

(3) Subsection (1) does not apply to standard term sheets and marketing materials.

13.2 Legend for communications following receipt for the final prospectus — (1) A final prospectus notice or other communication used in connection with a prospectus offering following the issuance of a receipt for the final prospectus must contain the following legend or words to the same effect:

> This offering is only made by prospectus. The prospectus contains important detailed information about the securities being offered. Copies of the prospectus may be obtained from [insert name and contact information for dealer or other relevant person or entity.] Investors should read the prospectus before making an investment decision.

(2) If the final prospectus notice or other communication is in writing, include the wording required under subsection (1) in bold type that is at least as large as that used generally in the body of the text.

(3) Subsection (1) does not apply to standard term sheets and marketing materials.

13.3 [Repealed]

13.4 Testing of the waters exemption — IPO issuers — (1) In this section, “public issuer” means an issuer that

> (a) is a reporting issuer in a jurisdiction of Canada;

(b) is an SEC issuer;

(c) has a class of securities that has been assigned a ticker symbol by the Financial Industry Regulatory Authority in the United States of America for use on any of the over-the-counter markets in the United States of America;

(d) has a class of securities that have been traded on an over-the-counter market with respect to which trade data is publicly reported; or

(e) has any of its securities listed, quoted or traded on a marketplace outside of Canada or any other facility outside of Canada for bringing together buyers and sellers of securities and with respect to which trade data is publicly reported.

(2) Subject to subsections (3) to (7), the prospectus requirement does not apply to a solicitation of an expression of interest in order to ascertain if there would be sufficient interest in an initial public offering of securities by an issuer pursuant to a long form prospectus if

(a) the issuer has a reasonable expectation of filing a preliminary long form prospectus in respect of an initial public offering in at least one jurisdiction of Canada;

(b) the issuer is not a public issuer before the date of the preliminary long form prospectus;

(c) an investment dealer makes the solicitation on behalf of the issuer;

(d) the issuer provided written authorization to the investment dealer to act on its behalf before the investment dealer made the solicitation;

(e) the solicitation is made to an accredited investor; and

(f) subject to subsection (3), the issuer and the investment dealer keep all information about the proposed offering confidential until the earlier of

(i) the information being generally disclosed in a preliminary long form prospectus or otherwise, or

(ii) the issuer confirming in writing that it will not be pursuing the potential offering.

(3) An investment dealer must not solicit an expression of interest from an accredited investor pursuant to subsection (2) unless

(a) all written material provided to the accredited investor

(i) is approved in writing by the issuer before it is provided,

(ii) is marked confidential, and

(iii) contains a legend stating that the material does not provide full disclosure of all material facts relating to the issuer, the securities or the offering and is not subject to liability for misrepresentations under applicable securities legislation; and

(b) before providing the investor with any information about the issuer, the securities or the offering, the investment dealer obtains confirmation in writing from the investor that the investor will keep information about the proposed offering confidential, and will not use the information for any purpose other than assessing the investor's interest in the offering, until the earlier of

(i) the information being generally disclosed in a preliminary long form prospectus or otherwise, or

(ii) the issuer confirming in writing that it will not be pursuing the potential offering.

(4) If any investment dealer solicits an expression of interest pursuant to subsection (2), the issuer must not file a preliminary long form prospectus in respect of an initial public offering until the date which is at least 15 days after the date on which any investment dealer last solicited an expression of interest from an accredited investor pursuant to that subsection.

(5) An issuer relying on the exemption in subsection (2) must keep

(a) a written record of any investment dealer that it authorized to act on its behalf in making solicitations in reliance on the exemption; and

(b) a copy of any written authorizations referred to in paragraph (2)(d).

(6) If an investment dealer solicits an expression of interest pursuant to subsection (2), the investment dealer must keep

(a) a written record of any accredited investor that it solicited in reliance on the exemption;

(b) a copy of any written material and written approval referred to in subparagraph (3)(a)(i); and

(c) any written confirmations referred to in paragraph (3)(b).

(7) Subsection (2) does not apply if

(a) any of the issuer's securities are held by a control person that is a public issuer; and

(b) the initial public offering of the issuer would be a material fact or material change with respect to the control person.

13.5 Standard term sheets during the waiting period — (1) An investment dealer that provides a standard term sheet to a potential investor during the waiting period is exempt from the prospectus requirement with respect to providing the standard term sheet if

(a) the standard term sheet complies with subsections (2) and (3);

(b) other than contact information for the investment dealer or underwriters, all information in the standard term sheet concerning the issuer, the securities or the offering is disclosed in, or derived from, the preliminary prospectus or any amendment; and

(c) a receipt for the preliminary prospectus has been issued in the local jurisdiction.

(2) A standard term sheet provided under subsection (1) must be dated and include the following legend, or words to the same effect, on the first page:

A preliminary prospectus containing important information relating to the securities described in this document has been filed with the securities regulatory authorit[y/ies] in [each of/certain of the provinces/provinces and territories of Canada].

The preliminary prospectus is still subject to completion. Copies of the preliminary prospectus may be obtained from *[insert contact information for the investment dealer or underwriters]*. There will not be any sale or any acceptance of an offer to buy the securities until a receipt for the final prospectus has been issued.

This document does not provide full disclosure of all material facts relating to the securities offered. Investors should read the preliminary prospectus, the final prospectus and any amendment for disclosure of those facts, especially risk factors relating to the securities offered, before making an investment decision.

(3) A standard term sheet provided under subsection (1) may contain only the information referred to in subsection (2) and the following information in respect of the issuer, the securities or the offering:

(a) the name of the issuer;

(b) the jurisdiction or foreign jurisdiction in which the issuer's head office is located;

(c) the statute under which the issuer is incorporated, continued or organized or, if the issuer is an unincorporated entity, the laws of the jurisdiction or foreign jurisdiction under which it is established and exists;

(d) a brief description of the business of the issuer;

(e) a brief description of the securities;

(f) the price or price range of the securities;

(g) the total number or dollar amount of the securities, or range of the total number or dollar amount of the securities;

(h) the terms of any over-allotment option;

(i) the names of the underwriters;

(j) whether the offering is on a firm commitment or best efforts basis;

(k) the amount of the underwriting commission, fee or discount;

(l) the proposed or expected closing date of the offering;

(m) a brief description of the use of proceeds;

(n) the exchange on which the securities are proposed to be listed, provided that the standard term sheet complies with the requirements of securities legislation for listing representations;

(o) in the case of debt securities, the maturity date of the debt securities and a brief description of any interest payable on the debt securities;

(p) in the case of preferred shares, a brief description of any dividends payable on the securities;

(q) in the case of convertible securities, a brief description of the underlying securities into which the convertible securities are convertible;

(r) in the case of exchangeable securities, a brief description of the underlying securities into which the exchangeable securities are exchangeable;

(s) in the case of restricted securities, a brief description of the restriction;

(t) in the case of securities for which a credit supporter has provided a guarantee or alternative credit support, a brief description of the credit supporter and the guarantee or alternative credit support provided;

(u) whether the securities are redeemable or retractable;

(v) a statement that the securities are eligible, or are expected to be eligible, for investment in registered retirement savings plans, tax-free savings accounts or other registered plans, if the issuer has received, or reasonably expects to receive, a legal opinion that the securities are so eligible;

(w) contact information for the investment dealer or underwriters.

(4) For the purposes of subsection (3), "brief description" means a description consisting of no more than three lines of

text in type that is at least as large as that used generally in the body of the standard term sheet.

13.6 Standard term sheets after a receipt for a final prospectus — (1) An investment dealer must not provide a standard term sheet to a potential investor after a receipt for a final prospectus or any amendment is issued unless

(a) the standard term sheet complies with subsections (2) and (3);

(b) other than contact information for the investment dealer or underwriters, all information in the standard term sheet concerning the issuer, the securities or the offering is disclosed in, or derived from, the final prospectus or any amendment; and

(c) a receipt for the final prospectus has been issued in the local jurisdiction.

(2) A standard term sheet provided under subsection (1) must be dated and include the following legend, or words to the same effect, on the first page:

A final prospectus containing important information relating to the securities described in this document has been filed with the securities regulatory authorit[y/ies] in [each of/certain of the provinces/provinces and territories of Canada].

Copies of the final prospectus may be obtained from *[insert contact information for the investment dealer or underwriters]*.

This document does not provide full disclosure of all material facts relating to the securities offered. Investors should read the final prospectus, and any amendment, for disclosure of those facts, especially risk factors relating to the securities offered, before making an investment decision.

(3) A standard term sheet provided under subsection (1) may contain only the information referred to in subsection (2) and the information referred to in subsection 13.5(3).

13.7 Marketing materials during the waiting period — (1) An investment dealer that provides marketing materials to a potential investor during the waiting period is exempt from the prospectus requirement with respect to providing the marketing materials if

(a) the marketing materials comply with subsections (2) to (8);

(b) other than contact information for the investment dealer or underwriters and any comparables, all information in the marketing materials concerning the issuer, the securities or the offering is disclosed in, or derived from, the preliminary prospectus or any amendment;

(c) other than prescribed language, the marketing materials contain the same cautionary language in bold type as contained on the cover page, and in the summary, of the preliminary prospectus;

(d) a template version of the marketing materials is approved in writing by the issuer and the lead underwriter before the marketing materials are provided;

(e) a template version of the marketing materials is filed on or before the day that the marketing materials are first provided;

(f) a receipt for the preliminary prospectus has been issued in the local jurisdiction; and

(g) the investment dealer provides a copy of the preliminary prospectus and any amendment with the marketing materials.

(2) If a template version of the marketing materials is approved in writing by the issuer and lead underwriter under paragraph (1)(d) and filed under paragraph (1)(e), an investment dealer may provide a limited-use version of the marketing materials that

(a) has a date that is different than the template version;

(b) contains a cover page referring to the investment dealer or underwriters or a particular investor or group of investors;

(c) contains contact information for the investment dealer or underwriters; or

(d) has text in a format, including the type's font, colour or size, that is different than the template version.

(3) If a template version of the marketing materials is divided into separate sections for separate subjects and is approved in writing by the issuer and lead underwriter under paragraph (1)(d), and that template version is filed under paragraph (1)(e), an investment dealer may provide a limited-use version of the marketing materials that includes only one or more of those separate sections.

(4) The issuer may remove any comparables, and any disclosure relating to those comparables, from the template version of the marketing materials before filing it under paragraph (1)(e) or (7)(a) if

(a) the comparables, and any disclosure relating to the comparables, are in a separate section of the template version of the marketing materials;

(b) the template version of the marketing materials that is filed contains a note advising that the comparables, and any disclosure relating to the comparables, were removed in accordance with this subsection, provided that the note appears immediately after where the removed comparables and related disclosure would have been;

(c) if the prospectus is filed in the local jurisdiction, a complete template version of the marketing materials containing the comparables, and any disclosure relating to the comparables, is delivered to the securities regulatory authority; and

(d) the complete template version of the marketing materials contains disclosure proximate to the comparables which

(i) explains what comparables are;

(ii) explains the basis on which the other issuers were included in the comparables and why the other issuers are considered to be an appropriate basis for comparison with the issuer;

(iii) explains the basis on which the compared attributes were included;

(iv) states that the information about the other issuers was obtained from public sources and has not been verified by the issuer or the underwriters;

(v) discloses any risks relating to the comparables, including risks in making an investment decision based on the comparables; and

(vi) states that if the comparables contain a misrepresentation, the investor does not have a remedy under securities legislation.

(5) Marketing materials provided under subsection (1) must be dated and include the following legend, or words to the same effect, on the first page:

A preliminary prospectus containing important information relating to the securities described in this document has been filed with the securities regulatory authorit[y/ies] in [each of/certain of the provinces/provinces and territories of Canada]. A copy of the preliminary prospectus, and any amendment, is required to be delivered with this document.

The preliminary prospectus is still subject to completion. There will not be any sale or any acceptance of an offer to buy the securities until a receipt for the final prospectus has been issued.

This document does not provide full disclosure of all material facts relating to the securities offered. Investors should read the preliminary prospectus, the final prospectus and any amendment for disclosure of those facts, especially risk factors relating to the securities offered, before making an investment decision.

(6) If marketing materials are provided during the waiting period under subsection (1), the issuer must include the template version of the marketing materials filed under paragraph 1(e) in its final prospectus, or incorporate by reference the template version of the marketing materials filed under paragraph 1(e) into its final prospectus, in the manner described in subsection 36A.1(1) of Form 41-101F1 or subsection 11.6(1) of Form 44-101F1, as applicable.

(7) If the final prospectus or any amendment modifies a statement of a material fact that appeared in marketing materials provided during the waiting period under subsection (1), the issuer must

(a) prepare and file, at the time the issuer files the final prospectus or any amendment, a revised template version of the marketing materials that is blacklined to show the modified statement, and

(b) include in the final prospectus, or any amendment, the disclosure required by subsection 36A.1(3) of Form 41-101F1 or subsection 11.6(3) of Form 44-101F1, as applicable.

(8) A revised template version of the marketing materials filed under subsection (7) must comply with section 13.8.

(9) If marketing materials are provided during the waiting period under subsection (1) but the issuer does not comply with subsection (6), the marketing materials are deemed for purposes of securities legislation to be incorporated into the issuer's final prospectus as of the date of the final prospectus to the extent not otherwise expressly modified or superseded by a statement contained in the final prospectus.

13.8 Marketing materials after a receipt for a final prospectus — (1) An investment dealer must not provide marketing materials to a potential investor after a receipt for a final prospectus or any amendment is issued unless

(a) the marketing materials comply with subsections (2) to (8);

(b) other than contact information for the investment dealer or underwriters and any comparables, all information in the marketing materials concerning the issuer, the securities or the offering is disclosed in, or derived from, the final prospectus and any amendment;

(c) other than prescribed language, the marketing materials contain the same cautionary language in bold type as contained on the cover page, and in the summary, of the final prospectus;

(d) a template version of the marketing materials is approved in writing by the issuer and the lead underwriter before the marketing materials are provided;

(e) a template version of the marketing materials is filed on or before the day that the marketing materials are first provided;

(f) a receipt for the final prospectus has been issued in the local jurisdiction; and

(g) the investment dealer provides a copy of the final prospectus, and any amendment, with the marketing materials.

(2) If a template version of the marketing materials is approved in writing by the issuer and lead underwriter under paragraph (1)(d) and filed under paragraph (1)(e), an investment dealer may provide a limited-use version of the marketing materials that

(a) has a date that is different than the template version;

(b) contains a cover page referring to the investment dealer or underwriters or a particular investor or group of investors;

(c) contains contact information for the investment dealer or underwriters; or

(d) has text in a format, including the type's font, colour or size, that is different than the template version.

(3) If a template version of the marketing materials is divided into separate sections for separate subjects and is approved in writing by the issuer and lead underwriter under paragraph (1)(d), and that template version is filed under paragraph (1)(e), an investment dealer may provide a limited-use version of the marketing materials that includes only one or more of those separate sections.

(4) The issuer may remove any comparables, and any disclosure relating to those comparables, from the template version of the marketing materials before filing it under paragraph (1)(e) or (7)(b) if

(a) the comparables, and any disclosure relating to the comparables, are in a separate section of the template version of the marketing materials;

(b) the template version of the marketing materials that is filed contains a note advising that the comparables, and any disclosure relating to the comparables, were removed in accordance with this subsection, provided that the note appears immediately after where the removed comparables and related disclosure would have been;

(c) if the prospectus is filed in the local jurisdiction, a complete template version of the marketing materials containing the comparables, and any disclosure relating to the comparables, is delivered to the securities regulatory authority; and

(d) the complete template version of the marketing materials contains the disclosure referred to in paragraph 13.7(4)(d).

(5) Marketing materials provided under subsection (1) must be dated and include the following legend, or words to the same effect, on the first page:

A final prospectus containing important information relating to the securities described in this document has been filed with the securities regulatory authorit[y/ies] in [each of/certain of the provinces/provinces and territories of Canada]. A copy of the final prospectus, and any amendment, is required to be delivered with this document.

This document does not provide full disclosure of all material facts relating to the securities offered. Investors should read the final prospectus, and any amendment, for disclosure of those facts, especially risk factors relating to the securities offered, before making an investment decision.

(6) An investment dealer must not provide marketing materials under subsection (1) unless the issuer

(a) has included the template version of the marketing materials filed under paragraph 1(e) in its final prospectus, and any amendment, or incorporated by reference the template version of the marketing materials filed under paragraph 1(e) into its final prospectus, and any amendment, in the manner described in subsection 36A.1(1) of Form 41-101F1 or subsection 11.6(1) of Form 44-101F1, as applicable, or

(b) has included in its final prospectus, and any amendment, the statement described in subsection 36A.1(4) of Form 41-101F1 or subsection 11.6(4) of Form 44-101F1, as applicable.

(7) If an amendment to a final prospectus modifies a statement of material fact that appeared in marketing materials provided under subsection (1), the issuer must

(a) indicate in the amendment to the final prospectus that the marketing materials are not part of the final prospectus, as amended, to the extent that the contents of the marketing materials have been modified or superseded by a statement contained in the amendment;

(b) prepare and file, at the time the issuer files the amendment to the final prospectus, a revised template version of the marketing materials that is blacklined to show the modified statement; and

(c) include in the amendment to the final prospectus the disclosure required by subsection 36A.1(3) of Form 41-101F1 or subsection 11.6(3) of Form 44-101F1, as applicable.

(8) Any revised template version of the marketing materials filed under subsection (7) must comply with this section.

(9) If marketing materials are provided under subsection (1) but the issuer did not comply with subsection (6), the marketing materials are deemed for purposes of securities legislation to be incorporated into the issuer's final prospectus as of the date of the final prospectus to the extent not otherwise expressly modified or superseded by a statement contained in the final prospectus.

13.9 Road shows during the waiting period — (1) An investment dealer that conducts a road show for potential investors during the waiting period is exempt from the prospectus requirement with respect to that road show if

(a) the road show complies with subsections (2) to (4); and

(b) a receipt for the preliminary prospectus has been issued in the local jurisdiction.

(2) Subject to section 13.12, an investment dealer must not provide marketing materials to an investor attending a road show conducted under subsection (1) unless the marketing materials are provided in accordance with section 13.7.

(3) If an investment dealer conducts a road show, the investment dealer must establish and follow reasonable procedures to

(a) ask any investor attending the road show in person, by telephone conference call, on the internet or by other electronic means to provide their name and contact information;

(b) keep a record of any information provided by the investor; and

(c) provide the investor with a copy of the preliminary prospectus and any amendment.

(4) If an investment dealer permits an investor, other than an accredited investor, to attend a road show, the investment dealer must commence the road show with the oral reading of the following statement or a statement to the same effect:

This presentation does not provide full disclosure of all material facts relating to the securities offered. Investors should read the preliminary prospectus, the final prospectus and any amendment for disclosure of those facts, especially risk factors relating to the securities offered, before making an investment decision.

13.10 Road shows after a receipt for a final prospectus — (1) An investment dealer must not conduct a road show for potential investors after a receipt for a final prospectus or any amendment is issued unless

(a) the road show complies with subsections (2) to (4); and

(b) a receipt for the final prospectus has been issued in the local jurisdiction.

(2) Subject to section 13.12, an investment dealer must not provide marketing materials to an investor attending a road show conducted under subsection (1) unless the marketing materials are provided in accordance with section 13.8.

(3) If an investment dealer conducts a road show, the investment dealer must establish and follow reasonable procedures to

(a) ask any investor attending the road show in person, by telephone conference call, on the internet or by other electronic means to provide their name and contact information;

(b) keep a record of any information provided by the investor; and

(c) provide the investor with a copy of the final prospectus and any amendment.

(4) If an investment dealer permits an investor, other than an accredited investor, to attend a road show, the investment dealer must commence the road show with the oral reading of the following statement or a statement to the same effect:

This presentation does not provide full disclosure of all material facts relating to the securities offered. Investors should read the final prospectus and any amendment for disclosure of those facts, especially risk factors relating to the securities offered, before making an investment decision.

13.11 Exception from procedures for road shows for certain U.S. cross-border initial public offerings — (1) Subject to subsection (2), the following provisions do not apply to an investment dealer that conducts a road show in connection with a U.S. cross-border initial public offering:

(a) paragraphs 13.9(3)(a) and (b);

(b) paragraphs 13.10(3)(a) and (b).

(2) Subsection (1) does not apply unless

(a) the issuer is relying on the exemption from United States filing requirements in Rule 433(d)(8)(ii) under the 1933 Act in respect of the road show; and

(b) the investment dealer establishes and follows reasonable procedures to

(i) ask any investor attending the road show in person, by telephone conference call, on the internet or by other electronic means to voluntarily provide their name and contact information; and

(ii) keep a record of any information voluntarily provided by the investor.

13.12 Exception from filing and incorporation requirements for road shows for certain U.S. cross-border offerings — (1) Subject to subsections (2) to (4), if an investment dealer provides marketing materials to a potential investor in connection with a road show for a U.S. cross-border offering, the following provisions do not apply to the template version of the marketing materials relating to the road show:

(a) paragraphs 13.7(1)(e) and 13.8(1)(e);

(b) subsections 13.7(6) to (9);

(c) subsections 13.8(6) to (9);

(d) paragraphs 36A.1(1)(b) and (c), paragraph 36A.1(3)(b), subsection 36A.1(4) and section 37.6 of Form 41-101F1;

(e) paragraphs 11.6(1)(b) and (c), paragraph 11.6(3)(b) and subsection 11.6(4) of Form 44-101F1.

(2) Subsection (1) does not apply unless

(a) the underwriters have a reasonable expectation that the securities offered under the U.S. cross-border offering will be sold primarily in the United States of America;

(b) the issuer and the underwriters who sign the prospectus filed in the local jurisdiction provide a contractual right containing the language set out in subsection 36A.1(5) of Form 41-101F1, or words to the same effect, except that the language may specify that the contractual right does not apply to any comparables provided in accordance with subsection (3); and

(c) if the prospectus is filed in the local jurisdiction, the template version of the marketing materials relating to the road show is delivered to the securities regulatory authority.

(3) If the template version of the marketing materials relating to the road show contains comparables, the template version of the marketing materials must contain the disclosure referred to in paragraph 13.7(4)(d).

(4) For greater certainty, subsection (1) does not apply to marketing materials other than the marketing materials

provided in connection with the road show.

Part 13A — Advertising and Marketing in Connection with Prospectus Offerings of Investment Funds

13A.1 Application — This Part applies to investment funds filing a prospectus in the form of Form 41-101F2 or Form 41-101F3.

13A.2 Legend for communications during the waiting period — (1) A preliminary prospectus notice or other communication used in connection with a prospectus offering during the waiting period must contain the following legend, or words to the same effect:

> A preliminary prospectus containing important information relating to these securities has been filed with securities commissions or similar authorities in certain jurisdictions of Canada. The preliminary prospectus is still subject to completion or amendment. Copies of the preliminary prospectus may be obtained from *[insert name and contact information for dealer or other relevant person or company]*. There will not be any sale or acceptance of an offer to buy the securities until a receipt for the final prospectus has been issued.

(2) If the preliminary prospectus notice or other communication is in writing, include the wording required under subsection (1) in bold type that is at least as large as that used generally in the body of the text.

13A.3 Legend for communications following receipt for the final prospectus — (1) A final prospectus notice or other communication used in connection with a prospectus offering following the issuance of a receipt for the final prospectus must contain the following legend, or words to the same effect:

> This offering is made only by prospectus. The prospectus contains important detailed information about the securities being offered. Copies of the prospectus may be obtained from *[insert name and contact information for dealer or other relevant person or company]*. Investors should read the prospectus before making an investment decision.

(2) If the final prospectus notice or other communication is in writing, include the wording required under subsection (1) in bold type that is at least as large as that used generally in the body of the text.

13A.4 Advertising during the waiting period — If the issuer is an investment fund, an advertisement used in connection with a prospectus offering during the waiting period may state only the following information:

(a) whether the security represents a share in an incorporated entity or an interest in an unincorporated entity;

(b) the name of the issuer;

(c) the price of the security;

(d) the fundamental investment objectives of the investment fund;

(e) the name of the manager of the investment fund;

(f) the name of the portfolio manager of the investment fund;

(g) the name and address of a person or company from whom a preliminary prospectus may be obtained and purchases of securities may be made;

(h) how many securities will be made available;

(i) whether the security is or will be a qualified investment for a registered retirement savings plan, registered retirement income fund, registered education savings plan or tax free savings account or qualifies, or will qualify, the holder for special tax treatment.

Part 14: — Custodianship of Portfolio Assets of an Investment Fund

14.1 General — (1) This Part applies to an investment fund that prepares a prospectus in accordance with this Instrument, other than an investment fund subject to NI 81-102.

(2) Subject to sections 14.8 and 14.9, all portfolio assets of an investment fund must be held under the custodianship of one custodian that satisfies the requirements of section 14.2.

(3) No manager of an investment fund may act as a custodian or sub-custodian of the investment fund.

14.2 Who may act as custodian or sub-custodian — (1) If portfolio assets are held in Canada by a custodian or sub-custodian, the custodian or sub-custodian must be one of the following:

(a) a bank listed in Schedule I, II or III of the *Bank Act* (Canada);

(b) a trust company that

(i) is incorporated and licenced or registered under the laws of Canada or a jurisdiction, and

(ii) has equity, as reported in its most recent audited financial statement, of not less than $10,000,000;

(c) a company that is incorporated under the laws of Canada or a jurisdiction and is an affiliate of a bank or trust company referred to in paragraph (a) or (b), if

(i) the company has equity, as reported in its most recent audited financial statements that have been made public, of not less than $10,000,000, or

(ii) the bank or trust company has assumed responsibility for all of the custodial obligations of the company for that investment fund.

(2) If portfolio assets are held outside of Canada by a sub-custodian, the sub-custodian must be one of the following:

(a) an entity referred to in subsection (1);

(b) an entity that

(i) is incorporated or organized under the law of a country, or a political subdivision of a country, other than Canada,

(ii) is regulated as a banking institution or trust company by the government, or an agency of the government of the country or political subdivision of the country under whose laws it is incorporated or organized, and

(iii) has equity, as reported in its most recent audited financial statements of not less than the equivalent of $100,000,000;

(c) an affiliate of an entity referred to in paragraph (a) or (b) if

(i) the affiliate has equity, as reported in its most recent audited financial statements that have been made public, of not less than the equivalent of $100,000,000, or

(ii) the entity referred to in paragraphs (a) or (b) has assumed responsibility for all of the custodial obligations of the affiliate for that investment fund.

14.3 Standard of care — (1) The custodian and each sub-custodian of an investment fund, in carrying out their duties concerning the safekeeping of, and dealing with, the portfolio assets of the investment fund, must exercise

(a) the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances, or

(b) at least the same degree of care as they exercise with respect to their own property of a similar kind, if this is a higher degree of care than the degree of care referred to in paragraph (a).

(2) No investment fund may relieve the custodian or a sub-custodian of the investment fund from liability to the investment fund or to a securityholder of the investment fund for loss that arises out of the failure of the custodian or sub-custodian to exercise the standard of care imposed by subsection (1).

(3) An investment fund may indemnify a custodian or sub-custodian against legal fees, judgments and amounts paid in settlement, actually and reasonably incurred by that entity in connection with custodial or sub-custodial services provided by that entity to the investment fund, if those fees, judgments and amounts were not incurred as a result of a breach of the standard of care described in subsection (1).

(4) No investment fund may incur the cost of any portion of liability insurance that insures a custodian or sub-custodian for a liability, except to the extent that the custodian or sub-custodian may be indemnified for that liability under this section.

14.4 Appointment of sub-custodian — (1) The custodian or a sub-custodian of an investment fund may appoint one or more sub-custodians to hold portfolio assets of the investment fund if,

(a) in the case where the appointment is by the custodian, the investment fund gives written consent to each appointment,

(b) in the case where the appointment is by a sub-custodian, the investment fund and the custodian of the investment fund give written consent to each appointment,

(c) the sub-custodian is an entity described in subsection 14.2(1) or (2), as applicable,

(d) the arrangements under which a sub-custodian is appointed are such that the investment fund may enforce rights directly, or require the custodian or a sub-custodian to enforce rights on behalf of the investment fund, to the portfolio assets held by the appointed sub-custodian, and

(e) the appointment is otherwise in compliance with this Instrument.

(2) Despite paragraphs (1)(a) and (b), a general consent to the appointment of persons or companies that are part of an international network of sub-custodians within the organization of the custodian appointed by the investment fund or the sub-custodian appointed by the custodian is sufficient if that general consent is part of an agreement governing the relationship between the investment fund and the appointed custodian or the custodian and the appointed sub-custodian.

(3) A custodian or sub-custodian must provide to the investment fund a list of each person or company that is appointed sub-custodian under a general consent referred to in subsection (2).

14.5 Content of agreements — (1) All custodian agreements and sub-custodian agreements of an investment fund must provide for

(a) the location of portfolio assets,

(b) the appointment of a sub-custodian, if any,

(c) the provision of lists of sub-custodians,

(d) the method of holding portfolio assets,

(e) the standard of care and responsibility for loss,

(f) review and compliance reports, and

(g) the safekeeping of portfolio assets on terms consistent with the agreement between the investment fund and the custodian, for an agreement between a custodian and a sub-custodian.

(2) The provisions of an agreement referred to under subsection (1) must comply with the requirements of this Part.

(3) A custodian agreement or sub-custodian agreement concerning the portfolio assets of an investment fund must not

(a) provide for the creation of any security interest on the portfolio assets except for a good faith claim for payment of the fees and expenses of the custodian or sub-custodian for acting in that capacity or to secure the obligations of the investment fund to repay borrowings by the investment fund from a custodian or sub-custodian for the purpose of settling portfolio transactions, or

(b) contain a provision that would require the payment of a fee to the custodian or sub-custodian for the transfer of the beneficial ownership of portfolio assets, other than for safekeeping and administrative services in connection with acting as custodian or sub-custodian.

14.6 Review and compliance reports — (1) The custodian of an investment fund must, on a periodic basis and at least annually,

(a) review the agreements referred to in section 14.5 to determine if those agreements are in compliance with this Part,

(b) make reasonable enquiries to ensure that each sub-custodian is an entity referred to in subsection 14.2(1) or (2), as applicable, and

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

(i) the agreements are in compliance with this Part, and

(ii) each sub-custodian is an entity referred to in subsection 14.2(1) or (2), as applicable.

(2) The custodian of an investment fund must, within 60 days after the end of each financial year of the investment fund, advise the investment fund in writing

(a) of the names and addresses of all sub-custodians of the investment fund,

(b) if the agreements are in compliance with this Part, and

(c) if, to the best of the knowledge and belief of the custodian, each sub-custodian is an entity that satisfies the requirements of subsection 14.2(1) or (2), as applicable.

(3) A copy of the report referred to in subsection (2) must be delivered by or on behalf of the investment fund to the securities regulatory authority within 30 days after the filing of the annual financial statements of the investment fund.

14.7 Holding of portfolio assets and payment of fees — (1) Except as provided in subsections (2) and (3) and sections 14.8 and 14.9, portfolio assets not registered in the name of the investment fund must be registered in the name of the custodian or a sub-custodian of the investment fund or any of their respective nominees with an account number or other designation in the records of the custodian sufficient to show that the beneficial ownership of the portfolio assets is vested in the investment fund.

(2) The custodian or a sub-custodian of the investment fund or the applicable nominee must segregate portfolio assets issued in bearer form to show that the beneficial ownership of the property is vested in the investment fund.

(3) A custodian or sub-custodian of an investment fund may deposit portfolio assets with a depository or a clearing agency that operates a book-based system.

(4) The custodian or sub-custodian of an investment fund arranging for the deposit of portfolio assets with, and their

delivery to, a depository, or clearing agency, that operates a book-based system must ensure that the records of any of the applicable participants in that book-based system or the custodian contain an account number or other designation sufficient to show that the beneficial ownership of the portfolio assets is vested in the investment fund.

(5) No investment fund may pay a fee to a custodian or sub-custodian for the transfer of beneficial ownership of portfolio assets other than for safekeeping and administrative services in connection with acting as custodian or sub-custodian.

14.8 Custodial provisions relating to derivatives and securities lending, repurchases and reverse repurchase agreements — (1) For the purposes of subsection (4), "specified derivative" has the same meaning as in NI 81-102.

(2) An investment fund may deposit portfolio assets as margin for transactions in Canada involving clearing corporation options, options on futures or standardized futures with a dealer that is a member of an SRO that is a participating member of CIPF if the amount of margin deposited does not, when aggregated with the amount of margin already held by the dealer on behalf of the investment fund, exceed 10% of the net assets of the investment fund, taken at market value as at the time of deposit.

(3) An investment fund may deposit portfolio assets with a dealer as margin for transactions outside Canada involving clearing corporation options, options on futures or standardized futures if

(a) in the case of standardized futures and options on futures, the dealer is a member of a futures exchange or, in the case of clearing corporation options, is a member of a stock exchange, and, as a result in either case, is subject to a regulatory audit,

(b) the dealer has a net worth, determined from its most recent audited financial statements that have been made public, in excess of the equivalent of $50 million, and

(c) the amount of margin deposited does not, when aggregated with the amount of margin already held by the dealer on behalf of the investment fund, exceed 10% of the net assets of the investment fund, taken at market value as at the time of deposit.

(4) An investment fund may deposit with its counterparty portfolio assets over which it has granted a security interest in connection with a particular specified derivatives transaction.

(5) The agreement by which portfolio assets are deposited in accordance with subsection (2), (3) or (4) must require the person or company holding the portfolio assets to ensure that its records show that the investment fund is the beneficial owner of the portfolio assets.

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

14.8.1 Custodial provisions relating to short sales — (1) For the purposes of subsection (2), "borrowing agent" has the same meaning as in NI 81-102.

(2) Except where the borrowing agent is the investment fund's custodian or sub-custodian, if an investment fund deposits portfolio assets with a borrowing agent as security in connection with a short sale of securities, the market value of portfolio assets deposited with the borrowing agent must not, when aggregated with the market value of portfolio assets already held by the borrowing agent as security for outstanding short sales of securities by the investment fund, exceed 10% of the net asset value of the investment fund at the time of deposit.

(3) An investment fund must not deposit portfolio assets as security in connection with a short sale of securities with a dealer in Canada unless that dealer is a registered dealer and is a member of the Investment Industry Regulatory Organization of Canada.

(4) An investment fund must not deposit portfolio assets as security in connection with a short sale of securities with a dealer outside Canada unless that dealer

(a) is a member of a stock exchange and is subject to a regulatory audit, and

(b) has a net worth, determined from its most recent audited financial statements that have been made public, in excess of the equivalent of $50 million.

14.9 Separate account for paying expenses — An investment fund may deposit cash in Canada with an entity referred to in paragraph (a) or (b) of subsection 14.2(1) to facilitate the payment of regular operating expenses of the investment fund.

Part 15: — Documents Incorporated by Reference by Investment Funds

15.1 Application — This Part applies only to an investment fund in continuous distribution.

15.2 Incorporation by reference — (1) An investment fund must incorporate by reference into its long form prospectus, by means of a statement to that effect, the filed documents listed in

(a) section 37.1 of Form 41-101F2 for investment funds other than scholarship plans, and

(b) subsection 4.1(1) of Part B of Form 41-101F3 for scholarship plans.

(2) If an investment fund does not incorporate by reference into its long form prospectus a document referred to in subsection (1), the document is deemed, for the purposes of securities legislation, to be incorporated by reference in the investment fund's long form prospectus as of the date of the long form prospectus.

(3) An investment fund must incorporate by reference in its long form prospectus, by means of a statement to that effect, the subsequently filed documents referred to in

(a) section 37.2 of Form 41-101F2 for investment funds other than scholarship plans, and

(b) subsection 4.1(2) of Part B of Form 41-101F3 for scholarship plans.

(4) If an investment fund does not incorporate by reference into its long form prospectus a document referred to in subsection (3), the document is deemed, for the purposes of securities legislation, to be incorporated by reference in the investment fund's long form prospectus as of the date the investment fund filed the document.

15.3 Documents to be delivered or sent upon request — (1) An ETF must deliver or send to any person or company that requests the prospectus of the ETF or any of the documents incorporated by reference into the prospectus, a copy of the prospectus or requested document.

(2) A document requested under subsection (1) must be delivered or sent within three business days of receipt of the request and free of charge.

Part 16: — Distribution of Preliminary Prospectus and Distribution List

16.1 Distribution of preliminary prospectus and distribution list — Except in Ontario, any dealer distributing a security during the waiting period must

(a) send a copy of the preliminary prospectus to each prospective purchaser who indicates an interest in purchasing the security and requests a copy of such preliminary prospectus, and

(b) maintain a record of the names and addresses of all persons and companies to whom the preliminary prospectus has been forwarded.

[Note: In Ontario, sections 66 and 67 of the Securities Act (Ontario) impose similar requirements regarding the distribution of a preliminary prospectus and maintaining a distribution list.]

Part 17: — Lapse Date

17.1 Pro forma prospectus — (1) In this Part, “pro forma prospectus” means a long form prospectus that complies with the requirements described in subsection (2).

(2) A pro forma prospectus must be prepared in the form of a long form prospectus in accordance with Form 41-101F1, Form 41-101F2 or Form 41-101F3, as applicable, and other securities legislation, except that a pro forma prospectus is not required to contain prospectus certificates or to comply with sections 4.2, 4.3 and 4.4 of this Instrument.

(3) This Part does not apply to a prospectus filed in accordance with NI 44-101, NI 44-102 or NI 44-103.

17.2 Refiling of prospectus — (1) This section does not apply in Ontario.

(2) In this section, “lapse date” means, with reference to the distribution of a security that has been qualified under a prospectus, the date that is 12 months after the date of the most recent final prospectus relating to the security.

(3) An issuer must not continue the distribution of a security to which the prospectus requirement applies after the lapse date unless the issuer files a new prospectus that complies with securities legislation and a receipt for that new prospectus is issued by the regulator.

(4) Despite subsection (3), a distribution may be continued for a further 12 months after a lapse date if,

(a) the issuer delivers a pro forma prospectus not less than 30 days before the lapse date of the previous prospectus;

(b) the issuer files a new final prospectus not less than 10 days after the lapse date of the previous prospectus; and

(c) a receipt for the new final prospectus is issued by the regulator within 20 days after the lapse date of the previous prospectus.

(5) The continued distribution of securities after the lapse date does not contravene subsection (3) unless and until any of the conditions of subsection (4) are not complied with.

(6) Subject to any extension granted under subsection (7), if a condition in subsection (4) is not complied with, a purchaser may cancel a purchase made in a distribution after the lapse date in reliance on subsection (4) within 90 days after the purchaser first became aware of the failure to comply with the condition.

(7) The regulator may, on an application of a reporting issuer, extend, subject to such terms and conditions as it may impose, the times provided by subsection (4) where in its opinion it would not be prejudicial to the public interest to do so.

[Note: In Ontario, section 62 of the Securities Act (Ontario) imposes similar requirements and procedures regarding refiling of prospectuses.]

Part 18: — Statement of Rights

18.1 Statement of rights — Except in Ontario, a prospectus must contain a statement of the rights given to a purchaser under securities legislation in case of a failure to deliver the prospectus or in case of a misrepresentation in a prospectus.

[Note: In Ontario, section 60 of the Securities Act (Ontario) imposes a similar requirement for the inclusion of a statement of rights in a prospectus.]

Part 19: — Exemption

19.1 Exemption — (1) The regulator or the securities regulatory authority may grant an exemption from the provisions of this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.

(3) Except in Alberta and Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of NI 14-101 opposite the name of the local jurisdiction.

19.2 Application for exemption — An application made to the securities regulatory authority or regulator for an exemption from the provisions of this Instrument must include a letter or memorandum describing the matters relating to the exemption, and indicating why consideration should be given to the granting of the exemption.

19.3 Evidence of exemption — (1) Subject to subsection (2) and without limiting the manner in which an exemption under this Part may be evidenced, the granting under this Part of an exemption, other than an exemption from subsection 2.2(2), may be evidenced by the issuance of a receipt for a final prospectus or an amendment to a final prospectus.

(2) The issuance of a receipt for a final prospectus or an amendment to a final prospectus is not evidence that the exemption has been granted unless

(a) the person or company that sought the exemption sent to the regulator

(i) the letter or memorandum referred to in section 19.2 on or before the date of the filing of the pro forma or preliminary prospectus, or

(ii) the letter or memorandum referred to in section 19.2 after the date of the filing of the preliminary prospectus and received a written acknowledgement from the regulator that the exemption may be evidenced in the manner set out in subsection (1), and

(b) the regulator has not before, or concurrently with, the issuance of the receipt sent notice to the person or company that sought the exemption, that the exemption sought may not be evidenced in the manner set out in subsection (1).

Part 20: — Transition, Effective Date, and Repeal

20.1 Transition — [Repealed]

20.2 Effective date — This Instrument comes into force on March 17, 2008.

20.3 Repeal — National Instrument 41-101 *Prospectus Disclosure Requirements*, which came into force on December 31, 2000, is repealed.

Appendix A — To National Instrument 41-101 General Prospectus Requirements — Personal Information Form and Authorization of Indirect Collection, Use and Disclosure of Personal Information

[Repealed]

Schedule 1 — Part A — Personal Information Form and Authorization of Indirect Collection, Use and Disclosure of Personal Information

This Personal Information Form and Authorization of Indirect Collection, Use and Disclosure of Personal Information (the "Form") is to be completed by every individual who, in connection with an issuer filing a prospectus (the "Issuer"), is required to do so under Part 9 of National Instrument 41-101 *General Prospectus Requirements* or Part 4 of National Instrument 44-101 *Short Form Prospectus Distributions* or Part 2 of National Instrument 81-101 *Mutual Fund Prospectus Disclosure*.

The securities regulatory authorities do not make any of the information provided in this Form public.

General Instructions:

All Questions	*All questions must have a response.* The response of "N/A" or "Not Applicable" will not be accepted for any questions, *except* Questions 1(B), 2(iii) and (v) and 5. For the purposes of answering the questions in this Form, the term "issuer" includes an investment fund manager.
—	
Questions 6 to 10	Please place a checkmark ([check]) in the appropriate space provided. If your answer to any of questions 6 to 10 is "YES", you *must* , in an attachment, provide complete details, including the circumstances, relevant dates, names of the parties involved and final disposition, if known. *Any attachment must be initialled by the person completing this Form.* Responses must consider all time periods.
—	
Delivery	*The issuer should deliver completed Forms electronically via the System for Electronic Document Analysis and Retrieval (SEDAR) under the document type "Personal Information Form and Authorization". Access to this document type is not available to the public.*

Caution

An individual who makes a false statement commits an offence under securities legislation. Steps may be taken to verify the answers you have given in this Form, including verification of information relating to any previous criminal record.

Definitions

"Offence" An offence *includes*:

(a) a summary conviction or indictable offence under the *Criminal Code* (Canada);

(b) a quasi-criminal offence (for example under the *Income Tax Act* (Canada), the *Immigration Act* (Canada) or the tax, immigration, drugs, firearms, money laundering or securities legislation of any Canadian or foreign jurisdiction);

(c) a misdemeanour or felony under the criminal legislation of the United States of America, or any state or territory therein; or

(d) an offence under the criminal legislation of any foreign other jurisdiction;

GUIDANCE: If you have received a pardon under the Criminal Records Act (Canada)for an Offence that relates to fraud (including any type of fraudulent activity), misappropriation of money or other property, theft, forgery, falsification of books or documents or similar Offences, you must disclose the pardoned Offence in this Form. In such circumstances:

(a) the appropriate written response would be "Yes, pardon granted on (date)"; and

(b) you must provide complete details in an attachment to this Form.

"Proceedings" means:

(a) a civil or criminal proceeding or inquiry which is currently before a court;

(b) a proceeding before an arbitrator or umpire or a person or group of persons authorized by law to make an inquiry and take evidence under oath in the matter;

(c) a proceeding before a tribunal in the exercise of a statutory power of decision making where the tribunal is required by law to hold or afford the parties to the proceeding an opportunity for a hearing before making a decision; or

(d) a proceeding before a self-regulatory entity authorized by law to regulate the operations and the standards of practice and business conduct of its members (including where applicable, issuers listed on a stock exchange) and individuals associated with those members and issuers, in which the self-regulatory entity is required under its by-laws, rules or policies to hold or afford the parties the opportunity to be heard before making a decision, but does not apply to a proceeding in which one or more persons are required to make an investigation and to make a report, with or without recommendations, if the report is for the information or advice of the person to whom it is made and does not in any way bind or limit that person in any decision the person may have the power to make;

"securities regulatory authority" or "SRA" means a body created by statute in any Canadian or foreign jurisdiction to administer securities law, regulation and policy (e.g. securities commission), but does not include an exchange or other self regulatory entity;

"self regulatory entity or "SRE"" means:

(a) a stock, derivatives, commodities, futures or options exchange;

(b) an association of investment, securities, mutual fund, commodities, or future dealers;

(c) an association of investment counsel or portfolio managers;

(d) an association of other professionals (e.g. legal, accounting, engineering); and

(e) any other group, institution or self-regulatory organization, recognized by a securities regulatory authority, that is responsible for the enforcement of rules, policies, disciplines or codes under any applicable legislation, or considered an SRE in another country.

1. A. IDENTIFICATION OF INDIVIDUAL COMPLETING FORM

LAST NAME(S)	*FIRST NAME(S)*	*FULL MIDDLE NAME(S) (No initials. If none, please state)*

—

NAME(S) MOST COMMONLY KNOWN BY:

—

NAME OF ISSUER

—

PRESENT or PROPOSED POSITION(S) WITH THE ISSUER — check ([check]) all positions below that are applicable.		*IF DIRECTOR / OFFICER DISCLOSE THE DATE ELECTED / APPOINTED*			*IF OFFICER — PROVIDE TITLE IF OTHER — PROVIDE DETAILS*
	([check])	*Month*	*Day*	*Year*	
Director					
Officer					
Other					

		FROM	*TO*
B.	*Other than the name given in Question 1A above, provide any legal names, assumed names or nicknames under which you have carried on business or have otherwise been known, including information regarding any name change(s) resulting from marriage, divorce, court order or any other process. Use an attachment if necessary.*		

						MM	*YY*	*MM*	*YY*
—									
—									

C.	**GENDER**	**DATE OF BIRTH**			**PLACE OF BIRTH**		
		Month	**Day**	**Year**	**City**	**Province/State**	**Country**
	Male						
—							
	Female						
—							

D.	**MARITAL STATUS**	**FULL NAME OF SPOUSE — include common-law**	**OCCUPATION OF SPOUSE**
—			

E. *TELEPHONE AND FACSIMILE NUMBERS AND E-MAIL ADDRESS*

RESIDENTIAL	(.....)	*FACSIMILE*	(.....)
BUSINESS	(.....)	*E-MAIL*{ *}	

Notes: * Provide an email address that the regulator may use to contact you regarding this personal information form. This email address may be used to exchange personal information relating to you.

F. *RESIDENTIAL HISTORY — Provide all residential addresses for the past 10 YEARS starting with your current principal residential address. If you are unable to recall the complete residential address for a period, which is beyond five years from the date of completion of this Form, the municipality and province or state and country must be identified. The regulator reserves the right to require the full address.*

STREET ADDRESS, CITY, PROVINCE/STATE, COUNTRY & POSTAL/ZIP CODE	*FROM*		*TO*	
	MM	*YY*	*MM*	*YY*
—				
—				
—				
—				
—				

2. CITIZENSHIP

		YES	**NO**
(i)	Are you a Canadian citizen?		
(ii)	Are you a person lawfully in Canada as an immigrant but are not yet a Canadian citizen?		
(iii)	If “Yes” to Question 2(ii), the number of years of continuous residence in Canada:		
(iv)	Do you hold citizenship in any country other than Canada?		
(v)	If “Yes” to Question 2(iv), the name of the country(ies):		

B. [Repealed]

3. EMPLOYMENT HISTORY

Provide your complete employment history for the *5 YEARS* immediately prior to the date of this Form starting with your current employment. Use an attachment if necessary. If you were unemployed during this period of time, state this and identify the period of unemployment.

EMPLOYER NAME	**EMPLOYER ADDRESS**	**POSITION HELD**	**FROM**		**TO**	
			MM	**YY**	**MM**	**YY**
—						
—						

—

4. INVOLVEMENT WITH ISSUERS

—

YES **NO**

A. Are you or have you during the last 10 years ever been a director, officer, promoter, insider or control person for any reporting issuer?

—

B. *If "YES" to 4A above, provide the names of each reporting issuer. State the position(s) held and the period(s) during which you held the position(s). Use an attachment if necessary.*

—

NAME OF REPORTING	*POSITION(S) HELD*	*MARKET TRADED ON*	*FROM*		*TO*	
			MM	*YY*	*MM*	*YY*
—						
—						
—						
—						
—						

C. While you were a director, officer or insider of an issuer, did any exchange or other self-regulatory entity ever refuse approval for listing or quotation of the issuer, including (i) a listing resulting from a business combination, reverse takeover or similar transaction involving the issuer that is regulated by an SRE or SRA, (ii) a backdoor listing or qualifying acquisition involving the issuer (as those terms are defined in the TSX Company Manual as amended from time to time) or (iii) a qualifying transaction, reverse takeover or change of business involving the issuer (as those terms are defined in the TSX Venture Corporate Finance Manual as amended from time to time)? If yes, attach full particulars.

5. EDUCATIONAL HISTORY

A. *PROFESSIONAL DESIGNATION(S) — Identify any professional designation held and professional associations to which you belong, for example, Barrister & Solicitor, C.A., C.M.A., C.G.A., P.Eng., P.Geol., CFA, etc. and indicate which organization and the date the designations were granted.*

PROFESSIONAL DESIGNATION and MEMBERSHIP NUMBER	*GRANTOR OF DESIGNATION and CANADIAN or FOREIGN JURISDICTION*	*DATE GRANTED*	
		MM	*YY*
—			
—			
—			

Describe the current status of any designation and/or association (e.g. active, retired, non-practicing, suspended)".

.....

B. *Provide your post-secondary educational history starting with the most recent.*

—

SCHOOL	*LOCATION*	*DEGREE OR DIPLOMA*	*DATE OBTAINED*		
			MM	*DD*	*YY*
—					
—					

6. OFFENCES — If you answer "YES" to any item in Question 6, you must provide complete details in an attachment. If you have received a pardon under the Criminal Records Act (Canada) for an Offence that relates to fraud (including any type of fraudulent activity), misappropriation of money or other property, theft, forgery, falsification of books or documents or similar Offences, you must disclose the pardoned Offence in this Form.

—

YES **NO**

A. Have you ever, in any Canadian or foreign jurisdiction, pled guilty to or been found guilty of an Offence?

—

B. Are you the subject of any current charge, indictment or proceeding for an Offence, in any Canadian or foreign jurisdiction?

—

C. To the best of your knowledge, are you currently or have you *ever* been a director, officer, promoter, insider, or control person of an issuer, in any Canadian or foreign jurisdiction, at the time of events that resulted in the issuer:
(i) pleading guilty to or being found guilty of an Offence?
(ii) now being the subject of any charge, indictment or proceeding for an alleged Offence?

7. BANKRUPTCY — If you answer "YES" to any item in Question 7, you *must* provide complete details in an attachment and attach a copy of any discharge, release or other applicable document. You must answer "YES" or "NO" for EACH of (A), (B) and (C) below.

YES **NO**

A. Have you, in any Canadian or foreign jurisdiction, within the past *10 years* had a petition in bankruptcy issued against you, made a voluntary assignment in bankruptcy, made a proposal under any bankruptcy or insolvency legislation, been subject to any proceeding, arrangement or compromise with creditors, or had a receiver, receiver-manager or trustee appointed to manage your assets?

B. Are you now an undischarged bankrupt?

—

C. To the best of your knowledge, are you currently or have you *ever* been a director, officer, promoter, insider, or control person of an issuer, in any Canadian or foreign jurisdiction, at the time of events, or for a period of 12 months preceding the time of events, where the issuer:
(i) has made a petition in bankruptcy, a voluntary assignment in bankruptcy, a proposal under any bankruptcy or insolvency legislation, been subject to any proceeding, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to manage the issuer's assets?
(ii) is now an undischarged bankrupt?

8. PROCEEDINGS — If you answer "YES" to any item in Question 8, you must provide complete details in an attachment.

—

YES *NO*

A. *CURRENT PROCEEDINGS BY SECURITIES REGULATORY AUTHORITY OR SELF REGULATORY ENTITY. Are you now, in any Canadian or foreign jurisdiction, the subject of:*
(i) a notice of hearing or similar notice issued by an SRA or SRE?
(ii) a proceeding of or, to your knowledge, an investigation by, an SRA or SRE?
(iii) settlement discussions or negotiations for settlement of any nature or kind whatsoever with an SRA or SRE?

—

YES *NO*

B. *PRIOR PROCEEDINGS BY SECURITIES REGULATORY AUTHORITY OR SELF REGULATORY ENTITY. Have you ever* :
(i) been reprimanded, suspended, fined, been the subject of an administrative penalty, or been the subject of any proceedings of any kind whatsoever, in any Canadian or foreign jurisdiction, by an SRA or SRE?
(ii) had a registration or licence for the trading of securities, exchange or commodity futures contracts, real estate, insurance or mutual fund products cancelled, refused, restricted or suspended by an SRA or SRE?
(iii) been prohibited or disqualified by an SRA or SRE under securities, corporate or any other legislation from acting as a director or officer of a reporting issuer or been prohibited or restricted by an SRA or SRE from acting as a director, officer or employee of, or an agent or consultant to, a reporting issuer?
(iv) had a cease trading or similar order issued against you or an order issued against you by an SRA or SRE that denied you the right to use any statutory prospectus or registration exemption?

(v) had any other proceeding of any kind taken against you by an SRA or SRE?

—

C. SETTLEMENT AGREEMENT(S)

Have you ever entered into a settlement agreement with an SRA, SRE, attorney general or comparable official or body, in any jurisdiction or in any foreign jurisdiction, in a matter that involved actual or alleged fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading in securities or exchange or commodity futures contracts, illegal distributions, failure to disclose material facts or changes or similar conduct, or any other settlement agreement with respect to any other violation of securities legislation in a Canadian or foreign jurisdiction or the rules, by-laws or policies of any SRE?

D. To the best of your knowledge, are you now or have you ever been a director, officer, promoter, insider, or control person of an issuer at the time of such event, in any Canadian or foreign jurisdiction, for which a securities regulatory authority or self regulatory entity has:

(i) refused, restricted, suspended or cancelled the registration or licensing of an issuer to trade securities, exchange or commodity futures contracts, or to sell or trade real estate, insurance or mutual fund products?

(ii) issued a cease trade or similar order or imposed an administrative penalty of any nature or kind whatsoever against the issuer, other than an order for failure to file financial statements that was revoked within 30 days of its issuance?

(iii) refused a receipt for a prospectus or other offering document, denied any application for listing or quotation or any other similar application, or issued an order that denied the issuer the right to use any statutory prospectus or registration exemptions?

(iv) issued a notice of hearing, notice as to a proceeding or similar notice against the issuer?

(v) commenced any other proceeding of any kind against the issuer, including a trading halt, suspension or delisting of the issuer, in connection with an alleged or actual contravention of an SRA's or SRE's rules, regulations, policies or other requirements, but excluding halts imposed (i) in the normal course for proper dissemination of information, or (ii) pursuant to a business combination, reverse takeover or similar transaction involving the issuer that is regulated by an SRE or SRA, including a qualifying transaction, reverse takeover or change of business involving the issuer (as those terms are defined in the TSX Venture Corporate Finance Manual as amended from time to time)?

(vi) entered into a settlement agreement with the issuer in a matter that involved actual or alleged fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading in securities or exchange or commodity futures contracts, illegal distributions, failure to disclose material facts or changes or similar conduct by the issuer, or any other violation of securities legislation or the rules, by-laws or policies of an SRE?

9. CIVIL PROCEEDINGS — If you answer "YES" to any item in Question 9, you *must* provide complete details in an attachment.

YES **NO**

A. JUDGMENT, GARNISHMENT AND INJUNCTIONS

Has a court in any Canadian or foreign jurisdiction:

(i) rendered a judgment, ordered garnishment or issued an injunction or similar ban (whether by consent or otherwise) against *you* in a claim based in whole or in part on fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, illegal distributions, failure to disclose material facts or changes, or allegations of similar conduct?

(ii) rendered a judgment, ordered garnishment or issued an injunction or similar ban (whether by consent or otherwise) against *an issuer*, of which you are currently or have ever been a director, officer, promoter, insider or control person in a claim based in whole or in part on fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, illegal distributions, failure to disclose material facts or changes, or allegations of similar conduct?

B. CURRENT CLAIMS

—

(i) Are *you* now subject, in any Canadian or foreign jurisdiction, to a claim that is based in whole or in part on actual or alleged fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, illegal distributions, failure to disclose material facts or changes, or allegations of similar conduct?

(ii) To the best of your knowledge, are you currently or have you ever been a director, officer, promoter, insider or control person of *an issuer* that is now subject, in any Canadian or foreign jurisdiction, to a claim that is based in whole or in part on actual or alleged fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, illegal distributions, failure to disclose material facts or changes, or allegations of similar conduct?

C. SETTLEMENT AGREEMENT

—

(i) Have *you* ever entered into a settlement agreement, in any Canadian or foreign jurisdiction, in a civil action that involved actual or alleged fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, illegal distributions, failure to disclose material facts or changes, or allegations of similar conduct?

(ii) To the best of your knowledge, are you currently or have you ever been a director, officer, promoter, insider or control person of *an issuer* that has entered into a settlement agreement, in any Canadian or foreign jurisdiction, in a civil action that involved actual or alleged fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, illegal distributions, failure to disclose material facts or changes, or allegations of similar conduct?

10. INVOLVEMENT WITH OTHER ENTITIES

—

	YES	*NO*
A. Has your employment in a sales, investment or advisory capacity with any employer engaged in the sale of real estate, insurance or mutual funds ever been suspended or terminated for cause? If yes, attach full particulars.		
—		
B. Has your employment with a firm or company registered under the securities laws of any Canadian or foreign jurisdiction as a securities dealer, broker, investment advisor or underwriter, ever been suspended or terminated for cause? If yes, attach full particulars.		
—		
C. Has your employment as an officer of an issuer ever been suspended or terminated for cause? If yes, attach full particulars.		

[Repealed]

Part B — Certificate and Consent

I, ... (Please Print — Name of Individual) hereby certify that:

(a) I have read and understand the questions, cautions, acknowledgement and consent in the personal information form to which this certificate and consent is attached or of which this certificate and consent forms a part (the *"Form"*), and the answers I have given to the questions in the Form and in any attachments to it are correct, except where stated to be answered to the best of my knowledge, in which case I believe the answers to be correct;

(b) I have been provided with and have read and understand the Personal Information Collection Policy (the *"Personal Information Collection Policy"*) in Schedule 2 of Appendix A to National Instrument 41-101 *General Prospectus Requirements* (*"NI 41-101"*);

(c) I consent to the collection, use and disclosure by a regulator or a securities regulatory authority listed in Schedule 3 of Appendix A to NI 41-101 (collectively the *"regulators"*) of the information in the Form and to the collection, use and

disclosure by the regulators of further personal information in accordance with the Personal Information Collection Policy including the collection, use and disclosure by the regulators of the information in the Form in respect of the prospectus filings of the Issuer and the prospectus filings of any other issuer in a situation where I am or will be:

(i) a director, executive officer or promoter of the other issuer,

(ii) a director or executive officer of a promoter of the other issuer, if the promoter is not an individual, or

(iii) where the other issuer is an investment fund, a director or executive officer of the investment fund manager; and

(d) I am aware that I am providing the Form to the regulators and I understand that I am under the jurisdiction of the regulators to which I submit the Form, and that it is a breach of securities legislation to provide false or misleading information to the regulators, whenever the Form is provided in respect of the prospectus filings of the Issuer or the prospectus filings of any other issuer of which I am or will be a director, executive officer or promoter.

Date [within 30 days of the date of the preliminary prospectus]

.....

Signature of Person Completing this Form

Schedule 2 — Personal Information Collection Policy

The regulators and securities regulatory authorities (the "regulators") listed in Schedule 3 of Appendix A to National Instrument 41-101 *General Prospectus Requirements* ("*NI 41-101*") collect the personal information in the personal information form as this term is defined in NI 41-101 (the "Personal Information Form"), *Personal Information Form* under the authority granted to them under provincial and territorial securities legislation. Under securities legislation, the regulators do not make any of the information provided in the Personal Information Form public.

The regulators collect the personal information in Schedule 1 for the purpose of enabling the regulators to administer and enforce provincial and territorial securities legislation, including those provisions that require or permit the regulators to refuse to issue a receipt for a prospectus if it appears to the regulators that the past conduct of management or promoters of the Issuer affords reasonable grounds for belief that the business of the Issuer will not be conducted with integrity and in the best interests of its securityholders.

You understand that by signing the certificate and consent in the Personal Information Form, you are consenting to the Issuer submitting your personal information in the Personal Information Form (the "Information") to the regulators and to the collection and use by the regulators of the Information, as well as any other information that may be necessary to administer and enforce provincial and territorial securities legislation. This may include the collection of information from law enforcement agencies, other government or non-governmental regulatory authorities, self-regulatory organizations, exchanges, and quotation and trade reporting systems in order to conduct background checks, verify the Information and perform investigations and conduct enforcement proceedings as required to ensure compliance with provincial and territorial securities legislation.

Your consent also extends to the collection, use and disclosure of the Information as described above in respect of other prospectus filings of the Issuer and the prospectus filings of any other issuer in a situation where you are or will be:

(a) a director, executive officer or promoter of the other issuer,

(b) a director or executive officer of a promoter of the other issuer, if the promoter is not an individual, or

(c) where the other issuer is an investment fund, a director or executive officer of the investment fund manager.

You understand that the Issuer is required to deliver the Information to the regulators because the Issuer has filed a prospectus under provincial and territorial securities legislation. You also understand that you have a right to be informed of the existence of personal information about you that is kept by regulators, that you have the right to request access to that information, and that you have the right to request that such information be corrected, subject to the applicable provisions of the freedom of information and protection of privacy legislation adopted by each province and territory.

You also understand and agree that the Information the regulators collect about you may also be disclosed, as permitted by law, where its use and disclosure is for the purposes described above. The regulators may also use a third party to process the Information, but when this happens, the third party will be carefully selected and obligated to comply with the limited use restrictions described above and with provincial and federal privacy legislation.

Warning: It is an offence to submit information that, in a material respect and at the time and in the light of the circumstances in which it is submitted, is misleading or untrue.

Questions

If you have any questions about the collection, use, and disclosure of the information you provide to the regulators, you may contact the regulator in the jurisdiction in which the required information is filed, at the address or telephone number listed in Schedule 3.

Schedule 3 — Regulators and Securities Regulatory Authorities

Local Jurisdiction —	Regulator
Alberta	Securities Review Officer Alberta Securities Commission Suite 600, 250 — 5{ th} Street S.W. Calgary, Alberta T2P 0R4 Telephone: (403) 297-6454 E-mail: inquiries@seccom.ab.ca www.albertasecurities.com
British Columbia	Review Officer British Columbia Securities Commission P.O. Box 10142 Pacific Centre 701 West Georgia Street Vancouver, British Columbia V7Y 1L2 Telephone: (604) 899-6854 Toll Free within British Columbia and Alberta: (800) 373-6393 E-mail: inquiries@bcsc.bc.ca www.bcsc.bc.ca
Manitoba	Director, Corporate Finance The Manitoba Securities Commission 500-400 St. Mary Avenue Winnipeg, Manitoba R3C 4K5 Telephone: (204) 945-2548 E-mail: securities@gov.mb.ca www.msc.gov.mb.ca
New Brunswick	Director Corporate Finance and Chief Financial Officer New Brunswick Securities Commission 85 Charlotte Street, Suite 300 Saint John, New Brunswick E2L 2J2 Telephone: (506) 658-3060 Fax: (506) 658-3059 E-mail: information@nbsc-cvmnb.ca
Newfoundland and Labrador	Director of Securities Department of Government Services and Lands P.O. Box 8700 West Block, 2nd Floor, Confederation Building St. John’s, Newfoundland A1B 4J6 Telephone: (709) 729-4189 www.gov.nf.ca/gsl/cca/s
Northwest Territories	Superintendent of Securities Department of Justice Government of the Northwest Territories P.O. Box 1320, Yellowknife, Northwest Territories X1A 2L9 Telephone: (867) 873- 7490 www.justice.gov.nt.ca/SecuritiesRegistry
Nova Scotia	Deputy Director, Compliance and Enforcement Nova Scotia Securities Commission P.O. Box 458 Halifax, Nova Scotia B3J 2P8 Telephone: (902) 424-5354 www.gov.ns.ca/nssc
Nunavut	Superintendent of Securities

	Government of Nunavut Legal Registries Division P.O. Box 1000 - Station 570 Iqaluit, Nunavut X0A 0H0 Telephone: (867) 975-6590
—	
Ontario	Administrative Assistant to the Director of Corporate Finance Ontario Securities Commission 19th Floor, 20 Queen Street West Toronto, Ontario M5H 2S8 Telephone: (416) 597-0681 E-mail: Inquiries@osc.gov.on.ca www.osc.gov.on.ca
—	
Prince Edward Island	Superintendent of Securities Government of Prince Edward Island 95 Rochford Street, P.O. Box 2000, 4th Floor Charlottetown, Prince Edward Island C1A 7N8 Telephone: (902) 368-4550 www.gov.pe.ca/securities
—	
Québec	Autorité des marchés financiers Stock Exchange Tower P.O. Box 246, 22nd Floor 800 Victoria Square Montréal, Québec H4Z 1G3 Attention: Responsable de l’accès à l’information Telephone: (514) 395-0337 Toll Free in Québec: (877) 525-0337 www.lautorite.qc.ca
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Saskatchewan	Director Financial and Consumer Affairs Authority of Saskatchewan Suite 601, 1919 Saskatchewan Drive Regina, Saskatchewan S4P 4H2 Telephone: (306) 787-5842 www.sfsc.gov.sk.ca
—	
Yukon	Superintendent of Securities Office of the Yukon Superintendent of Securities Department of Community Services 307 Black Street, Whitehorse, Yukon, Y1A 2N1 Phone: 867-667-5466, Fax 867-393-6251

Appendix B — To National Instrument 41-101 General Prospectus Requirements — Issuer Form of Submission to Jurisdiction and Appointment of Agent for Service of Process

1. Name of issuer (the "Issuer"):

.....

2. Jurisdiction of incorporation, or equivalent, of Issuer:

.....

3. Address of principal place of business of Issuer:

.....

4. Description of securities (the "Securities"):

.....

5. Date of the prospectus (the "Prospectus") under which the Securities are offered:

.....

6. Name of agent for service of process (the "Agent"):

.....

7. Address for service of process of Agent in Canada (the address may be anywhere in Canada):

.....

8. The Issuer designates and appoints the Agent at the address of the Agent stated above as its agent upon whom may be served any notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal, penal or other proceeding (the "Proceeding") arising out of, relating to or concerning the distribution of the Securities made or purported to be made under the Prospectus or the obligations of the Issuer as a reporting issuer, and irrevocably waives any right to raise as a defence in any such Proceeding any alleged lack of jurisdiction to bring such Proceeding.

9. The Issuer irrevocably and unconditionally submits to the non-exclusive jurisdiction of

(a) the judicial, quasi-judicial and administrative tribunals of each of the provinces [and territories] of Canada in which the securities are distributed under the Prospectus; and

(b) any administrative proceeding in any such province [or territory],

in any Proceeding arising out of or related to or concerning the distribution of the Securities made or purported to be made under the Prospectus or the obligations of the issuer as a reporting issuer.

10. Until six years after it has ceased to be a reporting issuer in any Canadian province or territory, the Issuer shall file a new submission to jurisdiction and appointment of agent for service of process in this form at least 30 days before termination of this submission to jurisdiction and appointment of agent for service of process.

11. Until six years after it has ceased to be a reporting issuer in any Canadian province or territory, the Issuer shall file an amended submission to jurisdiction and appointment of agent for service of process at least 30 days before any change in the name or above address of the Agent.

12. This submission to jurisdiction and appointment of agent for service of process shall be governed by and construed in accordance with the laws of [insert province or territory of above address of Agent].

Dated: .....

..... Signature of Issuer

..... Print name and title of signing officer of Issuer

Agent

The undersigned accepts the appointment as agent for service of process of [insert name of Issuer] under the terms and conditions of the appointment of agent for service of process stated above.

Dated: .....

..... Signature of Agent

..... Print name of person signing and, if Agent is not an individual, the title of the person

Appendix C — To National Instrument 41-101 General Prospectus Requirements — Non-Issuer Form of Submission to Jurisdiction and Appointment of Agent for Service of Process

1. Name of issuer (the "Issuer"):

.....

2. Jurisdiction of incorporation, or equivalent, of Issuer:

.....

3. Address of principal place of business of Issuer:

.....

4. Description of securities (the "Securities"):

.....

5. Date of the prospectus (the "Prospectus") under which the Securities are offered:

.....

6. Name of person filing this form (the "Filing Person"):

.....

7. Filing Person's relationship to Issuer:

.....

8. Jurisdiction of incorporation, or equivalent, of Filing Person, if applicable, or jurisdiction of residence of Filing Person:

.....

9. Address of principal place of business of Filing Person:

.....

10. Name of agent for service of process (the "Agent"):

.....

11. Address for service of process of Agent in Canada (the address may be anywhere in Canada):

.....

12. The Filing Person designates and appoints the Agent at the address of the Agent stated above as its agent upon whom may be served any notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal, penal or other proceeding (the "Proceeding") arising out of, relating to or concerning the distribution of the Securities made or purported to be made under the Prospectus, and irrevocably waives any right to raise as a defence in any such Proceeding any alleged lack of jurisdiction to bring the Proceeding.

13. The Filing Person irrevocably and unconditionally submits to the non-exclusive jurisdiction of

(a) the judicial, quasi-judicial and administrative tribunals of each of the provinces [and territories] of Canada in

which the securities are distributed under the Prospectus; and

(b) any administrative proceeding in any such province [or territory],

in any Proceeding arising out of or related to or concerning the distribution of the Securities made or purported to be made under the Prospectus.

14. Until six years after completion of the distribution of the Securities made under the Prospectus, the Filing Person shall file a new submission to jurisdiction and appointment of agent for service of process in this form at least 30 days before termination of this submission to jurisdiction and appointment of agent for service of process.

15. Until six years after completion of the distribution of the Securities under the Prospectus, the Filing Person shall file an amended submission to jurisdiction and appointment of agent for service of process at least 30 days before a change in the name or above address of the Agent.

16. This submission to jurisdiction and appointment of agent for service of process shall be governed by and construed in accordance with the laws of [insert province or territory of above address of Agent].

Dated: .....

..... Signature of Filing Person

..... Print name of person signing and, if the Filing Person is not an individual, the title of the person

Agent

The undersigned accepts the appointment as agent for service of process of [insert name of Filing Person] under the terms and conditions of the appointment of agent for service of process stated above.

Dated: .....

..... Signature of Agent

..... Print name of person signing and, if Agent is not an individual, the title of the person

Appendix D — To National Instrument 41-101 General Prospectus Requirements

Jurisdiction	Preliminary Prospectus Notice Provisions Securities Legislation Reference
—	
Alberta	Paragraph 123(a) of the *Securities Act* (Alberta)
—	
British Columbia	Paragraph 78(2)(a) of the *Securities Act* (British Columbia)
—	
Manitoba	Paragraph 38(b) of the *Securities Act* (Manitoba)
—	
New Brunswick	Paragraph 82(2)(a) of the *Securities Act* (New Brunswick)
—	
Newfoundland and Labrador	Paragraph 66(2)(a) of the *Securities Act* (Newfoundland and Labrador)
—	
Northwest Territories	Paragraph 97(a) of the *Securities Act* (Northwest Territories)
—	
Nova Scotia	Paragraph 70(2)(a) of the *Securities Act* (Nova Scotia)
—	
Nunavut	Paragraph 97(a) of the *Securities Act* (Nunavut)
—	
Ontario	Paragraph 65(2)(a) of the *Securities Act* (Ontario)
—	
Prince Edward Island	Paragraph 97(a) of the *Securities Act* (Prince Edward Island)
—	
Saskatchewan	Paragraph 73(2)(a) of *The Securities Act, 1988* (Saskatchewan)
—	
Yukon	Paragraph 97(a) of the *Securities Act* (Yukon)

Appendix E — To National Instrument 41-101 General Prospectus Requirements

Jurisdiction	Final Prospectus Notice Provisions Securities Legislation Reference
—	
British Columbia	Paragraph 82(c) of the *Securities Act* (British Columbia)
—	
New Brunswick	Section 86 of the *Securities Act* (New Brunswick), but only in respect of a communication described in paragraph 82(2)(a) of that Act
—	
Newfoundland and Labrador	Section 70 of the *Securities Act* (Newfoundland and Labrador), but only in respect of a communication described in paragraph 66(2)(a) of that Act
—	
Nova Scotia	Section 74 of the *Securities Act* (Nova Scotia), but only in respect of a communication described in paragraph 70(2)(a) of that Act
—	
Ontario	Section 69 of the *Securities Act* (Ontario), but only in respect of a communication described in clause 65(2)(a) of that Act
—	
Saskatchewan	Paragraph 77(c) of *The Securities Act, 1988* (Saskatchewan)

Appendix F — ETF Facts Automatic Switch Program Information for Section 3C.2.4

For the purposes of paragraph 3C.2.4(2)(e),"ETF facts automatic switch program information" means a completed Form 41-101F4 *Information Required in an ETF Facts Document* modified as follows:

(a) the heading under item 1(d) of Part I includes the name of each class or series of securities of the ETF in the automatic switch program;

(b) the brief introduction to the ETF facts document under item 1(h) of Part I includes the name of each class or series of securities of the ETF in the automatic switch program;

(c) item 2(1) of Part I includes, for each class or series of securities of the ETF in the automatic switch program, the date the securities of the class or series first became available to the public;

(d) item 2(1) of Part I includes the management expense ratio of only the class or series of securities of the ETF in the automatic switch program with the highest management fee;

(e) the "Quick Facts" table referred to in item 2(1) of Part 1 includes a footnote that states all of the following:

(i) that the ETF facts document pertains to all of the classes or series of securities of the ETF in the automatic switch program;

(ii) that further details about the automatic switch program are disclosed in the "How much does it cost?" section of the ETF facts document;

(iii) that further details, about the minimum investment amount applicable to each of the classes or series of securities of the ETF in the automatic switch program, are disclosed in the fee decrease table under the sub-heading "ETF expenses" of the ETF facts document ;

(iv) that the management expense ratio of each of the classes or series of securities of the ETF in the automatic switch program is disclosed in the "ETF expenses" section of the ETF facts document;

(f) item 2(2) of Part I includes the ticker symbols of each of class or series of securities of the ETF in the automatic switch program;

(g) item 2(2) of Part I includes the average daily volume of only the class or series of securities of the ETF in the automatic switch program with the highest management fee;

(h) item 2(2) of Part I includes the number of days traded of only the class or series of securities of the ETF in the automatic switch program with the highest management fee;

(i) item 2(3) of Part I includes the market price of only the class or series of securities of the ETF in the automatic switch program with the highest management fee;

(j) item 2(3) of Part I includes the net asset value of only the class or series of securities of the ETF in the automatic switch program with the highest management fee;

(k) item 2(3) of Part I includes the average bid-ask spread of only the class or series of securities of the ETF in the automatic switch program with the highest management fee;

(l) item 5(1) of Part I includes all of the following as part of the introduction:

(i) under the heading "How has the ETF performed?", the name of only the class or series of securities of the ETF with the highest management fees;

(ii) a statement explaining that the performance for each of the classes or series of securities of the ETF in the automatic switch program will be similar to the performance of the class or series of securities of the ETF with the highest management fee, but will vary as a result of the difference in fees, as set out in the fee decrease table under the sub-heading "ETF expenses";

(m) item 5(3), (4) and (5) of Part I, under the sub-headings "Year-by-year returns," "Best and worst 3-month returns," and "Average return", includes the required performance data relating only to the class or series of securities of the

ETF with the highest management fee;

(n) item 1(1.1) of Part II includes all of the following:

(i) under the heading “How much does it cost?”, in the introductory statement, the name of each class or series of securities of the ETF in the automatic switch program;

(ii) as a part of the introductory statement, a summary of the automatic switch program that includes all of the following:

(A) an explanation that the automatic switch program offers separate classes or series of securities of the ETF that charge progressively lower management fees;

(B) an explanation of the scenarios in which the automatic switches will be made, including, for greater certainty, the scenario in which automatic switches will be made due to the purchaser no longer meeting the minimum investment amount for a particular class or series of securities of the ETF;

(C) a statement that a purchaser will not pay higher management fees as a result of the automatic switches than those charged to the class or series of securities of the ETF with the highest management fee;

(D) a statement that information about the progressively lower management fees for the classes or series of securities of the ETF in the automatic switch program is available in the fee decrease table under the sub-heading “ETF expenses” of the ETF facts document;

(E) a statement that further details about the automatic switch program are disclosed in specific sections of the prospectus of the ETF

(F) a statement that purchasers should speak to their representative for more information about the automatic switch program;

(o) if the ETF is not newly established, item 1(1.3)(2) of Part II includes all of the following:

(i) the management expense ratio and ETF expenses of each of the classes or series of securities of the ETF in the automatic switch program or, if certain expense information is not available for a particular class or series of securities, the words “not available” in the corresponding part of the table;

(ii) a row in the “Annual rate” table

(A) in which the first column states “For every $1,000 invested, this equals:”, and

(B) that discloses the respective equivalent dollar amounts of the ETF expenses of each class or series of securities of the ETF in the automatic switch program included in the table for every $1,000 invested;

(p) item 1(1.3)(2) of Part II includes, at the end of the disclosure under the sub-heading “ETF expenses”, all of the following:

(i) a table that includes

(A) the name of, and minimum investment amounts associated with, each class or series of securities of the ETF in the automatic switch program, and

(B) the combined management and administration fee decrease of each class or series of securities of the ETF in the automatic switch program from the management fee of the class or series of securities of the ETF with the highest management fee, disclosed as a percentage;

(ii) an introduction to the table referred to in subparagraph (i) stating that the table sets out the combined management and administration fee decrease of each class or series of securities the ETF in the automatic switch program from the management fee of the class or series of securities of the ETF with the highest management fee;

(q) if all the classes or series of securities of the ETF in the automatic switch program are not newly established, item 1(1.3)(3) of Part II includes all of the following:

(i) a statement that the class or series of securities of the ETF with the highest management fee has the highest management fee among all of the classes or series of securities of the ETF in the automatic switch program;

(ii) a statement above the "Annual rate" table required under item 1(1.3)(2) of Part II stating "As of [the date of the most recently filed management report of fund performance], the ETF expenses were as follows:";

(r) if some of the classes or series of securities of the ETF in the automatic switch program are newly established, item 1(1.3)(3) of Part II includes all of the following:

(i) a statement that the class or series of securities of the ETF with the highest management fee has the highest management fee among all of the classes or series of securities of the ETF in the automatic switch program;

(ii) a statement disclosing that the ETF expenses information is not available for certain classes or series of securities of the ETF in the automatic switch program because they are new;

(iii) a statement above the "Annual rate" table required under item 1(1.3)(2) of Part II stating "As of [the date of the most recently filed management report of fund performance], the ETF expenses were as follows:";

(s) if the ETF is newly established, item 1(1.3)(4) of Part II includes all of the following:

(i) a statement that the class or series of securities of the ETF with the highest management fee has the highest management fee among all of the classes or series of securities of the ETF in the automatic switch program;

(ii) the rate of the management fee of only the class or series of securities of the ETF with the highest management fee;

(iii) a statement that the operating expenses and trading costs are not yet available because the ETF is new.

SCHEDULE 1-B
FORM 41-101F4 *INFORMATION REQUIRED IN AN ETF FACTS DOCUMENT*

General Instructions:

General

(1) This Form describes the disclosure required in an ETF facts document for an ETF. Each Item of this Form outlines disclosure requirements. Instructions to help you provide this disclosure are in italic type.

(2) Terms defined in National Instrument 41-101 General Prospectus Requirements, National Instrument 81-102 Investment Funds, National Instrument 81-105 Mutual Fund Sales Practices or National Instrument 81-106 Investment Fund Continuous Disclosure and used in this Form have the meanings that they have in those national instruments.

(3) An ETF facts document must state the required information concisely and in plain language.

(4) Respond as simply and directly as is reasonably possible. Include only the information necessary for a reasonable investor to understand the fundamental and particular characteristics of the ETF.

(5) National Instrument 41-101 General Prospectus Requirements requires the ETF facts document to be presented in a format that assists in readability and comprehension. This Form does not mandate the use of a specific format or template to achieve these goals. However, ETFs must use, as appropriate, tables, captions, bullet points or other organizational techniques that assist in presenting the required disclosure clearly and concisely.

(6) This Form does not mandate the use of a specific font size or style but the text must be of a size and style that is legible. Where the ETF facts document is made available online, information must be presented in a way that enables it to be printed in a readable format.

(7) An ETF facts document can be produced in colour or in black and white, and in portrait or landscape orientation.

(8) Except as permitted by subsection (9), an ETF facts document must contain only the information that is specifically mandated or permitted by this Form. In addition, each Item must be presented in the order and under the heading or sub-heading stipulated in this Form.

(9) An ETF facts document may contain a brief explanation of a material change or a proposed fundamental change. The disclosure may be included in a textbox before Item 2 of Part I or in the most relevant section of the ETF facts document. If necessary, the ETF may provide a cross-reference to a more detailed explanation at the end of the ETF facts document.

(10) An ETF facts document must not contain design elements (e.g., graphics, photos, artwork) that detract from the information disclosed in the document.

Contents of an ETF Facts Document

(11) Unless the exception in section 3C.2.4 of National Instrument 41-101 General Prospectus Requirements applies, an ETF facts document must disclose information about only one class or series of securities of an ETF. ETFs that have more than one class or series that are referable to the same portfolio of assets must prepare a separate ETF facts document for each class or series.

~~*(11) An ETF facts document must disclose information about only one class or series of securities of an ETF. ETFs that have more than one class or series of securities that are referable to the same portfolio of assets must prepare a separate ETF facts document for each class or series.*~~

(12) The ETF facts document must be prepared on letter-size paper and must consist of two Parts: Part I and Part II.

(13) The ETF facts document must begin with the responses to the Items in Part I of this Form.

(14) Part I must be followed by the responses to the Items in Part II of this Form.

(15) Each of Part I and Part II must not exceed one page in length, unless the required information in any section causes the disclosure to exceed this limit. Where this is the case, an ETF facts document must not exceed a total of four pages in length.

(16) For a class or series of securities of the ETF denominated in a currency other than the Canadian dollar, specify the other currency under the heading "Trading Information (12 months ending [date])" and provide the dollar amounts in the other currency, where applicable, under the headings "How has the ETF performed?" and "How much does it cost?".

(17) For items that must be as at a date within 60 days before the date of the ETF facts document or over a period ending within 60 days before the date of the ETF facts document, the same date within 60 days before the date of the ETF facts document must be used and disclosed in the ETF facts document.

(18) An ETF must not attach or bind other documents to an ETF facts document, except those documents permitted under Part 3C of National Instrument 41-101 General Prospectus Requirements.

Consolidation of ETF Facts Document into a Multiple ETF Facts Document

(19) ETF facts documents must not be consolidated with each other to form a multiple ETF facts document, except as permitted by Part 3C of National Instrument 41-101 General Prospectus Requirements. When a multiple ETF facts document is permitted under the Instrument, an ETF must provide information about each of the ETFs described in the document on a fund-by-fund or catalogue basis and must set out for each ETF separately the information required by this Form. Each ETF facts document must start on a new page and may not share a page with another ETF facts document.

Multi-Class ETFs

(20) As provided in National Instrument 81-102 Investment Funds, each section, part, class or series of a class of securities of an investment fund that is referable to a separate portfolio of assets is considered to be a separate investment fund. Those principles are applicable to this Form.

Part I — Information about the ETF

Item 1 — Introduction

Include at the top of the first page a heading consisting of:

(a) the title "ETF Facts";

(b) the name of the manager of the ETF;

(c) the name of the ETF to which the ETF facts document pertains;

(d) if the ETF has more than one class or series of securities, the name of the class or series described in the ETF facts document;

(e) the ticker symbol(s) for the class or series of securities of the ETF;

(f) the date of the document;

(g) if the final prospectus of the ETF includes textbox disclosure on the cover page, substantially similar textbox disclosure on the ETF facts document;

(h) a brief introduction to the document using wording substantially similar to the following:

> This document contains key information you should know about [insert name of the ETF]. You can find more details about this exchange-traded fund (ETF) in its prospectus. Ask your representative for a copy,

contact [insert name of the manager of the ETF] at [insert if applicable the toll-free number and email address of the manager of the ETF] or visit [insert the ETF's designated website] ~~[insert the website of the ETF, the ETF's family or the manager of the ETF] [as applicable]~~; and

(i) state in bold type using wording substantially similar to the following:

Before you invest, consider how the ETF would work with your other investments and your tolerance for risk.

INSTRUCTIONS:

(1) The date for an ETF facts document that is filed with a preliminary prospectus or final prospectus must be the date of the preliminary prospectus or final prospectus, respectively. The date for an ETF facts document that is filed with a pro forma prospectus must be the date of the anticipated final prospectus. The date for an amended ETF facts document must be the date on which it is filed.

(2) If the investment objectives of the ETF are to track a multiple (positive or negative) of the daily performance of a specified underlying index or benchmark, provide textbox disclosure in bold type using wording substantially similar to the following:

This ETF is an alternative mutual fund. It is permitted to invest in asset classes or use investment strategies that are not permitted for other types of mutual funds.

This ETF is highly speculative. It uses leverage which magnifies gains and losses. It is intended for use in daily or short-term trading strategies by sophisticated investors. If you hold this ETF for more than one day, your return could vary considerably from the ETF's daily target return. Any losses may be compounded. Don't buy this ETF if you are looking for a longer-term investment.

(3) If the investment objectives of the ETF are to track the inverse performance of a specified underlying index or benchmark, provide textbox disclosure in bold type using wording substantially similar to the following:

This ETF is an alternative mutual fund. It is permitted to invest in asset classes or use investment strategies that are not permitted for other types of mutual funds.

This ETF is highly speculative. It is intended for use in daily or short-term trading strategies by sophisticated investors. If you hold this ETF for more than one day, your return could vary considerably from the ETF's daily target return. Any losses may be compounded. Don't buy this ETF if you are looking for a longer-term investment.

(4) If the ETF is an alternative mutual fund and Instruction (2) or (3) does not apply, provide textbox disclosure in bold type using wording substantially similar to the following:

This ETF is an alternative mutual fund. It has the ability to invest in asset classes or use investment strategies that are not permitted for other types of mutual funds.

The specific features that differentiate this fund from other types of mutual funds include: [*list the asset classes the alternative mutual fund invests in and the investment strategies used by the alternative mutual fund that cause it to fall within the definition of "alternative mutual fund"*]

[*Explain how the listed features may affect investors' risk of losing money on their investment in the alternative mutual fund*]

Item 2 — Quick Facts, Trading Information and Pricing Information

(1) Under the heading "Quick Facts", include disclosure in the form of the following table:

Date ETF started
(see instruction 1)
Total value on [date]
(see instruction 2)
Management expense ratio (MER)

(see instruction 3)
Fund manager
(see instruction 4)
Portfolio manager
(see instruction 5)
Distributions
(see instruction 6)

(2) Under the heading "Trading Information (12 months ending [date])", include disclosure in the form of the following table:
Ticker symbol
(see instruction 7)
Exchange
(see instruction 8)
Currency
(see instruction 9)
Average daily volume
(see instruction 10)
Number of days traded
(see instruction 11)

(3) Under the heading "Pricing Information (12 months ending [date])", include disclosure in the form of the following table:
Market price
(see instruction 12)
Net asset value (NAV)
(see instruction 13)
Average bid-ask spread
(see instruction 14)

(4) Where updated Quick Facts, Trading Information and Pricing Information are posted on the designated website of the ETF, state the following:

> "For more updated Quick Facts, Trading Information and Pricing Information, visit [insert the ETF'S designated website]."

~~An ETF may include the website address where updated Quick Facts, Trading Information and Pricing Information are posted by stating:~~

> ~~For more updated Quick Facts, Trading Information and Pricing Information, visit [insert the website of the ETF, the ETF's family or the manager of the ETF] [as applicable].~~

(5) An ETF may include the Committee on Uniform Securities Identification Procedures (CUSIP) number for the class or series of securities of the ETF at the bottom of the first page by stating:

> For dealer use only: CUSIP [insert CUSIP number]

INSTRUCTIONS:

(1) Use the date that the securities of the class or series of the ETF described in the ETF facts document first became available to the public.

(2) Specify the net asset value (NAV) of the ETF as at a date within 60 days before the date of the ETF facts document. The amount disclosed must take into consideration all classes or series that are referable to the same portfolio of assets. For a newly established ETF, state that this information is not available because it is a new ETF.

(3) Use the management expense ratio (MER) disclosed in the most recently filed management report of fund

performance for the ETF. The MER must be net of fee waivers or absorptions and, despite subsection 15.1(2) of National Instrument 81-106 Investment Fund Continuous Disclosure, need not include any additional disclosure about the waivers or absorptions. For a newly established ETF that has not yet filed a management report of fund performance, state that the MER is not available because it is a new ETF.

(4) Specify the name of the fund manager of the ETF.

(5) Specify the name of the portfolio manager of the ETF. The ETF may also name the specific individual(s) responsible for portfolio selection and if applicable, the name of the sub-advisor(s).

(6) Include disclosure under this element of the "Quick Facts" only if distributions are a fundamental feature of the ETF. Disclose the expected frequency and timing of distributions. If there is a targeted amount for distributions, the ETF may include this information.

(7) Specify the ticker symbol(s) for the class or series of securities of the ETF.

(8) Specify the exchange(s) on which the class or series of securities of the ETF are listed.

(9) Specify the currency that the class or series of securities of the ETF is denominated.

(10) Disclose the consolidated (all trading venues) average daily trading volume of the class or series of securities of the ETF over a 12 month period ending within 60 days before the date of the ETF facts document. Include non-trading (zero volume) days in the average daily trading volume calculation. For a newly established ETF, state that this information is not available because it is a new ETF. For an ETF that has not yet completed 12 consecutive months, state that this information is not available because the ETF has not yet completed 12 consecutive months.

(11) Disclose the number of days the class or series of securities of the ETF has traded out of the total number of available trading days over a 12 month period ending within 60 days before the date of the ETF facts document. For a newly established ETF, state that this information is not available because it is a new ETF. For an ETF that has not yet completed 12 consecutive months, state that this information is not available because the ETF has not yet completed 12 consecutive months.

(12) Disclose the range for the market price of the class or series of securities of the ETF by specifying the highest and lowest prices at which the class or series of securities of the ETF have traded on all trading venues over a 12 month period ending within 60 days before the date of the ETF facts document. The dollar amounts shown under this Item may be rounded to two decimal places. For a newly established ETF, state that this information is not available because it is a new ETF. For an ETF that has not yet completed 12 consecutive months, state that this information is not available because the ETF has not yet completed 12 consecutive months.

(13) Disclose the range for the net asset value per share or unit of the class or series of securities of the ETF by specifying the highest and lowest net asset value per share or unit of the class or series of securities of the ETF over a 12 month period ending within 60 days of the date of the ETF facts document. The dollar amounts shown under this Item may be rounded to two decimal places. For a newly established ETF, state that this information is not available because it is a new ETF. For an ETF that has not yet completed 12 consecutive months, state that this information is not available because the ETF has not yet completed 12 consecutive months.
(14) Disclose the average bid-ask spread (the Average Bid-Ask Spread) for the class or series of the ETF being described in the ETF facts document. The disclosure must comply with the following:

- *The Average Bid-Ask Spread must be calculated by taking the average of the daily average bid-ask spread (the Daily Bid-Ask Spread) using the bid and ask orders displayed on the primary Canadian listing exchange (the Listing Exchange) for the class or series of the ETF for each day the Listing Exchange was open for trading (each, a Trading Day) over the 12-month period ending within 60 days before the date of the ETF facts document (the Time Period)*.

- *Each Daily Bid-Ask Spread must be calculated by taking the average of the intraday bid-ask spreads (each, an Intraday Bid-Ask Spread) for each Trading Day*.

- *An Intraday Bid-Ask Spread must be calculated at each one second interval beginning 15 minutes after the opening and ending 15 minutes prior to the closing of the Listing Exchange (the Interval Points)*.

• The bid price at each Interval Point (the Interval Bid Price) must be determined by multiplying each bid price by its displayed order amount in number of shares until the sum of $50,000 (Bid Market Depth) is reached then dividing by the total number of securities bid.

• The ask price at each Interval Point (the Interval Ask Price) must be determined by multiplying each ask price by its displayed order amount in number of securities until the sum of $50,000 (Ask Market Depth) is reached then dividing by the total number of securities offered.

• The bid-ask spread at each Interval Point (the Interval Bid-Ask Spread) is determined by calculating the difference between the Interval Bid Price and the Interval Ask Price and dividing by the midpoint of the Interval Bid Price and Interval Ask Price.

• If the Listing Exchange for the ETF does not have sufficient Bid Market Depth, bid orders from other Canadian marketplaces must be used to the extent necessary to arrive at the Bid Market Depth.

• If the Listing Exchange for the ETF does not have sufficient Ask Market Depth, ask orders from other Canadian marketplaces must be used to the extent necessary to arrive at the Ask Market Depth.

• If the Listing Exchange has sufficient Bid Market Depth or Ask Market Depth the ETF may, at its discretion, also include bid and ask orders from other Canadian marketplaces in its calculation of the Interval Bid-Ask Spread.

If there is insufficient Bid Market Depth or Ask Market Depth at a particular Interval Point even after including data from all Canadian marketplaces, no Interval Bid-Ask Spread can be calculated for that Interval Point. In order to include the Daily Average Bid-Ask Spread for a particular Trading Day in the 12-month Average Bid-Ask Spread calculation, the ETF must be able to calculate an Interval Bid-Ask Spread for at least 75% of the Interval Points in that Trading Day. In order to calculate the 12-month Average Bid-Ask Spread, the ETF must be able to calculate a Daily Bid-Ask Spread for at least 75% of the Trading Days over the Time Period. For a newly established ETF, state that the Average Bid-Ask Spread is not available because it is a new ETF. For an ETF that has not yet completed 12 consecutive months, state that the Average Bid-Ask Spread is not available because the ETF has not yet completed 12 consecutive months. For an ETF that has completed 12 consecutive months but does not have sufficient data to calculate the Average Bid-Ask Spread, state the following: "This ETF did not have sufficient market depth ($50,000) to calculate the average bid-ask spread."

Item 3 — Investments of the ETF

(1) Briefly set out under the heading "What does the ETF invest in?" a description of the fundamental nature of the ETF, or the fundamental features of the ETF that distinguish it from other ETFs.

(1.1) For an alternative mutual fund that uses leverage

(a) disclose the sources of leverage, and

(b) disclose the maximum aggregate exposure to those sources of leverage the alternative mutual fund is permitted to have.

(2) For an ETF that replicates an index,

(a) disclose the name or names of the permitted index or permitted indices on which the investments of the index ETF are based, and

(b) briefly describe the nature of that permitted index or those permitted indices.

(3) For an ETF that uses derivatives to replicate an index, state using wording substantially similar to the following:

The ETF uses derivatives, such as options, futures and swaps, to get exposure to the [index/benchmark] without investing directly in the securities that make up the [index/benchmark].

(4) Include an introduction to the information provided in response to subsection (5) and subsection (6) using wording similar to the following:

> The charts below give you a snapshot of the ETF's investments on [insert date]. The ETF's investments will change.

(5) Unless the ETF is a newly established ETF, include under the sub-heading "Top 10 investments [date]", a table disclosing the following:

> (a) the top 10 positions held by the ETF, each expressed as a percentage of the net asset value of the ETF;
>
> (b) the percentage of net asset value of the ETF represented by the top 10 positions;
>
> (c) the total number of positions held by the ETF.

(6) Unless the ETF is a newly established ETF, under the sub-heading "Investment mix [date]" include at least one, and up to two, charts or tables that illustrate the investment mix of the ETF's investment portfolio.

(7) For a newly established ETF, state the following under the sub-headings "Top 10 investments [date]" and "Investment mix [date]":

> This information is not available because this ETF is new.

INSTRUCTIONS:

(1) Include in the information under "What does this ETF invest in?" a description of what the ETF primarily invests in, or intends to primarily invest in, or that its name implies that it will primarily invest in, such as

> *(a) particular types of issuers, such as foreign issuers, small capitalization issuers or issuers located in emerging market countries;*
>
> *(b) particular geographic locations or industry segments; or*
>
> *(c) portfolio assets other than securities*.

(2) Include a particular investment strategy only if it is an essential aspect of the ETF, as evidenced by the name of the ETF or the manner in which the ETF is marketed.

(3) If an ETF's stated objective is to invest primarily in Canadian securities, specify the maximum exposure to investments in foreign markets.

(3.1) The alternative mutual fund's aggregate exposure to sources of leverage must be expressed as a percentage calculated in accordance with section 2.9.1 of NI 81-102.

(4) The information under "Top 10 investments" and "Investment mix" is intended to give a snapshot of the composition of the ETF's investment portfolio. The information required to be disclosed under these sub-headings must be as at a date within 60 days before the date of the ETF facts document. The date shown must be the same as the one used in Item 2 for the total value of the ETF.

(5) If the ETF owns more than one class of securities of an issuer, those classes should be aggregated for the purposes of this Item, however, debt and equity securities of an issuer must not be aggregated.

(6) Portfolio assets other than securities should be aggregated if they have substantially similar investment risks and profiles. For instance, gold certificates should be aggregated, even if they are issued by different financial institutions.

(7) Treat cash and cash equivalents as one separate discrete category.

(8) In determining its holdings for purposes of the disclosure required by this Item, an ETF must, for each long position in a derivative that is held by the ETF for purposes other than hedging and for each index participation unit held by the ETF, consider that it holds directly the underlying interest of that derivative or its proportionate share of the securities held by the issuer of the index participation unit.

(9) If an ETF invests substantially all of its assets directly or indirectly (through the use of derivatives) in securities of one other mutual fund, list the 10 largest holdings of the other mutual fund and show the percentage of the other mutual fund's net asset value represented by the top 10 positions. If the ETF is not able to disclose this information as at a date within 60 days before the date of the ETF facts document, the ETF must include this information as disclosed by the other mutual fund in the other mutual fund's most recently filed ETF facts document or fund facts document, or its most recently filed management report of fund performance, whichever is most recent.

(10) Indicate whether any of the ETF's top 10 positions are short positions.

(11) Each investment mix chart or table must show a breakdown of the ETF's investment portfolio into appropriate subgroups and the percentage of the aggregate net asset value of the ETF constituted by each subgroup. The names of the subgroups are not prescribed and can include security type, industry segment or geographic location. The ETF should use the most appropriate categories given the nature of the ETF. The choices made must be consistent with disclosure provided under "Summary of Investment Portfolio" in the ETF's management report of fund performance.

(12) In presenting the investment mix of the ETF, consider the most effective way of conveying the information to investors. All tables or charts must be clear and legible.

(13) For new ETFs where the information required to be disclosed under "Top 10 investments" and "Investment mix" is not available, include the required sub-headings and provide a brief statement explaining why the required information is not available.

Item 4 — Risks

(1) Under the heading "How risky is it?", state the following:

The value of the ETF can go down as well as up. You could lose money.

One way to gauge risk is to look at how much an ETF's returns change over time. This is called "volatility".

In general, ETFs with higher volatility will have returns that change more over time. They typically have a greater chance of losing money and may have a greater chance of higher returns. ETFs with lower volatility tend to have returns that change less over time. They typically have lower returns and may have a lower chance of losing money.

(2) Under the sub-heading "Risk rating",

(a) using the investment risk classification methodology prescribed by Appendix F — *Investment Risk Classification Methodology to National Instrument 81-102 Investment Funds*, identify the ETF's investment risk level on the following risk scale:

Low | Low to medium | Medium | Medium to high | High

(b) unless the ETF is a newly established ETF, include an introduction to the risk scale which states the following:

[Insert name of the manager of the ETF] has rated the volatility of this ETF as [insert investment risk level identified in paragraph (a) in bold type].

This rating is based on how much the ETF's returns have changed from year to year. It doesn't tell you how volatile the ETF will be in the future. The rating can change over time. An ETF with a low risk rating can still lose money.

(c) for a newly established ETF, include an introduction to the risk scale which states the following:

[Insert name of the manager of the ETF] has rated the volatility of this ETF as [insert investment risk level identified in paragraph (a) in bold type].

Because this is a new ETF, the risk rating is only an estimate by [insert name of the manager of the ETF]. Generally, the rating is based on how much the ETF's returns have changed from year to year. It doesn't tell you how volatile the ETF will be in the future. The rating can change over time. An ETF with a low risk rating can still lose money.

(d) following the risk scale, state using wording substantially similar to the following:

For more information about the risk rating and specific risks that can affect the ETF's returns, see the [insert cross-reference to the appropriate section of the ETF's final prospectus] section of the ETF's prospectus.

(3) If the ETF does not have any guarantee or insurance, under the sub-heading "No guarantees", state using wording substantially similar to the following:

ETFs do not have any guarantees. You may not get back the amount of money you invest.

(4) If the ETF has an insurance or guarantee feature protecting all or some of the principal amount of an investment in the ETF, under the sub-heading "Guarantees":

(a) identify the person or company providing the guarantee or insurance; and

(b) provide a brief description of the material terms of the guarantee or insurance, including the maturity date of the guarantee or insurance.

INSTRUCTIONS:

Based upon the investment risk classification methodology prescribed by Appendix F — Investment Risk Classification Methodology to National Instrument 81-102 Investment Funds, as at the end of the period that ends within 60 days before the date of the ETF facts document, identify where the ETF fits on the continuum of investment risk levels by showing the full investment risk scale and highlighting the applicable category on the scale. Consideration should be given to ensure that the highlighted investment risk rating is easily identifiable.

Item 5 — Past Performance

(1) Unless the ETF is a newly established ETF, under the heading "How has the ETF performed?", include an introduction using wording substantially similar to the following:

This section tells you how [name of class/series of securities described in the ETF facts document] [units/shares] of the ETF have performed over the past [insert number of calendar years shown in the bar chart required under paragraph (3)(a)] years. Returns [add a footnote stating: Returns are calculated using the ETF's net asset value (NAV).] after expenses have been deducted. These expenses reduce the ETF's returns. (For an ETF that replicates an index, state: This means that the ETF's returns may not match the returns of the [index/benchmark].)

(2) For a newly established ETF, under the heading "How has the ETF performed?", include an introduction using the following wording:

This section tells you how [name of class/series of securities described in the ETF facts document] [units/shares] of the ETF have performed, with returns calculated using the ETF's net asset value (NAV). However, this information is not available because the ETF is new.

(3) Under the sub-heading "Year-by-year returns",

(a) for an ETF that has completed at least one calendar year:

(i) provide a bar chart that shows the annual total return of the ETF, in chronological order with the most recent year on the right of the bar chart, for the lesser of

(A) each of the 10 most recently completed calendar years, and

(B) each of the completed calendar years in which the ETF has been in existence and for which the ETF was a reporting issuer; and

(ii) include an introduction to the bar chart using wording substantially similar to the following:

This chart shows how [name of class/series of securities described in the ETF facts document] [units/shares] of the ETF performed in each of the past [insert number of calendar years shown in the bar chart required under paragraph (a)]. The ETF dropped in value in [for the particular years shown in the bar chart required under paragraph (a), insert the number of years in which the value of the ETF dropped] of the [insert number of calendar years shown in the bar chart required in paragraph (a)(i)] years. The range of returns and change from year to year can help you assess how risky the ETF has been in the past. It does not tell you how the ETF will perform in the future.

(b) for an ETF that has not yet completed a calendar year, state the following:

This section tells you how [name of class/series of securities described in the ETF facts document] [units/shares] of the ETF have performed in past calendar years. However, this information is not available because the ETF has not yet completed a calendar year.

(c) for a newly established ETF, state the following:

This section tells you how [name of class/series of securities described in the ETF facts document] [units/shares] of the ETF have performed in past calendar years. However, this information is not available because the ETF is new.

(4) Under the sub-heading “Best and worst 3-month returns”,

(a) for an ETF that has completed at least one calendar year:

(i) provide information for the period covered in the bar chart required under paragraph (3)(a) in the form of the following table:

	Return	**3 months ending**	**If you invested $1,000 at the beginning of the period**
Best return	(see instruction 7)	(see instruction 9)	Your investment would [rise/drop] to (see instruction 11).
Worst return	(see instruction 8)	(see instruction 10)	Your investment would [rise/drop] to (see instruction 12).

(ii) include an introduction to the table using wording substantially similar to the following:

This table shows the best and worst returns for the [name of class/series of securities described in the ETF facts document] [units/shares] of the ETF in a 3-month period over the past [insert number of calendar years shown in the bar chart required under paragraph (3)(a)]. The best and worst 3-month returns could be higher or lower in the future. Consider how much of a loss you could afford to take in a short period of time.

(b) for an ETF that has not yet completed a calendar year, state the following:

This section shows the best and worst returns for the [name of class/series of securities described in the ETF facts document] [units/shares] of the ETF in a 3-month period. However, this information is not available because the ETF has not yet completed a calendar year.

(c) for a newly established ETF, state the following:

This section shows the best and worst returns for the [name of class/series of securities described in the ETF facts document] [units/shares] of the ETF in a 3-month period. However, this information is not available because the ETF is new.

(5) Under the sub-heading “Average return”,

(a) for an ETF that has completed at least 12 consecutive months, show the following:

(i) the final value of a hypothetical $1,000 investment in the ETF as at the end of the period that ends within 60 days before the date of the ETF facts document and consists of the lesser of

(A) 10 years, or

(B) the time since inception of the ETF; and

(ii) the annual compounded rate of return that equates the hypothetical $1,000 investment to the final value.

(b) for an ETF that has not yet completed 12 consecutive months, state the following:

This section shows the value and annual compounded rate of return of a hypothetical $1,000 investment in [name of class/series of securities described in the ETF facts document] [units/shares] of the ETF. However, this information is not available because the ETF has not yet completed 12 consecutive months.

(c) for a newly established ETF, state the following:

This section shows the value and annual compounded rate of return of a hypothetical $1,000 investment in [name of class/series of securities described in the ETF facts document] [units/shares] of the ETF. However, this information is not available because the ETF is new.

INSTRUCTIONS:

(1) In responding to the requirements of this Item, an ETF must comply with the relevant sections of Part 15 of National Instrument 81-102 Investment Funds as if those sections applied to an ETF facts document.

(2) Use a linear scale for each axis of the bar chart required by this Item.

(3) The x-axis and y-axis for the bar chart required by this Item must intersect at zero.

(4) An ETF that distributes different classes or series of securities that are referable to the same portfolio of assets must show performance data related only to the specific class or series of securities being described in the ETF facts document.

(5) The dollar amounts shown under this Item may be rounded up to the nearest dollar.

(6) The percentage amounts shown under this Item may be rounded to one decimal place.

(7) Show the best rolling 3-month return as at the end of the period that ends within 60 days before the date of the ETF facts document.

(8) Show the worst rolling 3-month return as at the end of the period that ends within 60 days before the date of the ETF facts document.

(9) Insert the end date for the best 3-month return period.

(10) Insert the end date for the worst 3-month return period.

(11) Insert the final value that would equate with a hypothetical $1,000 investment for the best 3-month return period shown in the table.

(12) Insert the final value that would equate with a hypothetical $1,000 investment for the worst 3-month return period shown in the table.

Item 6 — Trading ETFs

Under the sub-heading "Trading ETFs", state the following:

> ETFs hold a basket of investments, like mutual funds, but trade on exchanges like stocks. Here are a few things to keep in mind when trading ETFs:
>
> Pricing [*in bold type*]
>
> ETFs have two sets of prices: market price and net asset value (NAV).
>
> Market price
>
> ETFs are bought and sold on exchanges at the market price. The market price can change throughout the trading day. Factors like supply, demand, and changes in the value of an ETF's investments can affect the market price.
>
> You can get price quotes any time during the trading day. Quotes have two parts: bid and ask.
>
> The bid is the highest price a buyer is willing to pay if you want to sell your ETF [units/shares]. The ask is the lowest price a seller is willing to accept if you want to buy ETF [units/shares]. The difference between the two is called the "bid-ask spread".
>
> In general, a smaller bid-ask spread means the ETF is more liquid. That means you are more likely to get the price you expect.
>
> Net asset value (NAV)
>
> Like mutual funds, ETFs have a NAV. It is calculated after the close of each trading day and reflects the value of an ETF's investments at that point in time.
>
> NAV is used to calculate financial information for reporting purposes — like the returns shown in this document.
>
> Orders [*in bold type*]
>
> There are two main options for placing trades: market orders and limit orders. A market order lets you buy or sell [units/shares] at the current market price. A limit order lets you set the price at which you are willing to buy or sell [units/shares].
>
> Timing [*in bold type*]
>
> In general, market prices of ETFs can be more volatile around the start and end of the trading day. Consider using a limit order or placing a trade at another time during the trading day.

Item 7 — Suitability

Provide a brief statement of the suitability of the ETF for particular investors under the heading "Who is this ETF for?". Describe the characteristics of the investor for whom the ETF may or may not be an appropriate investment, and the portfolios for which the ETF is and is not suited.

INSTRUCTIONS:

(1) If the ETF is particularly unsuitable for certain types of investors or for certain types of investment portfolios, emphasize this aspect of the ETF. Disclose both the types of investors who should not invest in the ETF, with regard to investments on both a short- and long-term basis, and the types of portfolios that should not invest in the ETF. If the ETF is particularly suitable for investors who have particular investment objectives, this can also be disclosed.

(2) If there is textbox disclosure on the cover page pursuant to Item 1(g) of Part I of this form, the brief statement of the suitability of the ETF in Item 8 of Part I of this form must be consistent with any suitability disclosure in the textbox.

Item 8 — Impact of Income Taxes on Investor Returns

Under the heading "A word about tax", provide a brief explanation of the income tax consequences for investors using wording similar to the following:

> In general, you'll have to pay income tax on any money you make on an ETF. How much you pay depends on the tax laws where you live and whether or not you hold the ETF in a registered plan such as a Registered Retirement Savings Plan, or a Tax-Free Savings Account.
>
> Keep in mind that if you hold your ETF in a non-registered account, distributions from the ETF are included in your taxable income, whether you get them in cash or have them reinvested.

Part II — Costs, Rights and Other Information

Item 1 — Costs of Buying, Owning and Selling the ETF

1.1 — Introduction

Under the heading "How much does it cost?", state the following:

> This section shows the fees and expenses you could pay to buy, own and sell [name of the class/series of securities described in the ETF facts document] [units/shares] of the ETF. Fees and expenses — including trailing commissions — can vary among ETFs. Higher commissions can influence representatives to recommend one investment over another. Ask about other ETFs and investments that may be suitable for you at a lower cost.

1.2 — Brokerage commissions

Under the sub-heading "Brokerage commissions", provide a brief statement using wording substantially similar to the following:

> You may have to pay a commission every time you buy and sell [units/shares] of the ETF. Commissions may vary by brokerage firm. Some brokerage firms may offer commission-free ETFs or require a minimum purchase amount.

1.3 — ETF expenses

(1) Under the sub-heading "ETF expenses", include an introduction using wording similar to the following:

> You don't pay these expenses directly. They affect you because they reduce the ETF's returns.

(2) Unless the ETF has not yet filed a management report of fund performance, provide information about the expenses of the ETF in the form of the following table:

	Annual rate (as a % of the ETF's value) (see instruction 2)
Management expense ratio (MER) This is the total of the ETF's management fee and operating expenses. (If the ETF pays a trailing commission, state the following: "This is the total of the ETF's management fee (which includes the trailing	

commission) and operating expenses.") (see instruction 1)
Trading expense ratio (TER) These are the ETF's trading costs. (see instruction 3)
ETF expenses (see instruction 4)

(3) Unless the ETF has not yet filed a management report of fund performance, above the table required under subsection (2), include a statement using wording similar to the following:

> As of [see instruction 5], the ETF's expenses were [insert amount included in table required under subsection (2)]% of its value. This equals $[see instruction 6] for every $1,000 invested.

(4) For an ETF that has not yet filed a management report of fund performance, state the following:

> The ETF's expenses are made up of the management fee, operating expenses and trading costs. The [class'/series'/ETF's] annual management fee is [see instruction 7]% of the [class'/series'/ETF's] value. As this [class/series/ETF] is new, operating expenses and trading costs are not yet available.

(5) If the ETF pays an incentive fee that is determined by the performance of the ETF, provide a brief statement disclosing the amount of the fee and the circumstances in which the ETF will pay it.

(6) Under the sub-heading "Trailing commission", include a description using wording substantially similar to the following:

> The trailing commission is an ongoing commission. It is paid for as long as you own the ETF. It is for the services and advice that your representative and their firm provide to you.

(7) If the manager of the ETF or another member of the ETF's organization does not pay trailing commissions, include a description using wording substantially similar to the following:

> This ETF doesn't have a trailing commission.

(8) If the manager of the ETF or another member of the ETF's organization pays trailing commissions, disclose the range of the rates of the trailing commission after providing a description using wording substantially similar to the following:

> [Insert name of the manager of the ETF] pays the trailing commission to your representative's firm. It is paid from the ETF's management fee and is based on the value of your investment.

(9) If the manager of the ETF or another member of the ETF's organization pays trailing commissions for the class or series of securities of the ETF described in the ETF facts document but does not pay trailing commissions for another class or series of securities of the same ETF, state using wording substantially similar to the following:

> This ETF also offers a [class/series] of [units/shares] that does not have a trailing commission. Ask your representative for details.

INSTRUCTIONS:

(1) If any fees or expenses otherwise payable by the ETF were waived or otherwise absorbed by a member of the organization of the ETF, despite subsection 15.1(2) of National Instrument 81-106 Investment Fund Continuous Disclosure, only include a statement in substantially the following words:

> *[Insert name of the manager of the ETF] waived some of the ETF's expenses. If it had not done so, the MER would have been higher*.

(2) Use the same MER that is disclosed in Item 2 of Part I of this Form. If applicable, include a reference to any fixed administration fees in the management expense ratio description required in the table under Item 1.3(2) of Part II of this Form.

(3) Use the trading expense ratio disclosed in the most recently filed management report of fund performance for the ETF.

(4) The amount included for ETF expenses is the amount arrived at by adding the MER and the trading expense ratio. Use a bold font or other formatting to indicate that ETF expenses is the total of all ongoing expenses set out in the chart and is not a separate expense charged to the ETF.

(5) Insert the date of the most recently filed management report of fund performance.

(6) Insert the equivalent dollar amount of the ongoing expenses of the ETF for each $1,000 investment.

(7) The percentage disclosed for the management fee must correspond to the percentage shown in the fee table in the final prospectus.

(8) For an ETF that is required to include the disclosure under subsection (4), in the description of the items that make up ETF fees, include a reference to any fixed administrative fees, if applicable. Also disclose the amount of the fixed administration fee in the same manner as required for the management fee. The percentage disclosed for the fixed administration fee must correspond to the percentage shown in the fee table in the final prospectus.

(9) In disclosing the range of rates of trailing commissions, show both the percentage amount and the equivalent dollar amount for each $1,000 investment.

1.4 — Other Fees

(1) If applicable, provide the sub-heading “Other Fees”.

(2) Provide information about the amount of fees payable by an investor when they buy, hold, sell or switch units or shares of the ETF, substantially in the form of the following table:

Fee	**What you pay**
Redemption Fee —	[Insert name of the manager of the ETF] may charge you up to [see instruction 1]% of the value of your [units/shares] you redeem or exchange directly from [insert name of the manager of the ETF]. (see instruction 1)
Other fees [*specify type*] —	[*specify amount*] (see instructions 2 and 3)

INSTRUCTIONS:

(1) The percentage disclosed for the redemption fee must correspond to the percentage shown in the final prospectus.

(2) Under this Item, it is necessary to include only those fees that apply to the particular class or series of securities of the ETF. Examples include management fees and administration fees payable directly by investors, and switch fees. This also includes any requirement for an investor to participate in a fee-based arrangement with their dealer in order to be eligible to purchase the particular class or series of securities of the ETF. If there are no other fees associated with buying, holding, selling or switching units or shares of the ETF, replace the table with a statement to that effect.

(3) Provide a brief description of each fee disclosing the amount to be paid as a percentage (or, if applicable, a fixed dollar amount) and state who charges the fee. If the amount of the fee varies so that specific disclosure of the amount of the fee cannot be disclosed include, where possible, the highest possible rate or range for that fee.

Item 2 — Statement of Rights

Under the heading “What if I change my mind?”, state using wording substantially similar to the following:

Under securities law in some provinces and territories, you have the right to cancel your purchase within 48

hours after you receive confirmation of the purchase.

In some provinces and territories, you also have the right to cancel a purchase, or in some jurisdictions, claim damages, if the prospectus, ETF Facts or financial statements contain a misrepresentation. You must act within the time limit set by the securities law in your province or territory.

For more information, see the securities law of your province or territory or ask a lawyer.

Item 3 — More Information about the ETF

(1) Under the heading “For more information”, state using wording substantially similar to the following:

Contact [insert name of the manager of the ETF] or your representative for a copy of the ETF’s prospectus and other disclosure documents. These documents and the ETF Facts make up the ETF’s legal documents.

(2) State the name, address and toll-free telephone number of the manager of the ETF. If applicable, also state the e-mail address and website of the manager of the ETF.

Transition

Effective: September 1, 2017

14. Transition — (1) An ETF must, on or before November 12, 2018, file a completed Form 41-101F4 *Information Required in an ETF Facts Document* for each class or series of securities of the ETF that, on that date, are the subject of disclosure under a prospectus.

(2) The date of an ETF facts document filed under subsection (1) must be the date on which it was filed.

Transition

Effective: January 3, 2019

5. If a commodity pool, as that term was defined in National Instrument 81-104 *Commodity Pools* on January 2, 2019, has filed a prospectus for which a receipt was granted on or before that date, this Instrument does not apply to the commodity pool until July 4, 2019.

SCHEDULE 1-C
COMPANION POLICY 41-101 *GENERAL PROSPECTUS REQUIREMENTS*

Table of Contents

Part 1: — Introduction, Interrelationship with Securities Legislation, and Definitions

1.1 Introduction and purpose — This Policy describes how the provincial and territorial securities regulatory authorities (or “we”) intend to interpret or apply the provisions of the Instrument. Some terms used in this Policy are defined or

interpreted in the Instrument, NI 14-101, or a definition instrument in force in the jurisdiction.

1.2 Interrelationship with other securities legislation — (1) This Policy — The Instrument applies to any prospectus filed under securities legislation and any distribution of securities subject to the prospectus requirement, other than a prospectus filed under NI 81-101 or a distribution of securities under such a prospectus, or unless otherwise stated. Parts of this Policy may not apply to all issuers.

(2) Local securities legislation — The Instrument, while being the primary instrument regulating prospectus distributions, is not exhaustive. Issuers should refer to the implementing law of the jurisdictions and other securities legislation of the local jurisdiction for additional requirements that may apply to the issuer's prospectus distribution.

(3) Continuous disclosure (NI 51-102 and NI 81-106) — NI 51-102, NI 81-106 and other securities legislation imposes ongoing disclosure and filing obligations on reporting issuers. The regulator may consider issues raised in the context of a continuous disclosure review when determining whether it is in the public interest to refuse to issue a receipt for a prospectus. Consequently, unresolved issues may delay or prevent the issuance of a receipt.

Reporting issuers are generally required to file periodic and timely disclosure documents under applicable securities legislation. Reporting issuers may also be required to file periodic and timely disclosure documents pursuant to an order issued by the securities regulatory authority or an undertaking to the securities regulatory authority. Failure to comply with any requirement to file periodic and timely disclosure documents could cause the regulator to refuse a receipt for the prospectus.

(4) Short form prospectus distributions (NI 44-101) — As set out in section 2.1 of NI 44-101, an issuer must not file a prospectus in the form of Form 44-101F1 unless the issuer is qualified under any of sections 2.2 through 2.6 of NI 44-101 to file a short form prospectus. An issuer that is qualified to file a short form prospectus must satisfy the requirements of NI 44-101, including the filing requirements of Part 4 of NI 44-101, as well as any applicable requirements of the Instrument. Therefore, issuers qualified to file a short form prospectus and selling securityholders of those issuers that wish to distribute securities under the short form system should refer to the Instrument, this Policy, and NI 44-101 and its companion policy.

(5) Shelf distributions (NI 44-102) — Issuers qualified under NI 44-101 to file a prospectus in the form of a short form prospectus and their securityholders can distribute securities under a short form prospectus using the shelf distribution procedures under NI 44-102. The companion policy to NI 44-102 explains that the distribution of securities under the shelf system is governed by the requirements and procedures of NI 44-101 and securities legislation, except as supplemented or varied by NI 44-102. Therefore, issuers qualified to file a short form prospectus and selling securityholders of those issuers that wish to distribute securities under the shelf system should refer to the Instrument, this Policy, NI 44-101 and its companion policy, and NI 44-102 and its companion policy.

(6) PREP procedures (NI 44-103) — NI 44-103 contains the post-receipt pricing (PREP) procedures. All issuers and selling securityholders can use the PREP procedures of NI 44-103 to distribute securities, other than rights under a rights offering. Issuers and selling securityholders that wish to distribute securities using the PREP procedures as provided for in NI 44-103 should refer to the Instrument, this Policy, and NI 44-103 and its companion policy. Issuers and selling securityholders that wish to distribute securities under a short form prospectus using the PREP procedures should also refer to NI 44-101 and its companion policy for any additional requirements.

(7) Process for prospectus reviews in multiple jurisdictions (NP 11-202) — National Policy 11-202 *Process for Prospectus Reviews in Multiple Jurisdictions* ("NP 11-202") describes the process for filing and review of prospectuses, including investment fund and shelf prospectuses, amendments to prospectuses and related materials in multiple jurisdictions. NP 11-202 represents the means by which an issuer can enjoy the benefits of co-ordinated review by the securities regulatory authorities in the various jurisdictions in which the issuer has filed a prospectus. Under NP 11-202, one securities regulatory authority acts as the principal regulator for all materials relating to a filer.

1.3 Definitions — (1) Asset-backed security — The definition of "asset-backed security" is the same definition used in NI 51-102.

The definition is designed to be flexible to accommodate future developments in asset-backed securities. For example, it does not include a list of "eligible" assets that can be securitized. Instead, the definition is broad, referring to "receivables or other financial assets" that by their terms convert into cash within a finite time period. These would include, among other things, notes, leases, instalment contracts and interest rate swaps, as well as other financial assets, such as loans, credit card receivables, accounts receivable and franchise or servicing arrangements. The

reference to “and any rights or other assets . . . “ in the definition is sufficiently broad to include “ancillary” or “incidental” assets, such as guarantees, letters of credit, financial insurance or other instruments provided as a credit enhancement for the securities of the issuer or which support the underlying assets in the pool, as well as cash arising upon collection of the underlying assets that may be reinvested in short-term debt obligations.

The term, a “discrete pool” of assets, can refer to a single group of assets as a “pool” or to multiple groups of assets as a “pool”. For example, a group or pool of credit card receivables and a pool of mortgage receivables can, together, constitute a “discrete pool” of assets. The reference to a “discrete pool” of assets is qualified by the phrase “fixed or revolving” to clarify that the definition covers “revolving” credit arrangements, such as credit card and short-term trade receivables, where balances owing revolve due to periodic payments and write-offs.

While typically a pool of securitized assets will consist of financial assets owed by more than one obligor, the definition does not currently include a limit on the percentage of the pool of securitized assets that can be represented by one or more financial assets owing by the same or related obligors (sometimes referred to as an “asset concentration test”).

(2) Business day — Section 1.1 of the Instrument defines business day as any day other than a Saturday, Sunday or a statutory holiday. In some cases, a statutory holiday may only be a statutory holiday in one jurisdiction. The definition of business day should be applied in each local jurisdiction in which a prospectus is being filed. For example, subsection 2.3(2) of the Instrument states that an issuer must not file a prospectus more than three business days after the date of the prospectus. A prospectus is dated Day 1. Day 2 is a statutory holiday in Québec but not in Alberta. If the prospectus is filed in both Alberta and Québec, it must be filed no later than Day 4, despite the fact that Day 2 was not a business day in Québec. If the prospectus is filed only in Québec, it could be filed on Day 5.

Part 2: — General Requirements

2.1 Experience of officers and directors — Securities legislation requires that a securities regulatory authority or regulator refuse to issue a receipt for a prospectus if it appears that the proceeds received from the sale of securities to be paid to the treasury of the issuer, together with other resources of the issuer, will be insufficient to accomplish the purposes stated in the prospectus. In addition to financial resources, resources include people. If a sufficient number of the directors and officers of the issuer do not have relevant knowledge and experience, the securities regulatory authority or regulator may conclude that the human and other resources are insufficient to accomplish these purposes. If the requisite knowledge and experience are not possessed by the directors and officers, a securities regulatory authority or regulator may be satisfied that the human and other resources are sufficient if it is shown that the issuer has contracted to obtain the knowledge and experience from others.

2.2 Role of underwriter — The due diligence investigation undertaken by an underwriter in relation to the business of the issuer often results in enhanced quality of disclosure in the prospectus. In addition, an underwriter typically provides valuable advice regarding the pricing and marketing of securities. For these reasons, we strongly encourage underwriter participation in prospectus offerings, particularly where the offering is an initial public offering.

2.2.1 Minimum offering amount — If the distribution of securities is being done on a best efforts basis, an issuer will need to determine if a minimum offering is required for the issuer to achieve one or more of the stated purposes of the offering, as expressed in the “Use of Proceeds” section of the prospectus. If this is the case, the issuer will need to provide a minimum and maximum offering amount. Otherwise, the issuer is required to provide the cautionary statement prescribed in paragraph 1.4(3)(b) of Form 41-101F1.

Although an issuer may determine that a minimum offering amount is not necessary for the prospectus offering, a regulator may reasonably infer that a minimum offering amount is appropriate in certain circumstances. This could occur, for example, if we have concerns that a minimum amount of proceeds must be raised in order for the issuer to achieve its stated objectives. Also, if we have concerns about an issuer continuing as a going concern, we may take the view that the issuer cannot achieve its stated objectives unless a minimum offering amount is raised. The imposition of a minimum offering amount by a regulator derives from the general responsibility of a regulator under securities laws to refuse a receipt for a prospectus if it appears that the aggregate of the proceeds from the sale of the securities under the prospectus and other resources of the issuer are insufficient to accomplish the purposes stated in the prospectus, or if it would not be in the public interest to issue a receipt. A benefit of the imposition of a minimum offering amount is that if the issuer fails to raise the minimum amount, investors benefit from an investor protection mechanism that facilitates the return of their subscription funds to them, if previously deposited.

2.3 Indirect distributions — Securities legislation prohibits a person from distributing a security unless a prospectus is filed and receipted or the distribution is exempt from the prospectus requirement. Securities legislation also prohibits a

person from trading in a security where the trade would be a distribution of such security, unless a prospectus is filed and receipted or the distribution is exempt from the prospectus requirement. Securities legislation defines distribution as including a trade in a security that has not been previously issued, a trade out of a control block and any transaction or series of transactions involving a purchase and sale of or a repurchase and resale in the course of or incidental to a distribution. In Québec, the definition of "distribution" is broad enough to include these transactions.

Occasionally, a prospectus is filed to qualify securities for sale to one purchaser or to a small group of related purchasers where it appears that the purchaser does not have a *bona fide* intention to invest in the securities but rather is acquiring the securities with a view to immediately reselling them in the secondary market. This can be the case where the purchaser is a lender to the issuer or where the securities are issued as consideration for the acquisition of assets.

Where the offering and subsequent resale are in substance a single distribution, in order to comply with securities legislation, the distribution to the public purchasers should be made by way of prospectus in order that the subsequent purchasers have the benefit of prospectus disclosure and all the rights and remedies provided to prospectus purchasers under securities legislation.

Considerations relevant to determining whether a distribution under a prospectus is only one transaction in a series of transactions in the course of or incidental to the ultimate distribution include:

- the number of persons or companies who are likely to purchase securities in each transaction;
- whether the purchasers' traditional business is that of financing as opposed to investing;
- whether a purchaser is likely to acquire more of a specified class of securities of the issuer than it is legally entitled to, or practically wishes to, hold (e.g., more than 10% of a class of equity securities where the purchaser wishes to avoid becoming an insider or 20% of a class of equity securities where the purchaser wishes to avoid becoming a control person);
- the type of security distributed (e.g., loan repayment rights) and whether or not the security is convertible into publicly traded securities of the issuer;
- whether the purchase price of the securities is set at a substantial discount to their market price; and
- whether the purchaser is committed to hold the securities it acquires for any specified time period.

2.4 Over-allocation — Underwriters of a distribution may over-allocate a distribution in order to hold a short position in the securities following closing. This over-allocation position allows the underwriters to engage in limited market stabilization to compensate for the increased liquidity in the market following the distribution. If the market price of the securities decreases following the closing of the distribution, the short position created by the over-allocation position may be filled through purchases in the market. This creates upward pressure on the price of the securities. If the market price of the securities increases following the closing of the distribution, the over-allocation position may be filled through the exercise of an over-allotment option (at the issue offering price). Underwriters would not generally engage in market stabilization activities without the protection provided by an over-allotment option.

Over-allotment options are permitted solely to facilitate the over-allocation of the distribution and consequent market stabilization. Accordingly, an over-allotment option may only be exercised for the purpose of filling the underwriters' over-allocation position. The exercise of an over-allotment option for any other purpose would raise public policy concerns.

To form part of the over-allocation position, securities must be sold to *bona fide* purchasers as of the closing of the offering. Securities held by an underwriter or in proprietary accounts of an underwriter for sale at a future date do not form part of the over-allocation position. Further, as discussed below, section 11.2 of the Instrument restricts the distribution of securities under a prospectus to an underwriter. Since section 11.1 of the Instrument requires that all securities that are sold to create the over-allocation position be distributed under the prospectus, securities cannot be sold to an underwriter to increase the size of the over-allocation position.

2.5 Distribution of securities under a prospectus to an underwriter — Section 11.2 of the Instrument restricts the

distribution of securities under a prospectus to a person acting as an underwriter. Issuers should determine the 10% limit in that section as if all convertible or exchangeable securities offered under the prospectus were exercised for the underlying securities.

2.6 Certificates — (1) Public interest — Securities legislation provides the regulator with discretion to refuse a receipt for a prospectus where it is not in the public interest to issue the receipt. Securities legislation imposes statutory liability in connection with prospectus disclosure to provide investors with a remedy if a prospectus does not contain full, true and plain disclosure of all material facts relating to the securities being distributed and to protect the integrity of the Canadian public markets. Where an offering is structured in a manner that circumvents the objects and purposes of securities legislation and results in a person or company accessing the Canadian public markets, who is not clearly accountable for the information in the prospectus, the regulator may have significant public interest concerns. Such public interest concerns will be addressed on a case by case basis as part of the analysis of whether a receipt should be issued for a final prospectus. There may be circumstances in which it will be appropriate for the regulator to request a person or company, that is not otherwise required to do so, to certify a prospectus as a means of resolving such public interest concerns. For example, where it appears that a person or company is organizing its business and affairs to avoid a requirement to sign a prospectus certificate or to avoid prospectus liability, a regulator may conclude that there is sufficient public interest concerns that the regulator should require that person or company to certify a prospectus.

(2) Discretion of the regulator to request certificates — Subsection 5.15(1) of the Instrument provides the regulator in each jurisdiction except Ontario with the discretion to require additional certificates. The exercise of this discretion will generally be informed by public interest concerns, including those discussed in subsection (1) above.

(3) Signatories — Part 5 of the Instrument contains requirements regarding who must sign prospectus certificates. Certificates signed on behalf of the identified signatories by an agent or attorney will generally not be acceptable. For example, an income trust issuer with an active board of trustees would be required to arrange for the signature of two trustees on behalf of the board, rather than the signature of an attorney or agent.

(4) Trustee certificates — Subsection 5.5(4) of the Instrument provides an exception to the trust certificate requirement where the trustees of the issuer do not perform functions similar to those of corporate directors. In this type of situation, a prospectus certificate is instead required from two individuals who do perform those functions for the issuer on behalf of all such individuals. In a situation where a regulated trust company is a trustee but does not perform functions similar to those of corporate directors, the regulated trust company and its officers and directors will not be required to sign a prospectus certificate if two other individuals who perform those functions do provide a certificate.

(5) Chief executive officer and chief financial officer — The Instrument and other securities legislation require that prospectus certificates of certain persons or companies are to be signed by the chief executive officer and chief financial officer of such persons or companies. The terms chief executive officer and chief financial officer should be read to include the individuals who have the responsibilities normally associated with these positions or act in a similar capacity. This determination should be made irrespective of an individual's corporate title or whether that individual is employed directly or acts pursuant to an agreement or understanding.

(6) Selling securityholder certificates — Subsection 5.13(1) of the Instrument provides the regulator in each jurisdiction except Ontario with the discretion to require selling securityholders to sign a prospectus certificate. Under securities legislation, selling securityholders are liable for misrepresentations in a prospectus whether or not they sign a prospectus certificate. There are circumstances, however, where the regulator may determine that it is in the public interest to require the selling securityholder to affirmatively certify the prospectus. Generally, the regulator would only exercise this discretion where the securities being distributed by the selling securityholder represent a substantial portion of the securities being distributed under the prospectus.

2.7 Promoters of issuers of asset-backed securities — Securities legislation in some jurisdictions in Canada define "promoter" and require, in certain circumstances, a promoter of an issuer to assume statutory liability for prospectus disclosure. Asset-backed securities are commonly issued by a "special purpose" entity, established for the sole purpose of facilitating one or more asset-backed offerings. The securities regulatory authorities are of the opinion that special purpose issuers of asset-backed securities will have a promoter because someone will typically have taken the initiative in founding, organizing or substantially reorganizing the business of the issuer. We interpret the business of such issuers to include the business of issuing asset-backed securities and entering into the supporting contractual arrangements.

For example, in the context of a securitization program under which assets of one or more related entities are financed

by issuing asset-backed securities (sometimes called a “single seller program”), we will usually consider an entity transferring or originating a significant portion of such assets, an entity initially agreeing to provide on-going collection, administrative or similar services to the issuer, and the entity for whose primary economic benefit the asset-backed program is established, to be a promoter of the issuer if it took the initiative in founding, organizing or substantially reorganizing the business of the issuer. Persons or companies contracting with the issuer to provide credit enhancements, liquidity facilities or hedging arrangements or to be a replacement servicer of assets, and investors who acquire subordinated investments issued by the issuer, will not typically be promoters of the issuer solely by virtue of such involvement.

In the context of a securitization program established to finance assets acquired from numerous unrelated entities (sometimes called a “multi-seller program”), we will usually consider the person or company (frequently a bank or an investment bank) establishing and administering the program in consideration for the payment of an on-going fee, for example, to be a promoter of the issuer if it took the initiative in founding, organizing or substantially reorganizing the business of the issuer. Individual sellers of the assets into a multi-seller program are not ordinarily considered to be promoters of the issuer, despite the economic benefits accruing to such persons or companies from utilizing the program. As with single-seller programs, other persons or companies contracting with the issuer to provide services or other benefits to the issuer of the asset-backed securities will not typically be promoters of the issuer solely by virtue of such involvement.

Where an entity is determined to be a promoter of an issuer at the time of the issuer’s initial public offering, the entity continues to be a promoter of the issuer, in the case of subsequent offerings by the issuer, if the entity’s relationship to the issuer and involvement in the offerings remains substantially the same. Accordingly, where an entity establishes a special purpose issuer to act as a dedicated securitization vehicle, and the prospectus filed in connection with a subsequent offering continues to include disclosure relating to the entity’s securitization program, we will expect the entity to certify the prospectus as a promoter.

While we have included this discussion of promoters as guidance to issuers of asset-backed securities, the question of whether a particular person or company is a “promoter” of an issuer is ultimately a question of fact to be determined in light of the particular circumstances.

2.8 Special warrants — (1) Distributions to resale market — In certain special warrant transactions, the dealer involved in the private placement may itself have purchased special warrants from the issuer on an exempt basis, despite not disclosing any commitment to do so.

Securities legislation generally requires that a dealer not acting as agent of the purchaser who receives an order or subscription for a security offered in a distribution to which a prospectus requirement applies to deliver to the purchaser the latest prospectus. Where a dealer acquires special warrants, with a view to exercising them and reselling the underlying securities, such a resale would be a distribution that must be made by way of a prospectus or pursuant to an exemption from the prospectus requirements.

It is a requirement, therefore, that any dealer who has acquired special warrants with a view to their distribution or the distribution of the underlying securities deliver a prospectus during the period of distribution to its purchasers (where the sale to such purchasers is made otherwise than pursuant to a prospectus exemption) in order that such purchasers have the benefit of all rights and remedies provided to prospectus purchasers under securities legislation. In Québec, prospectus purchasers are notably conferred with a contractual right of rescission under s. 1443 of the *Québec Civil Code*.

In connection with its prospectus review procedure, the regulator may request information from the issuer of all beneficial purchasers of special warrants. The regulator will generally keep this information confidential.

(2) Underwriters’ certificate and due diligence — While the special warrant transaction is, in form, two separate distributions, the first an exempt private placement distribution and the second a conversion of the warrants under a prospectus, such a transaction is, in substance, a single distribution under a prospectus of the underlying securities to the warrant investors.

The registrants involved in placing the special warrants are, therefore, also involved in the prospectus distribution and such registrants in a contractual relationship with the issuer must include their certificate in the prospectus under subsection 5.9(1) of the Instrument or other securities legislation. We note that the resulting incentive to such registrants to participate in the due diligence investigation of the issuer is also beneficial to the secondary market.

The obligation to deliver an underwriter's certificate as described in this Policy does not extend the scope of distributions any registrant is authorized to make under applicable securities legislation.

(3) Contractual right of rescission — Under section 2.4 of the Instrument, an issuer must not file a prospectus or an amendment to a prospectus to qualify the distribution of securities issued on the exercise of special warrants or other securities acquired on a prospectus-exempt basis, unless the issuer has provided holders of the special warrants or other securities with a contractual right of rescission. We would not generally consider the disclosure of the contractual right of rescission in the prospectus as satisfying this condition unless there is a prior contract between the issuer and the holder of the special warrant or other security under which the issuer granted this right to the holder.

2.9 Offerings of convertible, exchangeable or exercisable securities — Investor protection concerns may arise where the distribution of a convertible, exchangeable or exercisable security is qualified under a prospectus and the subsequent conversion, exchange or exercise of this security is made on a prospectus-exempt basis. Specifically, this concern arises when the subsequent conversion, exchange or exercise occurs within a short period of time — generally 180 days or less — following the purchase of the original security.

The concerns arise because the conversion, exchange or exercise feature of the security may operate to limit or "strip away" the remedies available to an investor for a misrepresentation in a prospectus.

In particular, we are concerned about offerings of subscription receipts, or other types of securities which may be convertible, exchangeable or exercisable within a short period of time following the purchase of the original security (generally 180 days or less), where the investor, when purchasing the subscription receipt, or other similar type of security, is in effect also making an investment decision in respect of the underlying security.

Public interest concerns arise if the subsequent distribution of the underlying security is not part of the initial distribution and is not qualified by the prospectus. These concerns arise because when the security is converted, exchanged or exercised prior to the end of the statutory period for a right of action for rescission under securities legislation (which in many jurisdictions is 180 days from the date of purchase of the original security), the purchaser of a convertible, exchangeable or exercisable security does not retain the same rights to rescission because the convertible, exchangeable or exercisable security that was issued under the prospectus has been replaced by the underlying security. In these circumstances, the original purchaser should retain the benefit of any remaining statutory right of rescission that would otherwise apply in respect of the convertible, exchangeable or exercisable security. As such, the issuer should provide the original purchaser of the convertible, exchangeable or exercisable security with a contractual right of rescission in respect of the conversion, exchange or exercise transaction.

In some cases, the subsequent distribution of the underlying security may be part of the initial distribution as it is part of a series of transactions involving further purchases and sales in the course of or incidental to a distribution. If this is the case the issuer should consider whether its prospectus should qualify the distribution of both the subscription receipt, or other similar type of security, as well as the underlying security.

The guidance above would not apply to an offering of warrants where the warrants may reasonably be regarded as incidental to the offering as a whole. For example, in the case of a typical special warrant offering, the special warrant converts into i) a common share, and ii) a common share purchase warrant (or a fraction thereof). In such cases, we have generally accepted that the common share purchase warrant component merely represents a "sweetener", and that the primary investment decision relates to the common share underlying the special warrant. This would also generally be the case with a unit offering where the unit consists of a common share, and a common share purchase warrant. Therefore, the regulator would not generally request that the issuer provide the original purchaser with a contractual right of rescission in respect of the sweetener warrants.

2.10 Lapse date — An amendment to a prospectus, even if it amends and restates the prospectus, does not change the lapse date under section 17.2 of the Instrument or other securities legislation. An amendment to an ETF facts document also does not change the lapse date for a prospectus of an ETF.

2.11 Rights offerings — (1) The regulator or, in Québec, the securities regulatory authority may refuse to issue a receipt for a prospectus filed for a rights offering under which rights are issued if the rights are exercisable into convertible securities that require an additional payment by the holder on conversion and the securities underlying the convertible securities are not qualified under the prospectus. This will ensure that the remedies for misrepresentation in the prospectus are available to the person or company who pays value.

(2) Subparagraph 8A.2(1)(d)(ii) of the Instrument provides that if there is no published market for the securities, the

subscription price must be lower than fair value unless the issuer restricts all insiders from increasing their proportionate interest in the issuer through the rights offering or a stand-by commitment. Under subsection 8A.2(2), the issuer must deliver to the regulator or, in Québec, the securities regulatory authority evidence of fair value. For this purpose, the regulator will consider such things as fairness opinions, valuations and letters from registered dealers as evidence of the fair value.

(3) Under paragraph 8A.4(b) of the Instrument, if there is a stand-by commitment for a rights offering, the issuer must deliver to the regulator or, in Québec, the securities regulatory authority evidence that the person or company providing the stand-by commitment has the financial ability to carry out the stand-by commitment. For this purpose, the regulator or, in Québec, the securities regulatory authority may consider any of the following:

- a statement of net worth attested to by the person or company making the commitment,
- a bank letter of credit,
- the most recent audited financial statements of the person or company making the commitment,
- other evidence that provides comfort to the regulator or, in Québec, the securities regulatory authority.

Part 3: — Filing and Receipting Requirements

3.1 Extension of 90-day period for issuance of final receipt — The effect of subsection 2.3(1) of the Instrument is to ensure that issues are not being marketed by means of preliminary prospectuses containing outdated information.

3.2 Confidential material change reports — An issuer cannot meet the standard of “full, true and plain” disclosure, while a material change report has been filed but remains undisclosed publicly. Accordingly, an issuer who has filed a confidential material change report may not file a prospectus until the material change that is the subject of the report is generally disclosed or the decision to implement the change has been rejected and the issuer so notified the regulator of each jurisdiction where the confidential material change report was filed, and an issuer may not file a confidential material change report during a distribution and continue with the distribution. If circumstances arise that cause an issuer to file a confidential material change report during the distribution period of securities under a prospectus, the issuer should cease all activities related to the distribution until

(a) the material change is generally disclosed and an amendment to the prospectus is filed, if required, or

(b) the decision to implement the material change has been rejected and the issuer has so notified the regulator of each jurisdiction where the confidential material change report was filed.

3.3 Supporting documents — Material that is filed in a jurisdiction will be made available for public inspection in that jurisdiction, subject to the provisions of securities legislation in the local jurisdiction regarding confidentiality of filed material. Material that is delivered to a regulator, but not filed, is not generally required under securities legislation to be made available for public inspection.

3.4 Consents of lawyers — The names of lawyers or law firms frequently appear in prospectuses in two ways. First, the underwriters, the issuer and selling securityholders may name the lawyers upon whose advice they are relying. Second, the opinions of counsel that the securities may be eligible for investment under certain statutes may be expressed or opinions on the tax consequences of the investment may be given.

In the first case, we are of the view that the lawyer is not, in the words of subsection 10.1(1.1) of the Instrument, named as having prepared or certified a part of the prospectus and is not named as having prepared or certified a report, valuation, statement or opinion referred to in the prospectus. Accordingly, this subsection does not require the written consent of the lawyer. In the second case, because the opinions or similar reports are prepared for the purpose of inclusion in the prospectus, we are of the view that this subsection applies and requires the consent.

3.5 Documents affecting the rights of securityholders — (1) Subclause 9.1(a)(ii)(A) of the Instrument requires issuers to file copies of their articles of incorporation, amalgamation, continuation or any other constating or establishing documents, unless the document is a statutory or regulatory instrument. This carve out for a statutory or regulatory

instrument is very narrow. For example, the carve out would apply to Schedule I or Schedule II banks under the *Bank Act*, whose charter is the *Bank Act*. It would not apply when only the form of the constating document is prescribed under statute or regulation, such as articles under the *Canada Business Corporations Act*.

(2) Subclause 9.1(a)(ii)(E) of the Instrument requires issuers to file copies of contracts that can reasonably be regarded as materially affecting the rights of their securityholders generally. A warrant indenture is one example of this type of contract. We would expect that contracts entered into in the ordinary course of business would not usually affect the rights of securityholders generally, and so would not be required to be filed under this subclause.

3.5.1 Personal information forms — (1) If issuers are relying upon a previously delivered personal information form or predecessor personal information form pursuant to subsections 9.1(2) or 9.1(3) of the Instrument, issuers are reminded of paragraphs 9.1(2)(b) and 9.1(3)(b), which require that the responses to certain questions in the form must still be correct. Accordingly, in order to meet these requirements issuers should obtain appropriate confirmations from the individual concerned.

(2) Paragraph 9.1(2)(c) of the Instrument requires that in certain circumstances an issuer deliver a copy of a previously delivered personal information form, or "alternative information that is satisfactory to the regulator". Our interpretation of what would potentially be alternative information satisfactory to the regulator is, with respect to the previous delivery of an individual's personal information form, the System for Electronic Document Analysis and Retrieval (SEDAR) project number and name of issuer. In most cases this information will be sufficient. Staff will contact issuers in cases where it is not. Issuers wishing to proceed in this manner should provide the information in the cover letter for the preliminary or pro forma long form prospectus.

(3) If an issuer is delivering a copy of a previously delivered personal information form pursuant to paragraph 9.1(2)(c) of the Instrument, the issuer should deliver it as a personal information form on SEDAR, in the same way that a new personal information form would be delivered.

3.6 Material contracts — (1) Definition — Under section 1.1 of the Instrument, a material contract is defined as a contract that an issuer or any of its subsidiaries is a party to, that is material to the issuer. A material contract generally includes a schedule, side letter or exhibit referred to in the material contract and any amendment to the material contract. The redaction and omission provisions in subsections 9.3(3) and (4) of the Instrument apply to these schedules, side letters, exhibits or amendments.

(2) Filing requirements — Subject to the exceptions in paragraphs 9.3(2)(a) through (f) of the Instrument, subsection 9.3(2) of the Instrument provides an exemption from the filing requirement for a material contract entered into in the ordinary course of business. Whether an issuer entered into a material contract in the ordinary course of business is a question of fact that the issuer should consider in the context of its business and industry.

Paragraphs 9.3(2)(a) through (f) of the Instrument describe specific types of material contracts that are not eligible for the ordinary course of business exemption. Accordingly, if subsection 9.3(1) of the Instrument requires an issuer to file a material contract of a type described in these paragraphs, the issuer must file that material contract even if the issuer entered into it in the ordinary course of business.

(3) Contract of employment — Paragraph 9.3(2)(a) of the Instrument provides that a material contract with certain individuals is not eligible for the ordinary course of business exemption, unless it is a "contract of employment". One way for issuers to determine whether a contract is a contract of employment is to consider whether the contract contains payment or other provisions that are required disclosure under Form 51-102F6 as if the individual were a named executive officer or director of the issuer.

(4) External management and external administration agreements — Under paragraph 9.3(2)(e) of the Instrument, external management and external administration agreements are not eligible for the ordinary course of business exemption. External management and external administration agreements include agreements between the issuer and a third party, the issuer's parent entity, or an affiliate of the issuer, under which the latter provides management or other administrative services to the issuer.

(5) Material contracts on which the issuer's business is substantially dependent — Paragraph 9.3(2)(f) of the Instrument provides that a material contract on which the "issuer's business is substantially dependent" is not eligible for the ordinary course of business exemption. Generally, a contract on which the issuer's business is substantially dependent is a contract so significant that the issuer's business depends on the continuance of the contract. Some examples of this type of contract include

(a) a financing or credit agreement providing a majority of the issuer's capital requirements for which alternative financing is not readily available at comparable terms,

(b) a contract calling for the acquisition or sale of substantially all of the issuer's property, plant and equipment, long-lived assets, or total assets, and

(c) an option, joint venture, purchase or other agreement relating to a mining or oil and gas property that represents a majority of the issuer's business.

(6) Confidentiality provisions — Under subsection 9.3(3) of the Instrument, an issuer may omit or redact a provision of a material contract that is required to be filed if an executive officer of the issuer reasonably believes that disclosure of the omitted or redacted provision would violate a confidentiality provision. A provision of the type described in paragraphs 9.3(4)(a), (b) or (c) of the Instrument may not be omitted or redacted even if disclosure would violate a confidentiality provision, including a blanket confidentiality provision covering the entire material contract.

When negotiating material contracts with third parties, reporting issuers should consider their disclosure obligations under securities legislation. A regulator or securities regulatory authority may consider granting an exemption to permit a provision of the type listed in subsection 9.3(4) of the Instrument to be redacted if

(a) the disclosure of that provision would violate a confidentiality provision, and

(b) the material contract was negotiated before the effective date of the Instrument.

The regulator may consider the following factors, among others, in deciding whether to grant an exemption:

(c) whether an executive officer of the issuer reasonably believes that the disclosure of the provision would be prejudicial to the interests of the issuer;

(d) whether the issuer is unable to obtain a waiver of the confidentiality provision from the other party.

(7) Disclosure seriously prejudicial to interests of issuer — Under subsection 9.3(3) of the Instrument, an issuer may omit or redact certain provisions of a material contract that is required to be filed if an executive officer of the issuer reasonably believes that disclosure of the omitted or redacted provision would be seriously prejudicial to the interests of the issuer. One example of disclosure that may be seriously prejudicial to the interests of the issuer is disclosure of information in violation of applicable Canadian privacy legislation. However, in situations where securities legislation requires disclosure of the particular type of information, applicable privacy legislation generally provides an exemption for the disclosure. Generally, disclosure of information that an issuer or other party has already publicly disclosed is not seriously prejudicial to the interests of the issuer.

(8) Terms necessary for understanding impact on business of issuer — An issuer may not omit or redact a provision of a type described in paragraph 9.3(4)(a), (b), or (c) of the Instrument. Paragraph 9.3(4)(c) of the Instrument provides that an issuer may not omit or redact "terms necessary for understanding the impact of the material contract on the business of the issuer". Terms that may be necessary for understanding the impact of the material contract on the business of the issuer include the following:

(a) the duration and nature of a patent, trademark, license, franchise, concession, or similar agreement;

(b) disclosure about related party transactions;

(c) contingency, indemnification, anti-assignability, take-or-pay clauses, or change-of-control clauses.

(9) Summary of omitted or redacted provisions — Under subsection 9.3(5) of the Instrument, an issuer must include a description of the type of information that has been omitted or redacted in the copy of the material contract filed by the issuer. A brief one-sentence description immediately following the omitted or redacted information is generally sufficient.

3.7 Response letters and marked up copies — In response to a comment letter for a preliminary prospectus, an issuer should include draft wording for the changes it proposes to make to a prospectus to address staff's comments. When the comments of the various securities regulators have been resolved, an issuer should clearly mark a draft of the

prospectus with all proposed changes from the preliminary prospectus and submit it as far as possible in advance of the filing of final material. These procedures may prevent delay in the issuing of a receipt for the prospectus, particularly if the number or extent of changes are substantial.

3.8 Undertaking in respect of credit supporter disclosure, including financial statements — Under subparagraph 9.2(a)(x) of the Instrument, an issuer must file an undertaking to file the periodic and timely disclosure of a credit supporter. For credit supporters that are reporting issuers with a current AIF (as defined in NI 44-101), the undertaking will likely be to continue to file the documents it is required to file under NI 51-102. For credit supporters registered under the 1934 Act, the undertaking will likely be to file the types of documents that would be required to be incorporated by reference into a Form S-3 or Form F-3 registration statement. For other credit supporters, the types of documents to be filed pursuant to the undertaking will be determined through discussions with the regulators on a case-by-case basis.

If an issuer, a parent credit supporter, and a subsidiary credit supporter satisfy the conditions of the exemption in section 34.3 of Form 41-101F1, an undertaking may provide that the subsidiary credit supporter will file periodic and timely disclosure if the issuer and the credit supporters no longer satisfy the conditions of the exemption in that section.

If an issuer and a credit supporter satisfy the conditions the exemption in section 34.4 of Form 41-101F1, an undertaking may provide that the credit supporter will file periodic and timely disclosure if the issuer and the credit supporter no longer satisfy the conditions of the exemption in that section.

For the purposes of such an undertaking, references to disclosure included in the prospectus should be replaced with references to the issuer or parent credit supporter's continuous disclosure filings. For example, if an issuer and subsidiary credit supporter(s) plan to continue to satisfy the conditions of the exemption in section 34.4 of Form 41-101F1 for continuous disclosure filings, the undertaking should provide that the issuer will file with its consolidated financial statements,

> (a) a statement that the financial results of the credit supporter(s) are included in the consolidated financial results of the issuer if
>
> > (i) the issuer continues to have limited independent operations, and
> >
> > (ii) the impact of any subsidiaries of the issuer on a combined basis, excluding the credit supporter(s) but including any subsidiaries of the credit supporter(s) that are not themselves credit supporters, on the consolidated financial statements of the issuer continues to be minor, or
>
> (b) for any periods covered by issuer's consolidated financial statements, consolidating summary financial information for the issuer presented in the format set out in subparagraph 34.4(e)(ii) of Form 41-101F1.

3.9 Disclosure of investigations or proceedings — Securities legislation provides that, subject to certain conditions, the securities regulatory authorities or the regulator must issue a receipt for a prospectus unless it appears that it would not be in the public interest to do so. The securities regulatory authority or the regulator will consider whether there are ongoing or recently concluded investigations or proceedings relating to

- an issuer,
- a promoter,
- a principal securityholder, director or officer of the issuer, or
- an underwriter or other person or company involved in a proposed distribution

when it determines if it should refuse to issue a receipt for the prospectus. That decision will be made on a case-by-case basis and will depend upon the facts known at the time.

If the facts and circumstances do not warrant the denial of a receipt for a prospectus, securities legislation nonetheless imposes an obligation to provide full, true and plain disclosure of all material facts relating to the securities offered by

the prospectus.

Disclosure of an ongoing or recently concluded investigation or proceeding relating to a person or company involved in a proposed distribution may be necessary to meet this standard. The circumstances in which disclosure will be required and the nature and extent of the disclosure will also be determined on a case-by-case basis. In making this determination, all relevant facts, including the allegations that gave rise to the investigation or proceeding, the status of the investigation or proceeding, the seriousness of the alleged breaches that are the subject of the investigation or proceeding and the degree of involvement in the proposed distribution by the person or company under investigation will be considered.

3.10 Amendments — (1) Subsection 6.5(1) of the Instrument and other securities legislation provides that if a material adverse change occurs after a receipt for a preliminary prospectus is obtained, an amendment to the preliminary prospectus must be filed as soon as practicable, but in any event within 10 days after the change occurs. If a preliminary prospectus indicates the number or value of the securities to be distributed under the prospectus, an increase in the number or value is, absent unusual circumstances, unlikely to constitute a material adverse change requiring an amendment to the preliminary prospectus.

(2) If, after filing a preliminary prospectus, an issuer decides to attach or add to the securities offered under a prospectus a right to convert into, or a warrant to acquire, the security of the issuer being offered under the preliminary prospectus, the attachment or addition of the conversion feature or warrant is, absent unusual circumstances, unlikely to constitute a material adverse change requiring an amendment to the preliminary prospectus.

(3) Securities legislation provides that no person or company shall distribute securities, unless a preliminary prospectus and a prospectus have been filed and receipts have been issued by the securities regulatory authority or regulator. If an issuer intends to add a new class of securities to the distribution under the prospectus after the preliminary prospectus has been filed and receipted, we interpret this requirement to mean an issuer must file an amended and restated preliminary prospectus.

Similarly, if an issuer wishes to add a new class of securities to a prospectus before the distribution under that prospectus is completed the issuer must file a preliminary prospectus for that class of securities and an amended and restated prospectus and obtain receipts for both the preliminary prospectus and the amended prospectus. Alternatively the issuer may file a separate preliminary prospectus and prospectus for the new class of securities. We interpret this requirement to also apply to mutual funds. If a mutual fund adds a new class or series of securities to a prospectus that is referable to a new separate portfolio of assets, a preliminary prospectus and preliminary ETF facts document must be filed. However, if the new class or series of securities is referable to an existing portfolio of assets, the new class or series may be added by way of amendment to the prospectus. In this case, a preliminary ETF facts document for the new class or series must still be filed.

(4) Any changes to the terms or conditions of the security being distributed, such as the deletion of a conversion feature, may constitute a material adverse change requiring an amendment to the preliminary prospectus.

(5) Under securities legislation, a regulator must not issue a receipt for a prospectus in certain circumstances, including if the regulator considers it prejudicial to the public interest to do so. The purpose of subsection 6.6(3) of the Instrument is to clarify that these receipt refusal grounds apply to an amendment to a final prospectus or a final short form prospectus in certain jurisdictions.

(6) Marketing materials prepared under section 13.7 or 13.8 of the Instrument cannot amend a preliminary prospectus, a final prospectus or any amendment.

3.11 Reduced price distributions — Subsection 7.2(3) of the Instrument permits an issuer to reduce the offering price of the securities being distributed without filing an amendment to the prospectus if certain conditions are satisfied. Satisfying the conditions in this subsection means the underwriter's compensation should decrease by the amount that the aggregate price paid by purchasers for the securities is less than the gross proceeds paid by the underwriter to the issuer or selling securityholder. Section 20.8 of Form 41-101F1 requires disclosure of this fact.

3.12 Licences, registrations and approvals — For the purposes of section 10.2 of the Instrument, we would generally conclude that an issuer has all material licences, registrations and approvals necessary for the stated principal use of proceeds if the issuer could use a material portion of the proceeds of the distribution in the manner described in the prospectus without obtaining the licence, registration or approval.

3.13 Registration requirements — Issuers filing a prospectus and other market participants are reminded to ensure that members of underwriting syndicates are in compliance with registration requirements under securities legislation in each jurisdiction in which syndicate members are participating in the distribution of securities under the prospectus. Failure to comply with the registration requirements could cause the regulator to refuse to issue a receipt for the prospectus.

Part 4: — General Content of Long Form Prospectus

4.1 Style of long form prospectus — Securities legislation requires that a long form prospectus contain "full, true and plain" disclosure. Issuers should apply plain language principles when they prepare a long form prospectus including:

- using short sentences;
- using definite everyday language;
- using the active voice;
- avoiding superfluous words;
- organizing the document into clear, concise sections, paragraphs and sentences;
- avoiding jargon;
- using personal pronouns to speak directly to the reader;
- avoiding reliance on glossaries and defined terms unless it facilitates understanding of the disclosure;
- avoiding vague boilerplate wording;
- avoiding abstract terms by using more concrete terms or examples;
- avoiding multiple negatives;
- using technical terms only when necessary and explaining those terms;
- using charts, tables and examples where it makes disclosure easier to understand.

Question and answer and bullet point formats are consistent with the disclosure requirements of the Instrument.

4.1.1 Plan summary for a scholarship plan — To help write the plan summary for a scholarship plan in plain language, scholarship plan providers may use the Flesch-Kincaid methodology to assess the readability of a plan summary. The Flesch-Kincaid grade level scale is a methodology that rates the readability of a text to a corresponding grade level and can be determined by the use of Flesch-Kincaid tests built into commonly used word processing programs. For French-language documents, scholarship plan providers may wish to consider using other appropriate readability tools.

4.2 Pricing disclosure — (1) If the offering price or the number of securities being distributed, or an estimate of the range of the offering price or the number of securities being distributed, has been publicly disclosed in a jurisdiction or a foreign jurisdiction as of the date of the preliminary long form prospectus, section 1.7 of Form 41-101F1 requires the issuer to disclose that information in the preliminary long form prospectus. For example, if an issuer has previously disclosed this information in a public filing or a press release, in a foreign jurisdiction, the information must also be disclosed in the preliminary long form prospectus. If the issuer discloses this information in the preliminary long form prospectus, we will not consider a difference between this information and the actual offering price or number of securities being distributed to be, in itself, a material adverse change for which the issuer must file an amended preliminary long form prospectus.

(2) No disclosure is required under section 1.7 of Form 41-101F1 if the offering price or size of the offering has not

been disclosed as of the date of the preliminary long form prospectus. However, given the materiality of pricing or offering size information, subsequent disclosure of this information on a selective basis could constitute conduct that is prejudicial to the public interest.

(3) If a minimum offering amount is not provided and the issuer faces significant short-term expenditures or commitments, the issuer must provide additional disclosure as required under subsections 6.3(3) and (4) of Form 41-101F1 or subsections 4.2(3) and (4) of Form 44-101F1. The issuer must provide disclosure of how it will use the proceeds at different thresholds, describing what business objectives will be accomplished at each threshold as well as the priority of how the proceeds will be used. In describing the use of proceeds under each threshold, the disclosure must also include an assessment of the impact of raising this amount on the issuer's liquidity, operations, capital resources and solvency.

Disclosures that may be necessary to understand this impact may include the following examples:

(a) for issuers without significant revenue and available working capital, disclose the anticipated length of time that the proceeds at each threshold will suffice to meet expected cash requirements;

(b) for issuers that have or anticipate having within the next 12 months any cash flow or liquidity problems, disclose how the proceeds at each threshold may impact the issuer's ability to continue in operation for the foreseeable future and realize assets and discharge liabilities in the normal course of operations;

(c) for issuers that have significant projects that have not yet commenced operations and the projects have therefore not yet generated revenue, describe how the proceeds at each threshold may impact the anticipated timing and costs of the project and other critical milestones;

(d) for issuers that have exploration and development expenditures or research and development expenditures required to maintain properties or agreements in good standing, describe how the proceeds at each threshold may impact these properties or agreements.

If the issuer anticipates additional funds from other sources are to be used in conjunction with the proceeds and the available working capital, the issuer will need to sufficiently describe the amounts of those funds, the source of those funds and whether those funds are firm or contingent. If the funds are contingent, the issuer should describe the nature of the contingency.

Depending on the particular circumstances of the issuer, one or more of the above examples may require the provision of a minimum offering amount in the prospectus. Refer to section 2.2.1 of this Policy for additional guidance.

4.3 Principal purposes — generally — (1) Subsection 6.3(1) of Form 41-101F1 requires disclosure of each of the principal purposes for which the issuer will use the net proceeds. If an issuer has negative operating cash flow in its most recently completed financial year for which financial statements have been included in the long form prospectus, the issuer should prominently disclose that fact in the use of proceeds section of the long form prospectus. The issuer should also disclose whether, and if so, to what extent, the issuer will use the proceeds of the distribution to fund any anticipated negative operating cash flow in future periods. An issuer should disclose negative operating cash flow as a risk factor under subsection 21.1(1) of Form 41-101F1.

(2) For the purposes of the disclosure required under section 6.3 of Form 41-101F1, the phrase "for general corporate purposes" is not generally sufficient.

4.4 MD&A — (1) Additional information for venture issuers without significant revenue — Section 8.6 of Form 41-101F1 requires certain venture issuers and IPO venture issuers to disclose a breakdown of material costs whether capitalized, deferred or expensed. A component of cost is generally considered to be a material component if it exceeds the greater of

(a) 20% of the total amount of the class, and

(b) $25,000.

(2) Disclosure of outstanding security data — Section 8.4 of Form 41-101F1 requires disclosure of information relating to the outstanding securities of the issuer as of the latest practicable date. The "latest practicable date" should be as

close as possible to the date of the long form prospectus. Disclosing the number of securities outstanding at the most recently completed financial period is generally not sufficient to meet this requirement.

(3) Additional disclosure for issuers with significant equity investees — Section 8.8 of Form 41-101F1 requires issuers with significant equity investees to provide in their long form prospectuses summarized information about the equity investee. Generally, we will consider that an equity investee is significant if, using the financial statements of the equity investee and the issuer as at the issuer's financial year-end, either of the following apply:

(a) for an issuer that is not a venture issuer or an IPO venture issuer, the equity investee would meet the thresholds for the significance tests in Item 35 of Form 41-101F1;

(b) for a venture issuer or an IPO venture issuer, the equity investee would meet the thresholds for the significance tests in Item 35 of Form 41-101F1 if "100 percent" is read as "40 percent".

4.5 Distribution of asset-backed securities — Section 10.3 of Form 41-101F1 specifies additional disclosure that applies to distributions of asset-backed securities. Disclosure for a special purpose issuer of asset-backed securities will generally explain

- the nature, performance and servicing of the underlying pool of financial assets,
- the structure of the securities and dedicated cash flows, and
- any third party or internal support arrangements established to protect holders of the asset-backed securities from losses associated with non-performance of the financial assets or disruptions in payment.

The nature and extent of required disclosure may vary depending on the type and attributes of the underlying pool and the contractual arrangements through which holders of the asset-backed securities take their interest in such assets.

An issuer of asset-backed securities should consider the following factors when preparing its long form prospectus:

(a) The extent of disclosure respecting an issuer will depend on the extent of the issuer's on-going involvement in the conversion of the assets comprising the pool to cash and the distribution of cash to securityholders; this involvement may, in turn, vary dramatically depending on the type, quality and attributes of the assets comprising the pool and on the overall structure of the transaction.

(b) Disclosure about the business and affairs of the issuer should relate to the financial assets underlying the asset-backed securities.

(c) Disclosure about the originator or the seller of the underlying financial assets will often be relevant to investors in the asset-backed securities particularly where the originator or seller has an on-going involvement with the financial assets comprising the pool. For example, if asset-backed securities are serviced with the cash flows from a revolving pool of receivables, an evaluation of the nature and reliability of the future origination or the future sales of underlying assets by the seller to or through the issuer may be a critical aspect of an investor's investment decision.

To address this, the focus of disclosure respecting an originator or seller of the underlying financial assets should deal with whether there are current circumstances that indicate that the originator or seller will not generate adequate assets in the future to avoid an early liquidation of the pool and, correspondingly, an early payment of the asset-backed securities. Summary historical financial information respecting the originator or seller will ordinarily be adequate to satisfy the disclosure requirements applicable to the originator or seller in circumstances where the originator or seller has an ongoing relationship with the assets comprising the pool.

Subsection 10.3(10) of Form 41-101F1 requires issuers of asset-backed securities to describe any person or company who originated, sold or deposited a material portion of the financial assets comprising the pool, irrespective of whether the person or company has an on-going relationship with the assets comprising the pool. The securities regulatory authorities consider 33 1/3% of the dollar value of the financial assets comprising the pool to be a material portion in this context.

4.6 Distribution of derivatives and underlying securities — (1) Section 10.4 of Form 41-101F1 specifies additional disclosure applicable to distributions of derivatives. This prescribed disclosure is formulated in general terms for issuers to customize appropriately in particular circumstances.

(2) If the securities being distributed are convertible into or exchangeable for other securities, or are a derivative of, or otherwise linked to, other securities, a description of the material attributes of the underlying securities will generally be necessary to meet the requirements of securities legislation that a long form prospectus contain full, true and plain disclosure of all material facts concerning the securities being distributed.

4.7 Restricted securities — Section 10.6 of Form 41-101F1 specifies additional disclosure for restricted securities, including a detailed description of any significant provisions under applicable corporate and securities law that do not apply to the holders of the restricted securities but do apply to the holders of another class of equity securities. An example of such provisions would be rights under takeover bids.

4.8 Credit supporter disclosure — A long form prospectus must include, under Item 33 of Form 41-101F1, disclosure about any credit supporters that have provided a guarantee or alternative credit support for all or substantially all of the payments to be made under the securities being distributed. Disclosure about a credit supporter may be required even if the credit supporter has not provided full and unconditional credit support.

4.9 Exemptions for certain issues of guaranteed securities — Requiring disclosure about the issuer and any applicable credit supporters in a long form prospectus may result in unnecessary disclosure in some instances. Item 34 of Form 41-101F1 provides exemptions from the requirement to include both issuer and credit supporter disclosure where such disclosure is not necessary to ensure that the long form prospectus includes full, true and plain disclosure of all material facts concerning the securities to be distributed.

These exemptions are based on the principle that, in these instances, investors will generally require issuer disclosure or credit supporter disclosure to make an informed investment decision. These exemptions are not intended to be comprehensive and issuers may apply for exemptive relief from the requirement to provide both issuer and credit supporter disclosure, as appropriate.

4.10 Previously disclosed material forward-looking information — If an issuer, at the time it files a long form prospectus,

> (a) has previously disclosed to the public material forward-looking information for a period that is not yet complete, and
>
> (b) is aware of events and circumstances that are reasonably likely to cause actual results to differ materially from the material forward-looking information,

the issuer should discuss those events and circumstances, and the expected differences from the material forward-looking information, in the long form prospectus.

Part 5: — Content of Long Form Prospectus (Financial Statements)

5.1 Exemptions from financial disclosure requirements — Request for exemptions from financial disclosure should be made in accordance with Part 19 of the Instrument, which requires the issuer to make submissions in writing along with the reasons for the request. Written submissions should be filed at the time the preliminary long form prospectus is filed, and include any proposed alternative disclosure. If the application involves a novel and substantive issue or raises a novel public policy concern, issuers should use the pre-filing procedures under NP 11-202. Issuers that are not filing their prospectuses under NP 11-202 should also follow the principles outlined and procedures set out in NP 11-202.

5.1.1. Presentation of Financial Results — Canadian GAAP applicable to publicly accountable enterprises provides an issuer 2 alternatives in presenting its income: (a) in one single statement of comprehensive income, or (b) in a statement of comprehensive income with a separate income statement. If an issuer presents its income using the second alternative, both statements must be filed to satisfy the requirements of this Regulation. (See subsections 32.2(1.1) and 32.3(3) of Form 41-101F1).

5.2 General financial statement requirements — If an issuer has filed annual or interim financial statements for periods that are more recent than those that the issuer must otherwise include in a long form prospectus before it files the prospectus, sections 32.6 and 35.8 of Form 41-101F1 require the issuer to include those financial statements in the

long form prospectus. Issuers should update the disclosure in the prospectus accordingly in order to satisfy the requirement that the long form prospectus contain full, true and plain disclosure of all material facts relating to the securities being distributed. However, if historical financial information derived from more recent annual or interim financial statements is released to the public by the issuer before the financial statements are filed, the prospectus should include the information included in the news release or public communication. There is no specific requirement in the Instrument to otherwise update the prospectus, or pro forma financial statements to reflect the more recent information.

We think the directors of an issuer should endeavor to consider and approve financial statements in a timely manner and should not delay the approval and filing of the statements for the purpose of avoiding their inclusion in a long form prospectus. Once the directors have approved an issuer's financial statements, the issuer should file them as soon as possible.

5.3 Interpretation of issuer — primary business — (1) An issuer is required to provide historical financial statements under Item 32 of Form 41-101F1 for a business or related businesses that a reasonable investor would regard as the primary business of the issuer. However, if the issuer is a reporting issuer whose principal assets are not cash, cash equivalents or an exchange listing, and the acquisition of the primary business represents a significant acquisition for the issuer, the reporting issuer is subject to the requirements of Item 35 in respect of the financial statement and other disclosure for the acquisition.

An acquisition does not include a reverse takeover, as defined in NI 41-101 which cross-references the meaning of acquisition as used in Part 8 of NI 51-102. Therefore a reporting issuer cannot rely on the exemption in subsection 32.1(2) if the applicable transaction is a reverse takeover.

Examples of when a reasonable investor would regard the primary business of the issuer to be the acquired business or related businesses, thereby triggering the application of Item 32, are when the acquisition(s) was

(a) a reverse takeover,

(b) a qualifying transaction for a Capital Pool Company, or

(c) an acquisition that is a significant acquisition at over the 100% level under subsection 35.1(4) of Form 41-101F1.

The issuer should consider the facts of each situation to determine whether a reasonable investor would regard the primary business of the issuer to be the acquired business or related businesses.

(2) The periods for which the issuer must provide financial statements under Item 32 of Form 41-101F1 for an acquired business or businesses that are regarded as the primary business of the issuer should be determined in reference to sections 32.2 and 32.3 of Form 41-101F1, and with the same exceptions, where applicable, set out in paragraphs 32.4(a) through (e) of Form 41-101F1. For example, for an issuer that is a reporting issuer in at least one jurisdiction immediately before filing a long form prospectus, the reference to three years in subparagraph 32.2(6)(a) of Form 41-101F1 should be read as two years under paragraphs 32.4(a), (b), (d) and (e) of Form 41-101F1.

The issuer must also consider the necessity of including pro forma financial statements pursuant to section 32.7 of Form 41-101F1 to illustrate the impact of the acquisition of the primary business on the issuer's financial position and results of operations. For additional guidance, an issuer should refer to section 5.10 of this Policy.

5.4 Interpretation of issuer — predecessor entity — (1) An issuer is required to provide historical financial statements under Item 32 of the Form 41-101F1 for any predecessor entity. This includes financial statements of acquired businesses that are unrelated and not otherwise individually significant, but together form the basis of the business of the issuer. However, if the issuer is a reporting issuer whose principal assets are not cash, cash equivalents or an exchange listing, and the acquisition of the predecessor entity represents a significant acquisition for the issuer, the reporting issuer is subject to the requirements of Item 35 in respect of the financial statement and other disclosure for the acquisition

The issuer must also consider the necessity of including pro forma financial statements pursuant to section 32.7 of Form 41-101F1 to illustrate the impact of the acquisition of the predecessor entity on the issuer's financial position and results of operations. For additional guidance, an issuer should refer to section 5.10 of this Policy.

(2) If an issuer determines the financial statements of certain acquired businesses referred to in subsection (1) are not relevant, the issuer should utilize the pre-filing procedures in NP 11-202 to determine whether it would require an exemption from the requirement to include these financial statements.

5.5 Sufficiency of financial history included in a long form prospectus — (1) Item 32 of Form 41-101F1 prescribes the issuer financial statements that must be included in a long form prospectus. We recognize that an issuer, at the time of filing a long form prospectus, may have been in existence for less than one year. We expect that in many situations the limited historical financial statement information that is available for such an issuer may be adequately supplemented by other relevant information disclosed in the long form prospectus. However, if the issuer cannot provide financial statements for a period of at least 12 months and the long form prospectus does not otherwise contain information concerning the business conducted or to be conducted by the issuer that is sufficient to enable an investor to make an informed investment decision, a securities regulatory authority or regulator may consider this a key factor when deciding whether it should refuse to issue a receipt for the long form prospectus.

(2) A reference to a prospectus includes a preliminary prospectus. Consequently, the time references in sections 32.2, 32.3, 35.5 and 35.6 of Form 41-101F1 should be considered as at the date of the preliminary long form prospectus and again at the date of the final long form prospectus for both the issuer and any business acquired or to be acquired. Depending on the period of time between the dates of the preliminary and final long form prospectuses, an issuer may have to include more recent financial statements.

5.6 Applications for exemption from requirement to include financial statements of the issuer — (1) We believe investors should receive in a long form prospectus for an IPO no less than three years of audited historical financial statements and that relief from the financial statements requirements should be granted only in unusual circumstances and generally not related solely to the cost or the time involved in preparing and auditing the financial statements.

(2) In view of our reluctance to grant exemptions from the requirement to include audited historical financial statements, issuers seeking relief should consult with staff on a pre-filing basis.

(3) Considerations relevant to granting an exemption from the requirement to include financial statements, generally for the years immediately preceding the issuer's most recently completed financial year, may include the following:

The issuer's historical accounting records have been destroyed and cannot be reconstructed.

(a) In this case, as a condition of granting the exemption, the issuer may be requested by a securities regulatory authority or regulator to

(i) represent in writing to the securities regulatory authority or regulator, no later than the time the preliminary long form prospectus is filed, that the issuer made every reasonable effort to obtain copies of, or reconstruct, the historical accounting records necessary to prepare and audit the financial statements, but such efforts were unsuccessful, and

(ii) disclose in the long form prospectus the fact that the historical accounting records have been destroyed and cannot be reconstructed.

The issuer has emerged from bankruptcy and current management is denied access to the historical accounting records necessary to audit the financial statements.

(b) In this case, as a condition of granting the exemption, the issuer may be requested by a securities regulatory authority or regulator to

(i) represent in writing to the securities regulatory authority or regulator, no later than the time the preliminary long form prospectus is filed, that the issuer has made every reasonable effort to obtain access to, or copies of, the historical accounting records necessary to audit the financial statements but that such efforts were unsuccessful, and

(ii) disclose in the long form prospectus the fact that the issuer has emerged from bankruptcy and current management is denied access to the historical accounting records.

The issuer has undergone a fundamental change in the nature of its business or operations affecting a majority of its

operations and all, or substantially all, of the executive officers and directors of the company have changed.

(c) The evolution of a business or progression along a development cycle will not be considered to be a fundamental change in an issuer's business or operations. Relief from the requirement to include financial statements of the issuer required by the Instrument for the year in which the change occurred, or for the most recently completed financial year if the change in operations occurred during the issuer's current financial year, generally will not be granted.

(4) If, in unusual circumstances, relief from Part 4 of the Instrument is granted, additional financial information will likely be requested to allow a reader to gain a similar understanding of the entity's financial position and prospects as one would gain from the information required in Part 4 of the Instrument.

Examples of acceptable additional information include audited interim financial statements, audited divisional statements of income or cash flows, financial statements accompanied by an auditor's report containing a reservation of opinion, or audited statements of net operating income.

5.7 Additional information — An issuer may find it necessary, in order to meet the requirement for full, true and plain disclosure contained in securities legislation, to include certain additional information in its long form prospectus, such as separate financial statements of a subsidiary of the issuer in a long form prospectus, even if the financial statements of the subsidiary are included in the consolidated financial statements of the issuer. For example, separate financial statements of a subsidiary may be necessary to help explain the risk profile and nature of the operations of the subsidiary.

5.8 Audit and review of financial statements included or incorporated by reference into a long form prospectus — (1) Part 4 of the Instrument requires that all financial statements included in a long form prospectus be audited, except financial statements specifically exempted in the Instrument. This requirement extends to financial statements of subsidiaries and other entities even if the financial statements are not required to be included in the long form prospectus but have been included at the discretion of the issuer.

(2) NI 52-107 requires that financial statements, other than acquisition statements, that are required to be audited by securities legislation, such as this Instrument, be accompanied by an auditor's report that does not contain a reservation if they were audited in accordance with Canadian GAAS, or contain an unqualified opinion if they were audited in accordance with U.S. GAAS. This requirement applies to all financial statements included in the long form prospectus under Item 32 of Form 41-101F1, including financial statements from entities acquired or to be acquired that are the primary business or the predecessor of the issuer. For greater clarity, subsection 6.2(6) of NI 52-107 only applies to financial statements included in the long form prospectus pursuant to Item 35 of Form 41-101F1. Relief may be granted to non-reporting issuers in appropriate circumstances to permit the auditor's report on financial statements to contain a reservation relating to opening inventory if there is a subsequent audited period of at least six months on which the auditor's report contains no reservation and the business is not seasonal. Issuers requesting this relief should be aware that NI 51-102 requires an issuer's comparative financial statements be accompanied by an unqualified auditors' report.

5.9 Financial statement disclosure for significant acquisitions — (1) Applicable principles in NI 51-102 — Generally, it is intended that the disclosure requirements set out in Item 35 of Form 41- 101F1 for significant acquisitions follow the requirements in Part 8 of NI 51-102. The guidance in Part 8 of the companion policy to NI 51-102 ("51-102CP") apply to any disclosure of a significant business acquisition in a long form prospectus required by Item 35 of Form 41-101F1, except

(a) any headings in Part 8 of 51-102CP should be disregarded,

(b) subsections 8.1(1), 8.1(5), 8.7(8), and 8.10(2) of 51-102CP do not apply,

(c) other than in subsections 8.3(4) and 8.7(7) of 51-102CP, any references to a "reporting issuer" should be read as an "issuer",

(d) any references to the "Instrument" should be read as "NI 51-102",

(e) any references to a provision in NI 51-102 in 51-102CP should be read to include the following "as it applies to a long form prospectus pursuant to Item 35 of Form 41-101F1",

(f) any references to “business acquisition report” should be read as “long form prospectus”,

(g) in subsection 8.1(2) of 51-102CP, the term “file a copy of the documents as its business acquisition report” should be read as “include that disclosure in its long form prospectus in lieu of the significant acquisition disclosure required under Item 35 of Form 41-101F1”,

(h) in subsection 8.2(1) of 51-102CP,

(i) the term “The test” should be read as “For any completed acquisition, the test”,

(ii) the sentence “For any proposed acquisition of a business or related businesses by an issuer that has progressed to a state where a reasonable person would believe that the likelihood of the issuer completing the acquisition is high, the test must be applied using the financial statements included in the long form prospectus.” should be added after “the business.”, and

(iii) the term “business acquisition or report will be required to be filed” should be read as “disclosure regarding the significant acquisition is required to be included in the issuer’s long form prospectus”,

(i) in subsection 8.3(1) of 51-102CP, the term “filing a business acquisition report” should be read as “the financial statements used for the optional tests”,

(j) in section 8.5, and subsection 8.7(4), of 51-102CP, the term “filed” wherever it occurs, should be read as “included in the long form prospectus”,

(k) in subsection 8.7(1) of 51-102CP, the term “as already filed” should be read as “included in the long form prospectus”,

(l) in subsection 8.7(2) of 51-102CP, the term “filed under the Instrument” should be read as “included in the long form prospectus”,

(m) in subsection 8.7(4) of 51-102CP, the term “presented” should be read as “for which financial statements are included in the prospectus”,

(n) in subsection 8.7(6) of 51-102CP, the term “for which financial statements are included in the long form prospectus” should be added after “financial year”,

(o) in paragraph 8.8(a) of 51-102CP, the term “prior to the deadline for filing the business acquisition report” should be read as “using the pre-filing procedures referred to in section 5.1 of this Policy”,

(p) in subsection 8.9(1) of 51-102CP, the term “before the filing deadline for the business acquisition report and before the closing date of the transaction, if applicable. Reporting issuers are reminded that many securities regulatory authorities and regulators do not have the power to grant retroactive relief” should be read as “using the pre-filing procedures referred to in section 5.1 of this Policy”, and

(q) in subparagraphs 8.9(4)(a)(i) and 8.9(4)(b)(i) of 51-102CP, the term “no later than the time the business acquisition report is required to be filed” wherever it occurs should be read as “using the pre-filing procedures referred to in section 5.1 of this Policy”.

(r) in subparagraph 8.10(1) of 51-102CP, the term “but must be reviewed” should be added after “may be unaudited”.

(2) Completed significant acquisitions and the obligation to provide business acquisition report level disclosure for a non-reporting issuer — For an issuer that is not a reporting issuer in any jurisdiction immediately before filing the long form prospectus (a “non-reporting issuer”), the long form prospectus disclosure requirements for a significant acquisition are generally intended to mirror those for reporting issuers subject to Part 8 of NI 51-102. To determine whether an acquisition is significant, non-reporting issuers would first look to the guidance under section 8.3 of NI 51-102. The initial test for significance would be calculated based on the financial statements of the issuer and acquired business or related businesses for the most recently completed financial year of each that ended before the date of acquisition.

To recognize the possible growth of a non-reporting issuer between the date of its most recently completed year end and the date of the acquisition and the corresponding potential decline in significance of the acquisition to the issuer, issuers should refer to the guidance in paragraph 35.1(4)(b) of Form 41-101F1 to perform the optional test. The applicable time period for this optional test for the issuer is the most recently completed interim period or financial year for which financial statements of the issuer are included in the prospectus and for the acquired business or related businesses is the most recently completed interim period or financial year ended before the date of the long form prospectus

The significance thresholds for IPO venture issuers are identical to the significance thresholds for venture issuers.

The timing of the disclosure requirements set out in subsection 35.3(1) of Form 41-101F1 are based on the principles under section 8.2 of NI 51-102. For reporting issuers, subsection 8.2(2) of NI 51-102 sets out the timing of disclosures for significant acquisitions where the acquisition occurs within 45 days after the year end of the acquired business. However, for IPO venture issuers, paragraph 35.3(1)(d) imposes a disclosure requirement for all significant acquisitions completed more than 90 days before the date of the long form prospectus, where the acquisition occurs within 45 days after the year end of the acquired business. This differs from the business acquisition report filing deadline for venture issuers under paragraph 8.2(2)(b) of NI 51-102 where the business acquisition report deadline for any significant acquisition where the acquisition occurs within 45 days after the year end of the acquired business is within 120 days after the date of the acquisition.

(3) Probable acquisitions — Our interpretation of the phrase “where a reasonable person would believe that the likelihood of the acquisition being completed is high” is consistent with the concept of a likely contingency in CICA Handbook section 3290 “Contingencies”. It is our view that the following factors may be relevant in determining whether the likelihood of an acquisition being completed is high:

(a) whether the acquisition has been publicly announced;

(b) whether the acquisition is the subject of an executed agreement;

(c) the nature of conditions to the completion of the acquisition including any material third party consents required.

The test of whether a proposed acquisition “has progressed to a state where a reasonable person would believe that the likelihood of the acquisition being completed is high” is an objective, rather than subjective, test in that the question turns on what a “reasonable person” would believe. It is not sufficient for an officer of an issuer to determine that he or she personally believes that the likelihood of the acquisition being completed is or is not high. The officer must form an opinion as to what a reasonable person would believe in the circumstances. In the event of a dispute, an objective test requires an adjudicator to decide whether a reasonable person would believe in the circumstances that the likelihood of an acquisition being completed was high. By contrast, if the disclosure requirement involved a subjective test, the adjudicator would assess an individual’s credibility and decide whether the personal opinion of the individual as to whether the likelihood of the acquisition being completed was high was an honestly held opinion. Formulating the disclosure requirement using an objective test rather than a subjective test strengthens the basis upon which the regulator may object to an issuer’s application of the test in particular circumstances.

We generally presume that the inclusion of financial statements or other information is required for all acquisitions that are, or would be, significant under Part 8 of NI 51-102. Reporting issuers can rebut this presumption if they can provide evidence that the financial statements or other information are not required for full, true and plain disclosure.

(4) Satisfactory alternative financial statements or other information — Issuers must satisfy the disclosure requirements in section 35.5 or section 35.6 of Form 41-101F1 by including either:

(i) the financial statements or other information that would be required by Part 8 of NI 51-102; or

(ii) satisfactory alternative financial statements or other information.

Satisfactory alternative financial statements or other information may be provided to satisfy the requirements of subsection 35.5(3) or subsection 35.6(3) of Form 41-101F1 when the financial statements or other information that would be required by Part 8 of NI 51-102 relate to a financial year ended within 90 days before the date of the long form prospectus or an interim period ended within 60 days before the date of the long form prospectus for issuers that

are venture issuers, and 45 days for issuers that are not venture issuers. In these circumstances, we believe that satisfactory alternative financial statements or other information would not have to include any financial statements or other information for the acquisition or probable acquisition related to:

(a) a financial year ended within 90 days before the date of the long form prospectus; or

(b) an interim period ended within 60 days before the date of the long form prospectus for issuers that are venture issuers, and 45 days for issuers that are not venture issuers.

An example of satisfactory alternative financial statements or other information that we will generally find acceptable would be:

(c) comparative annual financial statements or other information for the acquisition or probable acquisition for at least the number of financial years as would be required under Part 8 of NI 51-102 that ended more than 90 days before the date of the long form prospectus, audited for the most recently completed financial period in accordance with section 4.2 of the Instrument, and reviewed for the comparative period in accordance with section 4.3 of the Instrument;

(d) comparative interim financial statements or other information for the acquisition or probable acquisition for any interim period ended subsequent to the latest annual financial statements included in the long form prospectus and more than 60 days before the date of the long form prospectus for issuers that are venture issuers, and 45 days for issuers that are not venture issuers reviewed in accordance with section 4.3 of the Instrument; and

(e) pro forma financial statements or other information required under Part 8 of NI 51-102.

If the issuer intends to include financial statements as set out in the example above as satisfactory alternative financial statements, we ask that this be highlighted in the cover letter to the long form prospectus. If the issuer does not intend to include financial statements or other information, or intends to file financial statements or other information that are different from those set out above, the issuer should use the prefiling procedures in NP 11-202.

(5) Acquired business has recently completed an acquisition — When an issuer acquires a business or related businesses that has itself recently acquired another business or related businesses (an “indirect acquisition”), the issuer should consider whether long form prospectus disclosure about the indirect acquisition, including historical financial statements, is necessary to satisfy the requirement that the long form prospectus contain full, true and plain disclosure of all material facts relating to the securities being distributed. In making this determination, the issuer should consider the following factors:

• if the indirect acquisition would be considered a significant acquisition under subsection 35.1(4) of Form 41-101F1 if the issuer applied those provisions to its proportionate interest in the indirect acquisition of the business;

• if the amount of time between the separate acquisitions is such that the effect of the first acquisition is not adequately reflected in the results of the business or related businesses the issuer is acquiring.

(6) Financial statements or other information — Paragraphs 35.5(2)(b) and 35.6(2)(b) discuss financial statements or other information for the acquired business or related businesses. This “other information” is intended to capture the financial information disclosures required under Part 8 of NI 51-102 other than financial statements. An example of “other information” would include the operating statements, property descriptions, production volumes and reserves disclosures described under section 8.10 of NI 51-102.

(7) Section 3.11 of NI 52-107 permits acquisition statements included in a business acquisition report or prospectus to be prepared in accordance with Canadian GAAP applicable to private enterprises in certain circumstances. The ability to present acquisition statements using Canadian GAAP applicable to private enterprises would not extend to a situation where an entity acquired or to be acquired is considered the primary business or the predecessor of the issuer and the issuer must provide financial statements for this acquisition under Item 32.

5.10 Financial statements for acquisitions of a predecessor entity, a business or businesses acquired by reporting and

non-reporting issuers — (1) The financial statements for acquisitions of a predecessor entity, a business or businesses acquired by the issuer, or other entity must be included in the prospectus under Item 32 of Form 41-101F1, if the entities or businesses satisfy the conditions of paragraph 32.1(1)(a), (b), or (c) unless, as contemplated in subsection 32.1(2) with respect to paragraph 32.1(1)(a) or (b)

(a) the issuer was a reporting issuer in any jurisdiction of Canada on the acquisition date in the case of a completed acquisition or immediately prior to the prospectus filing in the case of a proposed acquisition,

(b) the issuer did not have only cash, cash equivalents or an exchange listing as its principal asset, and

(c) the issuer provides disclosure under Item 35 of Form 41-101F1.

The disclosure requirements applicable to a reporting issuer in Item 35 are intended to reflect the requirements that would be prescribed for such acquisitions in the reporting issuer's business acquisition report.

(2) An issuer that is subject to Item 32 must also consider the necessity of including pro forma financial statements pursuant to section 32.7 of Form 41-101F1 to illustrate the impact of the acquisition on the issuer's financial position and results of operations. However, these pro forma financial statements are only required if their inclusion is necessary for the prospectus to contain full, true and plain disclosure of all material facts relating to the securities being distributed. Examples of when pro forma financial statements would likely be necessary are in cases where:

(a) the issuer has acquired multiple businesses over the relevant period; or

(b) the issuer has an active business and has acquired another business that will constitute its primary business going forward.

In certain circumstances, an issuer may need to disclose multiple acquisitions in its prospectus where the acquisitions include an acquisition of a primary business or predecessor entity to which section 32.1 of Form 41-101F1 applies and a significant acquisition to which only item 35 of Form 41-101F1 applies. In this case, the issuer may wish to present one set of pro forma financial statements reflecting the results of all of the acquisitions, as contemplated separately in each of sections 32.8 and 35.7 of Form 41-101F1. The securities regulatory authority or regulator would not generally object to providing this relief. However the issuer must request the relief when filing its preliminary prospectus.

Part 5A: — ETF Facts Documents for ETFs

5A.1 General Purpose — (1) The Instrument requires that the ETF facts document be in plain language, be no longer than four pages in length, and highlight key information important to investors, including performance, risk and cost. The ETF facts document is incorporated by reference into the prospectus. A sample ETF facts document is set out in Appendix B to this Policy. The sample is provided for illustrative purposes only.

(2) The Instrument and Form 41-101F4 set out detailed requirements on the content and format of an ETF facts document, while allowing some flexibility to accommodate different kinds of ETFs. The Instrument requires an ETF facts document to include only information that is specifically mandated or permitted by the required Form 41-101F4 and to use the headings and sub-headings stipulated in the Instrument and Form 41-101F4. The requirements are designed to ensure that the information in an ETF facts document of an ETF is clear, concise, understandable and easily comparable with information in the ETF facts documents of other ETFs.

(3) The CSA encourages the use and distribution of the ETF facts document as a key part of the sales process in helping to inform investors about ETFs they are considering for investment.

5A.2 Plain Language and Presentation — (1) Section 3B.2 of the Instrument requires that an ETF facts document be written in plain language. Issuers should apply the plain language principles set out in section 4.1 when they prepare an ETF facts document.

(2) Section 3B.2 of the Instrument requires that an ETF facts document be presented in a format that assists in readability and comprehension. The Instrument and Form 41-101F4 also set out certain aspects of an ETF facts document that must be presented in a required format, requiring some information to be presented in the form of tables, charts or diagrams. Within these requirements, ETFs have flexibility in the format used for ETF facts documents.

The formatting of documents can contribute substantially to the ease with which the document can be read and understood.

(3) To help write the ETF facts document in plain language, the Flesch-Kincaid methodology can be used to assess the readability of an ETF facts document. The Flesch-Kincaid grade level scale is a methodology that rates the readability of a text to a corresponding grade level and can be determined by the use of Flesch-Kincaid tests built into commonly used word processing programs. The CSA will generally consider a grade level of 6.0 or less on the Flesch-Kincaid grade level scale to indicate that an ETF facts document is written in plain language. For French-language documents, ETF companies may wish to consider using other appropriate readability tools.

5A.3 Filing — (1) Subparagraph 9.1(1)(a)(iv.2) of the Instrument requires that an ETF facts document for each class and series of the securities of an ETF be filed concurrently with the prospectus.

(2) The most recently filed ETF facts document for an ETF is incorporated by reference into the prospectus under section 15.2 of the Instrument, with the result that any ETF facts document filed under the Instrument after the date of receipt for the prospectus supersedes the ETF facts document previously filed.

(3) Any amendment to an ETF facts document must be in the form of an amended and restated ETF facts document. Accordingly, the commercial copy of an amended and restated ETF facts document can only be created by reprinting the entire document.

(4) An amendment to the ETF facts document should be filed when there is a material change to the ETF that requires a change to the disclosure in the ETF facts document. This is consistent with the requirement in paragraph 11.2(1)(d) of National Instrument 81-106 *Investment Fund Continuous Disclosure*. We would not generally consider changes to the top 10 investments, investment mix or year-by-year returns of the ETF to be material changes. We would generally consider changes to the ETF's investment objective or risk level to be material changes under securities legislation.

(5) Subsection 6.2(e) of the Instrument requires an amendment to a prospectus to be filed whenever an amendment to an ETF facts document is filed. If the substance of the amendment to the ETF facts document would not require a change to the text of the prospectus, the amendment to the prospectus would consist only of the certificate page referring to the ETF to which the amendment to the ETF facts document pertains.

(6) General Instruction (9) of Form 41-101F4 permits an ETF to disclose a material change and proposed fundamental change, such as a proposed merger, in an amended and restated ETF facts document. We would permit flexibility in selecting the appropriate section of the amended and restated ETF facts document to describe the material change or proposed fundamental change. However, we also expect that the variable sections of the ETF facts document, such as the Top 10 investments and investment mix, to be updated within 60 days before the date of the ETF facts document. In addition, if an ETF completes a calendar year or files a management report of fund performance prior to the filing of the amended and restated ETF facts document, we expect the ETF facts document to reflect the updated information.

5A.4 Website — (1) Section 3B.4 of the Instrument requires an ETF to post its ETF facts document on its designated website ~~to the website of the ETF, the ETF's family or the manager of the ETF, as applicable~~. An ETF facts document should remain on the designated website ~~website~~ at least until the next ETF facts document for the ETF is posted. Only a final ETF facts document filed under this Instrument should be posted to a designated website ~~website~~. A preliminary or pro forma ETF facts document, for example, should not be posted. An ETF facts document must be displayed in an easily visible and accessible location on the designated website ~~website~~. It should also be presented in a format that is convenient for both reading online and printing on paper.

(2) Many ETFs have fund profiles which they can choose to make available on their designated website, or another website. ~~Many ETFs have fund profiles that are available on a website of the ETF, the ETF's family or the manager of the ETF.~~ These profiles provide summary information about the ETF that supplements the information contained in the ETF Facts and that is typically updated on a more frequent basis. In cases where the ETF Facts makes a cross-reference on the ETF's designated website or another website to highlight the availability of more up-to-date trading and pricing information for that ETF ~~to a website to highlight the availability of more up-to-date trading and pricing information for an ETF~~, the information should be presented in a manner that is consistent with what is disclosed under the Quick Facts, Trading Information and Pricing Information sections of the ETF Facts, including the manner of calculating the information that is presented.

5A.5 Delivery — (1) The Instrument contemplates delivery to all investors of an ETF facts document in accordance with the requirements in securities legislation. It does not require the delivery of the prospectus, or any other documents

incorporated by reference into the prospectus, unless requested. ETFs or dealers may also provide purchasers with any of the other disclosure documents incorporated by reference into the prospectus.

(2) For delivery of the ETF facts document, subsection 3C.3(1) of the Instrument permits an ETF facts document to be combined with certain other materials or documents. With the exception of a general front cover, a table of contents or a trade confirmation, subsection 3C.3(4) requires the ETF facts document to be located as the first item in the package of documents or materials.

(3) Nothing in the Instrument prevents an ETF facts document from being prepared in other languages, provided that these documents are delivered or sent in addition to any disclosure document filed and required to be delivered in accordance with the Instrument. We would consider such documents to be sales communications.

(4) The Instrument and related forms contain no restrictions on the delivery of non-educational material such as promotional brochures with the prospectus. This type of material may, therefore, be delivered with, but cannot be included within, or attached to, the prospectus. The Instrument does not permit the binding of educational and non-educational material with the ETF facts document. The intention of the Instrument is not to unreasonably encumber the ETF facts document with additional documents.

Part 5B: Exemptive Relief to File Prospectus Prepared in Accordance with Form 81-101F1

5B.1 Previous Form Exemptions — A mutual fund granted an exemption to file a simplified prospectus prepared in accordance with Form 81-101F1 and an annual information form prepared in accordance with Form 81-101F2 in lieu of a prospectus prepared in accordance with Form 41-101F2, may comply with such an exemption after January 5, 2022 by filing a simplified prospectus in accordance with Form 81-101F1.

Part 6: — Advertising or Marketing Activities in Connection with Prospectus Offerings of Issuers other than Investment Funds

6.0 Application — This Part applies to issuers other than investment funds filing a prospectus in the form of Form 41-101F2 or Form 41-101F3.

6.1 Scope — (1) The discussion below is focused on the impact of the prospectus requirement on advertising or marketing activities in connection with a prospectus offering.

(2) Issuers and other persons or companies that engage in advertising or marketing activities should also consider the impact of the requirement to register as a dealer in each jurisdiction where such advertising or marketing activities are undertaken. In particular, the persons or companies would have to consider whether their activities result in the party being in the business of trading in securities. For further information, refer to section 1.3 of Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

(3) Advertising or marketing activities are also subject to regulation under securities legislation and other rules, including those relating to disclosure, and insider trading and registration, which are not discussed below.

6.2 (1) The prospectus requirement — Securities legislation generally provides that no one may trade in a security where that trade would be a distribution unless the prospectus requirement has been satisfied, or an exemption is available.

(2) The analysis of whether any particular advertising or marketing activities is prohibited by virtue of the prospectus requirement turns largely on whether the activities constitute a trade and, if so, whether such a trade would constitute a distribution.

(3) In Québec, since securities legislation has been designed without the notion of a “trade”, the analysis is dependent solely on whether the advertising or marketing activities constitute a distribution.

(4) Definition of “trade” — Securities legislation (other than the securities legislation of Québec) defines a “trade” in a non-exhaustive manner to include, among other things

- any sale or disposition of a security for valuable consideration,

- any receipt by a registrant of an order to buy or sell a security, and

- any act, advertisement, solicitation, conduct or negotiation directly or indirectly in furtherance of any of the foregoing.

(5) Any advertising or marketing activities that can be reasonably regarded as intended to promote a distribution of securities would be "conduct directly or indirectly in furtherance" of the distribution of a security and, therefore, would fall within the definition of a trade.

(6) Definition of distribution — Even though advertising or marketing activities constitute a "trade" for the purposes of securities legislation (other than the securities legislation of Québec), they would be prohibited by virtue of the prospectus requirement only if they also constitute a distribution under securities legislation. Securities legislation (other than the securities legislation of Québec) defines a distribution to include a "trade" in, among other things, previously unissued securities and securities that form part of a control block.

(7) The definition of distribution under the securities legislation of Québec includes the endeavour to obtain or the obtaining of subscribers or purchasers of previously unissued securities.

(8) Prospectus exemptions — It has been suggested by some that advertising or marketing activities, even if clearly made in furtherance of a distribution, could be undertaken in certain circumstances on a prospectus exempt basis. Specifically, it has been suggested that if an exemption from the prospectus requirement is available in respect of a specific distribution (even though the securities will be distributed under a prospectus), advertising or marketing related to such distribution would be exempt from the prospectus requirement. This analysis is premised on an argument that the advertising or marketing activities constitute one distribution that is exempt from the prospectus requirement while the actual sale of the security to the purchaser constitutes a second discrete distribution effected pursuant to the prospectus.

(9) We are of the view that this analysis is contrary to securities legislation. In these circumstances, the distribution in respect of which the advertising or marketing activities are undertaken is the distribution pursuant to the anticipated prospectus. Advertising or marketing must be viewed in the context of the prospectus offering and as an activity in furtherance of that distribution. If it were otherwise, the overriding concerns implicit and explicit in securities legislation regarding equal access to information, conditioning of the market, tipping and insider trading, and the provisions of the legislation designed to ensure such access to information and curb such abuses, could be easily circumvented.

Although the "testing of the waters" exemption in subsection 13.4(2) of the Instrument allows an investment dealer to solicit expressions of interest from accredited investors before the filing of a preliminary prospectus for an initial public offering, we note that the exemption is

- a limited accommodation to issuers and investment dealers that want a greater opportunity to confidentially test the waters before filing a preliminary prospectus for an initial public offering, and

- subject to a number of conditions to address our regulatory concerns, including conditions to deter conditioning of the market.

(10) We recognize that an issuer and a dealer may have a demonstrable *bona fide* intention to effect an exempt distribution and this distribution may be abandoned in favour of a prospectus offering. In these very limited circumstances, there may be two separate distributions. From the time when it is reasonable for a dealer to expect that a *bona fide* exempt distribution will be abandoned in favour of a prospectus offering, the general rules relating to advertising or marketing activities that constitute an act in furtherance of a distribution will apply.

6.3 Advertising or marketing activities — (1) The prospectus requirement applies to any act, advertisement, solicitation, conduct or negotiation directly or indirectly in furtherance of a distribution unless a prospectus exemption is available. Accordingly, advertising or marketing activities intended to promote the distribution of securities, in any form, would be prohibited by virtue of the prospectus requirement. Advertising or marketing activities subject to the prospectus requirement may be oral, written or electronic and include the following:

- television or radio advertisements or commentaries;
- published materials;
- correspondence;
- records;
- videotapes or other similar material;
- market letters;
- research reports;
- circulars;
- promotional seminar text;
- telemarketing scripts;
- reprints or excerpts of any other sales literature.

(2) Advertising or marketing activities that are not in furtherance of a distribution of securities would not generally fall within the definition of a distribution and, therefore, would not be prohibited by virtue of the prospectus requirement. The following activities would not generally be subject to the prospectus requirement:

- advertising and publicity campaigns that are aimed at either selling products or services of the issuer or raising public awareness of the issuer;
- communication of factual information concerning the business of the issuer that is released in a manner, timing and form that is consistent with the regular past communications practices of the issuer if that communication does not refer to or suggest the distribution of securities;
- the release or filing of information that is required to be released or filed pursuant to securities legislation.

(3) Any activities that form part of a plan or series of activities undertaken in anticipation or in furtherance of a distribution would usually trigger the prospectus requirement, even if they would be permissible if viewed in isolation. Similarly, we may still consider advertising or marketing activities that do not indicate that a distribution of securities is contemplated to be in furtherance of a distribution by virtue of their timing and content. In particular, where a private placement or other exempt distribution occurs prior to or contemporaneously with a prospectus offering, we may consider activities undertaken in connection with the exempt distribution as being in furtherance of the prospectus offering.

6.3A Research reports — (1) In order to address regulatory concerns such as conditioning of the market, an investment dealer involved with a potential prospectus offering for an issuer should not issue a research report on the issuer or provide media commentary on the issuer prior to the filing of a preliminary prospectus, the announcement of a bought deal under section 7.2 of NI 44-101 or the filing of a shelf prospectus supplement under NI 44-102, unless the investment dealer has appropriate “ethical wall” policies and procedures in place between:

- the business unit that proposes to issue the research report or provide media commentary, and
- the business unit that proposes to act as underwriter for the distribution.

We understand that many investment dealers have adopted written ethical wall policies and procedures designed to contain non-public information about an issuer and assist the investment dealer and its officers and employees in complying with applicable securities laws relating to insider trading and trading by “tippees” (these laws are summarized

in sections 3.1 and 3.2 of National Policy 51-201 *Disclosure Standards*).

(2) Any research reports would have to comply with section 7.7 of the Universal Market Integrity Rules of the Investment Industry Regulatory Organization of Canada and any applicable local rule.

6.4 Pre-marketing and solicitation of expressions of interest in the context of a bought deal — (1) In general, any advertising or marketing activities undertaken in connection with a prospectus prior to the issuance of a receipt for the preliminary prospectus are prohibited under securities legislation by virtue of the prospectus requirement.

(2) In the context of a bought deal, a limited exemption from the prospectus requirement has been provided in Part 7 of NI 44-101. The exemption is limited to communications by a dealer, directly or through any of its directors, officers, employees or agents, with any person or company (other than another dealer) for the purpose of obtaining from that person or company information as to the interest that it, or any person or company that it represents, may have in purchasing securities of the type that are proposed to be distributed, prior to a preliminary prospectus relating to those securities being filed with the relevant securities regulatory authorities.

(3) The conditions set out in Part 7 of NI 44-101, including the entering into of a bought deal agreement between the issuer and an underwriter or underwriters who have agreed to purchase the securities and the issuance and filing of a news release announcing the agreement, must be satisfied prior to any solicitation of expressions of interest.

(4) We consider that a distribution of securities commences at the time when

- a dealer has had discussions with an issuer or a selling securityholder, or with another dealer that has had discussions with an issuer or a selling securityholder about the distribution, and

- those distribution discussions are of sufficient specificity that it is reasonable to expect that the dealer (alone or together with other dealers) will propose to the issuer or the selling securityholder an underwriting of the securities.

CSA staff do not agree with interpretations that a distribution of securities does not commence until a later time (e.g., when a proposed engagement letter or a proposal for an underwriting of securities with indicative terms is provided by a dealer to an issuer or a selling securityholder).

Similarly, we do not agree with interpretations that if an issuer rejects a proposed engagement letter or a proposal for an underwriting from a dealer, the “distribution” has ended and the dealer could immediately resume communications with potential investors concerning their interest in purchasing securities from the issuer. In these situations, we expect the dealer not to resume communications with potential investors until after a “cooling off” period. We have concerns that such interpretations would allow dealers to circumvent the pre-marketing restrictions by continuing to test the waters between a series of rejected proposals in close succession until the issuer finally accepts a proposal.

By way of example, the following are situations which would indicate that “sufficient specificity” has occurred and a distribution of securities has commenced:

- Following discussions with an issuer, a dealer provides the issuer with a document outlining possible prospectus financing scenarios at one or more specified share price ranges. Subsequently, management of the issuer recommends to its board of directors that the issuer pursue a prospectus financing at a share price range contemplated by the dealer, the directors of the issuer give management broad authority to execute on a prospectus financing opportunity within that share price range if one arose and the dealer is advised of this approval.

- Following discussions with an issuer, a dealer advises the issuer that the market was looking good for a possible prospectus offering and that the dealer would likely provide indicative terms for an offering later that day.

CSA staff are aware that a practice has developed for “non-deal road shows” where issuers and dealers will meet with institutional investors to discuss the business and affairs of the issuer. If such a non-deal road show was undertaken in

anticipation of a prospectus offering, it would generally be prohibited under securities legislation by virtue of the prospectus requirement.

CSA staff would also have selective disclosure concerns if the issuer provided the institutional investors with material information that has not been publicly disclosed. In this regard, see the guidance in Part V of National Policy 51-201 *Disclosure Standards*.

(5) We understand that many dealers communicate on a regular basis with clients and prospective clients concerning their interest in purchasing various securities of various issuers. We will not generally consider such ordinary course communications as being made in furtherance of a distribution. However, from the commencement of a distribution, communications by the dealer, with a person or company designed to have the effect of determining the interest that it, or any person or company that it represents, may have in purchasing securities of the type that are the subject of distribution discussions, that are undertaken by any director, officer, employee or agent of the dealer

(a) who participated in or had actual knowledge of the distribution discussions, or

(b) whose communications were directed, suggested or induced by a person referred to in (a), or another person acting directly or indirectly at or upon the direction, suggestion or inducement of a person referred to in (a),

are considered to be in furtherance of the distribution and contrary to securities legislation.

(6) From the commencement of the distribution no communications, market making, or other principal trading activities in securities of the type that are the subject of distribution discussions may be undertaken by a person referred to in paragraph 5(a), above, or at or upon the direction, suggestion or inducement of a person or persons referred to in paragraph 5(a) or (b) above until the earliest of

- the issuance of a receipt for a preliminary prospectus in respect of the distribution,
- the time at which a news release that announces the entering into of a bought deal agreement is issued and filed in accordance with Part 7 of NI 44-101, and
- the time at which the dealer determines not to pursue the distribution.

(7) We note that the Investment Dealers Association has adopted IDA by-law 29.13 which is consistent with the above discussion relating to pre-marketing of bought deals of equity securities. However, the principles articulated above apply to all offerings, whether of debt or equity, or a combination.

(8) The bought deal exemption in Part 7 of NI 44-101 is a limited accommodation to facilitate issuers seeking certainty of financing. This policy rationale is reflected in the terms and conditions of the exemption. In particular, in order for the exemption to be available for use, the issuer must have entered into a bought deal agreement with an underwriter who has, or underwriters who have, agreed to purchase the securities on a firm commitment basis. The definition of bought deal agreement in subsection 7.1(1) in NI 44-101 provides that a bought deal agreement must not have:

- a “market-out clause” (as defined in subsection 7.1(1) of NI 44-101),
- an upsizing option (other than an over-allotment option as defined in section 1.1 of the Instrument), or
- a confirmation clause (other than a confirmation clause that complies with section 7.4 of NI 44-101).

(9) Section 7.3 of NI 44-101 allows a bought deal agreement to be modified in certain circumstances. Subsection 7.3(2) sets out conditions for any amendment to increase the number of securities to be purchased by the underwriters. Subsection 7.3(4) sets out conditions for any amendment to provide for a different type of securities to be purchased by the underwriters, and a different price for the securities. Subsection 7.3(5) sets out conditions for any amendment to add additional underwriters or remove an underwriter. Subsection 7.3(6) provides that a bought deal agreement may be replaced with a more extended form of underwriting agreement if the more extended form of underwriting agreement complies with the terms and conditions that apply to a bought deal agreement under Part 7 of NI 44-101. Subsection

7.3(7) provides that the parties may agree to terminate a bought deal agreement if the parties decide not to proceed with the distribution. However, section 7.3 is not intended to prevent a party from exercising a termination right under a provision in a bought deal agreement, or a more extended form of underwriting agreement, that permits a party to terminate the agreement if:

- another party or person performs, or fails to perform, certain actions, or
- certain events occur or fail to occur.

(10) Subsection 7.3(3) of NI 44-101 provides that a bought deal agreement may be amended to reduce the number of securities to be purchased, or the price of the securities, provided the amendment is made on or after the date which is four business days after the date the original agreement was entered into. As noted above, the policy rationale of the bought deal exemption is to facilitate issuers seeking certainty of financing. This policy rationale has not been met when a bought deal agreement is amended to provide for a smaller offering or a lower share price, particularly within a short period of time after the original agreement has been signed. If an underwriter does not wish to assume the risk of a bought deal, the underwriter may want to consider proposing a fully marketed offering to the issuer, rather than a bought deal.

(11) Section 7.4 of NI 44-101 provides that a bought deal agreement may not contain a confirmation clause (as defined in section 7.1 of NI 44-101) unless certain conditions apply. In particular, confirmation clauses are not permitted unless the confirmation period is only between the day on which the bought deal agreement is signed, and the next business day.

Since “sufficient specificity”, as discussed in subsection (4), will have occurred before the time the signed bought deal agreement is presented to the issuer pursuant to paragraph 7.4(1)(a) of NI 44-101, underwriters cannot communicate with investors about the issuer or the distribution until the bought deal agreement is signed by the issuer, confirmed by the lead underwriter in accordance with section 7.4 of NI 44-101, and announced in a news release. Furthermore, the issuer and underwriters would be bound by insider trading and tippee prohibitions in securities legislation until the news release announcing the bought deal has been broadly disseminated.

(12) We note that the use of confirmation clauses in bought deal agreements under Part 7 of NI 44-101 is different from the practice of “overnight marketed deals”. In an overnight marketed offering, the issuer is not relying on the bought deal exemption in Part 7 of NI 44-101. Instead, in a typical overnight marketing offering,

- On the first day (day 1), the issuer will file a preliminary prospectus with “bullets” for size of the offering and the price per security.
- After a receipt for the preliminary prospectus is issued on day 1, the underwriters will, after the close of trading, market the deal “overnight” to institutional and other investors.
- On the morning of the second day (day 2), the underwriters will provide the issuer with details of the proposed size of the offering and the price per security. If the issuer accepts the proposed terms, the issuer and the underwriters will sign an agreement in which the underwriters agree to purchase the base amount of the offering on a firm commitment basis. The issuer will then issue and file a news release announcing the agreement.
- Later on day 2, the issuer will file an amended and restated preliminary prospectus that discloses the agreement, the size of the offering and the price per security.
- Alternatively, if the issuer does not accept the terms proposed by the underwriters after the overnight marketing, the issuer will withdraw the preliminary prospectus.

(13) We note that underwriters often specify in a bought deal agreement, or a more extended form of underwriting agreement, that the issuer must file and obtain a receipt for the final prospectus within a short period of time after the first comment letter in respect of the preliminary prospectus is issued by staff of the principal regulator under National Policy 11-202 *Process for Prospectus Reviews in Multiple Jurisdictions*. However, issues may arise in the first comment letter that cannot be resolved within the time frame contemplated in the bought deal agreement or the underwriting

agreement. Accordingly, issuers and underwriters should not expect that all comments can be resolved within a particular period of time.

As noted above, the policy rationale of the bought deal exemption is to facilitate issuers seeking certainty of financing. This policy rationale may not have been met if a bought deal agreement is terminated because regulatory comments are not settled within a short period of time after the first comment letter. If an underwriter does not want to assume the risk of a bought deal and allow for a reasonable period of time for the issuer to settle any comments from staff of the principal regulator, the underwriter may want to consider proposing a fully marketed offering to the issuer, rather than a bought deal.

(14) If an underwriter enters into an engagement letter, or similar agreement, with an issuer solely for the purpose of conducting due diligence before a potential bought deal under Part 7 of NI 44-101, that event will not, in and of itself, indicate that "sufficient specificity" has been achieved as discussed in subsection (4), provided that the engagement letter does not contain any other information which indicates that "it is reasonable to expect that the dealer will propose to the issuer an underwriting of securities".

If permitted by the issuer, an underwriter may want to conduct sufficient due diligence before proposing a bought deal under Part 7 of NI 44-101. Where an issuer is required to file technical reports under National Instrument 43-101 *Standards of Disclosure for Mineral Projects*, the underwriter may want to confirm, as part of its due diligence before proposing a bought deal, that the issuer's technical reports are compliant with the requirements of that instrument.

As noted above, the policy rationale of the bought deal exemption is to facilitate issuers seeking certainty of financing. While we recognize that a bought deal agreement or a more extended form of underwriting agreement often contain provisions giving the underwriters a right to terminate the agreement under a "due diligence out", these provisions should not be used in a way that would defeat the policy rationale of the bought deal exemption.

Where underwriters are not willing or able to conduct sufficient due diligence in advance of proposing a bought deal to an issuer, the underwriters may want to consider proposing a fully marketed offering to the issuer, rather than a bought deal.

6.4A Testing of the waters exemption — IPO issuers — (1) The testing of the waters exemption for issuers planning to conduct an initial public offering (IPO issuers) in subsection 13.4(2) of the Instrument is intended for issuers that have a reasonable expectation of filing a long form prospectus in respect of an initial public offering (IPO) in at least one jurisdiction of Canada. The exemption permits an IPO issuer, through an investment dealer, to determine interest in a potential IPO through limited confidential communication with accredited investors. The purpose of the exemption is to provide a way for an IPO issuer to ascertain if there is adequate investor interest before starting the IPO process and incurring costs (e.g., retaining advisors to engage in formal due diligence activities and draft a preliminary prospectus).

The exemption is not intended to allow an investment dealer to "pre-sell" the IPO and "fill their book" before the filing of a preliminary prospectus. Consequently, subsection 13.4(4) of the Instrument provides that if any investment dealer solicits an expression of interest under the exemption, the issuer must not file a preliminary prospectus in respect of an IPO until the date which is at least 15 days after the date on which an investment dealer last solicited an expression of interest from an accredited investor under the exemption.

(2) The testing of the waters exemption for IPO issuers permits an investment dealer to solicit expressions of interest from accredited investors if the conditions of the exemption are met. Any investment dealer relying on this exemption would be required to be registered as an investment dealer (unless an exemption from registration is available in the circumstances) in any jurisdiction where it engages in the business of trading, including engaging in acts in furtherance of a trade (which would include soliciting expressions of interest).

(3) In order for the exemption to be used, paragraph 13.4(2)(b) of the Instrument provides that the IPO issuer must not be a "public issuer", as defined in subsection 13.4(1). This means that the IPO issuer must not be a public company in any country, and must not have its securities traded in any country on a stock exchange, marketplace or any other facility for bringing together buyers and sellers of securities and with respect to which trade data is publicly reported. Similarly, subsection 13.4(7) of the Instrument provides that the exemption is not available for use if:

- any of the IPO issuer's securities are held by a control person that is a public issuer, and

• the IPO of the IPO issuer would be a material fact or material change with respect to the control person.

(4) Subsection 13.4(5) of the Instrument requires an issuer to keep a written record of any investment dealer that it authorized to act on its behalf in making solicitations in reliance on the testing of the waters exemption for IPO issuers in subsection 13.4(2) of the Instrument. The issuer must also keep copies of the written authorizations referred to in paragraph 13.4(2)(d) of the Instrument. To meet this requirement, we would expect the issuer to record the name of a contact person for each investment dealer that it authorized and contact information for that person. During compliance reviews, securities regulators may ask the issuer to provide them with copies of these documents.

(5) The testing of the waters exemption for IPO issuers may be used at the same time by more than one investment dealer in respect of the same issuer, provided that the issuer has authorized each investment dealer in accordance with paragraph 13.4(2)(d) of the Instrument.

(6) Paragraph 13.4(6)(a) of the Instrument requires an investment dealer to keep a written record of the accredited investors that it solicits pursuant to the exemption, a copy of any written material and written approval referred to in subparagraph 13.4(3)(a)(i) and a copy of the written confirmations referred to in paragraph 13.4(3)(b). To meet this requirement, we would expect the investment dealer to record the name of the contact person for each accredited investor that it solicited and contact information for that person. During compliance reviews, securities regulators may ask the investment dealer to provide them with copies of these documents.

(7) An investment dealer soliciting expressions of interest in accordance with the testing of the waters exemption for IPO issuers in subsection 13.4(2) of the Instrument may only solicit expressions of interest from an accredited investor if certain conditions are met. One condition in paragraph 13.4(3)(b) of the Instrument is that before providing the investor with information about the proposed offering, the investment dealer must obtain confirmation in writing from the investor that the investor will keep information about the proposed offering confidential, and will not use the information for any purpose other than assessing the investor's interest in the offering, until the earlier of the information being generally disclosed in a preliminary long form prospectus, or the issuer confirming in writing that it will not be pursuing the potential offering. An investment dealer may obtain this written confirmation from an accredited investor by return email. Here is a sample email that an investment dealer could use:

"We want to provide you with information about a proposed initial public offering of securities. Before we can provide you with this information, you must confirm by return email that:

• *You agree to receive certain confidential information about a proposed initial public offering by an issuer*.

• *You agree to keep the information about the proposed offering confidential and not to use the information for any purpose other than assessing your interest in the offering, until the earlier of (i) the information being generally disclosed in a preliminary prospectus or otherwise, or (ii) the issuer confirming in writing that it will not be pursuing the potential offering*."

An accredited investor may respond to this email by simply stating "I so confirm".

We remind investment dealers and accredited investors that they should not be using the information received under the testing of the waters exemption for IPO issuers in a way that may be considered abusive. For example, we would consider it inappropriate for an accredited investor to use information about the IPO issuer to make decisions about trading in securities of competitors of the IPO issuer. We note that CSA staff may investigate subsequent trading in securities of competitors of IPO issuers that have used the testing of the waters exemption.

(8) Subparagraph 13.4(3)(a)(i) of the Instrument requires that any written materials used by an investment dealer to solicit expressions of interest under the testing of the waters exemption be approved by the issuer. We remind issuers and investment dealers that:

• Any preliminary prospectus filed by the issuer subsequent to the solicitation must contain full, true and plain disclosure of all material facts.

• Selective disclosure concerns would arise if accredited investors were provided with material facts that are not disclosed in any subsequent preliminary prospectus.

(9) We would expect an investment dealer seeking to solicit accredited investors in reliance on the testing of the waters

exemption for IPO issuers to:

- conduct reasonable diligence to determine that an investor is an accredited investor before soliciting the investor, and
- retain all documentation that they receive in this regard.

(10) Since soliciting accredited investors under the testing of the waters exemption for IPO issuers would be an act in furtherance of a trade, an issuer and an investment dealer acting on behalf of the issuer would not be able to rely on the exemption if the issuer was subject to a cease trade order.

(11) We refer issuers and investment dealers to the guidance in section 6.10 of this Policy. We note that issuers and investment dealers should have procedures in place to prevent "leaks" of information before the filing of a preliminary prospectus for an initial public offering.

6.5 Advertising or marketing activities during the waiting period — (1) Securities legislation provides for certain exceptions to the prospectus requirement for limited advertising or marketing activities during the waiting period between the issuance of the receipt for the preliminary prospectus and the receipt for the final prospectus. Despite the prospectus requirement, it is permissible during the waiting period to

(a) distribute a preliminary prospectus notice (as defined in the Instrument) that

- "identifies" the securities proposed to be issued,
- states the price of such securities, if then determined, and
- states the name and address of a person or company from whom purchases of securities may be made,

provided that any such notice states the name and address of a person or company from whom a preliminary prospectus may be obtained and contains the legend required by subsection 13.1(1) of the Instrument;

(b) distribute the preliminary prospectus;

(c) provide standard term sheets, if the conditions in section 13.5 of the Instrument are complied with;

(d) provide marketing materials, if the conditions in section 13.7 of the Instrument are complied with; and

(e) solicit expressions of interest from a prospective purchaser, if prior to such solicitation or forthwith after the prospective purchaser indicates an interest in purchasing the securities, a copy of the preliminary prospectus is forwarded to the prospective purchaser.

(2) The use of any other marketing information or materials during the waiting period would result in the violation of the prospectus requirement.

(3) The "identification" of the security contemplated by paragraph 6.5(1)(a) above does not permit an issuer or dealer to include a summary of the commercial features of the issue. These details are set out in the preliminary prospectus which is intended as the main disclosure vehicle pending the issuance of the final receipt. The purpose of the permitted advertising or marketing activities during the waiting period is essentially to alert the public to the availability of the preliminary prospectus.

(4) For the purpose of identifying a security as contemplated by paragraph 6.5(1)(a) above, the advertising or marketing material may only

• indicate whether a security represents debt or a share in a company or an interest in a non-corporate entity (e.g. a unit of undivided ownership in a film property) or a partnership interest,

• name the issuer if the issuer is a reporting issuer, or name and describe briefly the business of the issuer if the issuer is not already a reporting issuer (the description of the business should be cast in general terms and should not attempt to summarize the proposed use of proceeds),

• indicate, without giving details, whether the security qualifies the holder for special tax treatment, and

• indicate how many securities will be made available.

6.5A Standard term sheets — (1) The standard term sheet provisions in sections 13.5 and 13.6 of the Instrument, section 7.5 of NI 44-101, section 9A.2 of NI 44-102 and section 4A.2 of NI 44-103 permit an investment dealer to provide a standard term sheet to a potential investor if the conditions of the applicable provision are met.

Any investment dealer relying on these provisions would be required to be registered as an investment dealer (unless an exemption from registration is available in the circumstance) in any jurisdiction where it engages in the business of trading, including engaging in acts in furtherance of a trade (which would include providing a standard term sheet to an investor).

(2) The Instrument defines “standard term sheet” to mean a written communication regarding a distribution of securities under a prospectus that contains no information other than that referred to in subsections 13.5(2) and (3) or subsections 13.6(2) and (3) of the Instrument, subsections 7.5(2) and (3) of NI 44-101, subsections 9A.2(2) and (3) of NI 44-102 or subsections 4A.2(2) and (3) of NI 44-103 relating to an issuer, securities or an offering. A standard term sheet does not include a preliminary prospectus notice or a final prospectus notice, each as defined in the Instrument.

(3) Standard term sheets are subject to the provisions in applicable securities legislation which prohibit misleading or untrue statements. Furthermore, standard term sheets must contain the legends required by subsections 13.5(2) and 13.6(2) of the Instrument, subsection 7.5(2) of NI 44-101, subsection 9A.2(2) of NI 44-102 and subsection 4A.2(2) of NI 44-103, as applicable.

(4) In the case of a standard term sheet provided during the waiting period or after a receipt for the final prospectus, paragraphs 13.5(1)(b) and 13.6(1)(b) of the Instrument require that, other than contact information for the investment dealer or underwriters, all information in the standard term sheet concerning the issuer, the securities or the offering must be disclosed in, or derived from, the preliminary prospectus or the final prospectus, respectively.

Similarly, in the case of a standard term sheet for a bought deal under Part 7 of NI 44-101 that is provided before the filing of the preliminary prospectus, paragraph 7.5(1)(c) of NI 44-101 requires that all information in the standard term sheet must either:

• currently be disclosed in, or derived from, a document referred to in subparagraph 7.5(1)(c)(i) of NI 44-101, or

• later be disclosed in, or derived from, the preliminary prospectus that is subsequently filed.

In the case of a standard term sheet for a tranche of securities to be offered under the shelf procedures (a draw-down) pursuant to a final base shelf prospectus, paragraph 9A.2(1)(b) of NI 44-102 provides that all information in the standard term sheet must either:

• currently be disclosed in, or derived from, a document referred to in subparagraph 9A.2(1)(b)(i) of NI 44-102, or

• later be disclosed in, or derived from, an applicable shelf prospectus supplement that is subsequently filed.

In the case of a standard term sheet after a receipt for a final base PREP prospectus, paragraph 4A.2(1)(b) of NI 44-

103 provides that all information in the standard term sheet must either:

- currently be disclosed in, or derived from, a document referred to in subparagraph 4A.2(1)(b)(i) of NI 44-103, or

- later be disclosed in, or derived from, the supplemented PREP prospectus that is subsequently filed.

In this regard, if an investment dealer includes information in a standard term sheet for a bought deal, a draw-down under a shelf prospectus or an offering under the PREP procedures that is not currently on the public record, the investment dealer and the issuer should be mindful of selective disclosure concerns and take measures to ensure compliance with applicable securities laws relating to selective disclosure, insider trading and trading by "tippees" (these laws are summarized in sections 3.1 and 3.2 of National Policy 51-201 *Disclosure Standards*). For example, if the information could affect the market price of the issuer's securities, it should be broadly disseminated in a news release before being included in a standard term sheet. If the information was a material change, it would be subject to the material change news release and reporting requirements set out in Part 7 of National Instrument 51-102 *Continuous Disclosure Obligations*.

(5) A standard term sheet must not be provided unless a receipt for the relevant prospectus has been issued in the local jurisdiction. Similarly, in the case of a standard term sheet for a bought deal under Part 7 of NI 44-101 that is provided before the filing of the preliminary prospectus, the standard term sheet must not be provided unless the preliminary prospectus will be filed in the local jurisdiction.

6.5B Marketing materials — (1) The marketing materials provisions in sections 13.7 and 13.8 of the Instrument, section 7.6 of NI 44-101, section 9A.3 of NI 44-102 and section 4A.3 of NI 44-103 permit an investment dealer to provide marketing materials to a potential investor if the conditions of the applicable provision are met.

Any investment dealer relying on these provisions would be required to be registered as an investment dealer (unless an exemption from registration is available in the circumstance) in any jurisdiction where it engages in the business of trading, including engaging in acts in furtherance of a trade (which would include providing marketing materials to an investor).

(2) The Instrument defines "marketing materials" to mean written communications intended for potential investors regarding a distribution of securities under a prospectus that contain material facts relating to an issuer, securities or an offering. The definition does not include a standard term sheet, a preliminary prospectus notice or a final prospectus notice. The definition is not intended to include other communications from an investment dealer to an investor, such as a cover letter or email that encloses a copy of a prospectus, a standard term sheet or marketing materials, but does not include any material facts about issuer, securities or an offering.

(3) The applicable interpretation provisions in the prospectus rules clarify that a reference to "provide" in sections 13.7 and 13.8 of the Instrument, section 7.6 of NI 44-101, section 9A.3 of NI 44-102 and section 4A.3 of NI 44-103 includes showing marketing materials to an investor without allowing the investor to retain or make a copy of the materials. This means that the rules apply not only to situations where marketing materials are physically provided to a potential investor, but also to situations where a potential investor is shown marketing materials but is not permitted to retain a copy. For example, the rules would apply where a potential investor is shown a paper copy of marketing materials during a meeting or other interaction with a broker, but is not permitted to retain the paper copy. Similarly, the rules would apply where a potential investor is shown a version of marketing materials on a projector screen or laptop computer.

(4) Marketing materials are subject to provisions in applicable securities legislation which prohibit misleading or untrue statements. Accordingly, the issuer and investment dealers involved should have a reasonable, factual basis for any statement in marketing materials. We remind issuers to be cautious when including disclosure in marketing materials about mineral projects. Where this is the case, the disclosure would be considered "written disclosure" within the meaning of National Instrument 43-101 *Standards of Disclosure for Mineral Projects* and would have to comply with the requirements of that instrument.

Marketing materials must contain the legends, or words to the same effect, referred to in subsections 13.7(5) and 13.8(5) of the Instrument, subsection 7.6(5) of NI 44-101, subsection 9A.3(5) of NI 44-102 and subsection 4A.3(6) of NI 44-103, as applicable.

Furthermore, paragraphs 13.7(1)(c) and 13.8(1)(c) of the Instrument, paragraph 9A.3(1)(c) of NI 44-102 and paragraph 4A.3(1)(c) of NI 44-103 provide that if the cover page or the summary of the prospectus contains cautionary language, other than prescribed language, in bold type (e.g., the suitability of the investment, a material condition to the closing of the offering or a key risk factor), the marketing materials must contain the same cautionary language. For example, if the cover page of the prospectus contained cautionary language in bold type that the offering is suitable only to those investors who are prepared to risk the loss of their entire investment, the marketing materials must contain the same warning. In contrast, the requirement would not apply to prescribed language that is required to be presented in bold type on the cover page of a prospectus (e.g., section 1.8 and subsections 1.9(3) and 1.11(5) of Form 41-101F1).

(5) In the case of marketing materials provided during the waiting period or after a receipt for the final prospectus, paragraphs 13.7(1)(b) and 13.8(1)(b) of the Instrument require that, other than contact information for the investment dealer or underwriters and any comparables, all information in the marketing materials concerning the issuer, the securities or the offering must be disclosed in, or derived from, the preliminary prospectus or the final prospectus, respectively. For example, marketing materials provided during the waiting period could only include an estimate of the range of the offering price or the number of securities if that estimate was in the preliminary prospectus or any amendment.

Similarly, in the case of marketing materials for a bought deal under Part 7 of NI 44-101 that are provided before the filing of the preliminary prospectus, paragraph 7.6(1)(c) of NI 44-101 requires that all information in the marketing materials must either:

- currently be disclosed in, or derived from, a document referred to in subparagraph 7.6(1)(c)(i) of NI 44-101, or

- later be disclosed in, or derived from, the preliminary prospectus that is subsequently filed.

In the case of marketing materials for a draw-down under a final base shelf prospectus, paragraph 9A.3(1)(b) of NI 44-102 provides that all information in the marketing materials must either:

- currently be disclosed in, or derived from, a document referred to in subparagraph 9A.3(1)(b)(i) of NI 44-102, or

- later be disclosed in, or derived from, an applicable shelf prospectus supplement that is subsequently filed.

In the case of marketing materials after a receipt for a final base PREP prospectus, paragraph 4A.3(1)(b) of NI 44-103 provides that all information in the marketing materials must either:

- currently be disclosed in, or derived from, a document referred to in subparagraph 4A.3(1)(b)(i) of NI 44-103, or

- later be disclosed in, or derived from, the supplemented PREP prospectus that is subsequently filed.

In this regard, if an issuer and an investment dealer include information in marketing materials for a bought deal, a draw-down under a shelf prospectus or an offering under the PREP procedures that is not currently on the public record, the issuer and the investment dealer should be mindful of selective disclosure concerns and take measures to ensure compliance with applicable securities laws relating to selective disclosure, insider trading and trading by “tippees” (these laws are summarized in sections 3.1 and 3.2 of National Policy 51-201 *Disclosure Standards*). For example, if the information could affect the market price of the issuer’s securities, it should be broadly disseminated in a news release before being included in marketing materials. If the information was a material change, it would be subject to the material change news release and reporting requirements set out in Part 7 of National Instrument 51-102 *Continuous Disclosure Obligations*.

Under the above provisions, it is permissible for marketing materials to include information derived from the prospectus and information that is presented in a manner that differs from the manner of presentation in the prospectus. For

example, it is permissible for marketing materials to summarize information from the relevant prospectus or to include graphs or charts based on numbers in the relevant prospectus.

(6) The term “comparables” is defined in each of the prospectus rules to mean information that compares an issuer to other issuers. Comparables may be based on various factors including, but not limited to, market capitalization, the trading price of the securities on a marketplace or other attributes. If an issuer and an investment dealer want to avoid statutory civil liability for comparables in marketing materials, they must comply with subsections 13.7(4) and 13.8(4) of the Instrument, subsection 7.6(4) of NI 44-101, subsection 9A.3(4) of NI 44-102 and subsection 4A.3(5) of NI 44-103, as applicable. Under these provisions, the issuer may remove any comparables and any disclosure relating to those comparables from the template version of the marketing materials before filing it if:

- The comparables, and any disclosure relating to the comparables, are in a separate section of the template version of the marketing materials.

- The template version of the marketing materials that is filed contains a note advising that the comparables, and any disclosure relating to the comparables, were removed. The note must appear immediately after where the removed comparables and related disclosure would have been.

- If the prospectus is filed in the local jurisdiction, a complete template version of the marketing materials containing the comparables, and any disclosure relating to the comparables, is delivered to the securities regulatory authority. Subject to access to information legislation in each jurisdiction, if a complete template version of the marketing materials is delivered under the applicable prospectus rule, the securities regulatory authority or regulator in each jurisdiction will not make these documents available to the public.

- The complete template version of the marketing materials contains the disclosure referred to in paragraph 13.7(4)(d) of the Instrument.

However, any comparables included in marketing materials provided to an investor would be subject to the provisions in applicable securities legislation which prohibit misleading or untrue statements.

(7) Paragraphs 13.7(1)(d) and 13.8(1)(d) of the Instrument, paragraph 7.6(1)(d) of NI 44-101, paragraph 9A.3(1)(d) of NI 44-102 and paragraph 4A.3(1)(d) of NI 44-103 provide that a template version of the marketing materials must be approved in writing by the issuer and the lead underwriter before the marketing materials are provided to an investor. This written approval may be given by email.

”Template version” is defined in section 1.1 of the Instrument to mean a version of a document with spaces for information to be added in accordance with subsection 13.7(2) or 13.8(2) of the Instrument, subsection 7.6(2) of NI 44-101, subsection 9A.3(2) of NI 44-102 or subsection 4A.3(3) of NI 44-103. “Limited-use version” is defined to mean a template version in which the spaces for information have been completed in accordance with those provisions. A template version can have no other spaces for information to be added in a limited-use version.

The above provisions specify that if a template version of the marketing materials is approved in writing by the issuer and the lead underwriter and filed, an investment dealer may provide a limited-use version of the marketing materials that:

- has a date that is different than the template version,

- contains a cover page referring to the investment dealer or underwriters or a particular investor or group of investors,

- contains contact information for the investment dealer or underwriters,

- has text in a format, including the type’s font, colour or size, that is different than the template version, or

- in the case of a limited-use version of the marketing materials provided after a receipt for a final base

PREP prospectus, contains the information referred to in paragraph 4A.3(3)(e) of NI 44-103 (the PREP information).

Consequently, other than spaces for a date, a cover page, the contact information or the PREP information described above, a template version of the marketing materials must contain all the information that the issuer and the underwriters would like an investment dealer to be able to provide in a limited-use version.

However, the prospectus rules provide that if the template version of the marketing materials is divided into separate sections for separate subjects, an investment dealer may provide a limited-use version of the marketing materials that includes only one or more of those separate sections.

(8) In the case of marketing materials provided during the waiting period or after a receipt for the final prospectus, paragraphs 13.7(1)(g) and 13.8(1)(g) of the Instrument require that the marketing materials be provided with a copy of the preliminary prospectus or the final prospectus, respectively, and any amendment. The marketing materials can only be provided if a receipt for the relevant prospectus has been issued in the local jurisdiction.

Similarly, in the case of marketing materials for a bought deal under Part 7 of NI 44-101 that are provided before the filing of the preliminary prospectus, the marketing materials can only be provided if the prospectus will be filed in the local jurisdiction. Paragraph 7.6(1)(g) of NI 44-101 requires that upon issuance of a receipt for the preliminary prospectus for the bought deal, a copy of that prospectus must be sent to each potential investor that received the marketing materials and expressed an interest in acquiring the securities.

In the case of marketing materials for a draw-down under a final base shelf prospectus, the marketing materials can only be provided if a receipt for the final base shelf prospectus has been issued in the local jurisdiction. Paragraph 9A.3(1)(g) of NI 44-102 requires that the marketing materials be provided with a copy of the final base shelf prospectus, any amendment to the final base shelf prospectus and any applicable shelf prospectus supplement that has been filed.

In the case of marketing materials provided after a receipt for a final base PREP prospectus, the marketing materials can only be provided if a receipt for the final base PREP prospectus has been issued in the local jurisdiction. Paragraph 4A.3(1)(g) of NI 44-103 requires that the marketing materials be provided with a copy of:

- the final base PREP prospectus and any amendment, or
- if it has been filed, the supplemented PREP prospectus and any amendment.

National Policy 11-201 *Electronic Delivery of Documents* sets out the circumstances in which a prospectus can be delivered by electronic means. If the investment dealer previously delivered a paper or electronic copy of the prospectus and any amendment to an investor in accordance with applicable securities legislation, it can include a hyperlink to an electronic copy of the prospectus and any amendment with any subsequent marketing materials sent to the investor if no additional amendment to the prospectus has been filed and receipted. The investment dealer should ensure that it is clear to the recipient which of the documents being delivered in the hyperlink constitute the prospectus.

(9) Paragraphs 13.7(1)(e) and 13.8(1)(e) of the Instrument, paragraph 7.6(1)(e) of NI 44-101, paragraph 9A.3(1)(e) of NI 44-102 and paragraph 4A.3(1)(e) of NI 44-103 require that a template version of the marketing materials must be filed on SEDAR on or before the day that the marketing materials are first provided to an investor. In this regard,

- If an investment dealer wants to rely on section 13.7 of the Instrument and provide marketing materials to an investor on the same day that the preliminary prospectus is filed and receipted, the template version of the marketing materials should be filed with the preliminary prospectus pursuant to subparagraph 9.1(1)(a)(vii) of the Instrument or subparagraph 4.1(1)(a)(vii) of NI 44-101, as applicable.
- If an investment dealer wants to rely on section 13.8 of the Instrument and provide marketing materials to an investor on the same day that the final prospectus is filed and receipted, the template version of the marketing materials should be filed with the final prospectus pursuant to subparagraph 9.2(a)(xiv) of the Instrument or subparagraph 4.2(a)(xii) of NI 44-101, as applicable.

• When a template version of the marketing materials is filed on SEDAR as part of a prospectus filing, they will generally be made public within one business day. However, in the case of a template version of marketing materials for a bought deal under section 7.6 of NI 44-101, the template version of the marketing materials will not be made public on SEDAR until after the preliminary prospectus is filed and receipted.

• Staff of securities regulatory authorities will not be "pre-clearing" a template version of the marketing materials.

• If an issuer files a template version of marketing materials after staff of a securities regulatory authority have completed their review of a preliminary prospectus filing and indicated that they are "clear for final" on SEDAR, the filing of the template version of the marketing materials may result in staff revising the filing's SEDAR status to indicate that staff are "not clear for final" so that staff may have an opportunity to review the template version of the marketing materials.

(10) As noted in Item 36A.1 of Form 41-101F1 and Item 11.6 of Form 44-101F1, marketing materials do not, as a matter of law, amend a preliminary prospectus, a final prospectus or any amendment.

(11) The template version of the marketing materials filed on SEDAR is required to be included in the final prospectus or incorporated by reference into the final prospectus. An investor who purchases a security distributed under the final prospectus may therefore have remedies under the civil liability provisions of applicable securities legislation if the template version of the marketing materials contains a misrepresentation. Furthermore, an investor who purchases a security of the issuer on the secondary market may have remedies under the civil liability for secondary market disclosure provisions of applicable securities legislation if the template version of the marketing materials contains a misrepresentation since:

• the template version of the marketing materials is required to be included in the final prospectus or incorporated by reference into the final prospectus (a final prospectus is a "core document" under the secondary market liability provisions), and

• the template version of the marketing materials is required to be filed and is therefore a "document" under the secondary market liability provisions.

(12) If a final prospectus or any amendment modifies a statement of material fact that appeared in marketing materials provided during the waiting period, the issuer is required to:

• prepare and file, at the time the issuer files the final prospectus or any amendment, a revised template version of the marketing materials that is blacklined to show the modified statement, and

• include in the final prospectus, or any amendment, the disclosure referred to in subsection 36A.1(3) of Form 41-101F1 or subsection 11.6(3) of Form 44-101F1, as applicable.

Similar provisions apply for a draw-down under a base shelf prospectus or an offering under the PREP procedures.

If the blacklining software of the issuer or the issuer's service provider has formatting problems or does not function well with certain kinds of documents or formats, the issuer should try to correct the formatting problems or use another method to reflect changes to the marketing materials, such as using the bold type and underlining features of a software package in order to provide easy-to-read blacklines for filing on SEDAR.

(13) For guidance on marketing materials for income trusts and other indirect offerings, see Part 5 of National Policy 41-201 *Income Trusts and Other Indirect Offerings*.

6.5C Standard term sheets and marketing materials — general — In addition to the requirements on standard term sheets and marketing materials in the applicable prospectus rule, issuers and investment dealers should review other securities legislation for limitations and prohibitions on advertising intended to promote interest in an issuer or its securities. For example,

- A standard term sheet and any marketing materials must not contain any representations prohibited by securities legislation, such as:

    - prohibited representations on resales, repurchases or refunds, and

    - prohibited representations on future value.

- A standard term sheet and any marketing materials must comply with the requirements of securities legislation on listing representations.

6.6 Green sheets — (1) Some dealers prepare summaries of the principal terms of an offering, sometimes referred to as green sheets, for the information of their registered representatives during the waiting period. However, distributing the green sheet to the public would generally contravene the prospectus requirement unless the green sheet complies with the provisions in the applicable prospectus rule relating to standard term sheets or marketing materials, or other securities legislation relating to information that can be distributed during a prospectus offering.

(2) Including material information in a green sheet or other marketing communication that is not contained in the preliminary prospectus could indicate a failure to provide in the preliminary prospectus full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and result in the prospectus certificate constituting a misrepresentation. For additional guidance on pricing information in a green sheet, see subsection 4.2(2) of this Policy and subsection 4.3(2) of 44-101CP.

(3) We may request copies of green sheets as part of our prospectus review procedures. Any discrepancies between the content of a green sheet and the preliminary prospectus could result in the delay or refusal of a receipt for a final prospectus and, in appropriate circumstances, could result in enforcement action.

(4) For guidance on green sheets for income trusts or other indirect offerings, see Part 5 *Sales and Marketing Materials* of National Policy 41-201 *Income Trusts and Other Indirect Offerings*.

6.7 Advertising or marketing activities following the issuance of a receipt for a final prospectus — Advertising or marketing activities that are permitted during the waiting period may also be undertaken on a similar basis after a receipt has been issued for the final prospectus. In addition, the prospectus and any document filed with or referred to in the prospectus may be distributed.

6.8 Sanctions and enforcement — Any contravention of the prospectus requirement through advertising or marketing activities is a serious matter that could result in a cease trade order in respect of the preliminary prospectus to which such advertising or marketing activities relate. In addition, a receipt for a final prospectus relating to any such offering may be refused. In appropriate circumstances, enforcement proceedings may be initiated.

6.9 Media reports and coverage — (1) We recognize that an issuer does not have control over media coverage; however, an issuer should take appropriate precautions to ensure that media coverage which can reasonably be considered to be in furtherance of a distribution of securities does not occur after a decision has been made to file a preliminary prospectus or during the waiting period.

(2) We may investigate the circumstances surrounding media coverage of an issuer which appears immediately prior to or during the waiting period and which can reasonably be considered as being in furtherance of a distribution of securities. Action will be taken in appropriate circumstances.

(3) Nevertheless, we realize that reporting issuers need to consider whether the decision to pursue a potential offering is a material change under applicable securities legislation. If the decision is a material change, the news release and material change report requirements in Part 7 of NI 51-102 and other securities legislation apply. However, in order to avoid contravening the pre-marketing restrictions under applicable securities legislation, any news release and material change report filed before the filing of a preliminary prospectus or the announcement of a bought deal under section 7.2 of NI 44-101 should be carefully drafted so that it could not be reasonably regarded as intended to promote a distribution of securities or condition the market. The information in the news release and material change report should be limited to identifying the securities proposed to be issued without a summary of the commercial features of the issue (those details should instead be dealt with in the preliminary prospectus which is intended to be the main disclosure vehicle).

Furthermore, after the filing of the news release,

- the issuer should not grant media interviews on the proposed offering, and

- an investment dealer would not be able to solicit expressions of interest until a receipt has been issued for a preliminary prospectus or a bought deal was announced in compliance with section 7.2 of NI 44-101.

6.10 Disclosure practices — At a minimum, participants in all prospectus distributions should consider the following to avoid contravening securities legislation:

- We do not consider it appropriate for a director or an officer of an issuer to give interviews to the media immediately prior to or during the waiting period. It may be appropriate, however, for a director or officer to respond to unsolicited inquiries of a factual nature made by shareholders, securities analysts, financial analysts, the media and others who have an interest in such information.

- Because of the prospectus requirement, an issuer should avoid providing information during a prospectus distribution that goes beyond what is disclosed in the prospectus. Therefore, during the prospectus distribution (which commences as described in subsection 6.4(4) of this Policy and ends following closing), a director or officer of an issuer should only make a statement constituting a forecast, projection or prediction with respect to future financial performance if the statement is also contained in the prospectus. Forward-looking information included in a prospectus must comply with sections 4A.2 and 4A.3 and Part 4B, as applicable, of NI 51-102.

- We understand that underwriters and legal counsel sometimes only advise the working group members of the pre-marketing and marketing restrictions under securities legislation. However, there are often situations where officers and directors of the issuer outside of the working group also come into contact with the media before or after the filing of a preliminary prospectus. Any discussions between these individuals and the media will also be subject to these same restrictions. Working group members, including underwriters and legal counsel, will usually want to ensure that any other officers and directors of the issuer (as well as the officers and directors of a promoter or a selling securityholder) who may come into contact with the media are also fully aware of the marketing and disclosure restrictions.

- One way for issuers, dealers and other market participants to ensure that advertising or marketing activities contrary to securities legislation are not undertaken (intentionally or through inadvertence) is to develop, implement, maintain and enforce disclosure procedures.

If a director or officer of an issuer (or a promoter, selling securityholder, underwriter or any other party involved with a pending offering) makes a statement to the media after a decision has been made to file a preliminary prospectus or during the waiting period, our regulatory concerns include circumvention of the pre-marketing and marketing restrictions, selective disclosure and unequal access to information, conditioning of the market and the lack of prospectus liability. In addition to the sanctions and enforcement proceedings discussed in section 6.8 of this Policy, staff of a securities regulatory authority may require the issuer to take other remedial action, such as:

- explaining why the issuer’s disclosure procedures failed to prevent the party from making the statement to the media and how those procedures will be improved,

- instituting a “cooling-off period” before the filing of the final prospectus,

- including the statement in the prospectus so that it will be subject to statutory civil liability, or

- issuing a news release refuting the statement if it cannot be included in the prospectus (e.g., because the statement is incorrect or unduly promotional) and disclosing the reasons for the news release in the prospectus.

6.11 Misleading or untrue statements — In addition to the prohibitions on advertising or marketing activities that result

from the prospectus requirement, securities legislation in certain jurisdictions prohibits any person or company from making any misleading or untrue statements that would reasonably be expected to have a significant effect on the market value of securities. Therefore, in addition to ensuring that advertising or marketing activities are carried out in compliance with the prospectus requirement, issuers, dealers and their advisors must ensure that any statements made in the course of advertising or marketing activities are not untrue or misleading and otherwise comply with securities legislation.

6.12 Road shows — (1) Sections 13.9 and 13.10 of the Instrument, section 7.7 of NI 44-101, section 9A.4 of NI 44-102 and section 4A.4 of NI 44-103 provide for road shows for investors. These provisions and the definition of "road show" in section 1.1 of NI 41-101 apply to road shows conducted in person, by telephone conference call, on the internet or by other electronic means. The provisions also apply if an investment dealer records a live road show and later makes an audio or audio-visual version of the recorded road show available to investors.

(2) Although members of the media may attend a road show, they should not be specifically invited to the road show by the issuer or by an investment dealer. We note that road shows are intended to be presentations for potential investors and not press conferences for members of the media. Furthermore, issuers and investment dealers should not market a prospectus offering in the media. In this regard, see the guidance in sections 6.9 and 6.10 of this Policy.

(3) Subsections 13.9(3) and 13.10(3) of the Instrument, subsection 7.7(3) of NI 44-101, subsection 9A.4(3) of NI 44-102 and subsection 4A.4(3) of NI 44-103 provide that if an investment dealer conducts a road show, the investment dealer must establish and follow reasonable procedures to:

- ask any investor attending the road show in person, by telephone conference call, on the internet or by other electronic means to provide their name and contact information;
- keep a record of any information provided by the investor; and
- provide the investor with a copy of the relevant prospectus and any amendment.

However, section 13.11 of the Instrument and section 4A.5 of NI 44-103 provide an exception so that, in the case of a road show for certain U.S. cross-border initial public offerings, an investor attending the road show can provide their name and contact information on a voluntary basis.

For a road show held on the internet or by other electronic means, please see the recommended procedures in section 2.7 of National Policy 47-201 *Trading Securities Using the Internet and Other Electronic Means* and, in Québec, *Notice 47-201 relating to Trading Securities Using the Internet and Other Electronic Means*.

(4) An investment dealer must not provide marketing materials to investors attending a road show unless the materials comply with the relevant marketing materials provisions in sections 13.7 and 13.8 of the Instrument, section 7.6 of NI 44-101, section 9A.3 of NI 44-102 and section 4A.3 of NI 44-103, as applicable. In this context, see the discussion on the meaning of "provide" in subsection 6.5B(3) of this Policy. For example, the provisions would apply where a potential investor is shown a version of marketing materials on a projector screen during a road show conducted in person. Similarly, the provisions would apply where a potential investor is able to view a slide show version of marketing materials during a road show presented online, whether live or recorded.

The above provisions require that a template version of the marketing materials be filed on SEDAR on or before the day they are first provided and included in, or incorporated by reference into, the relevant prospectus.

However, section 13.12 of the Instrument, section 7.8 of NI 44-101, section 9A.5 of NI 44-102 and section 4A.6 of NI 44-103 provide an exception from these filing and incorporation requirements for marketing materials in connection with road shows for certain U.S. cross-border offerings. The exception does not apply to marketing materials other than the marketing materials provided in connection with the road show. Among other things, an issuer relying on the exception must deliver a template version of the marketing materials to the securities regulatory authority in each jurisdiction of Canada where the prospectus was filed. Subject to access to information legislation in each jurisdiction, it is the policy of the securities regulatory authority or regulator in each jurisdiction that the template version of the marketing materials delivered under the applicable prospectus rule will not be made available to the public.

(5) In the past, issuers conducting internet road shows for cross-border IPOs applied for relief from the waiting period

restrictions in Canadian securities legislation. However, given the above-noted road show provisions and the exceptions for certain U.S. cross-border offerings, we do not anticipate a need for similar relief in the future and will instead expect these issuers to comply with the applicable road show provision.

In the past, issuers conducting internet road shows for cross-border IPOs also applied for relief from the dealer registration requirements of Canadian securities legislation. However, if a road show is conducted on behalf of an issuer under the above-noted road show provisions, the issuer will not require relief from the dealer registration requirement since the road show will be conducted by an investment dealer that is registered in the appropriate jurisdictions (see subsection 6.12(6) of this Policy). Consequently, we do not expect to grant the relief from the dealer registration requirements that has been granted in the past to cross-border IPO issuers.

(6) The road show provisions permit an investment dealer to conduct a road show for potential investors if the conditions of the applicable provision are met. As noted above, a road show may be conducted in person, by telephone conference call, on the internet or by other electronic means. Unless an exemption from the requirement to register as a dealer is available in the circumstances, any investment dealer relying on one of these provisions would have to be registered as an investment dealer in any jurisdiction where it engages in the business of trading, including engaging in acts in furtherance of a trade (which would include conducting a road show for potential investors). For example, if one or more investment dealers acting as underwriters for a prospectus offering allow potential investors in each jurisdiction of Canada to participate in a road show that the dealers conduct by telephone conference call, then at least one of those dealers must be registered as an investment dealer in every jurisdiction of Canada.

(7) Issuers should note the following with respect to oral statements made at a road show:

- In giving oral presentations at a road show, issuers should generally only discuss information that is contained in, or derived from, the relevant prospectus that has been filed on SEDAR.

- We recognize that issuers need to respond to questions from investors at a road show. In responding to these questions, issuers should avoid making selective disclosure.

- In particular, issuers should take measures to ensure compliance with applicable securities laws relating to selective disclosure, insider trading and trading by “tippees” when:

    - participating in a road show, and

    - including information in marketing materials for a bought deal road show before the filing of a preliminary prospectus that is not in the bought deal news release or the other continuous disclosure documents filed by the issuer.

  These laws are summarized in sections 3.1 and 3.2 of National Policy 51-201 *Disclosure Standards*.

- If an issuer discloses material facts at a road show that are not in a preliminary prospectus that has been filed on SEDAR, the final prospectus should contain that information in order to comply with the statutory requirement that the final prospectus contain full, true and plain disclosure of all material facts.

- Depending on the context, oral statements of a “responsible issuer”, as defined in securities legislation, at a road show may be “public oral statements”, as defined in securities legislation, and subject to statutory provisions for secondary market civil liability.

- Depending on the nature of the statement, oral statements of an issuer at a road show in relation to mineral projects may fall within the purview of National Instrument 43-101 *Standards of Disclosure for Mineral Projects*.

- Oral statements made during a road show are subject to the provisions of securities legislation against making misleading or untrue statements.

Part 6A: — Advertising and Marketing in Connection with Prospectus Offerings of Investment Funds

6A.1 Application — This Part applies to investment funds filing a prospectus in the form of Form 41-101F2 or Form 41-101F3.

6A.2 Scope — (1) The discussion below is focused on the impact of the prospectus requirement on advertising or marketing activities in connection with a prospectus offering.

(2) Issuers and other persons or companies that engage in advertising or marketing activities should also consider the impact of the requirement to register as a dealer in each jurisdiction where such advertising or marketing activities are undertaken. In particular, the persons or companies would have to consider whether their activities result in the party being in the business of trading in securities. For further information, refer to section 1.3 of Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

(3) Advertising or marketing activities are also subject to regulation under securities legislation and other rules, including those relating to disclosure, and insider trading and registration, which are not discussed below.

6A.3 The prospectus requirement — (1) Securities legislation generally provides that no one may trade in a security where that trade would be a distribution unless the prospectus requirement has been satisfied, or an exemption is available.

(2) The analysis of whether any particular advertising or marketing activity is prohibited by virtue of the prospectus requirement turns largely on whether the activity constitutes a trade and, if so, whether such a trade would constitute a distribution.

(3) In Québec, since securities legislation has been designed without the notion of a “trade”, the analysis is dependent solely on whether the advertising or marketing activities constitute a distribution.

(4) Definition of “trade” — Securities legislation (other than the securities legislation of Québec) defines a “trade” in a non-exhaustive manner to include, among other things:

- any sale or disposition of a security for valuable consideration,
- any receipt by a registrant of an order to buy or sell a security, or
- any act, advertisement, solicitation, conduct or negotiation directly or indirectly in furtherance of any of the foregoing.

(5) Any advertising or marketing activities that can be reasonably regarded as intended to promote a distribution of securities would be “conduct in furtherance” of the distribution of a security and, therefore, would fall within the definition of a trade.

(6) Definition of distribution — Even though advertising or marketing activities constitute a “trade” for the purposes of securities legislation (other than the securities legislation of Québec), they would be prohibited by virtue of the prospectus requirement only if they also constitute a distribution under securities legislation. Securities legislation (other than the securities legislation of Québec) defines a distribution to include a “trade” in, among other things, previously unissued securities and securities that form part of a control block.

(7) The definition of distribution under the securities legislation of Québec includes the endeavour to obtain or the obtaining of subscribers or purchasers of previously unissued securities.

(8) Prospectus exemptions — It has been suggested by some that advertising or marketing activities, even if clearly made in furtherance of a distribution, could be undertaken in certain circumstances on a prospectus exempt basis. Specifically, it has been suggested that if an exemption from the prospectus requirement is available in respect of a specific distribution (even though the securities will be distributed under a prospectus), advertising or marketing related to such distribution would be exempt from the prospectus requirement. This analysis is premised on an argument that the advertising or marketing activities constitute one distribution that is exempt from the prospectus requirement while the actual sale of the security to the purchaser constitutes a second discrete distribution effected pursuant to the prospectus.

(9) We are of the view that this analysis is contrary to securities legislation. In these circumstances, the distribution in respect of which the advertising or marketing activities are undertaken is the distribution pursuant to the anticipated prospectus. Advertising or marketing must be viewed in the context of the prospectus offering and as an activity in furtherance of that distribution. If it were otherwise, the overriding concerns implicit and explicit in securities legislation regarding equal access to information, conditioning of the market, tipping and insider trading, and the provisions of the legislation designed to ensure such access to information and curb such abuses, could be easily circumvented.

(10) We recognize that an issuer and a dealer may have a demonstrable *bona fide* intention to effect an exempt distribution and this distribution may be abandoned in favour of a prospectus offering. In these very limited circumstances, there may be two separate distributions. From the time when it is reasonable for a dealer to expect that a *bona fide* exempt distribution will be abandoned in favour of a prospectus offering, the general rules relating to advertising or marketing activities that constitute an act in furtherance of a distribution will apply.

6A.4 Advertising or marketing activities — (1) The prospectus requirement applies to any act, advertisement, solicitation, conduct or negotiation directly or indirectly in furtherance of a distribution unless a prospectus exemption is available. Accordingly, advertising or marketing activities intended to promote the distribution of securities, in any form, would be prohibited by virtue of the prospectus requirement. Advertising or marketing activities subject to the prospectus requirement may be oral, written or electronic and include the following:

- television or radio advertisements or commentaries;
- published materials;
- correspondence;
- records;
- videotapes or similar material;
- market letters;
- research reports;
- circulars;
- promotional seminar text;
- telemarketing scripts;
- reprints or excerpts of any other sales literature.

(2) Advertising or marketing activities that are not in furtherance of a distribution of securities would not generally fall within the definition of a distribution and, therefore, would not be prohibited by virtue of the prospectus requirement. The following activities would not generally be subject to the prospectus requirement:

- advertising and publicity campaigns that are aimed at either selling products or services of the issuer or raising public awareness of the issuer;
- communication of factual information concerning the business of the issuer that is released in a manner, timing and form that is consistent with the regular past communications practices of the issuer if that communication does not refer to or suggest the distribution of securities;
- the release or filing of information that is required to be released or filed pursuant to securities legislation.

(3) Any activities that form part of a plan or series of activities undertaken in anticipation or in furtherance of a distribution

would usually trigger the prospectus requirement, even if they would be permissible if viewed in isolation. Similarly, we may still consider advertising or marketing activities that do not indicate that a distribution of securities is contemplated to be in furtherance of a distribution by virtue of their timing and content. In particular, where a private placement or other exempt distribution occurs prior to or contemporaneously with a prospectus offering, we may consider activities undertaken in connection with the exempt distribution as being in furtherance of the prospectus offering.

6A.5 Pre-marketing and solicitation of expressions of interest — (1) In general, any advertising or marketing activities undertaken in connection with a prospectus prior to the issuance of a receipt for the preliminary prospectus are prohibited under securities legislation by virtue of the prospectus requirement.

(2) A distribution of securities commences at the time when:

- a dealer has had discussions with an issuer or a selling securityholder, or with another dealer that has had discussions with an issuer or a selling securityholder about the distribution, and

- those distribution discussions are of sufficient specificity that it is reasonable to expect that the dealer (alone or together with other dealers) will propose to the issuer or the selling securityholder an underwriting of the securities.

(3) We understand that many dealers communicate on a regular basis with clients and prospective clients concerning their interest in purchasing various securities of various issuers. We will not generally consider such ordinary course communications as being made in furtherance of a distribution. However, from the commencement of a distribution, communications by the dealer, with a person or company designed to have the effect of determining the interest that it, or any person or company that it represents, may have in purchasing securities of the type that are the subject of distribution discussions, that are undertaken by any director, officer, employee or agent of the dealer

(a) who participated in or had actual knowledge of the distribution discussions, or

(b) whose communications were directed, suggested or induced by a person referred to in (a), or another person acting directly or indirectly at or upon the direction, suggestion or inducement of a person referred to in (a),

are considered to be in furtherance of the distribution and contrary to securities legislation.

(4) From the commencement of the distribution no communications, market making, or other principal trading activities in securities of the type that are the subject of distribution discussions may be undertaken by a person referred to in paragraph 3(a) above, or at or upon the direction, suggestion or inducement of a person or persons referred to in paragraph 3(a) or (b) until the earliest of

- the issuance of a receipt for a preliminary prospectus in respect of the distribution, and

- the time at which the dealer determines not to pursue the distribution.

6A.6 Advertising or marketing activities during the waiting period — (1) Securities legislation provides an exception to the prospectus requirement for limited advertising or marketing activities during the waiting period between the issuance of the receipt for the preliminary prospectus and the receipt for the final prospectus. Despite the prospectus requirement, it is permissible during the waiting period to:

(a) distribute a preliminary prospectus notice (as defined in the Instrument) that:

- “identifies” the securities proposed to be issued,

- states the price of such securities, if then determined, and

- states the name and address of a person or company from whom purchases of securities may be

made,

provided that any such notice states the name and address of a person or company from whom a preliminary prospectus may be obtained,

(b) distribute the preliminary prospectus, and

(c) solicit expressions of interest from a prospective purchaser, if prior to such solicitation or forthwith after the prospectus purchaser indicates an interest in purchasing the securities, a copy of the preliminary prospectus is forwarded to the prospectus purchaser.

(2) The use of any other marketing information or materials during the waiting period would result in the violation of the prospectus requirement.

(3) The "identification" of the security contemplated by paragraph 6A.6(1)(a) above does not permit an issuer or dealer to include a summary of the commercial features of the issue. These details are set out in the preliminary prospectus which is intended as the main disclosure vehicle pending the issuance of the final receipt. The purpose of the permitted advertising or marketing activities during the waiting period is essentially to alert the public to the availability of the preliminary prospectus.

(4) For the purpose of identifying a security as contemplated by paragraph 6A.6(1)(a) above, the advertising or marketing material may only:

- indicate whether a security represents debt or a share in an incorporated entity or an interest in a non-corporate entity,

- name the issuer if the issuer is a reporting issuer, or name and describe briefly the business of the issuer if the issuer is not already a reporting issuer (the description of the business should be cast in general terms and should not attempt to summarize the proposed use of proceeds),

- indicate, without giving details, whether the security qualifies the holder for special tax treatment, and

- indicate how many securities will be available.

6A.7 Green Sheets — (1) Some dealers prepare summaries of the principal terms of an offering, sometimes referred to as green sheets. Typically green sheets include information beyond the limited information for which an exemption to the prospectus requirement is available during the waiting period. If so, we would consider the distribution of a green sheet to a potential investor to contravene the prospectus requirement.

(2) Including material information in a green sheet or other marketing communication that is not contained in the preliminary prospectus could indicate a failure to provide in the preliminary prospectus full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and result in the prospectus certificate containing a misrepresentation.

(3) We may request copies of green sheets and other advertising or marketing materials as part of our prospectus review procedures. Any discrepancies between the content of a green sheet and the preliminary prospectus could result in the delay or refusal of a receipt for a final prospectus and, in appropriate circumstances, could result in enforcement action.

6A.8 Advertising or marketing activities following the issuance of a receipt for a final prospectus — Advertising or marketing activities that are not prohibited by the prospectus requirement during the waiting period may also be undertaken on the same basis after a receipt has been issued for the final prospectus relating to the distribution. In addition, the prospectus and any document filed with or referred to in the prospectus may be distributed.

6A.9 Sanctions and enforcement — Any contravention of the prospectus requirement through advertising or marketing activities is a serious matter that could result in a cease trade order in respect of the preliminary prospectus to which such advertising or marketing activities relate. In addition, a receipt for a final prospectus relating to any such offering

may be refused. In appropriate circumstances, enforcement proceedings may be initiated.

6A.10 Media reports and coverage — (1) We recognize that an issuer does not have control over media coverage; however, an issuer should take appropriate precautions to ensure that media coverage which can reasonably be considered to be in furtherance of a distribution of securities does not occur after a decision has been made to file a preliminary prospectus or during the waiting period.

(2) We may investigate the circumstances surrounding media coverage of an issuer which appears immediately prior to or during the waiting period and which can reasonably be considered as being in furtherance of a distribution of securities. Action will be taken in appropriate circumstances.

6A.11 Disclosure practices — At a minimum, participants in all prospectus distributions should consider the following practices to avoid contravening securities legislation:

- We do not consider it appropriate for a director or an officer of an issuer to give interviews to the media immediately prior to or during the waiting period. It may be appropriate, however, for a director or officer to respond to unsolicited inquiries of a factual nature made by shareholders, securities analysts, financial analysts, the media and others who have a legitimate interest in such information.

- Because of the prospectus requirement, an issuer is not permitted to provide information during a prospectus distribution that goes beyond what is disclosed in the prospectus. Therefore, during the prospectus distribution (which commences as described in subsection 6A.5(2) of this Policy and ends following closing), a director or officer of an issuer can only make a statement constituting a forecast, projection or prediction with respect to future financial performance if the statement is also contained in the prospectus.

- We understand that underwriters and legal counsel sometimes only advise the working group members of the pre-marketing and marketing restrictions under securities legislation. However, there are often situations where officers and directors of the issuer outside of the working group also come into contact with the media before or after the filing of a preliminary prospectus. Any discussions between these individuals and the media will also be subject to these same restrictions. Working group members, including underwriters and legal counsel, will usually want to ensure that any other officers and directors of the issuer (as well as the officers and directors of a promoter or a selling securityholder) who may come into contact with the media are also fully aware of the marketing and disclosure restrictions.

- One way for issuers, dealers and other market participants to ensure that advertising or marketing activities contrary to securities legislation are not undertaken (intentionally or through inadvertence) is to develop, implement, maintain and enforce disclosure procedures.

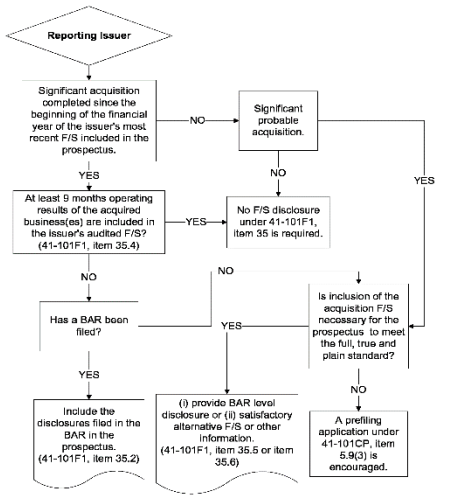
6A.12 Misleading or untrue statements — In addition to the prohibitions on advertising and marketing activities that result from the prospectus requirement, securities legislation in certain jurisdictions prohibits any person or company from making any misleading or untrue statement that would reasonably be expected to have a significant effect on the market value of securities. Therefore, in addition to ensuring that advertising or marketing activities are carried out in compliance with the prospectus requirement, issuers, dealers and their advisers must ensure that any statements made in the course of advertising or marketing activities are not untrue or misleading and otherwise comply with securities legislation.

Part 7: — Transition

7.1 Transition — Application of Amendments — The amendments to the Instrument and this Policy which came into effect on January 1, 2011 only apply to a preliminary prospectus, an amendment to a preliminary prospectus, a final prospectus or an amendment to a final prospectus of an issuer which includes financial statements of the issuer in respect of periods relating to financial years beginning on or after January 1, 2011.

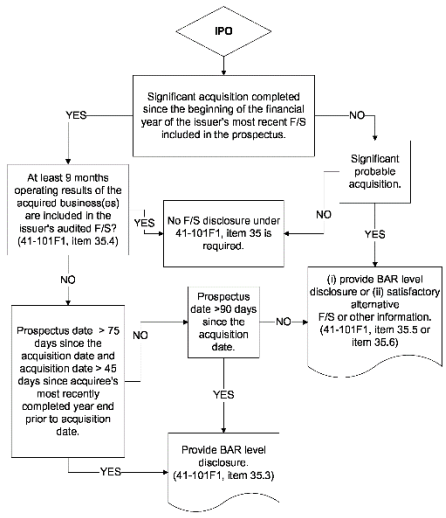
Appendix A — Financial Statement Disclosure Requirements for Significant Acquisitions

Financial Statement Disclosure Requirements for Significant Acquisitions.



Note: These decision charts provide general guidance and should be read in conjunction with Form 41-101F1.

Financial Statement Disclosure Requirements for Significant Acquisitions.



Note: These decision charts provide general guidance and should be read in conjunction with Form 41-101F1.

Appendix B — Sample ETF Facts Document

XYZ S&P/TSX 60 Index ETF

ETF FACTS

July 30, 20XX

XYZ

This document contains key information you should know about XYZ S&P/TSX 60 Index ETF. You can find more details about this exchange-traded fund (ETF) in its prospectus. Ask your representative for a copy, contact XYZ ETFs at 1-800-555-5555 or investing@xyzetfs.com, or visit www.xyzetfs.com.

Before you invest, consider how the ETF would work with your other investments and your tolerance for risk.

Quick facts

Date ETF started	March 31, 20XX
Total value on June 1, 20XX	$220.18 million
Management expense ratio (MER)	0.20%
Fund manager	XYZ ETFs
Portfolio manager	Capital Asset Management Ltd.
Distributions	Quarterly

Trading information (12 months ending June 1, 20XX)

Ticker symbol	XYZ
Exchange	TSX
Currency	Canadian dollars
Average daily volume	308,000 units
Number of days traded	249 out of 251 trading days

Pricing information (12 months ending June 1, 20XX)

Market price	$9.50-$13.75
Net asset value (NAV)	$9.52-$13.79
Average bid-ask spread	0.07%

What does the ETF invest in?

This ETF invests in the same companies and in the same proportions as the S&P/TSX 60 Index. The S&P/TSX 60 Index is made up of 60 of the largest (by market capitalization) and most liquid securities listed on the Toronto Stock Exchange (TSX), as determined by S&P Dow Jones Indices.

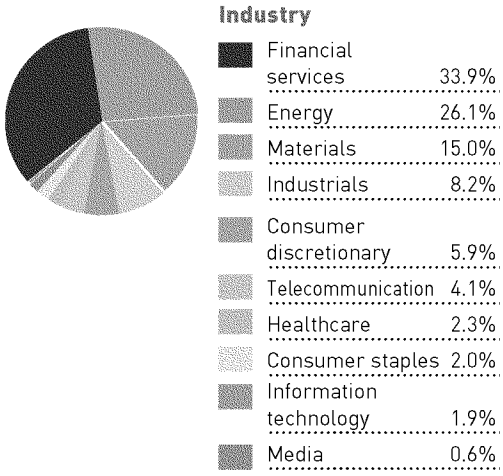
The charts below give you a snapshot of the ETF's investments on June 1, 20XX. The ETF's investments will change to reflect changes in the S&P/TSX Index.

Top 10 investments (June 1, 20XX)

1. Royal Bank of Canada	7.5%
2. Toronto-Dominion Bank	7.1%
3. Canadian Natural Resources	5.8%
4. The Bank of Nova Scotia	4.1%
5. Cenovus Energy Inc.	3.7%
6. Suncor Energy Inc.	3.2%
7. Enbridge Inc.	3.1%
8. Canadian Imperial Bank of Commerce	2.9%
9. Manulife Financial Corporation	2.7%
10. Canadian National Railway Company	1.9%

Total percentage of top 10 investments	*42.0%*
Total number of investments	*60*

Investment mix (June 1, 20XX)



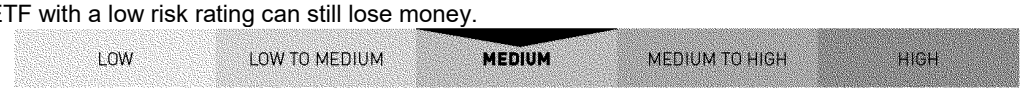
How risky is it?

The value of the ETF can go down as well as up. You could lose money.

One way to gauge risk is to look at how much an ETF's returns change over time. This is called "volatility". In general, ETFs with higher volatility will have returns that change more over time. They typically have a greater chance of losing money and may have a greater chance of higher returns. ETFs with lower volatility tend to have returns that change less over time. They typically have lower returns and may have a lower chance of losing money

Risk rating

XYZ ETFs has rated the volatility of this ETF as *medium*. This rating is based on how much the ETF's returns have changed from year to year. It doesn't tell you how volatile the ETF will be in the future. The rating can change over time. An ETF with a low risk rating can still lose money.



For more information about the risk rating and specific risks that can affect the ETF's returns, see the Risk section of the ETF's prospectus.

No guarantees

ETFs do not have any guarantees. You may not get back the amount of money you invest.

How has the ETF performed?

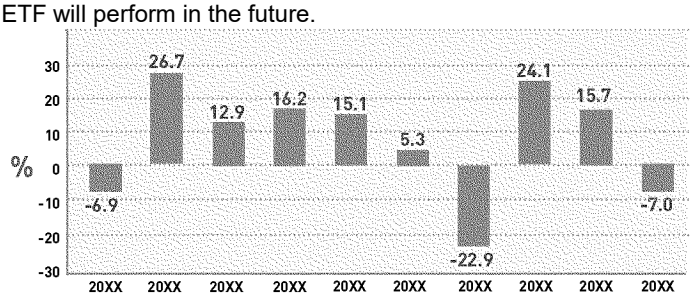
This section tells you how units of the ETF have performed over the past 10 years.

Returns[2] are after expenses have been deducted. These expenses reduce the ETF's returns. This means that the ETF's returns may not match the returns of the S&P/TSX Index.

Year-by-year returns

This chart shows how units of the ETF performed in each of the past 10 years. The ETF dropped in value in 3 of the 10 years.

The range of returns and change from year to year can help you assess how risky the ETF has been in the past. It does not tell you how the ETF will perform in the future.



Best and worst 3-month returns

This table shows the best and worst returns for units of the ETF in a 3-month period over the past 10 years. The best and worst 3-month returns could be higher or lower in the future. Consider how much of a loss you could afford to take in a short period of time.

	Return	**3 months ending**	**If you invested $1,000 at the beginning of the period**
Best return	32.6%	Apr. 30, 20XX	Your investment would rise to $1,326.
Worst return	-24.7%	Nov. 30, 20XX	Your investment would drop to $753.

Trading ETFs

ETFs hold a basket of investments, like mutual funds, but trade on exchanges like stocks. Here are a few things to keep in mind when trading ETFs:

Pricing

ETFs have two sets of prices: market price and net asset value (NAV).

Market price

- ETFs are bought and sold on exchanges at the market price. The market price can change throughout the trading day. Factors like supply, demand, and changes in the value of an ETF's investments can affect the market price.

- You can get price quotes any time during the trading day. Quotes have two parts: *bid* and *ask*.

- The bid is the highest price a buyer is willing to pay if you want to sell your ETF units. The ask is the lowest price a seller is willing to accept if you want to buy ETF units. The difference between the two is called the "*bid-ask spread*".

- In general, a smaller bid-ask spread means the ETF is more liquid. That means you are more likely to get the price you expect.

Net asset value (NAV)

- Like mutual funds, ETFs have a NAV. It is calculated after the close of each trading day and reflects the value of an ETF's investments at that point in time.

- NAV is used to calculate financial information for reporting purposes — like the returns shown in this document.

Orders

There are two main options for placing trades: market orders and limit orders. A market order lets you buy or sell units at the current market price. A limit order lets you set the price at which you are willing to buy or sell units.

Timing

In general, market prices of ETFs can be more volatile around the start and end of the trading day. Consider using a limit order or placing a trade at another time during the trading day.

Who is this ETF for?

Investors who:

- are looking for a long-term investment
- want to invest in a broad range of stocks of Canadian companies
- can handle the ups and downs of the stock market.

Don't buy this ETF if you need a steady source of income from your investment.

A word about tax

In general, you'll have to pay income tax on any money you make on an ETF. How much you pay depends on the tax laws where you live and whether or not you hold the ETF in a registered plan, such as a Registered Retirement Savings Plan or a Tax-Free Savings Account.

Keep in mind that if you hold your ETF in a non-registered account, distributions from the ETF are included in your taxable income, whether you get them in cash or have them reinvested.

How much does it cost?

This section shows the fees and expenses you could pay to buy, own and sell units of the ETF. Fees and expenses — including any trailing commissions — can vary among ETFs.

Higher commissions can influence representatives to recommend one investment over another. Ask about other ETFs and investments that may be suitable for you at a lower cost.

1. — Brokerage commissions

You may have to pay a commission every time you buy and sell units of the ETF. Commissions may vary by brokerage firm. Some brokerage firms may offer commission-free ETFs or require a minimum purchase amount.

2. — ETF expenses

You don't pay these expenses directly. They affect you because they reduce the ETF's returns.

As of March 31, 20XX, the ETF's expenses were 0.21% of its value. This equals $2.10 for every $1,000 invested.

	Annual rate (as a % of the ETF's value)

Management expense ratio (MER)	
This is the total of the ETF's management fee and operating expenses. XYZ ETFs waived some of the ETF's expenses. If it had not done so, the MER would have been higher.	0.20%
Trading expense ratio (TER)	
These are the ETF's trading costs.	0.01%
ETF expenses	*0.21%*

Trailing commission

The trailing commission is an ongoing commission. It is paid for as long as you own the ETF. It is for the services and advice that your representative and their firm provide to you.

This ETF doesn't have a trailing commission.

What if I change my mind?

Under securities law in some provinces and territories, you have the right to cancel your purchase within 48 hours after you receive confirmation of the purchase.

In some provinces and territories, you also have the right to cancel a purchase, or in some jurisdictions, claim damages, if the prospectus, ETF Facts or financial statements contain a misrepresentation. You must act within the time limit set by the securities law in your province or territory.

For more information, see the securities law of your province or territory or ask a lawyer.

For more information

Contact XYZ ETFs or your representative for a copy of the ETF's prospectus and other disclosure documents. These documents and the ETF Facts make up the ETF's legal documents.

XYZ ETFs

456 Asset Allocation St.

Toronto, ON M1A 2B3

Phone: 416.555.5555

Toll-free: 1.800.555.5555

Email: investing@xyzetfs.com

Website: www.xyzetfs.com

Footnotes

[1] In Ontario, a number of prospectus related requirements in this Instrument are either set out in the *Securities Act* (Ontario) or Ontario does not have a similar requirement. We have identified carve-outs from the Instrument where a similar requirement is set out in the Securities Act (Ontario). Where no corresponding statutory provision has been identified for an Ontario carve-out, Ontario has generally not adopted a similar requirement. Notes included in this Instrument have been inserted for convenience of reference only and do not form part of this Instrument or have any force or effect as a rule or policy.

[2] Returns are calculated using the ETF's net asset value (NAV).

SCHEDULE 2-A
NATIONAL INSTRUMENT 81-101 *MUTUAL FUND PROSPECTUS DISCLOSURE*

Table of Contents

Part 1 — Definitions, Interpretation and Application

1.1 Definitions — In this Instrument

"Aequitas personal information form" means a personal information form for an individual prepared pursuant to Aequitas NEO Exchange Inc. Form 3, as amended from time to time;

"automatic switch" means a purchase of securities of a class or series of securities of a mutual fund, immediately following a redemption of the same value of securities of another class or series of securities of that mutual fund, if the only material differences between the two classes or series are both of the following:

(a) a difference in the management fees;

(b) a difference in the purchaser's minimum investment amounts;

"automatic switch program" means an agreement under which automatic switches are to be made on predetermined dates for a purchaser of securities of a class or series of a mutual fund as a result of the purchaser

(a) satisfying the minimum investment amount for the class or series, and

(b) failing to satisfy, in whole or in part, the minimum investment amount for the class or series of securities of the mutual fund that were subject to the automatic switch because those securities were redeemed;

"business day" means any day other than a Saturday, a Sunday or a statutory holiday;

"commodity pool" [Repealed]

"designated website" has the meaning ascribed to that term in National Instrument 81-106 *Investment Fund Continuous Disclosure*;

"educational material" means material containing general information about one or more of investing in general, mutual funds, portfolio management, capital markets, retirement savings, income or education saving plans and financial planning, if the material does not promote a particular mutual fund or mutual fund family or the products or services offered by a particular mutual fund or mutual fund family;

"executive officer" means, for a mutual fund, a manager of a mutual fund or a promoter of a mutual fund, an individual who is

(a) a chair, vice-chair or president,

(b) a vice-president in charge of a principal business unit, division or function including sales, finance or product development, or

(c) performing a policy-making function;

"financial statements" includes interim financial reports;

"financial year" includes the first completed financial period of a mutual fund beginning with the inception of the mutual fund and ending on the date of its first financial year end;

"fund facts document" means a completed Form 81-101F3 *Contents of Fund Facts Document*;

"independent review committee" means the independent review committee of the investment fund established under National Instrument 81-107 *Independent Review Committee for Investment Funds*;

"managed account" has the meaning ascribed to that term in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*;

"material contract" means, for a mutual fund, a contract listed in the simplified prospectus ~~annual information form~~ of the mutual fund in response to Item 4.17 of Part A of Form 81-101F1 *Contents of Simplified Prospectus* ~~Item 16 of Form 81-101F2 *Contents of Annual Information Form*~~;

"multiple AIF" [Repealed] ~~means a document containing two or more annual information forms that have been consolidated in accordance with section 5.4;~~

"multiple SP" means a document containing two or more simplified prospectuses that have been consolidated in accordance with subsection 5.1(1);

"NI 81-107"[Repealed]

"Part A section" means the section of a simplified prospectus that contains the disclosure required by Part A of Form 81-101F1 Contents of Simplified Prospectus;

"Part B section" means the section of a simplified prospectus that contains the disclosure required by Part B of Form 81-101F1;

"permitted client" has the meaning ascribed to that term in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*;

"personal information form" means

(a) a completed Schedule 1 of Appendix A to National Instrument 41-101 *General Prospectus Requirements*,

(b) a completed TSX/TSXV personal information form submitted by an individual to the Toronto Stock Exchange or to the TSX Venture Exchange to which is attached a completed certificate and consent in the form set out in Schedule 1 — Part B of Appendix A to National Instrument 41-101 *General Prospectus Requirements*, or

(c) a completed Aequitas personal information form submitted by an individual to Aequitas NEO Exchange Inc., to which is attached a completed certificate and consent in the form set out in Schedule 1 — Part B of Appendix A to National Instrument 41-101 *General Prospectus Requirements*;

"Personal Information Form and Authorization" [Repealed]

"plain language" means language that can be understood by a reasonable person, applying a reasonable effort;

"portfolio rebalancing plan" means an agreement, that can be terminated at any time, under which a purchaser

(a) selects

(i) a portfolio of securities of two or more mutual funds, and

(ii) target weightings for securities of each of those mutual funds held by the purchaser, and

(b) on predetermined dates, purchases or redeems securities referred to in paragraph (a) in order to bring the holdings of each of those securities within the applicable target weighting;

"pre-authorized purchase plan" means a contract or other arrangement for the purchase of securities of a mutual fund, by payments of a specified amount, on a regularly scheduled basis, and which can be terminated at any time;

"precious metals fund" [Repealed]

"predecessor personal information form" means

(a) a completed Schedule 1 of Appendix A to National Instrument 41-101 *General Prospectus Requirements* in the form that was in effect from March 17, 2008 until May 14, 2013, or

(b) a completed TSX/TSXV personal information form to which is attached a completed certificate and consent in the form that was in effect between March 17, 2008 and May 14, 2013;

"single AIF" [Repealed] ~~means an annual information form that has not been consolidated with another annual information form under section 5.4;~~

"single SP" means a simplified prospectus that has not been consolidated with another simplified prospectus under subsection 5.1(1); and

"statutory right of action" means,

(a) in Alberta, paragraph 206(a) of the *Securities Act* (Alberta),

(b) in British Columbia, section 135 of the *Securities Act* (British Columbia),

(c) in Manitoba, section 141.2 of the *Securities Act* (Manitoba),

(d) in New Brunswick, section 155 of the *Securities Act* (New Brunswick),

(e) in Northwest Territories, section 116 of the *Securities Act* (Northwest Territories),

(f) in Nunavut, section 116 of the *Securities Act* (Nunavut),

(g) in Saskatchewan, section 141(2) of *The Securities Act, 1988* (Saskatchewan), and

(h) in Yukon, section 116 of the *Securities Act* (Yukon);

"statutory right of withdrawal" means,

(a) in Alberta, subsection 130(1) of the *Securities Act* (Alberta),

(b) in British Columbia, subsections 83(3) and (5) of the *Securities Act* (British Columbia),

(c) in Manitoba, sections 1.2 and 1.5 of Local Rule 41-502 *Prospectus Delivery Requirement* (Manitoba),

(d) in New Brunswick, subsection 88(2) of the *Securities Act* (New Brunswick),

(e) in Northwest Territories, section 101(2) of the *Securities Act* (Northwest Territories),

(f) in Nunavut, subsection 101(2) of the *Securities Act* (Nunavut),

(g) in Saskatchewan, section 79(3) of *The Securities Act, 1988* (Saskatchewan), and

(h) in Yukon, subsection 101(2) of the *Securities Act* (Yukon).

"TSX/TSXV personal information form" means a completed personal information form of an individual in compliance with the requirements of Form 4 for the Toronto Stock Exchange or Form 2A for the TSX Venture Exchange, as applicable, each as amended from time to time.

1.2 Interpretation — Terms defined in National Instrument 81-102 *Investment Funds* or National Instrument 81-105 Mutual Fund Sales Practices and used in this Instrument have the respective meanings ascribed to them in those Instruments.

1.3 Application — This Instrument does not apply to mutual funds that are

(a) labour-sponsored venture capital corporations; or

(b) [Repealed]

(c) listed and posted for trading on a stock exchange or quoted on an over-the-counter market.

Part 2 — Disclosure Documents

2.1 Filing of Disclosure Documents — (1) A mutual fund

(a) that files a preliminary prospectus must file the preliminary prospectus in the form of a preliminary simplified prospectus prepared and certified in accordance with Form 81-101F1 and concurrently file a preliminary fund facts document, for each class or series of securities of the mutual fund, prepared in accordance with Form 81-101F3;

~~(a) that files a preliminary prospectus must file the preliminary prospectus in the form of a preliminary simplified prospectus prepared in accordance with Form 81-101F1 and concurrently file~~

~~(i) a preliminary annual information form prepared and certified in accordance with Form 81-101F2; and~~

~~(ii) a preliminary fund facts document for each class or series of securities of the mutual fund prepared in accordance with Form 81-101F3;~~

(b) that files a *pro forma* prospectus must file the *pro forma* prospectus in the form of a *pro forma* simplified prospectus prepared and certified in accordance with Form 81-101F1 and concurrently file a *pro forma* fund facts document, for each class or series of securities of the mutual fund, prepared in accordance with Form 81-101F3;

~~(b) that files a *pro forma* prospectus must file the *pro forma* prospectus in the form of a *pro forma* simplified prospectus prepared in accordance with Form 81-101F1 and concurrently file~~

~~(i) a *pro forma* annual information form prepared in accordance with Form 81-101F2; and~~

~~(ii) a *pro forma* fund facts document for each class or series of securities of the mutual fund prepared in accordance with Form 81-101F3;~~

(c) that files a prospectus must file the prospectus in the form of a simplified prospectus prepared and certified in accordance with Form 81-101F1 and concurrently file a fund facts document, for each class or series of securities of the mutual fund, prepared in accordance with Form 81-101F3;

~~(c) that files a prospectus must file the prospectus in the form of a simplified prospectus prepared in accordance with Form 81-101F1 and concurrently file~~

~~(i) an annual information form prepared and certified in accordance with Form 81-101F2; and~~

~~(ii) a fund facts document for each class or series of securities of the mutual fund prepared in accordance with Form 81-101F3;~~

(d) that files an amendment to a prospectus must

(i) [Repealed] ~~file an amendment~~

~~(A) to the simplified prospectus and concurrently file an amendment to the related annual information form, or~~

~~(B) to the related annual information form if changes are made only to the annual information form;~~

(ii) if the amendment relates to the information contained in a fund facts document, concurrently file an amendment to the fund facts document;

(iii) if the amendment relates to a new class or series of securities of the mutual fund that is referable to the same portfolio of assets, concurrently file a fund facts document for the new class or series; and

(e) must file an amendment to a fund facts document, if a material change occurs that relates to the information contained in the fund facts document, as soon as practicable and, in any event, within 10 days after the day the change occurs.

(2) A mutual fund must not file a prospectus more than 90 days after the date of the receipt for the preliminary prospectus that relates to the prospectus.

2.2 Amendments to Disclosure Documents — (1) An amendment to a simplified prospectus ~~or to an annual information form~~ may consist of either

(a) an amendment that does not fully restate the text of the simplified prospectus ~~or annual information form~~; or

(b) an amended and restated simplified prospectus ~~or annual information form~~.

(2) Despite subsection (1), an amendment to the Part B section that is separately bound from the Part A section of a simplified prospectus must be effected only by way of an amended and restated Part B section.

(3) An amendment to a simplified prospectus ~~or to an annual information form~~ must be identified and dated as follows:

1. For an amendment that does not restate the text of a simplified prospectus ~~or annual information form~~:

Amendment No. [insert amendment number] dated [insert date of amendment] to [identify document] dated [insert date of document being amended].

2. For an amended and restated simplified prospectus, other than an amendment to which subsection (2) applies~~, or annual information form~~:

Amended and Restated [identify document] dated [insert date of amendment], amending and restating [identify document] dated [insert date of document being amended].

(4) An amendment to a fund facts document must be prepared in accordance with Form 81-101F3 without any further identification and dated as of the date the fund facts document is being amended.

2.2.1 Amendment to a Preliminary Simplified Prospectus — (1) Except in Ontario, if, after a receipt for a preliminary simplified prospectus is issued but before a receipt for the simplified prospectus is issued, a material adverse change occurs, an amendment to the preliminary simplified prospectus must be filed as soon as practicable, but in any event within 10 days after the change occurs.

[Note: In Ontario, subsection 57(1) of the Securities Act *(Ontario) imposes a similar requirement to file an amendment*

to a preliminary prospectus.][1]

(2) The regulator must issue a receipt for an amendment to a preliminary simplified prospectus as soon as practicable after the amendment is filed.

2.2.2 Delivery of Amendments — Except in Ontario, a mutual fund must deliver an amendment to a preliminary simplified prospectus as soon as practicable to each recipient of the preliminary simplified prospectus according to the record of recipients required to be maintained under securities legislation.

[Note: In Ontario, subsection 57(3) of the Securities Act *(Ontario) imposes similar requirements regarding the delivery of amendments to a preliminary prospectus.]*

2.2.3 Amendment to a Simplified Prospectus — (1) Except in Ontario, if, after a receipt for a simplified prospectus is issued but before the completion of the distribution under the simplified prospectus, a material change occurs, a mutual fund must file an amendment to the simplified prospectus as soon as practicable, but in any event within 10 days after the day the change occurs.

[Note: In Ontario, subsection 57(1) of the Securities Act *(Ontario) imposes a similar obligation to file an amendment to a final prospectus where there has been a material change.]*

(2) Except in Ontario, if, after a receipt for a simplified prospectus or an amendment to a simplified prospectus is issued but before the completion of the distribution under the simplified prospectus or the amendment to the simplified prospectus, securities in addition to the securities previously disclosed in the simplified prospectus or the amendment to the simplified prospectus are to be distributed, an amendment to the simplified prospectus disclosing the additional securities must be filed, as soon as practicable, but in any event within 10 days after the decision to increase the number of securities offered.

[Note: In Ontario, subsection 57(2) of the Securities Act *(Ontario) imposes a similar requirement to file an amendment to a prospectus any time there is a proposed distribution of securities in addition to that disclosed under the prospectus.]*

(3) Except in Ontario, the regulator must issue a receipt for an amendment to a simplified prospectus filed under this section unless the regulator considers that there are grounds set out in securities legislation that would cause the regulator not to issue the receipt for a simplified prospectus.

[Note: In Ontario, subsection 57(2.1) of the Securities Act *(Ontario) imposes a similar obligation for the Director to issue a receipt for an amendment to a prospectus unless there are proper grounds for refusing the receipt.]*

(4) Except in Ontario, the regulator must not refuse to issue a receipt under subsection (3) without giving the mutual fund that filed the simplified prospectus an opportunity to be heard.

[Note: In Ontario, subsections 57(2.1) and 61(3) of the Securities Act *(Ontario) impose a similar restriction on the Director to refuse to issue a receipt for a prospectus without first giving an issuer an opportunity to be heard.]*

2.3 Supporting Documents — (1) A mutual fund must

(a) file with a preliminary simplified prospectus~~, a preliminary annual information form~~ and a preliminary fund facts document for each class or series of securities of the mutual fund

(i) a copy of the preliminary simplified prospectus ~~preliminary annual information form~~ certified in accordance with Part 5.1,

(ii) a submission to the jurisdiction and appointment of an agent for service of process of the manager of the mutual fund in the form set out in Appendix C to National Instrument 41-101 *General Prospectus Requirements*, if the manager of the mutual fund is incorporated, continued or organized under the laws of a foreign jurisdiction or resides outside of Canada,

(iii) a copy of any material contract and a copy of any amendment to a material contract that have not previously been filed, other than a contract entered into in the ordinary course of business,

(iv) a copy of the following documents and a copy of any amendment to the following documents that have not previously been filed:

(A) by-laws or other corresponding instruments currently in effect,

(B) any securityholder or voting trust agreement that the mutual fund has access to and that can reasonably be regarded as material to an investor in securities of the mutual fund, and

(C) any other contract of the mutual fund that creates or can reasonably be regarded as materially affecting the rights or obligations of the mutual fund's securityholders generally, and

(v) any other supporting documents required to be filed under securities legislation; and

(b) at the time a preliminary simplified prospectus~~, a preliminary annual information form~~ and a preliminary fund facts document for each class or series of securities of the mutual fund are filed, deliver or send to the securities regulatory authority

(i) for

(A) a new mutual fund, a copy of a draft opening statement of financial position of the mutual fund, and

(B) an existing mutual fund, a copy of the latest audited financial statements of the mutual fund,

(ii) a personal information form for all of the following:

(A) each director and executive officer of the mutual fund;

(B) each promoter of the mutual fund;

(C) if the promoter is not an individual and is not the manager of the mutual fund, each director and executive officer of the promoter,

~~(ii) a personal information form for:~~

~~(A) each director and executive officer of the mutual fund;~~

~~(B) each director and executive officer of the manager of the mutual fund;~~

~~(C) each promoter of the mutual fund;~~

~~(D) if the promoter is not an individual, each director and executive officer of the promoter,~~

(iii) a signed letter to the regulator from the auditor of the mutual fund prepared in accordance with the form suggested for this circumstance by the Handbook, if a financial statement of the mutual fund incorporated by reference in the preliminary simplified prospectus is accompanied by an unsigned auditor's report, and

(iv) any other supporting documents required to be delivered or sent to the securities regulatory authority under securities legislation.

(1.0.1) Despite subparagraph 2.3(1)(b)(ii), a mutual fund is not required to deliver a personal information form for an individual referred to in subparagraph (1)(b)(ii) if the individual has submitted a Form 33-109F4 *Registration of Individuals and Review of Permitted Individuals* under National Instrument 33-109 *Registration Information*.

(1.1) Despite subparagraph (1)(b)(ii), a mutual fund is not required to deliver to the regulator a personal information form for an individual if the mutual fund, the mutual fund's manager, another issuer or the manager of another investment fund issuer, previously delivered a personal information form for the individual and all of the following are

satisfied:

(a) the certificate and consent included in or attached to the personal information form was executed by the individual within three years preceding the date of filing of the preliminary simplified prospectus~~, preliminary annual information form~~ and preliminary fund facts document for each class or series of securities of the mutual fund;

(b) the responses given by the individual to questions 6 through 10 of the individual's personal information form are correct as at a date that is no earlier than 30 days before the filing of the preliminary simplified prospectus~~, preliminary annual information form~~ and preliminary fund facts document for each class or series of securities of the mutual fund;

(c) if the personal information form was previously delivered to the regulator by another issuer, the issuer delivers to the regulator, concurrently with the filing of the preliminary simplified prospectus~~, preliminary annual information form~~ and preliminary fund facts document for each class or series of securities of the mutual fund, a copy of the previously delivered personal information form or alternative information that is satisfactory to the regulator.

(1.2) Until May 14, 2016, subparagraph (1)(b)(ii) does not apply to a mutual fund in respect of the delivery of a personal information form for an individual if the mutual fund, the mutual fund's manager, another issuer or the manager of another investment fund issuer previously delivered to the regulator a predecessor personal information form for the individual and all of the following are satisfied:

(a) the certificate and consent included in or attached to the predecessor personal information form was executed by the individual within three years preceding the date of filing of the preliminary simplified prospectus~~, preliminary annual information form~~ and preliminary fund facts document for each class or series of securities of the mutual fund;

(b) the responses given by the individual to questions 4(B) and (C) and questions 6 through 9 or, in the case of a TSX/TSXV personal information form in effect after September 8, 2011, questions 6 through 10, of the individual's predecessor personal information form are correct as at a date that is no earlier than 30 days before the filing of the preliminary simplified prospectus~~, preliminary annual information form~~ and preliminary fund facts document for each class or series of securities of the mutual fund.

(2) A mutual fund must

(a) file with a *pro forma* simplified prospectus~~, a *pro forma* annual information form~~ and a *pro forma* fund facts document for each class or series of securities of the mutual fund

(i) a copy of any material contract of the mutual fund, and a copy of any amendment to a material contract of the mutual fund, not previously filed,

(ii) a submission to the jurisdiction and appointment of an agent for service of process of the manager of the mutual fund in the form set out in Appendix C to National Instrument 41-101 *General Prospectus Requirements*, if the manager of the mutual fund is incorporated, continued or organized under the laws of a foreign jurisdiction or resides outside of Canada and if that document has not already been filed,

(ii.1) a copy of the following documents and a copy of any amendment to the following documents that have not previously been filed:

(A) by-laws or other corresponding instruments currently in effect,

(B) any securityholder or voting trust agreement that the mutual fund has access to and that can reasonably be regarded as material to an investor in securities of the mutual fund, and

(iii) any other supporting documents required to be filed under securities legislation; and

(b) at the time a *pro forma* simplified prospectus~~, a *pro forma* annual information form~~ and a *pro forma* fund facts

document for each class or series of securities of the mutual fund are filed, deliver or send to the securities regulatory authority

(i) a copy of the *pro forma* simplified prospectus, blacklined to show changes and the text of deletions from the latest simplified prospectus previously filed,

(ii) [Repealed] ~~a copy of the pro forma annual information form, blacklined to show changes and the text of deletions from the latest annual information form previously filed,~~

(ii.1) a copy of the *pro forma* fund facts document for each class or series of securities of the mutual fund, blacklined to show changes, including the text of deletions, from the latest fund facts document previously filed,

(iii) [Repealed]

(iv) a personal information form for all of the following:

(A) each director and executive officer of the mutual fund;

(B) each promoter of the mutual fund;

(C) if the promoter is not an individual and is not the manager of the mutual fund, each director and executive officer of the promoter, and

~~(iv) a personal information form for:~~

~~(A) each director and executive officer of the mutual fund;~~

~~(B) each director and executive officer of the manager of the mutual fund;~~

~~(C) each promoter of the mutual fund;~~

~~(D) if the promoter is not an individual, each director and executive officer of the promoter, and~~

(v) any other supporting documents required to be delivered or sent to the securities regulatory authority under securities legislation.

(2.0.1) Despite subparagraph 2.3(2)(b)(iv), a mutual fund is not required to deliver a personal information form for an individual referred to in subparagraph (2)(b)(iv) if the individual has submitted a Form 33-109F4 *Registration of Individuals and Review of Permitted Individuals* under National Instrument 33-109 *Registration Information*.

(2.1) Despite subparagraph (2)(b)(iv), a mutual fund is not required to deliver to the regulator a personal information form for an individual if the mutual fund, the mutual fund's manager, another issuer or the manager of another investment fund issuer previously delivered a personal information form for the individual and all of the following are satisfied:

(a) the certificate and consent included in or attached to the personal information form was executed by the individual within three years preceding the date of filing of the *pro forma* simplified prospectus~~, *pro forma* annual information form~~ and *pro forma* fund facts document for each class or series of securities of the mutual fund;

(b) the responses given by the individual to questions 6 through 10 of the individual's personal information form are correct as at a date that is no earlier than 30 days before the filing of the *pro forma* simplified prospectus~~, *pro forma* annual information form~~ and *pro forma* fund facts document for each class or series of securities of the mutual fund;

(c) if the personal information form was previously delivered to the regulator by another issuer, the issuer delivers to the regulator, concurrently with the filing of the *pro forma* simplified prospectus~~, *pro forma* annual information form~~ and *pro forma* fund facts document for each class or series of securities of the mutual fund, a copy of the

previously delivered personal information form or alternative information that is satisfactory to the regulator.

(2.2) Until May 14, 2016, subparagraph (2)(b)(iv) does not apply to a mutual fund in respect of the delivery of a personal information form for an individual if the mutual fund, the mutual fund's manager, another issuer or the manager of another investment fund issuer previously delivered to the regulator a predecessor personal information form for the individual and all of the following are satisfied:

(a) the certificate and consent included in or attached to the predecessor personal information form was executed by the individual within three years preceding the date of filing of the *pro forma* simplified prospectus~~, *pro forma* annual information form~~ and *pro forma* fund facts document for each class or series of securities of the mutual fund;

(b) the responses given by the individual to questions 4(B) and (C) and questions 6 through 9 or, in the case of a TSX/TSXV personal information form in effect after September 8, 2011, questions 6 through 10, of the individual's predecessor personal information form are correct as at a date that is no earlier than 30 days before the filing of the *pro forma* simplified prospectus~~, *pro forma* annual information form~~ and *pro forma* fund facts document for each class or series of securities of the mutual fund.

(3) A mutual fund must

(a) file with a simplified prospectus~~, an annual information form~~ and a fund facts document for each class or series of securities of the mutual fund

(i) a copy of any material contract, and a copy of any amendment to a material contract, of the mutual fund and not previously filed,

(i.1) a copy of the following documents and a copy of any amendment to the following documents that have not previously been filed:

(A) by-laws or other corresponding instruments currently in effect,

(B) any securityholder or voting trust agreement that the mutual fund has access to and that can reasonably be regarded as material to an investor in securities of the mutual fund,

(ii) for a new mutual fund, a copy of the audited statement of financial position of the mutual fund,

(iii) a copy of the simplified prospectus ~~annual information form~~ certified in accordance with Part 5.1,

(iv) a submission to the jurisdiction and appointment of an agent for service of process of the manager of the mutual fund in the form set out in Appendix C to National Instrument 41-101 *General Prospectus Requirements*, if the manager of the mutual fund is incorporated, continued or organized under the laws of a foreign jurisdiction or resides outside of Canada and if that document has not already been filed,

(v) any consents required by section 2.6,

(vi) a copy of each report or valuation referred to in the simplified prospectus, for which a consent is required to be filed under section 2.6 and that has not previously been filed, and

(vii) any other supporting documents required to be filed under securities legislation; and

(b) at the time a simplified prospectus is filed, deliver or send to the securities regulatory authority

(i) a copy of the simplified prospectus, blacklined to show changes and the text of deletions from the preliminary or *pro forma* simplified prospectus,

(ii) [Repealed] ~~a copy of the annual information form, blacklined to show changes and the text of deletions from the preliminary or pro forma annual information form,~~

(ii.1) a copy of the fund facts document for each class or series of securities of the mutual fund, blacklined to show changes, including the text of deletions, from the preliminary or *pro forma* fund facts document,

(iii) details of any changes to the personal information required to be delivered under subparagraph (1)(b)(ii) or (2)(b)(iv), in the form of the Personal Information Form and Authorization, since the delivery of that information in connection with the filing of the simplified prospectus of the mutual fund or another mutual fund managed by the manager, and

(iv) any other supporting documents required to be delivered or sent to the securities regulatory authority under securities legislation.

(4) A mutual fund must

(a) file with an amendment to a simplified prospectus ~~and an amendment to the annual information form~~

(i) a copy of the amendment to the simplified prospectus ~~annual information form~~ certified in accordance with Part 5.1,

(ii) any consents required by section 2.6,

(iii) a copy of any material contract of the mutual fund, and a copy of any amendment to a material contract of the mutual fund, not previously filed,

(iii.1) if the amendment relates to the information contained in a fund facts document, an amendment to the fund facts document, and

(iv) any other supporting documents required to be filed under securities legislation;

(b) at the time an amendment to a simplified prospectus is filed, deliver or send to the securities regulatory authority

(i) if the amendment to the simplified prospectus is in the form of an amended and restated simplified prospectus, a copy of that document blacklined to show changes and the text of deletions from the simplified prospectus,

(ii) [Repealed] ~~if the amendment to the annual information form is in the form of an amended and restated annual information form, a copy of the amended annual information form, blacklined to show changes and the text of deletions from the annual information form,~~

(ii.1) if an amendment to a fund facts document is filed, a copy of the fund facts document, blacklined to show changes, including the text of deletions, from the latest fund facts document previously filed,

(iii) details of any changes to the personal information required to be delivered under subparagraph (1)(b)(ii), (2)(b)(iv) or (3)(b)(iii), in the form of the Personal Information Form and Authorization, since the delivery of that information in connection with the filing of the simplified prospectus of the mutual fund or another mutual fund managed by the manager, and

(iv) any other supporting documents required to be delivered or sent to the securities regulatory authority under securities legislation.

(5) [Repealed] ~~A mutual fund must~~

~~(a) file with an amendment to an annual information form in circumstances in which the corresponding simplified prospectus is not amended~~

~~(i) a copy of the amendment to the annual information form certified in accordance with Part 5.1,~~

~~(ii) any consents required by section 2.6,~~

~~(iii) a copy of any material contract of the mutual fund, and a copy of any amendment to a material contract of the mutual fund, not previously filed,~~

~~(iii.1) if the amendment relates to the information contained in a fund facts document, an amendment to the fund facts document, and~~

~~(iv) any other supporting documents required to be filed under securities legislation; and~~

~~(b) at the time an amendment to an annual information form is filed, deliver or send to the securities regulatory authority~~

~~(i) details of any changes to the personal information required to be delivered under subparagraph (1)(b)(ii), (2)(b)(iv) or (3)(b)(iii), in the form of the Personal Information Form and Authorization, since the delivery of that information in connection with the filing of the simplified prospectus of the mutual fund or another mutual fund managed by the manager,~~

~~(ii) if the amendment is in the form of an amended and restated annual information form, a copy of the amended and restated annual information form blacklined to show changes and the text of deletions from the annual information form,~~

~~(ii.1) if an amendment to a fund facts document is filed, a copy of the fund facts document, blacklined to show changes, including the text of deletions, from the latest fund facts document previously filed, and~~

~~(iii) any other supporting documents required to be delivered or sent to the securities regulatory authority under securities legislation.~~

(5.1) A mutual fund must

(a) file the following documents with an amendment to a fund facts document unless subsection (4) ~~or (5)~~ applies:

(i) an amendment to the corresponding simplified prospectus ~~annual information form~~, certified in accordance with Part 5.1,

(ii) any other supporting documents required to be filed under securities legislation; and

(b) at the time an amendment to a fund facts document is filed, deliver or send to the securities regulatory authority

(i) details of any changes to the personal information required to be delivered under subparagraph (1)(b)(ii), (2)(b)(iv) or (3)(b)(iii), in the form of the Personal Information Form and Authorization, since the delivery of that information in connection with the filing of the simplified prospectus of the mutual fund or another mutual fund managed by the manager,

(ii) a copy of the amended and restated fund facts document blacklined to show changes, including the text of deletions, from the most recently filed fund facts document; and

(iii) any other supporting documents required to be delivered or sent to the securities regulatory authority under securities legislation.

(6) Despite any other provision of this section, a mutual fund may

(a) omit or mark to be unreadable certain provisions of a material contract or an amendment to a material contract filed under this section

(i) if the manager of the mutual fund reasonably believes that disclosure of those provisions would be

seriously prejudicial to the interests of the mutual fund or would violate confidentiality provisions, and

(ii) if a provision is omitted or marked to be unreadable under subparagraph (i), the mutual fund must include a description of the type of information that has been omitted or marked to be unreadable immediately after the provision that is omitted or marked to be unreadable in the copy of the material contract or amendment to the material contract filed by the mutual fund; and

(b) 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

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

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

2.3.1 Websites — (1) A mutual fund must post on its designated website ~~If a mutual fund or the mutual fund's family has a website, the mutual fund must post to at least one of those websites~~ a fund facts document filed under this Part as soon as practicable and, in any event, within 10 days after the date that the document is filed.

(2) A fund facts document posted on the designated website ~~posted to the website~~ referred to in subsection (1) must

(a) be displayed in a manner that would be considered prominent to a reasonable person; and

(b) not be attached to or bound with another fund facts document.

(3) [Repealed] ~~Subsection (1) does not apply if the fund facts document is posted to a website of the manager of the mutual fund in the manner required under subsection (2).~~

2.4 Simplified Prospectus — A simplified prospectus is a prospectus for the purposes of securities legislation.

2.5 Lapse Date — (1) This section does not apply in Ontario.

(2) In this section, "lapse date" means, with reference to the distribution of a security that has been qualified under a simplified prospectus, the date that is 12 months after the date of the most recent simplified prospectus relating to the security.

(3) A mutual fund must not continue the distribution of a security to which the prospectus requirement applies after the lapse date unless the mutual fund files a new simplified prospectus that complies with securities legislation and a receipt for that new simplified prospectus is issued by the regulator.

(4) Despite subsection (3), a distribution may be continued for a further 12 months after a lapse date if,

(a) the mutual fund delivers a *pro forma* simplified prospectus within 30 days before the lapse date of the previous simplified prospectus;

(b) the mutual fund files a new final simplified prospectus within 10 days after the lapse date of the previous simplified prospectus; and

(c) a receipt for the new final simplified prospectus is issued by the regulator within 20 days after the lapse date of the previous simplified prospectus.

(5) The continued distribution of securities after the lapse date does not contravene subsection (3) unless and until any of the conditions of subsection (4) are not complied with.

(6) Subject to any extension granted under subsection (7), if a condition in subsection (4) is not complied with, a purchaser may cancel a purchase made in a distribution after the lapse date in reliance on subsection (4) within 90 days after the purchaser first became aware of the failure to comply with the condition.

(7) The regulator may, on an application of a mutual fund, extend, subject to such terms and conditions as it may impose, the times provided by subsection (4) where in its opinion it would not be prejudicial to the public interest to do so.

[Note: In Ontario, section 62 of the Securities Act *(Ontario) imposes similar requirements regarding refiling of prospectuses.]*

2.6 Consents of Experts — (1) A mutual fund must file the written consent of

(a) any solicitor, auditor, accountant, engineer, or appraiser;

(b) any notary in Québec; and

(c) any person or company whose profession or business gives authority to a statement made by that person or company

if that person or company is named in a simplified prospectus or an amendment to a simplified prospectus, directly or, if applicable, in a document incorporated by reference,

(d) as having prepared or certified any part of the simplified prospectus or the amendment;

(e) as having opined on financial statements from which selected information included in the simplified prospectus has been derived and which audit opinion is referred to in the simplified prospectus directly or in a document incorporated by reference; or

(f) as having prepared or certified a report, valuation, statement or opinion referred to in the simplified prospectus or the amendment, directly or in a document incorporated by reference.

(2) The consent referred to in subsection (1) must

(a) be filed no later than the time the simplified prospectus or the amendment to the simplified prospectus is filed or, for the purposes of future financial statements that have been incorporated by reference in a simplified prospectus, no later than the date that those financial statements are filed;

(b) state that the person or company being named consents

(i) to being named, and

(ii) to the use of that person or company's report, valuation, statement or opinion;

(c) refer to the report, valuation, statement or opinion stating the date of the report, valuation, statement or opinion; and

(d) contain a statement that the person or company being named

(i) has read the simplified prospectus, and

(ii) has no reason to believe that there are any misrepresentations in the information contained in it that are

(A) derived from the report, valuation, statement or opinion, or

(B) within the knowledge of the person or company as a result of the services performed by the person or company in connection with the report, financial statements, valuation, statement or opinion.

(3) In addition to any other requirement of this section, the consent of an auditor or accountant must also state

(a) the dates of the financial statements on which the report of the auditor or accountant is made; and

(b) that the auditor or accountant has no reason to believe that there are any misrepresentations in the information contained in the simplified prospectus that are

(i) derived from the financial statements on which the auditor or accountant has reported, or

(ii) within the knowledge of the auditor or accountant as a result of the audit of the financial statements.

(4) Subsection (1) does not apply to a designated rating organization or its DRO affiliate that issues a rating to the securities being distributed under the simplified prospectus.

2.7 Language of Documents — (1) A mutual fund must file a simplified prospectus and any other document required to be filed under this Instrument in French or in English.

(2) In Québec, a simplified prospectus and any document required to be incorporated by reference into a simplified prospectus must be in French or in French and English.

(3) Despite subsection (1), if a mutual fund files a document only in French or only in English but delivers to a securityholder or prospective securityholder a version of the document in the other language, the mutual fund must file that other version not later than when it is first delivered to the securityholder or prospective securityholder.

2.8 Statement of Rights — Except in Ontario, a simplified prospectus must contain a statement of the rights given to a purchaser under securities legislation in case of a failure to deliver the simplified prospectus or in case of a misrepresentation in the simplified prospectus.

[Note: In Ontario, section 60 of the Securities Act *(Ontario) imposes a similar requirement for the inclusion of a statement of rights in a prospectus.]*

Part 3 — Documents Incorporated by Reference and Delivery to Securityholders

3.1 Documents Incorporated by Reference — The following documents must, by means of a statement to that effect, be incorporated by reference into, and form part of, a simplified prospectus:

1. [Repealed] ~~The annual information form that is filed concurrently with the simplified prospectus.~~

1.1 The most recently filed fund facts document for each class or series of securities of the mutual fund, filed either concurrently with or after the date of the simplified prospectus.

1.2 If the mutual fund has not yet filed comparative annual financial statements of the mutual fund, the most recently filed interim financial report of the mutual fund that were filed before or after the date of the simplified prospectus.

1.3 If the mutual fund has not yet filed interim financial report or comparative annual financial statements of the mutual fund, the audited statement of financial position that was filed with the simplified prospectus.

1.4 If the mutual fund has not yet filed an annual management report of fund performance of the mutual fund, the most recently filed interim management report of fund performance of the mutual fund that was filed before or after the date of the simplified prospectus.

2. The most recently filed comparative annual financial statements of the mutual fund, together with the accompanying report of the auditor, filed either before or after the date of the simplified prospectus.

3. The most recently filed interim financial report of the mutual fund that were filed before or after the date of the simplified prospectus and that pertain to a period after the period to which the annual financial statements then incorporated by reference in the simplified prospectus pertain.

4. The most recently filed annual management report of fund performance of the mutual fund that was filed before or after the date of the simplified prospectus.

5. The most recently filed interim management report of fund performance of the mutual fund that was filed before or after the date of the simplified prospectus and that pertains to a period after the period to which the annual management report of fund performance then incorporated by reference in the simplified prospectus pertains.

3.1.1 Audit of Financial Statements — Any financial statements, other than interim financial reports, incorporated by reference in a simplified prospectus must meet the audit requirements in Part 2 of National Instrument 81-106 *Investment Fund Continuous Disclosure*.

3.1.2 Review of Unaudited Financial Statements — Any unaudited financial statements incorporated by reference in a simplified prospectus at the date of filing of the simplified prospectus must have been reviewed in accordance with the relevant standards set out in the Handbook for a review of financial statements by the mutual fund's auditor or a review of financial statements by a public accountant.

3.1.3 Approval of Financial Statements and Related Documents — A mutual fund must not file a simplified prospectus unless each financial statement and each management report of fund performance incorporated by reference in the simplified prospectus has been approved in accordance with the requirements in Part 2 and Part 4 of National Instrument 81-106 *Investment Fund Continuous Disclosure*.

3.2 Delivery of Preliminary Simplified Prospectus and Simplified Prospectus — (1) The requirement under securities legislation to deliver or send a preliminary prospectus of a mutual fund to a person or company is satisfied by delivering or sending a preliminary simplified prospectus for the mutual fund filed under this Instrument, prepared in accordance with Form 81-101F1, either with or without the documents incorporated by reference.

(2) [Repealed]

(2.1) [Repealed]

(2.2) [Repealed]

(2.3) [Repealed]

(3) Except in Ontario, any dealer distributing a security during the waiting period must

(a) send a copy of the preliminary simplified prospectus to each prospective purchaser who indicates an interest in purchasing the security and requests a copy of such preliminary simplified prospectus; and

(b) maintain a record of the names and addresses of all persons and companies to whom the preliminary simplified prospectus has been forwarded.

[Note: In Ontario, sections 66 and 67 of the Securities Act *(Ontario) impose similar requirements regarding the distribution of a preliminary prospectus and maintaining a distribution list.]*

3.2.01 Pre-Sale Delivery of Fund Facts Document — (1) If securities legislation requires a dealer to deliver or send a prospectus in connection with a purchase of a security of a mutual fund, the dealer must, unless the dealer has previously done so, deliver to the purchaser the fund facts document most recently filed under this Instrument for the applicable class or series of securities of the mutual fund before the dealer accepts an instruction from the purchaser for the purchase of the security.

(2) In Nova Scotia, a fund facts document is a disclosure document prescribed under subsection 76(1A) of the *Securities Act* (Nova Scotia).

(3) In Ontario, a fund facts document is a disclosure document prescribed under subsection 71(1.1) of the *Securities Act* (Ontario).

(4) The requirement under securities legislation to deliver or send a prospectus in connection with a purchase of a security of a mutual fund does not apply if

(a) a fund facts document for the applicable class or series of securities of the mutual fund is

(i) delivered to the purchaser before the dealer accepts an instruction from the purchaser for the purchase of the security, or

(ii) delivered or sent to the purchaser in accordance with section 3.2.02 and the conditions set out in that section are satisfied,

~~(ii) delivered or sent to the purchaser in accordance with section 3.2.02 or 3.2.04 and the conditions set out in the applicable section are satisfied,~~

(b) section 3.2.03 or 3.2.05 applies and the conditions set out in the applicable section are satisfied, or

~~(b) section 3.2.03 applies and the conditions set out in that section are satisfied, or~~

(c) section 3.2.04 or 3.2.04.1 applies

~~(c) section 3.2.04.1 applies.~~

3.2.02 Exception to Pre-Sale Delivery of Fund Facts Document — (1) Despite subsection 3.2.01(1), a dealer may deliver or send to the purchaser the most recently filed fund facts document for the applicable class or series of securities of the mutual fund not later than midnight on the second business day after entering into the purchase of a security of the mutual fund, if all of the following apply:

(a) the purchaser instructs the dealer that the purchase must be completed immediately or by a specified time;

(b) it is not reasonably practicable for the dealer to deliver the fund facts document before the time specified by the purchaser under paragraph (a);

(c) before the instruction from the purchaser for the purchase of a security of the mutual fund is accepted,

(i) the dealer informs the purchaser of the existence and purpose of the fund facts document and explains the dealer's obligation to deliver the fund facts document,

(ii) the purchaser consents to the dealer delivering or sending the fund facts document after entering into the purchase, and

(iii) the dealer verbally discloses to the purchaser a summary of all of the following:

(A) the fundamental features of the mutual fund, and what it primarily invests in, as set out under the heading "What does the fund invest in?" in Item 3 of Part I of the fund facts document;

(B) the investment risk level of the mutual fund as set out under the heading "How risky is it?" in Item 4 of Part I of the fund facts document;

(C) the suitability of the mutual fund for particular investors as set out under the heading "Who is this fund for?" in Item 7 of Part I of the fund facts document;

(D) any costs associated with buying, owning and selling a security of the mutual fund as set out under the heading "How much does it cost?" in Item I of Part II of the fund facts document;

(E) any applicable withdrawal rights or rescission rights that the purchaser is entitled to under securities legislation, as set out under the heading "What if I change my mind?" in Item 2 of Part II of the fund facts document.

(2) For the purposes of subparagraph (1)(c)(ii), the consent must be given in respect of a specific instruction to purchase a security of a mutual fund and, for greater certainty, cannot be in the form of blanket consent from the purchaser.

3.2.03 Delivery of Fund Facts Document for Subsequent Purchases Under a Pre-authorized Purchase Plan or a Portfolio Rebalancing Plan — Despite subsection 3.2.01(1), a dealer is not required to deliver or send to the purchaser the most recently filed fund facts document for the applicable class or series of securities of the mutual fund in connection with a purchase of a security of the mutual fund made pursuant to a pre-authorized purchase plan or a portfolio rebalancing plan if all of the following apply:

(a) the purchase is not the first purchase under the plan;

(b) the dealer has provided a notice to the purchaser that states

(i) that the purchaser will not receive a fund facts document after the date of the notice unless the purchaser specifically requests the document,

(ii) that the purchaser is entitled to receive upon request, at no cost to the purchaser, the most recently filed fund facts document by calling a specified toll-free number, or by sending a request by mail or e-mail to a specified address or e-mail address,

(iii) how to access the fund facts document electronically,

(iv) that the purchaser will not have a right of withdrawal under securities legislation for subsequent purchases of a security of a mutual fund under the plan, but will continue to have a right of action if there is a misrepresentation in the prospectus or any document incorporated by reference into the prospectus, and

(v) that the purchaser may terminate the plan at any time;

(c) at least annually during the term of the plan, the dealer notifies the purchaser in writing of how the purchaser can request the most recently filed fund facts document;

(d) the dealer delivers or sends the most recently filed fund facts document to the purchaser if the purchaser requests the document.

~~3.2.03 Delivery of Fund Facts for Subsequent Purchases Under a Pre-authorized Purchase Plan — Despite subsection 3.2.01(1), a dealer is not required to deliver the fund facts document to a purchaser in connection with a purchase of a security of a mutual fund made pursuant to a pre-authorized purchase plan if all of the following apply:~~

~~(a) the purchase is not the first purchase under the plan;~~

~~(b) the dealer has provided a notice to the purchaser that states,~~

~~(i) subject to paragraph (c), the purchaser will not receive a fund facts document after the date of the notice, unless the purchaser specifically requests it,~~

~~(ii) the purchaser is entitled to receive upon request, at no cost to the purchaser, the most recently filed fund facts document by calling a specified toll free number, or by sending a request by mail or e-mail to a specified address or e-mail address,~~

~~(iii) how to access the fund facts document electronically,~~

~~(iv) the purchaser will not have a right of withdrawal under securities legislation for subsequent purchases of a security of a mutual fund under the plan, but will continue to have a right of action if there is a misrepresentation in the prospectus or any document incorporated by reference into the prospectus, and~~

~~(v) the purchaser may terminate the plan at any time;~~

~~(c) at least annually during the term of the plan, the dealer notifies the purchaser in writing of how the purchaser can request the most recently filed fund facts document; and~~

~~(d) the dealer delivers or sends the most recently filed fund facts document to the purchaser if the purchaser requests it.~~

3.2.04 Delivery of Fund Facts Document for Managed Accounts and Permitted Clients — Despite subsection 3.2.01(1), a dealer is not required to deliver or send to the purchaser the most recently filed fund facts document for the applicable class or series of securities of the mutual fund in connection with the purchase of a security of the mutual fund if either of the following apply:

(a) the purchase is made in a managed account;

(b) the purchaser is a permitted client that is not an individual.

~~3.2.04 Delivery of Fund Facts for Managed Accounts and Permitted Clients — Despite subsection 3.2.01(1), a dealer may deliver or send to the purchaser of a security of a mutual fund the most recently filed fund facts document for the applicable class or series of securities of the mutual fund not later than midnight on the second business day after entering into the purchase of a security of the mutual fund if~~

~~(a) the purchase is made in a managed account, or~~

~~(b) the purchaser is a permitted client that is not an individual.~~

3.2.04.1 Delivery of fund facts documents for no-trailing-commission switches — (1) In this section,

"no-trailing-commission switch" means, in respect of a client of a participating dealer, a purchase of securities of a class or series of a mutual fund in respect of which an investment fund manager does not pay the participating dealer a trailing commission immediately following a redemption of securities of another class or series of the mutual fund in respect of which the investment fund manager pays the participating dealer a trailing commission, if all of the following apply:

(a) the aggregate value of the securities purchased is the same as the aggregate value of the securities redeemed;

(b) there are no material differences between the class or series of securities purchased and the class or series of securities redeemed other than the rate of management fees charged in respect of the two classes or series;

(c) the participating dealer, who executed the purchase and redemption of the securities, was not required by securities legislation or the rules of an SRO applicable to the dealer to make a suitability determination in respect of the client in connection with those securities;

"suitability determination" has the same meaning as in section 1.1 of National Instrument 81-105 *Mutual Fund Sales Practices*.

(2) Despite subsection 3.2.01(1), a dealer is not required to deliver to the purchaser of a security of a mutual fund the most recently filed fund facts document for the applicable class or series of securities of the mutual fund in connection with a no-trailing-commission switch.

3.2.05 Delivery of Fund Facts Document for Automatic Switch Programs — Despite subsection 3.2.01(1), a dealer is not required to deliver or send to the purchaser the most recently filed fund facts document for the applicable class or series of securities of the mutual fund in connection with the purchase of a security of the mutual fund made as an automatic switch pursuant to an automatic switch program if all of the following apply:

(a) the purchase is not the first purchase under the automatic switch program;

(b) the dealer has provided a notice to the purchaser that states

(i) that the purchaser will not receive a fund facts document after the date of the notice unless the purchaser specifically requests the document,

(ii) that the purchaser is entitled to receive upon request, at no cost to the purchaser, the most recently filed fund facts document by calling a specified toll-free number, or by sending a request by mail or e-mail to a specified address or e-mail address,

(iii) how to access the fund facts document electronically, and

(iv) that the purchaser will not have a right of withdrawal under securities legislation for subsequent purchases of a security of a mutual fund under the automatic purchase program, but will continue to have a right of action if there is a misrepresentation in the prospectus or any document incorporated by reference into the prospectus;

(c) at least annually, the dealer notifies the purchaser in writing of how the purchaser can request the most recently filed fund facts document;

(d) the dealer delivers or sends the most recently filed fund facts document to the purchaser if the purchaser requests the document;

(e) with respect to the first purchase under the automatic switch program, the fund facts document delivered or sent to the purchaser included the fund facts automatic switch program information as defined in Appendix A.

~~3.2.05 Electronic Delivery of the Fund Facts Document — (1) If the purchaser of a security of a mutual fund consents, a fund facts document that may be or is required to be delivered or sent under this Part may be delivered or sent electronically.~~

~~(2) For the purposes of subsection (1), a fund facts document may be delivered or sent to the purchaser by means of an e-mail that contains~~

~~(a) the fund facts document as an attachment, or~~

~~(b) a hyperlink that leads directly to the fund facts document.~~

3.2.06 Electronic Delivery of the Fund Facts Document — (1) If the purchaser of a security of a mutual fund consents, a fund facts document that may be or is required to be delivered or sent under this Part may be delivered or sent electronically.

(2) For the purposes of subsection (1), a fund facts document may be delivered or sent to the purchaser by means of an e-mail that contains either of the following:

(a) the fund facts document as an attachment;

(b) a hyperlink that leads directly to the fund facts document.

3.2.1 Fund facts document — purchaser's right of withdrawal — (1) A purchaser has a right of withdrawal in respect of a fund facts document that was delivered or sent under sections 3.2.01, 3.2.02 or 3.2.04, as the purchaser would otherwise have when a prospectus is required to be delivered or sent under securities legislation and, for that purpose, a fund facts document is a prescribed document under the statutory right of withdrawal.

(2) In Nova Scotia, instead of subsection (1), subsection 76(2) of the *Securities Act* (Nova Scotia) applies.

(3) In Ontario, instead of subsection (1), subsection 71(2) of the *Securities Act* (Ontario) applies.

(4) In Québec, instead of subsection (1), section 30 of the *Securities Act* (Québec) applies.

3.2.2 Fund facts document — purchaser's right of action for failure to deliver or send — (1) A purchaser has a right of action if a fund facts document is not delivered or sent as required by sections 3.2.01, 3.2.02 or 3.2.04, as the purchaser would otherwise have when a prospectus is not delivered or sent as required under securities legislation and, for that purpose, a fund facts document is a prescribed document under the statutory right of action.

(2) In Nova Scotia, instead of subsection (1), subsection 141(1) of the *Securities Act* (Nova Scotia) applies.

(3) In Ontario, instead of subsection (1), section 133 of the *Securities Act* (Ontario) applies.

(4) In Québec, instead of subsection (1), section 214 of the *Securities Act* (Québec) applies.

3.3 Documents to be Delivered or Sent upon Request — (1) A mutual fund must deliver or send to any person or company that requests the simplified prospectus of the mutual fund or any of the documents incorporated by reference into the simplified prospectus, a copy of the simplified prospectus or requested document.

(2) [Repealed] ~~A mutual fund must deliver or send, to any person or company that requests the annual information form of the mutual fund, the current simplified prospectus of the mutual fund with the annual information form, unless the mutual fund has previously delivered or sent that simplified prospectus to that person or company.~~

(3) A mutual fund must deliver or send all documents requested under this section within three business days of receipt of the request and free of charge.

3.4 Toll-Free Telephone Number or Collect Telephone Calls — A mutual fund must have a toll-free telephone number for, or accept collect telephone calls from, persons or companies that want to receive a copy of the simplified prospectus of the mutual fund and any or all documents incorporated by reference into the simplified prospectus.

3.5 Soliciting expressions of interest — A multiple SP that includes a *pro forma* simplified prospectus and a preliminary simplified prospectus must not be used to solicit expressions of interest.

~~3.5 Soliciting Expressions of Interest Prohibited — Neither a multiple SP that includes both a *pro forma* simplified prospectus and a preliminary simplified prospectus nor a multiple AIF that includes both a *pro forma* annual information form and a preliminary annual information form may be used to solicit expressions of interest.~~

Part 4 — Plain Language and Presentation

4.1 Plain Language and Presentation — (1) A simplified prospectus~~, annual information form~~ and fund facts document must be prepared using plain language and be in a format that assists in readability and comprehension.

(2) A simplified prospectus

(a) must present all information briefly and concisely;

(b) must present the items listed in the Part A section of Form 81-101F1 and the items listed in the Part B section of Form 81-101F1 in the order stipulated in those parts;

(c) [Repealed] ~~may, unless the Part B section is being bound separately from the Part A section as permitted by subsection 5.3(1), place the Part B section of the simplified prospectus in any location in the simplified prospectus;~~

(d) must use the headings and sub-headings stipulated in Form 81-101F1, and may use sub-headings in items for which no sub-headings are stipulated;

(e) must contain only educational material or the information that is specifically mandated or permitted by Form 81-101F1; and

(f) must not incorporate by reference into the simplified prospectus, from any other document, information that is required to be included in a simplified prospectus.

(3) A fund facts document must

(a) be prepared for each class and each series of securities of a mutual fund in accordance with Form 81-101F3;

(b) present the items listed in the Part I section of Form 81-101F3 and the items listed in the Part II section of Form 81-101F3 in the order stipulated in those parts;

(c) use the headings and sub-headings stipulated in Form 81-101F3;

(d) contain only the information that is specifically required or permitted to be in Form 81-101F3;

(e) not incorporate any information by reference; and

(f) not exceed four pages in length.

4.2 Preparation in the Required Form — Despite provisions in securities legislation relating to the presentation of the content of a prospectus, a simplified prospectus~~, an annual information form~~ and a fund facts document must be prepared in accordance with this Instrument.

Part 5 — Packaging

5.1 Combinations of Documents — (1) A simplified prospectus must not be consolidated with one or more other simplified prospectuses to form a multiple SP unless the Part A sections of each simplified prospectus are substantially similar.

(2) A multiple SP must be prepared in accordance with the applicable requirements of Form 81-101F1.

(3) [Repealed]

(4) Despite subsection (1), a simplified prospectus for an alternative mutual fund must not be consolidated with a simplified prospectus of another mutual fund if the other mutual fund is not an alternative mutual fund.

5.2 Combinations of Fund Facts Documents for Delivery Purposes — (1) If a fund facts document for a particular class or series of securities of a mutual fund is delivered under subsection 3.2.01(1), the fund facts document must not be combined with any other materials or documents.

(2) Despite subsection (1), a fund facts document may be combined with one or more other fund facts documents if the combination of documents is not so extensive as to cause a reasonable person to conclude that the combination of documents prevents the information from being presented in a simple, accessible and comparable format.

(3) Despite subsection (2), if multiple fund facts documents are being delivered electronically at the same time, those fund facts documents cannot be combined into a single e-mail attachment or a single document accessible through a hyperlink.

(4) A fund facts document delivered or sent under section 3.2.02, 3.2.03, or 3.2.05 ~~3.2.03, or 3.2.04~~ must not be combined with any other materials or documents including, for greater certainty, another fund facts document, except one or more of the following:

(a) a general front cover pertaining to the package of attached or bound materials and documents;

(b) a trade confirmation which discloses the purchase of securities of the mutual fund;

(c) a fund facts document of another mutual fund if that fund facts document is also being delivered or sent under section 3.2.02, 3.2.03, or 3.2.05 ~~3.2.03, or 3.2.04~~;

(d) the simplified prospectus or the multiple SP of the mutual fund;

(e) any material or document incorporated by reference into the simplified prospectus or the multiple SP of the mutual fund;

(f) an account application document;

(g) a registered tax plan application or related document.

(5) If a trade confirmation referred to in paragraph (4)(b) is combined with a fund facts document, any other disclosure documents required to be delivered or sent to satisfy a regulatory requirement for purchases listed in the trade confirmation may be combined with the fund facts document.

(6) If a fund facts document is combined with any of the materials or documents referred to in subsection (4), a table of contents specifying all documents must be combined with the fund facts document, unless the only other documents combined with the fund facts document are the general front cover permitted under paragraph (4)(a) or the trade confirmation permitted under paragraph (4)(b).

(7) If one or more fund facts documents are combined with any of the materials or documents referred to in subsection (4), only the general front cover permitted under paragraph (4)(a), the table of contents required under subsection (6) and the trade confirmation permitted under paragraph (4)(b) may be placed in front of the fund facts documents.

5.3 Separate Binding of Part B Sections of a Multiple SP — (1) The Part B sections of a multiple SP may be bound separately from the Part A section of that document.

(2) If a Part B section of a multiple SP is bound separately from the Part A section of the multiple SP

(a) all of the Part B sections of the multiple SP must be bound separately from the Part A section; and

(b) all or some of the Part B sections may be bound together with each other or separately.

5.4 [Repealed] ~~Annual Information Forms — (1) An annual information form must be consolidated with one or more other annual information forms into a multiple AIF if the related simplified prospectuses are consolidated into a multiple SP.~~

~~(2) A multiple AIF must be prepared in accordance with the applicable requirements of Form 81-101F2.~~

5.5 Combinations of Fund Facts Documents for Filing Purposes — For the purposes of section 2.1, a fund facts document may be combined with another fund facts document of a mutual fund in a simplified prospectus or, if a multiple SP, another fund facts document of a mutual fund combined in the multiple SP.

Part 5.1 — Certificates

5.1.1 Interpretation — For the purposes of this Part,

"manager certificate form" means a certificate in the form set out in Item 16 of Part A of Form 81-101F1 and attached to the simplified prospectus,

"mutual fund certificate form" means a certificate in the form set out in Item 15 of Part A of Form 81-101F1 and attached to the simplified prospectus,

"principal distributor certificate form" means a certificate in the form set out in Item 18 of Part A of Form 81-101F1 and attached to the simplified prospectus, and

"promoter certificate form" means a certificate in the form set out in Item 17 of Part A of Form 81-101F1 and attached to the simplified prospectus.

~~5.1.1 Interpretation — For the purposes of this Part,~~

~~"manager certificate form" means a certificate in the form set out in Item 20 of Form 81-101F2 and attached to the annual information form,~~

~~"mutual fund certificate form" means a certificate in the form set out in Item 19 of Form 81-101F2 and attached to the annual information form,~~

~~"principal distributor certificate form" means a certificate in the form set out in Item 22 of Form 81-101F2 and attached to the annual information form, and~~

~~"promoter certificate form" means a certificate in the form set out in Item 21 of Form 81-101F2 and attached to the annual information form.~~

5.1.2 Date of Certificates — The date of the certificates required by this Instrument must be within 3 business days before the filing of the preliminary simplified prospectus, the simplified prospectus, the amendment to the simplified prospectus~~, the amendment to the annual information form~~ or the amendment to the fund facts document, as applicable.

5.1.3 Certificate of the Mutual Fund — (1) Except in Ontario, a simplified prospectus of a mutual fund must be certified by the mutual fund.

[Note: In Ontario, section 58 of the Securities Act *(Ontario) imposes a similar requirement that a prospectus contain a certificate of the issuer.]*

(2) A mutual fund must certify its simplified prospectus in the form of the mutual fund certificate form.

5.1.4 Certificate of Principal Distributor — A simplified prospectus of a mutual fund must be certified by each principal distributor in the form of the principal distributor certificate form.

5.1.5 Certificate of the Manager — A simplified prospectus of a mutual fund must be certified by the manager of the mutual fund in the form of the manager certificate form.

5.1.6 Certificate of Promoter — (1) Except in Ontario, a simplified prospectus of a mutual fund must be certified by each promoter of the mutual fund.

[Note: In Ontario, subsection 58(1) of the Securities Act *(Ontario) imposes a similar requirement that a prospectus contain a certificate signed by each promoter of the issuer.]*

(2) A prospectus certificate required under this Instrument or other securities legislation to be signed by a promoter must be in the form of the promoter certificate form.

(3) Except in Ontario, the regulator may require any person or company who was a promoter of the mutual fund within the two preceding years to sign a certificate in the promoter certificate form.

[Note: In Ontario, subsection 58(6) of the Securities Act *(Ontario) provides the Director with similar discretion to require a person or company who was a promoter of the issuer within the two preceding years to sign a prospectus certificate, subject to such conditions as the Director considers proper.]*

(4) Despite subsection (3), in British Columbia, the powers of the regulator with respect to the matters described in subsection (3) are set out in the *Securities Act* (British Columbia).

(5) Except in Ontario, with the consent of the regulator, a certificate of a promoter for a simplified prospectus may be signed by an agent duly authorized in writing by the person or company required to sign the certificate.

[Note: In Ontario, subsection 58(7) of the Securities Act *(Ontario) provides the Director with similar discretion to permit the certificate to be signed by an agent of a promoter.]*

5.1.7 Certificates of Corporate Mutual Funds — (1) Except in Ontario, if the mutual fund is a company, the certificate of the mutual fund required under section 5.1.3 must be signed

(a) by the chief executive officer and the chief financial officer of the mutual fund; and

(b) on behalf of the board of directors of the mutual fund, by

(i) any two directors of the mutual fund, other than the persons referred to in paragraph (a) above, or

(ii) if the mutual fund has only three directors, two of whom are the persons referred to in paragraph (a) above, all the directors of the mutual fund.

(2) Except in Ontario, if the regulator is satisfied that either or both of the chief executive officer or chief financial officer cannot sign a certificate in a simplified prospectus, the regulator may accept a certificate signed by another officer.

[Note: In Ontario, section 58 of the Securities Act *(Ontario) imposes similar requirements regarding who must sign the issuer certificate.]*

Part 6 — Exemptions

6.1 Grant of Exemption — (1) The regulator or the securities regulatory authority may grant an exemption from the provisions of this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.

(3) Except in Alberta and Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction.

6.2 Evidence of exemption — (1) Subject to subsection (2) and without limiting the manner in which an exemption may be evidenced, the granting under this Part of an exemption from any form or content requirements relating to a simplified prospectus or fund facts document may be evidenced by the issuance of a receipt for a simplified prospectus or an amendment to a simplified prospectus. ~~(1) Subject to subsection (2) and without limiting the manner in which an exemption may be evidenced, the granting under this Part of an exemption from any form or content requirements relating to a simplified prospectus, annual information form or fund facts document, may be evidenced by the issuance of a receipt for a simplified prospectus and annual information form, or an amendment to a simplified prospectus or annual information form.~~

(2) The issuance of a receipt for a simplified prospectus or an amendment to a simplified prospectus is not evidence that the exemption has been granted unless ~~The issuance of a receipt for a simplified prospectus and annual information form or an amendment to a simplified prospectus or annual information form is not evidence that the exemption has been granted unless~~

(a) the person or company that sought the exemption sent to the regulator or securities regulatory authority a letter or memorandum describing the matters relating to the exemption and indicating why consideration should be given to the granting of the exemption:

(i) on or before the date of the filing of the preliminary or *pro forma* simplified prospectus ~~and annual information form~~;

(ii) at least 10 days before the issuance of the receipt in the case of an amendment to a simplified prospectus ~~or annual information form~~; or

(iii) after the date of the filing of the preliminary or *pro forma* simplified prospectus ~~and annual information form~~ and received a written acknowledgement from the regulator or securities regulatory authority that the exemption may be evidenced in the manner set out in subsection (1); and

(b) the regulator or securities regulatory authority has not before, or concurrently with, the issuance of the receipt sent notice to the person or company that sought the exemption, that the exemption sought may not be evidenced in the manner set out in subsection (1).

Part 7 — Effective Date

7.1 Effective Date — This Instrument comes into force on February 1, 2000.

7.2 [Repealed]

7.3 [Repealed]

7.4 Introduction of Management Reports of Fund Performance — Items 8, 11 and 13.1 of Part B of Form 81-101F1 do

not apply to a mutual fund that has filed an annual management report of fund performance as required by National Instrument 81-106 *Investment Fund Continuous Disclosure*.

Appendix A — Fund Facts Automatic Switch Program Information for Section 3.2.05

For the purposes of paragraph 3.2.05(e), "fund facts automatic switch program information" means a completed Form 81-101F3 Contents of Fund Facts Document modified as follows:

(a) the heading under item 1(c.1) of Part I includes the name of each class or series of securities of the mutual fund in the automatic switch program;

(b) the brief introduction to the fund facts document under item 1(e) of Part I includes the name of each class or series of securities of the mutual fund in the automatic switch program;

(c) item 2 of Part I includes the fund codes of each of the classes or series of securities of the mutual fund in the automatic switch program;

(d) item 2 of Part I includes, for each class or series of securities of the mutual fund in the automatic switch program, the date the securities of the class or series first became available to the public;

(e) item 2 of Part I includes the management expense ratio of only the class or series of securities of the mutual fund in the automatic switch program with the highest management fee;

(f) item 2 of Part I includes the minimum investment amount and each additional investment amount of only the class or series of securities of the mutual fund in the automatic switch program with the highest management fee;

(g) the "Quick Facts" table referred to in item 2 of Part I includes a footnote that states all of the following:

> (i) that the fund facts document pertains to all of the classes or series of securities of the mutual fund in the automatic switch program;
>
> (ii) that further details about the automatic switch program are disclosed in the "How much does it cost?" section of the fund facts document;
>
> (iii) that further details about the minimum investment amount applicable to each of the classes or series of securities of the mutual fund in the automatic switch program are disclosed in the fee decrease table under the sub-heading "Fund expenses" of the fund facts document;
>
> (iv) that the management expense ratio of each of the classes or series of securities of the mutual fund in the automatic switch program is disclosed in the "Fund expenses" section of the fund facts document;

(h) item 5(1) of Part I includes all of the following as part of the introduction:

> (i) under the heading "How has the fund performed?", the name of only the class or series of securities of the mutual fund with the highest management fees;
>
> (ii) a statement explaining that the performance for each of the classes or series of securities of the mutual fund in the automatic switch program will be similar to the performance of the class or series of securities of the mutual fund with the highest management fee, but will vary as a result of the difference in fees, as set out in the fee decrease table under the sub-heading "Fund expenses";

(i) item 5(2), (3) and (4) of Part I, under the sub-headings "Year-by-year returns," "Best and worst 3-month returns," and "Average return", includes the required performance data relating only to the class or series of securities of the mutual fund with the highest management fee;

(j) item 1(1.1) of Part II includes all of the following:

> (i) under the heading "How much does it cost?", in the introductory statement, the name of each class or series of securities of the mutual fund in the automatic switch program;
>
> (ii) as a part of the introductory statement, a summary of the automatic switch program that includes all of the following:

(A) an explanation that the automatic switch program offers separate classes or series of securities of the mutual fund that charge progressively lower management fees;

(B) an explanation of the scenarios in which the automatic switches will be made, including, for greater certainty, the scenario in which automatic switches will be made due to the purchaser no longer meeting the minimum investment amount for a particular class or series of securities of the mutual fund;

(C) a statement that a purchaser will not pay higher management fees as a result of the automatic switches than those charged to the class or series of securities of the mutual fund with the highest management fee;

(D) a statement that information about the progressively lower management fees for the classes or series of securities of the mutual fund in the automatic switch program is available in the fee decrease table under the sub-heading "Fund expenses" of the fund facts document;

(E) a statement that further details about the automatic switch program are disclosed in specific sections of the simplified prospectus of the mutual fund;

(F) a statement that purchasers should speak to their representative for more information about the automatic switch program;

(k) item 1(1.2) of Part II, under the sub-heading "Sales charges", includes the names of each class or series of securities of the mutual fund in the automatic switch program in the introduction, if applicable;

(l) if the mutual fund is not newly established, item 1(1.3)(2) of Part II includes all of the following:

(i) the management expense ratio and fund expenses of each of the classes or series of securities of the mutual fund in the automatic switch program or, if certain expense information is not available for a particular class or series of securities, the words "not available" in the corresponding part of the table;

(ii) a row in the "Annual rate" table

(A) in which the first column states "For every $1,000 invested, this equals:", and

(B) that discloses the respective equivalent dollar amounts of the fund expenses of each class or series of securities of the mutual fund in the automatic switch program included in the table for every $1,000 invested;

(m) item 1(1.3)(2) of Part II includes, at the end of the disclosure under the sub-heading "Fund expenses", all of the following:

(i) a table that includes

(A) the name of, and minimum investment amounts associated with, each class or series of securities of the mutual fund in the automatic switch program, and

(B) the combined management and administration fee decrease of each class or series of securities of the mutual fund in the automatic switch program from the management fee of the class or series of securities of the mutual fund with the highest management fee, disclosed as a percentage;

(ii) an introduction to the table referred to in subparagraph (i) stating that the table sets out the combined management and administration fee decrease of each class or series of securities of the mutual fund in the automatic switch program from the management fee of the class or series of securities of the mutual fund with the highest management fee;

(n) if all the classes or series of securities of the mutual fund in the automatic switch program are not newly established, item 1(1.3)(3) of Part II includes all of the following:

(i) a statement that the class or series of securities of the mutual fund with the highest management fee has the highest management fee among all of the classes or series of securities of the mutual fund in the

automatic switch program;

(ii) a statement above the “Annual rate” table required under item 1(1.3)(2) of Part II stating “As of [the date of the most recently-filed management report of fund performance], the fund expenses were as follows:”;

(o) if some of the classes or series of securities of the mutual fund in the automatic switch program are newly established, item 1(1.3)(3) of Part II includes all of the following:

(i) a statement that the class or series of securities of the mutual fund with the highest management fee has the highest management fee among all of the classes or series of securities of the mutual fund in the automatic switch program;

(ii) a statement disclosing that the fund expenses information is not available for certain classes or series of securities of the mutual fund in the automatic switch program because they are new;

(iii) a statement above the “Annual rate” table required under item 1(1.3)(2) of Part II stating “As of [the date of the most recently filed management report of fund performance], the fund expenses were as follows:”;

(p) if the mutual fund is newly established, item 1(1.3)(4) of Part II includes all of the following:

(i) a statement that the class or series of securities of the mutual fund with the highest management fee has the highest management fee among all of the classes or series of securities of the mutual fund in the automatic switch program;

(ii) the rate of the management fee of only the class or series of securities of the mutual fund with the highest management fee;

(iii) a statement that the operating expenses and trading costs are not yet available because the mutual fund is new.

SCHEDULE 2-B
FORM 81-101F3 *CONTENTS OF FUND FACTS DOCUMENT*

General Instructions:

General

(1) *This Form describes the disclosure required in a fund facts document for a mutual fund. Each Item of this Form outlines disclosure requirements. Instructions to help you provide this disclosure are in italic type*.

(2) *Terms defined in National Instrument 81-101 Mutual Fund Prospectus Disclosure, National Instrument 81-102 Investment Funds, National Instrument 81-105 Mutual Fund Sales Practices or National Instrument 81-106 Investment Fund Continuous Disclosure and used in this Form have the meanings that they have in those national instruments*.

(3) *A fund facts document must state the required information concisely and in plain language*.

(4) *Respond as simply and directly as is reasonably possible. Include only the information necessary for a reasonable investor to understand the fundamental and particular characteristics of the mutual fund*.

(5) *National Instrument 81-101 Mutual Fund Prospectus Disclosure requires the fund facts document to be presented in a format that assists in readability and comprehension. This Form does not mandate the use of a specific format or template to achieve these goals. However, mutual funds must use, as appropriate, tables, captions, bullet points or other organizational techniques that assist in presenting the required disclosure clearly and concisely*.

(6) *This Form does not mandate the use of a specific font size or style but the font must be legible. Where the fund facts document is made available online, information must be presented in a way that enables it to be printed in a readable format*.

(7) *A fund facts document can be produced in colour or in black and white, and in portrait or landscape orientation*.

(8) *Except as permitted by subsection (8.1), a fund facts document must contain only the information that is specifically mandated or permitted by this Form. In addition, each Item must be presented in the order and under the heading or sub-heading stipulated in this Form*.

(8.1) *A fund facts document may contain a brief explanation of a material change or a proposed fundamental change. The disclosure may be included in a textbox before Item 2 of Part I or in the most relevant section of the fund facts document. If necessary, the mutual fund may provide a cross-reference to a more detailed explanation at the end of the fund facts document*.

(9) *A fund facts document must not contain design elements (e.g., graphics, photos, artwork) that detract from the information disclosed in the document*.

Contents of a Fund Facts Document

(10) *Unless the exception in section 3.2.05(e) of National Instrument 81-101 Mutual Fund Prospectus Disclosure applies, a fund facts document must disclose information about only one class or series of securities of a mutual fund. Mutual funds that have more than one class or series that are referable to the same portfolio of assets must prepare a separate fund facts document for each class or series.*

~~(10) *A fund facts document must disclose information about only one class or series of securities of a mutual fund. Mutual funds that have more than one class or series that are referable to the same portfolio of assets must prepare a separate fund facts document for each class or series.*~~

(11) *The fund facts document must be prepared on letter-size paper and must consist of two Parts: Part I and Part II*.

(12) *The fund facts document must begin with the responses to the Items in Part I of this Form*.

(13) *Part I must be followed by the responses to the Items in Part II of this Form*.

(14) *Each of Part I and Part II must not exceed one page in length, unless the required information in any section causes the disclosure to exceed this limit. Where this is the case, a fund facts document must not exceed a total of four pages in length*.

(15) *A mutual fund must not attach or bind other documents to a fund facts document, except those documents permitted under Part 5 of National Instrument 81-101 Mutual Fund Prospectus Disclosure*.

Consolidation of Fund Facts Document into a Multiple Fund Facts Document

(16) *Fund facts documents must not be consolidated with each other to form a multiple fund facts document, except as permitted by Part 5 of National Instrument 81-101 Mutual Fund Prospectus Disclosure. When a multiple fund facts document is permitted under the Instrument, a mutual fund must provide information about each of the mutual funds described in the document on a fund-by-fund or catalogue basis and must set out for each mutual fund separately the information required by this Form. Each fund facts document must start on a new page, and may not share a page with another fund facts document*.

Multi-Class Mutual Funds

(17) *As provided in National Instrument 81-102 Investment Funds, 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 apply to National Instrument 81-101 Mutual Fund Prospectus Disclosure and this Form*.

Part I — Information about the Fund

Item 1: — Introduction

Include at the top of the first page a heading consisting of:

(a) the title “Fund Facts”;

(b) the name of the manager of the mutual fund;

(c) the name of the mutual fund to which the fund facts document pertains;

(c.1) if the mutual fund has more than one class or series of securities, the name of the class or series described in the fund facts document;

(d) the date of the document;

(e) a brief introduction to the document using wording substantially similar to the following:

> This document contains key information you should know about [insert name of the mutual fund]. You can find more details in the fund’s simplified prospectus. Ask your representative for a copy, contact [insert name of the manager of the mutual fund] at [insert if applicable the toll-free number and email address of the manager of the mutual fund] or visit [insert the mutual fund’s designated website] ~~[insert the website of the mutual fund, the mutual fund’s family or the manager of the mutual fund] [as applicable]~~;

(f) state in bold type using wording substantially similar to the following:

> Before you invest in any fund, consider how the fund would work with your other investments and your tolerance for risk; and

(g) if the fund facts document pertains to an alternative mutual fund, textbox disclosure using wording substantially similar to the following:

> This mutual fund is an alternative mutual fund. It is permitted to invest in asset classes or use investment strategies that are not permitted for other types of mutual funds.

The specific strategies that differentiate this fund from other types of mutual funds include: [*list the features of the alternative mutual fund that cause it to fall within the definition of "alternative mutual fund" in National Instrument 81-102 Investment Funds*].

[*Explain how the listed investment strategies could affect investors' risk of losing money on their investment in the alternative mutual fund*.]

INSTRUCTION:

The date for a fund facts document that is filed with a preliminary simplified prospectus or simplified prospectus must be the date of the certificate in the simplified prospectus. The date for a fund facts document that is filed with a pro forma simplified prospectus must be the date of the anticipated simplified prospectus. The date for an amended fund facts document must be the date of the certificate contained in the related amended simplified prospectus.

~~*The date for a fund facts document that is filed with a preliminary simplified prospectus or simplified prospectus must be the date of the certificate contained in the related annual information form. The date for a fund facts document that is filed with a pro forma simplified prospectus must be the date of the anticipated simplified prospectus. The date for an amended fund facts document must be the date of the certificate contained in the related amended annual information form.*~~

Item 2: — Quick Facts

Under the heading "Quick Facts", include disclosure in the form of the following table:

Fund code: (see instruction 0.1)	*Fund manager:* (see instruction 3.1)
Date [class/series] started: (see instruction 1)	*Portfolio manager:* (see instruction 4)
Total value of the fund on [date]: (see instruction 2)	*Distributions:* (see instruction 5)
Management expense ratio (MER): (see instruction 3)	*Minimum investment:* (see instruction 6)

INSTRUCTIONS:

(1) *Use the date that the securities of the class or series of the mutual fund described in the fund facts document first became available to the public*.

(0.1) *At the option of the mutual fund, include all recognized and publicly available identification codes for the class or series of the mutual fund*.

(2) *Specify the net asset value of the mutual fund as at a date within 60 days before the date of the fund facts document. The amount disclosed must take into consideration all classes or series that are referable to the same portfolio of assets. For a newly established mutual fund, simply state that this information is not available because it is a new mutual fund*.

(3) *Use the management expense ratio (MER) disclosed in the most recently filed management report of fund performance (MRFP) for the mutual fund. The MER must be net of fee waivers or absorptions and, despite section 15.1(2) of National Instrument 81-106 Investment Fund Continuous Disclosure, need not include any additional disclosure about the waivers or absorptions. For a newly established mutual fund that has not yet filed a management report of fund performance, state that the MER is not available because it is a new mutual fund*.

(3.1) *Specify the name of the manager of the mutual fund*.

(4) *Name the mutual fund's portfolio manager. The mutual fund may also name the specific individual(s) responsible for portfolio selection and if applicable, the name of the sub-advisor(s)*.

(5) *Include disclosure under this element of the "Quick Facts" only if distributions are a fundamental feature of the mutual fund. Disclose the expected frequency and timing of distributions. If there is a targeted amount for distributions, the mutual fund may include this information*.

(6) *Specify both the minimum amount for an initial investment and for each additional investment. This can include*

minimum amounts for pre-authorized contribution plans.

Item 3: — Investments of the Fund

(1) Briefly set out under the heading "What does the fund invest in?" a description of the fundamental nature of the mutual fund, or the fundamental features of the mutual fund that distinguish it from other mutual funds.

(1.1) In the case of an alternative mutual fund that uses leverage,

(a) disclose the sources of leverage, and

(b) disclose the maximum aggregate exposure to those sources of leverage the alternative mutual fund is permitted to have.

(2) 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, and

(b) briefly describe the nature of that permitted index or those permitted indices.

(3) Include an introduction to the information provided in response to subsection (4) and subsection (5) using wording similar to the following:

The charts below give you a snapshot of the fund's investments on [insert date]. The fund's investments will change.

(4) Unless the mutual fund is a newly established mutual fund, under the sub-heading "Top 10 investments [date]", include a table disclosing all of the following:

(a) the top 10 positions held by the mutual fund, each expressed as a percentage of the net asset value of the mutual fund;

(b) the percentage of net asset value of the mutual fund represented by the top 10 positions;

(c) the total number of positions held by the mutual fund.

~~(4) Include under the sub-heading "Top 10 investments [date]", a table disclosing the following:~~

~~(a) the top 10 positions held by the mutual fund, each expressed as a percentage of the net asset value of the mutual fund;~~

~~(b) the percentage of net asset value of the mutual fund represented by the top 10 positions; and~~

~~(c) the total number of positions held by the mutual fund.~~

(5) Unless the mutual fund is a newly established mutual fund, under the sub-heading "Investment mix [date]" include at least one, and up to two, charts or tables that illustrate the investment mix of the mutual fund's investment portfolio.

~~(5) Under the sub-heading "Investment mix [date]" include at least one, and up to two, charts or tables that illustrate the investment mix of the mutual fund's investment portfolio.~~

(6) For a newly established mutual fund, state the following under the sub-headings "Top 10 investments [date]" and "Investment mix [date]":

This information is not available because this fund is new.

INSTRUCTIONS:

(1) *Include in the information under "What does this fund invest in?" a description of what the mutual fund primarily invests in, or intends to primarily invest in, or that its name implies that it will primarily invest in, such as*

(a) particular types of issuers, such as foreign issuers, small capitalization issuers or issuers located in emerging market countries;

(b) particular geographic locations or industry segments; or

(c) portfolio assets other than securities.

(2) *Include a particular investment strategy only if it is an essential aspect of the mutual fund, as evidenced by the name of the mutual fund or the manner in which the mutual fund is marketed*.

(3) *If a mutual fund's stated objective is to invest primarily in Canadian securities, specify the maximum exposure to investments in foreign markets*.

(3.1) *The alternative mutual fund's aggregate exposure to the sources of leverage must be expressed as a percentage calculated in accordance with section 2.9.1 of National Instrument 81-102 Investment Funds*.

(4) *The information under "Top 10 investments" and "Investment mix" is intended to give a snapshot of the composition of the mutual fund's investment portfolio. The information required to be disclosed under these sub-headings must be as at a date within 60 days before the date of the fund facts document. The date shown must be the same as the one used in Item 2 for the total value of the mutual fund*.

(5) *If the mutual fund owns more than one class of securities of an issuer, those classes should be aggregated for the purposes of this Item, however, debt and equity securities of an issuer must not be aggregated*.

(6) *Portfolio assets other than securities should be aggregated if they have substantially similar investment risks and profiles. For instance, gold certificates should be aggregated, even if they are issued by different financial institutions*.

(7) *Treat cash and cash equivalents as one separate discrete category*.

(8) *In determining its holdings for purposes of the disclosure required by this Item, a mutual fund must, for each long position in a derivative that is held by the mutual fund for purposes other than hedging and for each index participation unit held by the mutual fund, consider that it holds directly the underlying interest of that derivative or its proportionate share of the securities held by the issuer of the index participation unit*.

(9) *If a mutual fund invests substantially all of its assets directly or indirectly (through the use of derivatives) in securities of one other mutual fund, list the 10 largest holdings of the other mutual fund and show the percentage of the other mutual fund's net asset value represented by the top 10 positions. If the mutual fund is not able to disclose this information as at a date within 60 days before the date of the fund facts document, the mutual fund must include this information as disclosed by the other mutual fund in the other mutual fund's most recently filed fund facts document, or its most recently filed management report of fund performance, whichever is most recent*.

(10) *Indicate whether any of the mutual fund's top 10 positions are short positions*.

(11) *Each investment mix chart or table must show a breakdown of the mutual fund's investment portfolio into appropriate subgroups and the percentage of the aggregate net asset value of the mutual fund constituted by each subgroup. The names of the subgroups are not prescribed and can include security type, industry segment or geographic location. The mutual fund should use the most appropriate categories given the nature of the mutual fund. The choices made must be consistent with disclosure provided under "Summary of Investment Portfolio" in the mutual fund's MRFP*.

(12) *In presenting the investment mix of the mutual fund, consider the most effective way of conveying the information to investors. All tables or charts must be clear and legible*.

(13) *For new mutual funds where the information required to be disclosed under "Top 10 investments" and "Investment mix" is not available, include the required sub-headings and provide a brief statement explaining why the required*

information is not available.

Item 4: — Risks

(1) Under the heading “How risky is it?”, state the following:

The value of the fund can go down as well as up. You could lose money.

One way to gauge risk is to look at how much a fund’s returns change over time. This is called “volatility”.

In general, funds with higher volatility will have returns that change more over time. They typically have a greater chance of losing money and may have a greater chance of higher returns. Funds with lower volatility tend to have returns that change less over time. They typically have lower returns and may have a lower chance of losing money.

(2) Under the sub-heading “Risk rating”,

(a) using the investment risk classification methodology prescribed by Appendix F *Investment Risk Classification Methodology* to National Instrument 81-102 *Investment Funds*, identify the investment risk level on the following risk scale:

Low	Low to medium	Medium	Medium to high	High

(b) unless the mutual fund is a newly established mutual fund, include an introduction to the risk scale which states the following:

[Insert name of manager of the mutual fund] has rated the volatility of this fund as [insert investment risk level identified in paragraph (a) in bold type].

This rating is based on how much the fund’s returns have changed from year to year. It doesn’t tell you how volatile the fund will be in the future. The rating can change over time. A fund with a low risk rating can still lose money.

(c) for a newly established mutual fund, include an introduction to the risk scale which states the following:

[Insert name of manager of the mutual fund] has rated the volatility of this fund as [insert investment risk level identified in paragraph (a) in bold type].

Because this is a new fund, the risk rating is only an estimate by [insert name of manager of the mutual fund]. Generally, the rating is based on how much the fund’s returns have changed from year to year. It doesn’t tell you how volatile the fund will be in the future. The rating can change over time. A fund with a low risk rating can still lose money.

(d) following the risk scale, state using wording substantially similar to the following:

For more information about the risk rating and specific risks that can affect the fund’s returns, see the [insert cross-reference to the appropriate section of the mutual fund’s simplified prospectus] section of the fund’s simplified prospectus.

(3) If the mutual fund does not have any guarantee or insurance, under the sub-heading “No guarantees”, include a statement using wording substantially similar to the following:

Like most mutual funds, this fund doesn’t have any guarantees. You may not get back the amount of money you invest.

~~(3) Under the sub-heading “No guarantees”, state using wording substantially similar to the following:~~

~~Like most mutual funds, this fund doesn’t have any guarantees. You may not get back the amount of money you~~

~~invest.~~

(4) If the mutual fund does have a guarantee or insurance feature protecting all or some of the principal amount of an investment in the mutual fund, under the sub-heading "Guarantees", disclose all of the following:

(a) the identity of the person or company providing the guarantee or insurance;

(b) a brief description of the material terms of the guarantee or insurance, including the maturity date of the guarantee or insurance.

INSTRUCTIONS:

(1) *Based upon the investment risk classification methodology prescribed by Appendix F* Investment Risk Classification Methodology *to National Instrument 81-102* Investment Funds*, as at the end of the period that ends within 60 days before the date of the fund facts document, identify where the mutual fund fits on the continuum of investment risk levels by showing the full investment risk scale set out in Item 4(2)(a) and highlighting the applicable category on the scale. Consideration should be given to ensure that the highlighted investment risk rating is easily identifiable*.

Item 5: — Past Performance

(1) Unless the mutual fund is a newly established mutual fund, under the heading "How has the fund performed?", include an introduction using wording substantially similar to the following:

This section tells you how [name of class/series of securities described in the fund facts document] [units/shares] of the fund have performed over the past [insert number of calendar years shown in the bar chart required under paragraph (2)(a)] years. Returns are after expenses have been deducted. These expenses reduce the fund's returns.

~~(1) Under the heading "How has the fund performed?", include an introduction using wording substantially similar to the following:~~

~~This section tells you how [name of class/series of securities described in the fund facts document] [units/shares] of the fund have performed over the past [insert number of calendar years shown in the bar chart required under paragraph (2)(a)] years. Returns are after expenses have been deducted. These expenses reduce the fund's returns.~~

(1.1) For a newly established mutual fund, under the heading "How has the fund performed?", include an introduction using the following wording:

This section tells you how [name of class/series of securities described in the fund facts document] [units/shares] of the fund have performed. However, this information is not available because the fund is new.

(2) Under the sub-heading "Year-by-year returns",

(a) for a mutual fund that has completed at least one calendar year, include all of the following:

(i) a bar chart that shows the annual total return of the mutual fund, in chronological order with the most recent year on the right of the bar chart, for the lesser of

(A) each of the 10 most recently completed calendar years, and

(B) each of the completed calendar years in which the mutual fund has been in existence and which the mutual fund was a reporting issuer;

(ii) an introduction to the bar chart using wording substantially similar to the following:

This chart shows how [name of class/series of securities described in the fund facts document] [units/shares] of the fund performed in each of the past [insert number of calendar years shown in the bar chart required under paragraph (a)]. The fund dropped in value in [for the particular years shown in the bar chart required under paragraph (a),

insert the number of years in which the value of the mutual fund dropped] of the [insert number of calendar years shown in the bar chart required in paragraph (a)] years. The range of returns and change from year to year can help you assess how risky the fund has been in the past. It does not tell you how the fund will perform in the future.

(b) for a mutual fund that has not yet completed a calendar year, state the following:

This section tells you how [name of class/series of securities described in the fund facts document] [units/shares] of the fund have performed in past calendar years. However, this information is not available because the fund has not yet completed a calendar year.

(c) for a newly established mutual fund, state the following:

This section tells you how [name of class/series of securities described in the fund facts document] [units/shares] of the fund have performed in past calendar years. However, this information is not available because the fund is new.

~~(2) Under the sub-heading "Year-by-year returns",~~

~~(a) provide a bar chart that shows the annual total return of the mutual fund, in chronological order with the most recent year on the right of the bar chart, for the lesser of~~

~~(i) each of the 10 most recently completed calendar years, and~~

~~(ii) each of the completed calendar years in which the mutual fund has been in existence and which the mutual fund was a reporting issuer; and~~

~~(b) include an introduction to the bar chart using wording substantially similar to the following:~~

~~This chart shows how [name of class/series of securities described in the fund facts document] [units/shares] of the fund performed in each of the past [insert number of calendar years shown in the bar chart required under paragraph (a)]. The fund dropped in value in [for the particular years shown in the bar chart required under paragraph (a), insert the number of years in which the value of the mutual fund dropped] of the [insert number of calendar years shown in the bar chart required in paragraph (a)] years. The range of returns and change from year to year can help you assess how risky the fund has been in the past. It does not tell you how the fund will perform in the future.~~

(3) Under the sub-heading "Best and worst 3-month returns",

(a) for a mutual fund that has completed at least one calendar year, include all of the following:

(i) information for the period covered in the bar chart required under paragraph (2)(a) in the form of the following table:

	Return	**3 months ending**	**If you invested $1,000 at the beginning of the period**
Best return	(see instruction 8)	(see instruction 10)	Your investment would [rise/drop] to (see instruction 12).
Worst return	(see instruction 9)	(see instruction 11)	Your investment would [rise/drop] to (see instruction 13).

(ii) an introduction to the table using wording substantially similar to the following:

This table shows the best and worst returns for the [name of class/series of securities described in the fund facts document] [units/shares] of the fund in a 3-month period over the past [insert number of calendar years shown in the bar chart required under paragraph (2)(a)]. The best and worst 3-month returns could be higher or lower in the future. Consider how much of a loss you could afford to take in a short period of time.

(b) for a mutual fund that has not yet completed a calendar year, state the following:

This section shows the best and worst returns for the [name of class/series of securities described in the fund facts document] [units/shares] of the fund in a 3-month period. However, this information is not available because the fund has not yet completed a calendar year.

(c) for a newly established mutual fund, state the following:

This section shows the best and worst returns for the [name of class/series of securities described in the fund facts document] [units/shares] of the fund in a 3-month period. However, this information is not available because the fund is new.

~~(3) Under the sub-heading "Best and worst 3-month returns",~~

~~(a) provide information for the period covered in the bar chart required under paragraph (2)(a) in the form of the following table:~~

	~~Return~~	~~3 months ending~~	~~If you invested $1,000 at the beginning of the period~~
~~Best return~~	~~(see instruction 8)~~	~~(see instruction 10)~~	~~Your investment would [rise/drop] to (see instruction 12).~~
~~Worst return~~	~~(see instruction 9)~~	~~(see instruction 11)~~	~~Your investment would [rise/drop] to (see instruction 13).~~

~~(b) include an introduction to the table using wording substantially similar to the following:~~

~~This table shows the best and worst returns for the [name of class/series of securities described in the fund facts document] [units/shares] of the fund in a 3-month period over the past [insert number of calendar years shown in the bar chart required under paragraph (2)(a)]. The best and worst 3-month returns could be higher or lower in the future. Consider how much of a loss you could afford to take in a short period of time.~~

(4) Under the sub-heading "Average return",

(a) for a mutual fund that has completed at least 12 consecutive months, include all of the following:

(i) the final value of a hypothetical $1000 investment in the mutual fund as at the end of the period that ends within 60 days before the date of the fund facts document and consists of the lesser of

(A) 10 years, and

(B) the time since inception of the mutual fund;

(ii) the annual compounded rate of return that equates the hypothetical $1000 investment to the final value.

(b) for a mutual fund that has not yet completed 12 consecutive months, state the following:

This section shows the value and annual compounded rate of return of a hypothetical $1,000 investment in [name of class/series of securities described in the fund facts document] [units/shares] of the fund. However, this information is not available because the fund has not yet completed 12 consecutive months.

(c) for a newly established mutual fund, state the following:

This section shows the value and annual compounded rate of return of a hypothetical $1,000 investment in [name of class/series of securities described in the fund facts document] [units/shares] of the fund. However, this information is not available because the fund is new.

~~(4) Under the sub-heading "Average return", show the following:~~

~~(a) the final value of a hypothetical $1000 investment in the mutual fund as at the end of the period that ends within 60 days before the date of the fund facts document and consists of the lesser of~~

~~(i) 10 years, or~~

~~(ii) the time since inception of the mutual fund;~~

~~(b) the annual compounded rate of return that equates the hypothetical $1000 investment to the final value.~~

INSTRUCTIONS

(1) In responding to the requirements of this Item, a mutual fund must comply with the relevant sections of Part 15 of National Instrument 81-102 Investment Funds as if those sections applied to a fund facts document.

(2) Use a linear scale for each axis of the bar chart required by this Item.

(3) The x-axis and y-axis for the bar chart required by this Item must intersect at zero.

(4) A mutual fund that distributes different classes or series of securities that are referable to the same portfolio of assets must show performance data related only to the specific class or series of securities being described in the fund facts document.

(5) [Repealed] ~~*If the information required to be disclosed under this Item is not reasonably available, include the required sub-headings and provide a brief statement explaining why the required information is not available. Information relating to year-by-year returns in the bar chart will generally not be available for a mutual fund that has been distributing securities under a simplified prospectus for less than one calendar year. Information under "Best and worst 3-month returns" and "Average return" will generally not be available for a mutual fund that has been distributing securities under a simplified prospectus for less than 12 consecutive months.*~~

(6) The dollar amounts shown under this Item may be rounded up to the nearest dollar.

(7) The percentage amounts shown under this Item may be rounded to one decimal place.

(8) Show the best rolling 3-month return as at the end of the period that ends within 60 days before the date of the fund facts document.

(9) Show the worst rolling 3-month return as at the end of the period that ends within 60 days before the date of the fund facts document.

(10) Insert the end date for the best 3-month return period.

(11) Insert the end date for the worst 3-month return period.

(12) Insert the final value that would equate with a hypothetical $1000 investment for the best 3-month return period shown in the table.

(13) Insert the final value that would equate with a hypothetical $1000 investment for the worst 3-month return period shown in the table.

Item 6:

[Repealed]

Item 7: — Suitability

(1) Provide a brief statement of the suitability of the mutual fund for particular investors under the heading "Who is this fund for?". Describe the characteristics of the investor for whom the mutual fund may or may not be an appropriate

investment, and the portfolios for which the mutual fund is and is not suited.

INSTRUCTION:

If the mutual fund is particularly unsuitable for certain types of investors or for certain types of investment portfolios, emphasize this aspect of the mutual fund. Disclose both the types of investors who should not invest in the mutual fund, with regard to investments on both a short- and long-term basis, and the types of portfolios that should not invest in the mutual fund. If the mutual fund is particularly suitable for investors who have particular investment objectives, this can also be disclosed.

Item 8: — Impact of Income Taxes on Investor Returns

Under the heading "A word about tax" provide a brief explanation of the income tax consequences for investors using wording similar to the following:

In general, you'll have to pay income tax on any money you make on a fund. How much you pay depends on the tax laws where you live and whether or not you hold the fund in a registered plan such as a Registered Retirement Savings Plan, or a Tax-Free Savings Account.

Keep in mind that if you hold your fund in a non-registered account, fund distributions are included in your taxable income, whether you get them in cash or have them reinvested.

Part II — Costs, Rights and Other Information

Item 1: — Costs of Buying, Owning and Selling the Fund

1.1 — Introduction

Under the heading "How much does it cost?", state the following:

The following tables show the fees and expenses you could pay to buy, own and sell [name of the class/series of securities described in the fund facts document] [units/shares] of the fund. The fees and expenses — including any commissions — can vary among [classes/series] of a fund and among funds. Higher commissions can influence representatives to recommend one investment over another. Ask about other funds and investments that may be suitable for you at a lower cost.

1.2 — Illustrations of Different Sales Charge Options

(1) For a mutual fund with multiple sales charge options, include an introduction under the sub-heading "Sales charges" using wording similar to the following:

> You have to choose a sales charge option when you buy the fund. Ask about the pros and cons of each option.

(2) Provide information about the sales charges payable by an investor under the available sales charge options in the form of the following table:

Sales charge option —	**What you pay**		**How it works**
	in per cent (%)	**in dollars ($)**	
(see instruction 1)	(see instruction 2)	*(see instruction 3)*	(see instruction 4)

(3) If the mutual fund has only one sales charge option, replace the introductory statement required in paragraph (1) above with a statement highlighting the sales charge option applicable to the mutual fund.

(4) If the mutual fund does not have any sales charges, replace the introductory statement and the table required in paragraph (1) and paragraph (2) above with a general statement explaining that no sales charges apply.

INSTRUCTIONS:

(1) *The mutual fund must disclose all sales charge options (e.g., initial sales charge, deferred sales charge) that apply to the class or series being described in the fund facts document. It is not necessary to disclose sales charge options that do not apply to the series or class to which the fund facts document relates*.

(2) *Specify each sales charge option as a percentage. For an initial sales charge, include a range for the amount that can be charged, if applicable. For a deferred sales charge, provide the full sales charge schedule*.

(3) *Specify each sales charge option in dollar terms. For an initial sales charge, include a range for the amount that can be charged on every $1,000 investment, if applicable. For a deferred sales charge, include a range for the amount that can be charged on every $1,000 redemption*.

(4) *Provide a brief overview of the key elements of how each sales charge option works including:*

- *whether the amount payable is negotiable;*
- *whether the amount payable is deducted from the amount paid at the time of purchase or from the amount received at the time of sale;*
- *who pays and who receives the amount payable under each sales charge option*.

In the case of a deferred sales charge, the disclosure must also briefly state:

- *any amount payable as an upfront sales commission;*
- *who pays and who receives the amount payable as the upfront sales commission;*
- *any free redemption amount and key details about how it works;*
- *whether switches can be made without incurring a sales charge; and*
- *how the amount paid by an investor at the time of a redemption of securities is calculated, for example, whether it is based on the net asset value of those securities at the time of redemption or another time*.

1.3 — Fund expenses

(1) Under the sub-heading “Fund expenses” include an introduction using wording similar to the following:

> You don’t pay these expenses directly. They affect you because they reduce the fund’s returns.

(2) Unless the mutual fund has not yet filed a management report of fund performance, provide information about the expenses of the mutual fund in the form of the following table:

	Annual rate (as a % of the fund’s value)
Management expense ratio (MER) This is the total of the fund’s management fee (including the trailing commission) and operating expenses. (see instruction 1)	(see instruction 2)
Trading expense ratio (TER) These are the fund’s trading costs.	(see instruction 3)
Fund expenses	(see instruction 4)

(3) Unless the mutual fund has not yet filed a management report of fund performance, above the table required under subsection (2), include a statement using wording similar to the following:

> As of [see instruction 5], the fund’s expenses were [insert amount included in table required under subsection

(2)]% of its value. This equals $[see instruction 6] for every $1,000 invested.

(4) For a mutual fund that has not yet filed a management report of fund performance, state the following:

> The fund's expenses are made up of the management fee, operating expenses and trading costs. The [class'/series'] annual management fee is [see instruction 7]% of the [class'/series'] value. Because this [class/series] is new, operating expenses and trading costs are not yet available.

(5) If the mutual fund pays an incentive fee that is determined by the performance of the mutual fund, provide a brief statement disclosing the amount of the fee and the circumstances in which the mutual fund will pay it.

(6) Under the sub-heading "More about the trailing commission", state whether the manager of the mutual fund or another member of the mutual fund's organization pays trailing commissions. If trailing commissions are paid, include a description using wording substantially similar to the following:

> The trailing commission is an ongoing commission. It is paid for as long as you own the fund. It is for the services and advice that your representative and their firm provide to you.
>
> [Insert name of fund manager] pays the trailing commission to your representative's firm. It is paid from the fund's management fee and is based on the value of your investment. The rate depends on the sales charge option you choose.

(7) If applicable, disclose the range of the rates of the trailing commission for each sales charge option disclosed under Item 1.2.

INSTRUCTIONS:

(1) *If any fees or expenses otherwise payable by the mutual fund were waived or otherwise absorbed by a member of the organization of the mutual fund, despite section 15.1(2) of National Instrument 81-106 Investment Fund Continuous Disclosure, only include a statement in substantially the following words:*

> *[Insert name of the manager of the mutual fund] waived some of the fund's expenses. If it had not done so, the MER would have been higher*.

(2) *Use the same MER that is disclosed in Item 2 of Part I of this Form*.

(2.1) *If applicable, include a reference to any fixed administration fees in the management expense ratio description required in the table under Item 1.3(2)*.

(3) *Use the trading expense ratio disclosed in the most recently filed management report of fund performance (MRFP) for the mutual fund*.

(4) *The amount included for fund expenses is the amount arrived at by adding the MER and the trading expense ratio. Use a bold font or other formatting to indicate that fund expenses is the total of all ongoing expenses set out in the chart and is not a separate expense charged to the fund*.

(5) *Insert the date of the most recently filed management report of fund performance*.

(6) *Insert the equivalent dollar amount of the ongoing expenses of the fund for each $1,000 investment*.

(7) *The percentage disclosed for the management fee must correspond to the percentage shown in the fee table in the simplified prospectus*.

(7.1) *For a mutual fund that is required to include the disclosure under subsection (4), in the description of the items that make up fund fees, include a reference to any fixed administrative fees, if applicable. Also disclose the amount of the fixed administration fee in the same manner as required for the management fee. The percentage disclosed for the fixed administration fee must correspond to the percentage shown in the fee table in the simplified prospectus*.

(8) *In disclosing the range of rates of trailing commissions for each sales charge option, show both the percentage amount and the equivalent dollar amount for each $1000 investment*.

1.4 — Other Fees

(1) Under the sub-heading "Other fees", provide an introduction using wording substantially similar to the following:

> You may have to pay other fees when you buy, hold, sell or switch [units/shares] of the fund.

(2) Provide information about the amount of fees, other than sales charges, payable by an investor when they buy, hold, sell or switch units or shares of the mutual fund, substantially in the form of the following table:

Fee — (see instruction 1)	**What you pay** (see instruction 2)

INSTRUCTIONS:

(1) *Under this Item, it is necessary to include only those fees that apply to the particular class or series of securities of the mutual fund. Examples include management fees and administration fees payable directly by investors, short-term trading fees, switch fees and change fees. This also includes any requirement for an investor to participate in a fee-based arrangement with their dealer in order to be eligible to purchase the particular class or series of securities of the mutual fund. If there are no other fees associated with buying, holding, selling or switching units or shares of the mutual fund, replace the table with a statement to that effect*.

(2) *Provide a brief description of each fee disclosing the amount to be paid as a percentage (or, if applicable, a fixed dollar amount) and state who charges the fee. If the amount of the fee varies so that specific disclosure of the amount of the fee cannot be disclosed include, where possible, the highest possible rate or range for that fee*.

Item 2: — Statement of Rights

Under the heading "What if I change my mind?", state using wording substantially similar to the following:

Under securities law in some provinces and territories, you have the right to:

- withdraw from an agreement to buy mutual funds within two business days after you receive a simplified prospectus or Fund Facts document, or

- cancel your purchase within 48 hours after you receive confirmation of the purchase.

In some provinces and territories, you also have the right to cancel a purchase, or in some jurisdictions, claim damages, if the simplified prospectus, ~~annual information form,~~ Fund Facts document or financial statements contain a misrepresentation. You must act within the time limit set by the securities law in your province or territory.

For more information, see the securities law of your province or territory or ask a lawyer.

Item 3: — More Information About the Fund

(1) Under the heading "For more information", state using wording substantially similar to the following:

> Contact [insert name of the manager of the mutual fund] or your representative for a copy of the fund's simplified prospectus and other disclosure documents. These documents and the Fund Facts make up the fund's legal documents.

(2) State the name, address and toll-free telephone number of the manager of the mutual fund. If applicable, also state the e-mail address and website of the manager of the mutual fund.

(3) State using wording substantially similar to the following:

> To learn more about investing in mutual funds, see the brochure *Understanding mutual funds*, which is available on the website of the Canadian Securities Administrators at www.securities-administrators.ca.

SCHEDULE 2-C
COMPANION POLICY 81-101 *MUTUAL FUND PROPSECTUS DISCLOSURE*

Table of Contents

Part 1 — Purpose of the Companion Policy

1.1 Purpose of the Companion Policy — The purpose of this Companion Policy is to state the views of the Canadian Securities Administrators (CSA or we) on various matters relating to the Instrument, including,

(a) a discussion of the general approach taken by the CSA in, and the general regulatory purpose for, the Instrument;

(b) explanation and discussion of various parts of the Instrument; and

(c) examples of some matters described in the Instrument.

Part 2 — Purpose and General Approach of the Instrument

2.1 Purpose of the Instrument — (1) The purpose of the Instrument is to ensure that the offering disclosure regime for mutual funds provides investors with disclosure documents that clearly and concisely state information that investors should consider in connection with an investment decision about the mutual fund, while recognizing that different investors have differing needs in receiving disclosure.

(2) The disclosure regime for mutual funds is built on two main principles:

- providing investors with key information about a mutual fund; and
- providing the information in a simple, accessible and comparable format.

(3) We use the following approaches in the Instrument to achieve the principles referred to in subsection (2):

1. The Instrument has been designed so that fund companies prepare offering disclosure documents that investors would find helpful in making investment decisions.

2. The Instrument contemplates the use of two disclosure documents ~~three disclosure documents~~ by a mutual fund:

- a simplified prospectus; and
- ~~an annual information form; and~~
- a summary document called the ‘fund facts’, which contains key information about a mutual fund.

Together with the financial statements, the management reports of fund performance and other documents incorporated by reference, these documents contain full, true and plain disclosure about the mutual fund.

3. Subsection 4.1(1) of the Instrument requires that the simplified prospectus~~, annual information form~~ and fund facts document be prepared using plain language and in a format that assists in readability and comprehension. The Instrument and related forms provide detailed requirements on the content and format of these documents.

(4) Mutual funds, managers and participants in the mutual fund industry should prepare disclosure documents and carry out delivery in a manner that is consistent with the spirit and intent of the Instrument.

2.1.1 Fund Facts Document — (1) The Instrument requires that the fund facts document be in plain language, be no longer than 4 pages in length, and highlight key information important to investors, including performance, risk and cost. The fund facts document is incorporated by reference into the simplified prospectus.

(2) The Instrument and Form 81-101F3 set out detailed requirements on the content and format of a fund facts document, while allowing some flexibility to accommodate different kinds of mutual funds. The requirements are designed to ensure that the information in a fund facts document of a mutual fund is clear, concise, understandable and easily comparable with information in the fund facts document of other mutual funds.

(3) To help write the fund facts document in plain language, mutual fund companies can use the Flesch-Kincaid methodology to assess the readability of a fund facts document. The Flesch-Kincaid grade level scale is a methodology that rates the readability of a text to a corresponding grade level and can be determined by the use of Flesch-Kincaid tests built into commonly used word processing programs. The CSA will generally consider a grade level of 6.0 or less on the Flesch-Kincaid grade level scale to indicate that a fund facts document is written in plain language. For French-language documents, mutual fund companies may wish to consider using other appropriate readability tools.

(4) The Instrument requires delivery of the fund facts document, which satisfies the prospectus delivery requirements under applicable securities legislation. The CSA also encourages the use and distribution of the fund facts document as a key part of the sales process in helping to inform investors about mutual funds they are considering for investment.

(5) [Repealed]

2.2 Simplified Prospectus — (1) A simplified prospectus is the prospectus for the purposes of securities legislation. While the Instrument requires delivery of a fund facts document to an investor in connection with a purchase, an investor may also request delivery a copy of the simplified prospectus, or any other documents incorporated by reference into the simplified prospectus.

(2) The Instrument and Form 81-101F1 set out detailed requirements on the content and format of a simplified prospectus. The requirements enable the information about a mutual fund to be clear, concise, understandable, well-organized and to easily compare one mutual fund with another.

(3) A person granted an exemption from a requirement in Form 81-101F1 or Form 81-101F2 prior to January 6, 2022, is exempt, after January 5, 2022, from any substantially similar requirement in Form 81-101F1.

(4) A person granted an exemption from a requirement in securities legislation prior to January 6, 2022 on the condition that certain disclosure be provided in an annual information form prepared in accordance with Form 81-101F2, may, after January 5, 2022, provide such disclosure in a simplified prospectus prepared in accordance with Form 81-101F1.

2.3 [Repealed] ~~Annual Information Form — (1) The Instrument requires that a supplemental disclosure document, the annual information form, be provided to any person on request. The annual information form is incorporated by reference into the simplified prospectus.~~

~~(2) Information contained in the related simplified prospectus will generally not be repeated in an annual information form except as necessary to make the annual information form comprehensible as an independent document. In general, an annual information form is intended to provide disclosure about different matters than those discussed in the fund facts document and simplified prospectus, such as information concerning the internal operations of the manager of the mutual fund, which may be of assistance or interest to some investors.~~

~~(3) The Instrument and Form 81-101F2 allow for more flexibility in the preparation of an annual information form than is the case with a simplified prospectus and fund facts document. The requirements for the order of disclosing information are less stringent for an annual information form than for a fund facts document or a simplified prospectus. An annual information form may include information not specifically required by Form 81-101F2.~~

2.4 Financial Statements and Management Reports of Fund Performance — The Instrument requires that the mutual fund's most recently audited financial statements, any interim financial reports filed after those audited statements, the mutual fund's most recently filed annual management report of fund performance and any interim management report of fund performance filed after that annual management report be provided upon request to any person or company requesting them. Like the fund facts document ~~and the annual information form~~, these financial statements and management reports of fund performance are incorporated by reference into the simplified prospectus. The result is that future filings of these documents will be incorporated by reference into the simplified prospectus, while superseding

the financial statements and management reports of fund performance previously filed.

2.5 Filing and Delivery of Documents — (1) Section 2.3 of the Instrument distinguishes between documents that are required by securities legislation to be "filed" with the securities regulatory authority or regulator and those that must be "delivered" or "sent" to the securities regulatory authority or regulator. Documents that are "filed" are on the public record. Documents that are "delivered" or "sent" are not necessarily on the public record. All documents required to be filed under the Instrument must be filed in accordance with National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)*.

(2) Section 1.1 of the Instrument defines "business day" as any day other than a Saturday, Sunday or a statutory holiday. In some cases, a statutory holiday may only be a statutory holiday in one jurisdiction. The definition of business day should be applied in each local jurisdiction in which a prospectus is being filed. For example, section 5.1.2 of the Instrument states that the date of the certificate in a simplified prospectus must be within 3 business days before the filing of the simplified prospectus. The certificates in the simplified prospectus are dated Day 1. Day 2 is a statutory holiday in Québec but not in Alberta. If the simplified prospectus is filed in both Alberta and Québec, it must be filed no later than Day 4 in order to comply with the requirement in section 5.1.2 of the Instrument, despite the fact that Day 2 was not a business day in Québec. If the simplified prospectus is filed only in Québec, it could be filed on Day 5.

2.5.1 Personal Information Forms — (1) If mutual funds are relying upon a previously delivered personal information form or predecessor personal information form, mutual funds are reminded that the responses to certain questions in the form must still be correct. Accordingly, in order to meet these requirements mutual funds should obtain appropriate confirmations from the individual concerned.

(2) Paragraphs 2.3(1.1)(c) and 2.3(2.1)(c) of the Instrument require that in certain circumstances a mutual fund deliver a copy of a previously delivered personal information form, or "alternative information that is satisfactory to the regulator". Our interpretation of what would potentially be alternative information that is satisfactory to the regulator is, with respect to the previous delivery of an individual's personal information form, the System for Electronic Document Analysis and Retrieval (SEDAR) project number and name of issuer. In most cases this information will be sufficient. Staff will contact mutual funds in cases where it is not. Mutual funds wishing to proceed in this manner should provide the information in the cover letter for the preliminary or pro forma simplified prospectus.

(3) If a mutual fund is delivering a copy of a previously delivered personal information form pursuant to paragraphs 2.3(1.1)(c) and 2.3(2.1)(c) of the instrument, the mutual fund should deliver it as a personal information form on SEDAR, in the same way that a new personal information form would be delivered.

2.6 Supporting Documents — (1) [Repealed]

(2) Subsection 2.3(6) of the Instrument permits certain material contracts to be filed with certain commercial or financial information deleted in order to keep this information confidential. For example, specific fees and expenses and non-competition clauses could be kept confidential under this provision. In these cases, the benefits of disclosing the information to the public are outweighed by the potentially adverse consequences to mutual fund managers and portfolio advisers. However, the basic terms of these agreements must be included in the contracts that are filed, such as provisions relating to the term and termination of the agreements and the rights and responsibilities of the parties to the agreements.

2.7 Amendments — (1) Subsection 2.3(5.1) of the Instrument requires an amendment to a simplified prospectus to be filed whenever an amendment to a fund facts document is filed. If the substance of the amendment to the fund facts document would not require a change to the text of the simplified prospectus, the amendment to the simplified prospectus would consist only of the certificate page referring to the mutual fund to which the amendment to the fund facts document pertains. ~~(1) Paragraph 2.1(1)(d) of the Instrument requires an amendment to an annual information form to be filed whenever an amendment to a simplified prospectus is filed. Similarly, subsection 2.3(5.1) of the Instrument requires an amendment to an annual information form to be filed whenever an amendment to a fund facts document is filed. If the substance of the amendment to the fund facts document or to the simplified prospectus would not require a change to the text of the annual information form, the amendment to the annual information form would consist only of the certificate page referring to the mutual fund to which the amendment to the fund facts document or the simplified prospectus pertains.~~

(2.1) General Instruction (8.1) of Form 81-101F3 permits a mutual fund to disclose a material change and proposed fundamental change, such as a proposed merger, in an amended and restated fund facts document. We would permit flexibility in selecting the appropriate section of the amended and restated fund facts document to describe the material

change or proposed fundamental change. However, we also expect that the variable sections of the fund facts document, such as the Top 10 investments and investment mix, to be updated within 60 days before the date of the fund facts document. In addition, if a mutual fund completes a calendar year or files a management report of fund performance prior to the filing of the amended and restated fund facts document, we expect the fund facts document to reflect the updated information.

(2) Paragraph 2.1(1)(e) of the Instrument requires a mutual fund to file an amendment to a fund facts document when a material change to the mutual fund occurs that requires a change to the disclosure in the fund facts document. This mirrors the requirement in paragraph 11.2(1)(d) of National Instrument 81-106 Investment Fund Continuous Disclosure. We would not generally consider changes to the top 10 investments, investment mix or year-by-year returns of the mutual fund to be material changes. We would generally consider changes to the mutual fund's investment objective to be material changes under securities legislation.

(3) A commercial copy of an amended and restated simplified prospectus ~~and annual information form~~ can be created by reprinting the entire document or by putting stickers on an existing document that provide the new text created by the amendment. If stickers are used, one sticker will be required for the substance of the amendments and a separate sticker will be required for the cover page of the document that describes the type and date of the document, as applicable.

(4) Subsection 2.2(4) of the Instrument requires that any amendment to a fund facts document can only take the form of an amended and restated fund facts document. Accordingly, the commercial copy of an amended and restated fund facts document can only be created by reprinting the entire document.

(5) The requirements in section 2.2 of the Instrument apply to an amendment to a full simplified prospectus and to an amendment only to a Part A or Part B section of a simplified prospectus in cases where the Part A and Part B sections are bound separately. Section 2.2 of the Instrument requires amendments to various parts of a multiple SP to be evidenced as follows:

1. Multiple SP with Part A and the Part B sections bound together. An amendment to either or both of the Part A or Part B sections could be in the form of a free standing amending instrument that would be delivered to investors with the rest of the multiple SP. The amending instrument would be identified, in accordance with subsection 2.2(3) of the Instrument, as "Amendment No. [insert number], dated [date of amendment] to the simplified prospectus document for the [name of funds] dated [date of original document]". Or, the amendment could be in the form of a restated and amended multiple SP document, identified as such in accordance with subsection 2.2(3).

2. Multiple SP with Part A and the Part B sections bound separately. If there is an amendment to the Part A section of the document but not to a Part B section, the amendment could be in the form of an amending document or an amended and restated Part A document. An amending document could be identified as "Amendment No. [insert number], dated [date of amendment], to the Part A section of the simplified prospectuses of the [name of funds] dated [original date of multiple SP]", and the amended and restated Part A document could be identified as "Amended and Restated Simplified Prospectuses dated [date of amendment] of the [name of funds], amending and restating the Simplified Prospectuses dated [original date of document].".

3. In the circumstances described in paragraph 2 above, no amendment is required to be made to the Part B sections of the multiple SP. The footer that is required by Item 1 of Part B of Form 81-101F1 to be on the bottom of each page of a Part B section will continue to show the date of the original Part A document. For this reason, the amended Part A document must be identified in a way that shows the date of the amendments and the original date of the document so that investors know that it relates to the corresponding Part B sections.

4. If there is an amendment to a Part B section of a multiple SP with Part A and Part B sections bound separately the amendment must be made by way of an amended and restated Part B document, whether or not an amendment is being made to the Part A section. If no amendment to the Part A section is being made, no amendment is required to the Part A document. The amended and restated Part B document will include a statement in the footer required by Item 1 of Part B of Form 81-101F1 that identifies the document as a document that amends and restates the original Part B document.

(6) Subsection 2.2(4) of the Instrument requires an amendment to a fund facts document to be in the form of an amended and restated fund facts document. An amended fund facts document does not have to be otherwise identified, except for the date of the amendment.

(7) An amendment to a prospectus of a mutual fund, even if it amends and restates the prospectus, does not change the date under Canadian securities legislation by which the mutual fund must renew the prospectus. That date, which is commonly referred to as the "lapse date" for the prospectus, remains that date established under securities legislation. An amendment to a fund facts document will also not change the lapse date for a prospectus.

(8) Securities legislation says that a person or company must not distribute securities, unless a preliminary prospectus and a prospectus have been filed and receipts have been issued by the securities regulatory authority or regulator. This requirement also applies to mutual funds. If a mutual fund adds a new class or series of securities to a simplified prospectus that is referable to a new separate portfolio of assets, a preliminary simplified prospectus must be filed, together with a ~~preliminary annual information form and~~ preliminary fund facts document. However, if the new class or series of securities is referable to an existing portfolio of assets, the new class or series may be added by an amendment to the simplified prospectus. In this case, a preliminary fund facts document for the new class or series must still be filed, as set out in subparagraph 2.1(1)(d)(iii) of the Instrument.

2.8 Websites — Section 2.3.1 of the Instrument requires a mutual fund to post its fund facts document on its designated website ~~to the website of the mutual fund, the mutual fund's family or the manager of the mutual fund, as applicable~~. A fund facts document should remain on the designated website ~~website~~ at least until the next fund facts document for the mutual fund is posted. A fund facts document must be displayed in an easily visible and accessible location on the designated website ~~website~~. It should also be presented in a format that is convenient for both reading online and printing on paper.

Part 3 — Plain Language and Presentation

3.1 Plain Language — Subsection 4.1(1) of the Instrument requires that a simplified prospectus~~, annual information form~~ and fund facts document be written in plain language. The reason for using "plain language" is to communicate in a way that the audience could immediately understand what you tell them. The plain language approach focuses on the needs and abilities of the audience to ensure that the content of a communication is relevant, the organization of the information is logical, the language is appropriate and the presentation is visually appealing.

Mutual funds should consider the following plain language techniques in preparing their documents:

- Organize the document into clear, concise sections, paragraphs and sentences.
- Use:
    - common everyday words
    - technical, legal and business terms only when unavoidable and provide clear and concise explanations for them
    - the active voice
    - short sentences and paragraphs
    - a conversational and personal tone
    - examples and illustrations to explain abstract concepts.
- Avoid:
    - superfluous words
    - unnecessary technical, legal and business jargon
    - vague boilerplate wording

• glossaries and defined terms unless they aid in understanding the disclosure

• abstractions by using more concrete terms or examples

• excessive detail

• multiple negatives.

3.2 Presentation — (1) Subsection 4.1(1) requires that a simplified prospectus and fund facts document be presented in a format that assists in readability and comprehension. The Instrument and related forms also set out certain aspects of a simplified prospectus and fund facts document that must be presented in a required format, requiring some information to be presented in the form of tables, charts or diagrams. Within these requirements, mutual funds have flexibility in the format used for simplified prospectuses and fund facts documents. ~~Subsection 4.1(1) of the Instrument requires that a simplified prospectus, annual information form and fund facts document be presented in a format that assists in readability and comprehension. The Instrument and related forms also set out certain aspects of a simplified prospectus, annual information form and fund facts document that must be presented in a required format, requiring some information to be presented in the form of tables, charts or diagrams. Within these requirements, mutual funds have flexibility in the format used for simplified prospectuses, annual information forms and fund facts documents.~~

The formatting of documents can contribute substantially to the ease with which the document can be read and understood. Mutual funds should consider using the following formatting ideas when preparing their documents:

• reasonably-sized, easy-to-read typefaces

• headings that are clearly differentiated from the body text

• bulleted or numbered lists

• margins, boxes or shading to highlight information or for supplementary information

• tables, graphs and diagrams for complex information

• “question and answer” format to organize information

• sufficient white space on each page

• images, colour, lines and other graphical elements

• avoiding the use of upper-case, bold, italic or underlining in blocks of text

• avoiding full-justified margins.

(2) We think documents would be easier to read and understand with the use of the design features set out in subsection (1). The use of logos and pictures that accurately depict aspects of the mutual fund industry, the mutual fund or mutual fund family or products and services offered by the mutual fund family may also aid in comprehension and readability. However we think that an excessive use or crowding of design features might make the documents more difficult to read or understand.

(3) On occasion, we have seen amendments to simplified prospectuses prepared in highly legal and technical styles. For example, some amendments merely reference specific lines or sections of a simplified prospectus that are being amended, without providing the reader with a restated section or an explanation for the changes. In addition, some amendments have been presented in the form of photocopies of some other documents, such as meeting materials, with the word “amendment” written on the top of the photocopy. We think that these approaches are inappropriate ways of amending a simplified prospectus ~~or annual information form~~ under the Instrument.

Material changes to mutual funds must be described in a format that assists in readability and comprehension, as

required by subsection 4.1(1) of the Instrument. Amendments should be expressed clearly, and in a manner that enables the reader to easily read and understand both the amendment and the revised sections of the relevant document. This manner of expression may require the preparation of either an amended and restated simplified prospectus ~~or annual information form~~ or a clearly worded amendment insert for the existing simplified prospectus ~~or annual information form~~. Any amendment to a fund facts document must be in the form of an amended and restated fund facts document.

Part 4 — The Multiple SP

4.1 General Provisions Relating to a Multiple SP — (1) A consolidated "simplified prospectus" pertaining to a number of mutual funds is in law a number of separate simplified prospectuses, one simplified prospectus for each mutual fund. Further, a receipt issued by the securities regulatory authority or regulator in connection with a consolidated "simplified prospectus" in law represents a separate receipt for the simplified prospectus pertaining to each mutual fund. The Instrument and Form 81-101F1 make clear that a simplified prospectus under the Instrument pertains to one mutual fund and use the term "multiple SP" to refer to a document that contains more than one simplified prospectus.

(2) Under the Instrument, a simplified prospectus consists of two sections: a Part A section, which provides introductory information about the mutual fund, general information about mutual funds and information applicable to the mutual funds managed by the mutual fund organization, and a Part B section, which contains specific information about the mutual fund.

(3) The Instrument states that simplified prospectuses must not be consolidated to form a multiple SP unless the Part A section of each simplified prospectus is substantially similar. We think the term "substantially similar" would be applicable in this context if there is a high degree of similarity among the Part A sections of the simplified prospectuses that are proposed to be consolidated. This option would be available generally to mutual funds in the same mutual fund family that are administered by the same entities and operated in the same manner. There may be some deviation between the disclosure that would be provided for some of the mutual funds; those deviations have been largely contemplated by Form 81-101F1.

(4) In order to maximize flexibility for mutual fund organizations and improve the accessibility of disclosure provided to investors, the Instrument allows the Part B sections of a multiple SP to be bound separately from the Part A section. In addition, the Instrument permits the physical separation of each Part B section that pertains to a different mutual fund. This would permit an investor to be provided with a Part A section that described the mutual fund family and mutual fund organization generally, and only the mutual fund-specific disclosure that relates to the mutual fund or mutual funds in which the investor is interested. This approach could permit a "back pocket" approach in which the Part B sections of a simplified prospectus could be inserted in a pocket of the Part A section of the document.

(5) The Instrument contains no restrictions on how many simplified prospectuses can be consolidated into a multiple SP.

4.2 Adding Additional Funds to a Multiple SP — (1) Mutual funds may create and file a document that contains both a pro forma simplified prospectus and a preliminary simplified prospectus in order to include the disclosure of a new mutual fund in documents that already pertain to existing mutual funds.

(2) A new mutual fund may be added to a multiple SP that contains final simplified prospectuses. In this case, an amended multiple SP containing disclosure of the new mutual fund, as well as a new fund facts document for each class or series of the new mutual fund would be filed. The preliminary filing would constitute the filing of a preliminary simplified prospectus and fund facts document for the new mutual fund, and a draft amended and restated simplified prospectus for each existing mutual fund. The final filing of documents would include a simplified prospectus and fund facts document for the new mutual fund, and an amended and restated simplified prospectus for each previously existing mutual fund. An amendment to an existing fund facts document would generally not be necessary.

~~(2) A new mutual fund may be added to a multiple SP that contains final simplified prospectuses. In this case, an amended multiple SP and multiple AIF containing disclosure of the new mutual fund, as well as a new fund facts document for each class or series of the new mutual fund would be filed. The preliminary filing would constitute the filing of a preliminary simplified prospectus, annual information form and fund facts document for the new mutual fund, and a draft amended and restated simplified prospectus and annual information form for each existing mutual fund. The final filing of documents would include a simplified prospectus, annual information form and fund facts document for the new mutual fund, and an amended and restated simplified prospectus and annual information form for each previously existing mutual fund. An amendment to an existing fund facts document would generally not be necessary.~~

(3) An amendment to a prospectus of a mutual fund does not change the "lapse date" of the prospectus under Canadian securities legislation. Mutual funds are encouraged to pay particular attention to this issue when following the procedures described in subsection (2).

Part 4.1 — The Fund Facts Document

4.1.1 General Purposes — The general purposes of the offering disclosure regime for mutual funds and of the fund facts document are described in section 2.1 of this Policy. This Part provides guidance to preparers of the fund facts document in meeting those purposes.

A sample fund facts document is set out in Appendix A to this Policy. The sample is provided for illustrative purposes only.

4.1.2 Multiple Class Mutual Funds — The purpose for the requirements on the content and format of a fund facts document is to give investors the opportunity to easily compare the key information of one mutual fund to another. For many mutual funds, the class or series may affect not only the management expense ratio and performance, but a number of other considerations as well, such as minimum investment amounts, distributions, suitability, dealer compensation and sales charge options. For this reason, the Instrument requires a fund facts document to be prepared for each class and each series of a mutual fund that is referable to the same portfolio of assets.

4.1.3 Filings — (1) Section 2.1 of the Instrument requires that a fund facts document for each class and series of the securities of a mutual fund be filed concurrently with the mutual fund's simplified prospectus ~~and annual information form~~.

(2) The most recently filed fund facts document for a mutual fund is incorporated by reference into the simplified prospectus under section 3.1 of the Instrument, with the result that any fund facts document filed under the Instrument after the date of receipt for the simplified prospectus supersedes the fund facts document previously filed.

(3) Section 2.3.1 of the Instrument requires a fund facts document filed under Part 2 of the Instrument to be posted by the mutual fund on its designated website ~~to the website of the mutual fund, the mutual fund's family or the manager of the mutual fund~~. Only a final fund facts document filed under the Instrument should be posted on a designated website ~~to a website~~. A preliminary or pro forma fund facts document, for example, should not be posted.

4.1.4 Additional Information — Paragraph 4.1(3)(d) of the Instrument requires a fund facts document to include only information that is specifically mandated or permitted by the required Form 81-101F3.

4.1.5 Format — The Instrument requires a mutual fund to use the headings and sub-headings stipulated in the Instrument and Form 81-101F3.

Part 5 — The Simplified Prospectus

5.1 General Purposes — The general purposes of a simplified prospectus are described in section 2.1 of this Policy. This Part provides guidance to preparers of simplified prospectuses in meeting those purposes.

5.2 Catalogue Approach — The Instrument requires that a multiple SP must present the fund-specific, or Part B, disclosure about each fund using a catalogue approach. That is, the disclosure about each mutual fund must be presented separately from the disclosure about each other mutual fund.

5.2.1 Accessibility of a Simplified Prospectus — Mutual funds, managers, and dealers should encourage investors who want more information about a mutual fund to request and read the simplified prospectus and any of the documents incorporated by reference into the simplified prospectus. The Instrument requires that a simplified prospectus or any of the documents incorporated by reference be sent within three business days of a request.

5.3 Additional Information — (1) Paragraph 4.1(2)(a) of the Instrument provides that a simplified prospectus must provide all information briefly and concisely. Paragraph 4.1(2)(e) of the Instrument requires that a simplified prospectus must include only educational material or information that is specifically mandated or permitted by Form 81-101F1.

(3) Item 12 of Part A and Item 14 of Part B of Form 81-101F1 permit disclosure of information required or permitted by

securities legislation or by an order or ruling of the securities regulatory authority pertaining to the mutual fund that is not otherwise required to be disclosed by Form 81-101F1. This addition has been made to ensure that such information is not technically prohibited from being included in a simplified prospectus by paragraph 4.1(2)(e) of the Instrument. Instruction (1) to Item 12 of Part A of Form 81-101F1 contains examples of the type of disclosure that may be appropriately included under these Items.

5.4 Inclusion of Educational Material — (1) Paragraph 4.1(2)(e) of the Instrument permits educational material to be included in a simplified prospectus. There are no requirements on the location of any educational material. However, the CSA thinks that educational material will be more useful if placed close to mandated disclosure to which it substantively relates.

(2) Educational material contained in a simplified prospectus is subject to the general requirements of the Instrument and should be presented in a manner consistent with the rest of the simplified prospectus. That is, the educational material should be concise, clear and not detract from the clarity or presentation of the information in the simplified prospectus.

(3) The definition of "educational material" contained in section 1.1 of the Instrument excludes material that promotes a particular mutual fund or mutual fund family, or the products or services offered by the mutual fund or mutual fund family. A mutual fund, mutual fund family or those products or services may be referred to in educational material as an example if the reference does not promote those entities, products or services. Mutual funds should ensure that any material included within, attached to or bound with a simplified prospectus is educational material within the meaning of this definition.

5.5 Format — A simplified prospectus must use the headings and specified sub-headings exactly as they are set out in the Instrument. If no sub-headings are specified, a simplified prospectus may include additional sub-headings under the required headings.

Part 6 — [Repealed] ~~The Annual Information Form~~

~~6.1 General Purposes — The general purposes of an annual information form are described in section 2.1 of this Policy. This Part provides guidance to preparers of annual information forms in meeting those purposes.~~

~~6.2 [Repealed]~~

~~6.3 Consolidation of Annual Information Forms — Subsection 5.4(1) of the Instrument requires the consolidation of annual information forms into a multiple AIF if the related simplified prospectuses are consolidated into a multiple SP. It is noted that the Instrument does not prevent the consolidation of annual information forms even if the related simplified prospectuses are not consolidated. Therefore, a mutual fund organization may prepare, for instance, one multiple AIF that pertains to all of its mutual funds, even if the simplified prospectuses for those mutual funds are not fully or even partially consolidated.~~

~~6.4 Additional Material — (1) The Instrument and AIF Form do not prohibit the inclusion in an annual information form of information not specifically required by the AIF Form. Among other things, a mutual fund may therefore include educational information in an annual information form. Additional material in an annual information form is, however, subject to the general requirements contained in subsection 4.1(1) of the Instrument that all information must be presented in plain language and in a format that assists in readability and comprehension.~~

~~(2) If a mutual fund includes additional information, such as educational material, in an annual information form, that material should not be included primarily for purpose of promotion. An annual information form is designed to be easily understandable to investors and less legalistic in its drafting than traditional prospectuses, but it still constitutes part of a prospectus under securities legislation.~~

Part 7 — Delivery

7.1 Delivery of the Simplified Prospectus ~~Delivery of the Simplified Prospectus and Annual Information Form~~ — The Instrument contemplates delivery to all investors of a fund facts document in accordance with the requirements in securities legislation. It does not require the delivery of the simplified prospectus, or any other documents incorporated by reference into the simplified prospectus, unless requested. Mutual funds or dealers may also provide investors with any of the other disclosure documents incorporated by reference into the simplified prospectus.

7.2 Pre-Sale Delivery of the Fund Facts Document — (1) The Instrument requires a fund facts document to be delivered before a dealer accepts an instruction for the purchase of a security of a mutual fund. The purpose of pre-sale delivery of a fund facts document is to provide a purchaser with key information about the mutual fund that will inform a purchase decision. What constitutes "before" is intended to be flexible, provided it occurs within a reasonable timeframe before the purchaser's instruction to purchase. Accordingly, the Canadian securities regulatory authorities would generally expect that delivery of a fund facts document will occur within a timeframe that provides a purchaser with a reasonable opportunity to consider the information in the fund facts document before proceeding with the transaction. It should not be delivered so far in advance of the purchase of a security of a mutual fund that the delivery cannot be said to have any connection with the purchaser's instruction to purchase the mutual fund.

(2) Where a purchaser has already received a fund facts document for a particular class or series of securities of a mutual fund, it is not necessary to deliver to the purchaser another fund facts document for a subsequent purchase of that same class or series of securities of a mutual fund, unless a more recent version of the fund facts document has been filed.

7.3 Post-Sale Delivery of the Fund Facts Document — (1) While the Instrument generally requires pre-sale delivery of the fund facts document, it also sets out specific requirements that would permit post-sale delivery of the fund facts document in circumstances where the purchaser has indicated that they require the purchase of a security of a mutual fund to be completed immediately, or by a specified time, and it is not reasonably practicable for the dealer to effect pre-sale delivery of the fund facts document within the timeframe specified by the purchaser.

(2) The requirements for post-sale delivery of the fund facts document are set out in section 3.2.02 and should be interpreted consistently with the dealer's general duties to act fairly, honestly and in good faith and to establish and maintain a compliance system in accordance with securities legislation. Accordingly, the Canadian securities regulatory authorities expect dealers will adapt their business models to comply with the general requirement for pre-sale delivery of the fund facts document.

(3) Section 3.2.02 requires dealers to provide a summary of the information contained in the fund facts document. This should include describing the purpose of the fund facts document, the type of information it contains, and advising purchasers that they are entitled to receive and review the fund facts document before the purchase of a security of a mutual fund. Where the purchaser consents to post-sale delivery of the fund facts document, dealers are required to provide verbal disclosure of certain information contained in the fund facts document. This would include a description of the fundamental features of the mutual fund and what it primarily invests in, as well as the investment risk level of the mutual fund. The Canadian securities regulatory authorities would not generally consider it necessary to disclose the information included in the fund facts document under "Top 10 investments" or "Investment mix". In disclosing the suitability of the mutual fund for particular investors, dealers would be required to describe the characteristics of the investor for whom the mutual fund may or may not be an appropriate investment, and the portfolios for which the mutual fund is and is not suited. In terms of providing an overview of any costs associated with buying, selling and owning the mutual fund, the information provided should, at a minimum, include a discussion of any applicable sales charges, as well as ongoing fund expenses (e.g., MER and TER), and any applicable trailing commissions. Information related to sales charges and trailing commissions is also required as part of pre-trade disclosure requirements set out in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Finally, dealers would also be required to provide purchasers with a summary of any applicable right to withdraw from a purchase within two days after receipt of the fund facts document and to rescind a purchase within 48 hours after receipt of the trade confirmation for the purchase. This latter requirement is intended to alert purchasers to the fact that they will have an opportunity to consider the information in the fund facts document that will be delivered or sent post-sale and, based on that information, determine whether they want to cancel their purchase of the mutual fund securities at that time.

(4) Where a purchaser consents to receive delivery of the fund facts document after entering into the purchase of a security of a mutual fund, the consent will only be valid for the particular transaction. A dealer cannot rely on a blanket consent from a purchaser to carry out post-sale delivery of the fund facts document for other purchases of mutual fund securities.

(5) In accordance with existing practices, dealers must establish internal policies and procedures to ensure delivery of the fund facts document occurs in accordance with Part 3. Dealers must maintain evidence of delivery of the fund facts document, as well as receipt of purchaser consents to receive delivery of the fund facts document after entering into the purchase of a security of a mutual fund. Dealers must also maintain adequate records to evidence that satisfactory disclosure about the fund facts document has been provided to purchasers in compliance with section 3.2.02. Such records should also indicate why delivery of the fund facts document was impracticable in the circumstances. The Canadian securities regulatory authorities expect that dealers will follow their current practices to maintain evidence of required disclosures to sufficiently document delivery of the fund facts document.

(6) The Instrument does not specify a particular manner of evidencing a purchaser's consent to allow delivery of the fund facts document after entering into the purchase of a security of a mutual fund. In particular, the Instrument does not require dealers to obtain written consent from clients. The Canadian securities regulatory authorities expect that dealers will follow their current policies and procedures for tracking and monitoring client instructions and authorizations.

(7) The Canadian securities regulatory authorities expect that dealers will remain faithful to the overall objective of ensuring that purchasers are provided with a fund facts document prior to accepting instructions to purchase a security of a mutual fund. Although the instrument allows for post-sale delivery of the fund facts document in certain limited circumstances, the Canadian securities regulatory authorities expect that post-sale delivery of the fund facts document will be the exception rather than the norm. The Canadian securities regulatory authorities may examine practices or arrangements that raise the suspicion of being structured to permit dealers to do indirectly what they cannot do directly and that are inconsistent with the overall intent of providing key information to investors at a time that is most relevant to their purchase decision.

(8) Section 3.2.03 sets out an exception from the requirement to deliver a fund facts document for subsequent purchases of a mutual fund made pursuant to a pre-authorized purchase plan provided certain conditions are met. One of these conditions requires investors to be provided with an initial notice indicating, among other things, that they will not receive a fund facts document unless they specifically request it. The notice must also specify how a fund facts document can be obtained. Investors must also be provided with an annual notice reminding them about how they can request a fund facts document. The Canadian securities regulatory authorities expect that both the initial notice and the annual notice will be presented in a clear, comprehensible and prominent manner so that investors can easily ascertain how they can avail themselves of the option to request a fund facts document.

7.4 Methods of Delivery — (1) The methods of delivery of a fund facts document are consistent with methods of delivery of a prospectus under securities legislation. A fund facts document required to be delivered or sent under Part 3 of the Instrument may be delivered or sent electronically, subject to the purchaser's consent. Electronic delivery may include providing an electronic copy of a fund facts document to the purchaser in the form of an e-mail attachment or providing a hyperlink to the fund facts document.

(2) The Canadian securities regulatory authorities will not consider the making of a fund facts document available on a mutual fund's designated website ~~on a website~~, or referring an investor to a general website address where the fund facts document can be found to constitute delivery under the Instrument, even if the investor consents to that method of delivery.

(3) Where a hyperlink is provided to the purchaser, the link should lead the purchaser directly to the specific fund facts document for the applicable class or series of the mutual fund being purchased. Consideration should be given to ensuring that the hyperlink remains accessible to the purchaser for so long as the purchaser may reasonably need to consult it.

(4) In the case of online transactions conducted through order execution service accounts, there may be a number of ways in which compliance with the requirement for pre-sale delivery of the fund facts document could be achieved. For example, dealers could consider the use of a "pop-up" notice informing the purchaser that a fund fact document is available for review and provide a hyperlink to the relevant fund facts document. Dealers could also consider requiring the purchaser to "click through" the fund facts document prior to accepting their purchase order.

(5) In addition to the requirements in the Instrument and the guidance in this section, dealers may want to refer to National Policy 11-201 *Electronic Delivery of Documents* for additional guidance.

7.5 Consolidation of Fund Facts Documents — (1) For the purposes of pre-sale delivery, subsection 5.2(2) of the Instrument allows a fund facts document to be combined with one or more fund facts documents, provided the size of the document does not make the presentation of the information inconsistent with the principles of simplicity, accessibility and comparability. For example, a fund facts document may be combined with fund facts documents of other classes or series of securities of the same mutual fund, other mutual funds from the same fund family, or other mutual funds of a similar type from different fund families. In making this determination, mutual funds, managers and participants in the mutual fund industry should consider the ability of an investor to easily find and use the information that is relevant to the particular mutual funds securities they are considering purchasing, and whether a reasonable person in the circumstances would come to the same conclusion. We think a document combining more than 10 fund facts documents may discourage an investor from finding and reading each fund facts document and obscure key information, which is inconsistent with the principles of simplicity, accessibility and comparability.

(2) Where multiple fund facts documents are being delivered electronically in compliance with the pre-sale delivery requirement, subsection 5.2(3) prohibits those fund facts documents from being combined into a single e-mail attachment. The use of a hyperlink that directs the investor to a single document combining all the relevant fund facts would also be prohibited under the Instrument. Instead, a dealer would be expected to provide individual attachments or hyperlinks for each fund facts document that is required to be delivered.

(3) When delivery of the fund facts document occurs after the purchase transaction, subsections 5.2(4) to (6) of the Instrument permit a fund facts document to be combined with certain other materials or documents. With the exception of a general front cover, a table of contents or a trade confirmation, subsection 5.2(7) requires the fund facts document to be located as the first item in the package of documents or materials.

7.6 Preparation of Disclosure Documents in Other Languages — Nothing in the Instrument prevents the simplified prospectus~~, annual information form~~ or fund facts document from being prepared in other languages, provided that these documents are delivered or sent in addition to any disclosure document filed and required to be delivered in accordance with the Instrument. The Canadian securities regulatory authorities would consider such documents to be sales communications.

7.7 Delivery of Documents by a Mutual Fund — Section 3.3 of the Instrument requires that a mutual fund deliver or send to a person or company, upon request and free of charge, a simplified prospectus or documents incorporated by reference. The Canadian securities regulatory authorities are of the view that compliance with this specifically-mandated requirement by an unregistered entity is not a breach of the registration requirements of securities legislation.

7.8 Delivery of Separate Part A and Part B Sections — Mutual fund organizations that create physically separate Part B sections are reminded that any obligation to provide the simplified prospectus would be satisfied only by the delivery of both the Part A and Part B sections of a simplified prospectus.

7.9 Delivery of Non-Educational Material — The Instrument and related forms contain no restrictions on the delivery of non-educational material such as promotional brochures with the simplified prospectus. This type of material may, therefore, be delivered with, but cannot be included within, or attached to, the simplified prospectus. The Instrument does not permit the binding of educational and non-educational material with the fund facts document. The intention of the Instrument is not to unreasonably encumber the fund facts document with additional documents. ~~The Instrument and related forms contain no restrictions on the delivery of non-educational material such as promotional brochures with either of the simplified prospectus and the annual information form. This type of material may, therefore, be delivered with, but cannot be included within, or attached to, the simplified prospectus and the annual information form. The Instrument does not permit the binding of educational and non-educational material with the fund facts document. The intention of the Instrument is not to unreasonably encumber the fund facts document with additional documents.~~

Part 8 — Commentary on Investment and Related Disclosure

8.1 Investment Disclosure — Form 81-101F1 requires detailed disclosure concerning a number of aspects of the investment approach taken by a mutual fund, including disclosure concerning fundamental investment objectives, investment strategies, risk and risk management. Form 81-101F3 also contains a summarized form of this disclosure. For many mutual funds, the best persons to prepare and review the disclosure would be the portfolio advisers of the mutual fund and we think mutual funds should generally involve them in preparing and reviewing this disclosure.

8.2 Portfolio Advisers —Item 4.2 of Part A of Form 81-101F1 requires disclosure concerning the individuals employed by the manager or portfolio adviser that make investment decisions. ~~Form 81-101F2 requires disclosure concerning the extent to which investment decisions are made by particular individuals employed by a portfolio adviser or by committee. Section 10.3(3)(b) requires certain information about the individuals principally responsible for the investment portfolio of the mutual fund.~~ Part 11 of National Instrument 81-106 *Investment Fund Continuous Disclosure* requires a simplified prospectus to be amended if a material change occurs in the affairs of the mutual fund that results in a change to the disclosure in the simplified prospectus and fund facts document. Section 7.1 of Companion Policy 81-106CP *Investment Fund Continuous Disclosure* discusses when a departure of a high-profile individual from a portfolio adviser of a mutual fund may constitute a material change for the mutual fund. If the departure is not a material change for the mutual fund, there is no requirement to amend a simplified prospectus, as long as the simplified prospectus contains full, true and plain disclosure about the mutual fund.

Part 9 — Need for Multiple or Separate Applications

9.1 Need for Multiple or Separate Applications — (1) The CSA note that a person or company that obtains an exemption

from a provision of the Instrument need not apply again for the same exemption at the time of each simplified prospectus~~, annual information form~~ and fund facts document refiling, unless there has been some change in an important fact relating to the granting of the exemption.

(2) The principle described in subsection (1) does not necessarily apply to applications required to be made under the Regulations to the *Securities Act* (Quebec) for relief from provisions of those Regulations that are substantially similar to those contained in the Instrument. In that case, an application may be required with each refiling of a simplified prospectus~~, annual information form~~ and funds document of a mutual fund.

(3) In Quebec, it may be necessary to apply for exemptions from the equivalent sections in the Act and the Regulations.

Part 10 — Exemptions

10.1 Applications Involving Novel or Substantive Issues — Section 6.2 of the Instrument allows exemptive relief from form and content requirements for a simplified prospectus~~, an annual information form~~ or a fund facts document to be evidenced by way of issuance of a receipt. In cases where the CSA thinks that an application for exemptive relief raises novel and substantive issues, or raises a novel policy concern, the CSA may request that such applications follow the process set out in National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions*. This will likely be the case for applications seeking exemptive relief from the form and content requirements of the fund facts document.

SCHEDULE 3-A
NATIONAL INSTRUMENT 81-102 *INVESTMENT FUNDS*

Table of Contents

Part 1 — Definitions and Application

1.1 Definitions — In this Instrument

“acceptable clearing corporation” [Repealed]

“advertisement” means a sales communication that is published or designed for use on or through a public medium;

“alternative mutual fund” means a mutual fund, other than a precious metals fund, that has adopted fundamental investment objectives that permit it to invest in physical commodities or specified derivatives, to borrow cash or engage in short selling in a manner not permitted for other mutual funds under this Instrument;

“asset allocation service” means an administrative service under which the investment of a person or company is allocated, in whole or in part, among mutual funds to which this Instrument applies and reallocated among those mutual funds and, if applicable, other assets according to an asset allocation strategy;

“book-based system” means a system for the central handling of securities or equivalent book-based entries under which all securities of a class or series deposited within the system are treated as fungible and may be transferred or pledged by bookkeeping entry without physical delivery;

“borrowing agent” means any of the following:

(a) a custodian or sub-custodian that holds assets in connection with a short sale of securities by an investment fund;

(b) a qualified dealer from whom an investment fund borrows securities in order to sell them short;

“cash cover” means any of the following assets of an investment fund that are held by the investment fund, have not been allocated for specific purposes and are available to satisfy all or part of the obligations arising from a position in specified derivatives held by the investment fund or from a short sale of securities made by the investment fund:

(a) cash;

(b) cash equivalents;

(c) synthetic cash;

(d) receivables of the investment fund arising from the disposition of portfolio assets, net of payables arising from the acquisition of portfolio assets;

(e) securities purchased by the investment fund in a reverse repurchase transaction under section 2.14, to the extent of the cash paid for those securities by the investment fund;

(f) each evidence of indebtedness that has a remaining term to maturity of 365 days or less and a designated rating;

(g) each floating rate evidence of indebtedness if

(i) the floating interest rate of the indebtedness is reset no later than every 185 days, and

(ii) the principal amount of the indebtedness will continue to have a market value of approximately par at the time of each change in the rate to be paid to the holders of the evidence of indebtedness;

(h) securities issued by a money market fund;

“cash equivalent” means an evidence of indebtedness that has a remaining term to maturity of 365 days or less and that is issued, or fully and unconditionally guaranteed as to principal and interest, by

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

(b) 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 a designated rating, or

(c) 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 a designated rating organization or its DRO affiliate have a designated rating;

“cleared specified derivative” means a bilateral specified derivative that is accepted for clearing by a regulated clearing agency;

“clearing corporation” means an organization through which trades in specified derivatives are cleared and settled;

“clearing corporation option” means an option, other than an option on futures, issued by a clearing corporation;

“clone fund” means an investment fund that has adopted a fundamental investment objective to track the performance of another investment fund;

“conventional convertible security” means a security of an issuer that is, according to its terms, convertible into, or exchangeable for, other securities of the issuer, or of an affiliate of the issuer;

“conventional floating rate debt instrument” means an evidence of indebtedness of which the interest obligations are based upon a benchmark commonly used in commercial lending arrangements;

“conventional warrant or right” means a security of an issuer, other than a clearing corporation, that gives the holder the right to purchase securities of the issuer or of an affiliate of the issuer;

“currency cross hedge” means the substitution by an investment fund of a risk to one currency for a risk to another currency, if neither currency is a currency in which the investment fund determines its net asset value per security and the aggregate amount of currency risk to which the investment fund is exposed is not increased by the substitution;

“custodian” means the institution appointed by an investment fund to hold portfolio assets of the investment fund;

“dealer managed investment fund” means an investment fund the portfolio adviser of which is a dealer manager;

“dealer managed mutual fund” [Repealed]

“dealer manager” means

(a) a specified dealer that acts as a portfolio adviser,

(b) a portfolio adviser in which a specified dealer, or a partner, director, officer, salesperson or principal shareholder of a specified dealer, directly or indirectly owns of record or beneficially, or exercises control or direction over, securities carrying more than 10 percent of the total votes attaching to securities of the portfolio adviser, or

(c) a partner, director or officer of a portfolio adviser referred to in paragraph (b);

“debt-like security” means a security purchased by a mutual fund, other than a conventional convertible security or a conventional floating rate debt instrument, that evidences an indebtedness of the issuer if

(a) either

(i) the amount of principal, interest or principal and interest to be paid to the holder is linked in whole or in part by a formula to the appreciation or depreciation in the market price, value or level of one or more underlying interests on a predetermined date or dates, or

(ii) the security provides the holder with a right to convert or exchange the security into or for the underlying interest or to purchase the underlying interest, and

(b) on the date of acquisition by the mutual fund, the percentage of the purchase price attributable to the component of the security that is not linked to an underlying interest is less than 80 percent of the purchase price paid by the mutual fund;

“delta” means the positive or negative number that is a measure of the change in market value of an option relative to changes in the value of the underlying interest of the option;

“designated rating” means a credit rating from a designated rating organization listed below, from a DRO affiliate of an organization listed below, from a designated rating organization that is a successor credit rating organization of an organization listed below or from a DRO affiliate of the successor credit rating organization, that is at or above one of the following corresponding rating categories, or that is at or above a category that replaces one of the following corresponding rating categories, if

(a) there has been no announcement from the designated rating organization, from a DRO affiliate of the organization, from a designated rating organization that is a successor credit rating organization or from a DRO affiliate of the successor credit rating organization, of which the investment fund or its manager is or

reasonably should be aware that the credit rating of the security or instrument to which the designated rating was given may be down-graded to a rating category that is not referred to in this definition, and

(b) no designated rating organization listed below, no DRO affiliate of an organization listed below, no designated rating organization that is a successor credit rating organization of an organization listed below and no DRO affiliate of such successor credit rating organization, has rated the security or instrument in a rating category that is not referred to in this definition:

Designated Rating Organization	**Commercial Paper/Short Term Debt**	**Long Term Debt**
DBRS Limited	R-1 (low)	A
Fitch Ratings, Inc.	F1	A
Moody's Canada Inc.	P-1	A2
S&P Global Ratings Canada	A-1 (Low)	A

~~"designated rating" means,~~

~~(a) for the purposes of paragraph 4.1(4)(b), a designated rating under paragraph (b) of the definition of "designated rating" in National Instrument 44-101 Short Form Prospectus Distributions, or~~

~~(b) except as described in paragraph (a), a credit rating from a designated rating organization listed below, from a DRO affiliate of an organization listed below, from a designated rating organization that is a successor credit rating organization of an organization listed below or from a DRO affiliate of such successor credit rating organization, that is at or above one of the following corresponding rating categories, or that is at or above a category that replaces one of the following corresponding rating categories, if~~

~~(i) there has been no announcement from the designated rating organization, from a DRO affiliate of the organization, from a designated rating organization that is a successor credit rating organization or from a DRO affiliate of such successor credit rating organization, of which the investment fund or its manager is or reasonably should be aware that the credit rating of the security or instrument to which the designated rating was given may be down-graded to a rating category that would not be a designated rating, and~~

~~(ii) no designated rating organization listed below, no DRO affiliate of an organization listed below, no designated rating organization that is a successor credit rating organization of an organization listed below and no DRO affiliate of such successor credit rating organization, has rated the security or instrument in a rating category that is not a designated rating:~~

~~**Designated Rating Organization**~~	~~**Commercial Paper/Short Term Debt**~~	~~**Long Term Debt**~~
~~DBRS Limited~~	~~R-1 (low)~~	~~A~~
~~Fitch Ratings, Inc.~~	~~F1~~	~~A~~
~~Moody's Canada Inc.~~	~~P-1~~	~~A2~~
~~S&P Global Ratings Canada~~	~~A-1 (Low)~~	~~A~~

"designated rating organization" means, if designated under securities legislation, any of

(a) DBRS Limited, Fitch Ratings, Inc., Moody's Canada Inc. or S&P Global Ratings Canada, or

(b) a successor credit rating organization of a credit rating organization listed in paragraph (a);

"designated website" has the meaning ascribed to that term in National Instrument 81-106 *Investment Fund Continuous Disclosure*;

"DRO affiliate" has the same meaning as in section 1 of National Instrument 25-101 *Designated Rating Organizations*;

“equivalent debt” means, in relation to an option, swap, forward contract or debt-like security, an evidence of indebtedness of approximately the same term as, or a longer term than, the remaining term to maturity of the option, swap, contract or debt-like security and that ranks equally with, or subordinate to, the claim for payment that may arise under the option, swap, contract or debt-like security;

“fixed portfolio ETF” [Repealed]

“fixed portfolio investment fund” means an exchange traded mutual fund not in continuous distribution or a non-redeemable investment fund that

(a) has fundamental investment objectives that include holding and maintaining a fixed portfolio of publicly traded equity securities of one or more issuers the names of which are disclosed in its prospectus, and

(b) trades the securities referred to in paragraph (a) only in the circumstances disclosed in its prospectus;

“floating rate evidence of indebtedness” means an evidence of indebtedness that has a floating rate of interest determined over the term of the obligation by reference to a commonly used benchmark interest rate and that satisfies any of the following:

(a) if the evidence of indebtedness was issued by a person or company other than a government or a permitted supranational agency, it has a designated rating;

(b) the evidence of indebtedness was issued, or is fully and unconditionally guaranteed as to principal and interest, by any of the following:

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

(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 a designated rating;

“forward contract” means an agreement, not entered into with, or traded on, a stock exchange or futures exchange or cleared by a clearing corporation, to do one or more of the following on terms or at a price established by or determinable by reference to the agreement and at or by a time in the future established by or determinable by reference to the agreement:

1. Make or take delivery of the underlying interest of the agreement.

2. Settle in cash instead of delivery;

“fundamental investment objectives” means the investment objectives of an investment fund that define both the fundamental nature of the investment fund and the fundamental investment features of the investment fund that distinguish it from other investment funds;

“futures exchange” means an association or organization operated to provide the facilities necessary for the trading of standardized futures;

“government security” means an evidence of indebtedness issued, or fully and unconditionally guaranteed as to principal and interest, by any of the government of Canada, the government of a jurisdiction or the government of the United States of America;

“guaranteed mortgage” means a mortgage fully and unconditionally guaranteed, or insured, by the government of Canada, by the government of a jurisdiction or by an agency of any of those governments or by a corporation approved by the Office of the Superintendent of Financial Institutions to offer its services to the public in Canada as an insurer of mortgages;

“hedging” means the entering into of a transaction, or a series of transactions, and the maintaining of the position or positions resulting from the transaction or series of transactions

(a) if

(i) the intended effect of the transaction, or the intended cumulative effect of the series of transactions, is to offset or reduce a specific risk associated with all or a portion of an existing investment or position or group of investments or positions,

(ii) the transaction or series of transactions results in a high degree of negative correlation between changes in the value of the investment or position, or group of investments or positions, being hedged and changes in the value of the instrument or instruments with which the investment or position is hedged, and

(iii) there are reasonable grounds to believe that the transaction or series of transactions no more than offset the effect of price changes in the investment or position, or group of investments or positions, being hedged, or

(b) if the transaction, or series of transactions, is a currency cross hedge;

"IIROC" means the Investment Industry Regulatory Organization of Canada;

"illiquid asset" means

(a) a portfolio asset that cannot be readily disposed of through market facilities on which public quotations in common use are widely available at an amount that at least approximates the amount at which the portfolio asset is valued in calculating the net asset value per security of the investment fund, or

(b) a restricted security held by an investment fund;

"independent review committee" means the independent review committee of the investment fund established under National Instrument 81-107 *Independent Review Committee for Investment Funds*;

"index mutual fund" means a mutual fund that has adopted fundamental investment objectives that require it 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 index;

"index participation unit" means a security traded on a stock exchange in Canada or the United States and issued by an issuer the only purpose of which is to

(a) hold the securities that are included in a permitted index or permitted indices 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 issuer to replicate the performance of that index;

"investment fund conflict of interest investment restrictions" means the provisions of securities legislation that are referred to in Appendix D;

"investment fund conflict of interest reporting requirements" means the provisions of securities legislation that are referred to in Appendix E;

"investor fees" means, in connection with the purchase, conversion, holding, transfer or redemption of securities of an investment fund, all fees, charges and expenses that are or may become payable by a securityholder of the investment fund to,

(a) in the case of a mutual fund, a member of the organization of the mutual fund other than a member of the organization acting solely as a participating dealer, and

(b) in the case of a non-redeemable investment fund, the manager of the non-redeemable investment fund;

“Joint Regulatory Financial Questionnaire and Report” [Repealed]

“long position” means a position held by an investment fund that, for

(a) an option, entitles the investment fund to elect to purchase, sell, receive or deliver the underlying interest or, instead, pay or receive cash,

(b) a standardized future or forward contract, obliges the investment fund to accept delivery of the underlying interest or, instead, pay or receive cash,

(c) a call option on futures, entitles the investment fund to elect to assume a long position in standardized futures,

(d) a put option on futures, entitles the investment fund to elect to assume a short position in standardized futures, and

(e) a swap, obliges the investment fund to accept delivery of the underlying interest or receive cash;

“management expense ratio” means the ratio, expressed as a percentage, of the expenses of an investment fund to its average net asset value, calculated in accordance with Part 15 of National Instrument 81-106 *Investment Fund Continuous Disclosure*;

“manager” means an investment fund manager;

“manager-prescribed number of units” means, in relation to an exchange-traded mutual fund that is in continuous distribution, the number of units determined by the manager from time to time for the purposes of subscription orders, exchanges, redemptions or for other purposes;

“material change” has the meaning ascribed to that term in National Instrument 81-106 *Investment Fund Continuous Disclosure*;

“member of the organization” has the meaning ascribed to that term in National Instrument 81-105 Mutual Fund Sales Practices;

“MFDA” means the Mutual Fund Dealers Association of Canada;

“money market fund” means a mutual fund that invests its assets in accordance with section 2.18;

“mortgage” includes a hypothec or security that creates a charge on real property in order to secure a debt;

“mutual fund conflict of interest investment restrictions” [Repealed]

“mutual fund conflict of interest reporting requirements” [Repealed]

“mutual fund rating entity” means an entity

(a) that rates or ranks the performance of mutual funds or asset allocation services through an objective methodology that is

(i) based on quantitative performance measurements,

(ii) applied consistently to all mutual funds or asset allocation services rated or ranked by it, and

(iii) disclosed on the entity’s website,

(b) that is not a member of the organization of any mutual fund, and

(c) whose services to assign a rating or ranking to any mutual fund or asset allocation service are not procured by the promoter, manager, portfolio adviser, principal distributor or participating dealer of any mutual fund or asset allocation service, or any of their affiliates;

"net asset value" means the value of the total assets of the investment fund less the value of the total liabilities, other than net assets attributable to securityholders, of the investment fund, as at a specific date, determined in accordance with Part 14 of National Instrument 81-106 *Investment Fund Continuous Disclosure*;

"NI 81-107" means National Instrument 81-107 *Independent Review Committee for Investment Funds*;

"non-redeemable investment fund" has the meaning ascribed to that term in National Instrument 81-106 *Investment Fund Continuous Disclosure*;

"non-resident sub-adviser" means a person or company providing portfolio management advice

(a) whose principal place of business is outside of Canada,

(b) that advises a portfolio adviser to an investment fund, and

(c) that is not registered under securities legislation in the jurisdiction in which the portfolio adviser that it advises is located;

"option" means an agreement that provides the holder with the right, but not the obligation, to do one or more of the following on terms or at a price established by or determinable by reference to the agreement at or by a time established by the agreement:

1. Receive an amount of cash determinable by reference to a specified quantity of the underlying interest of the option.

2. Purchase a specified quantity of the underlying interest of the option.

3. Sell a specified quantity of the underlying interest of the option;

"option on futures" means an option the underlying interest of which is a standardized future;

"order receipt office" means, for a mutual fund

(a) the principal office of the mutual fund,

(b) the principal office of the principal distributor of the mutual fund, or

(c) a location to which a purchase order or redemption order for securities of the mutual fund is required or permitted by the mutual fund to be delivered by participating dealers or the principal distributor of the mutual fund;

"overall rating or ranking" means a rating or ranking of a mutual fund or asset allocation service that is calculated from standard performance data for one or more performance measurement periods, which includes the longest period for which the mutual fund or asset allocation service is required under securities legislation to calculate standard performance data, other than the period since the inception of the mutual fund;

"participating dealer" means a dealer other than the principal distributor that distributes securities of a mutual fund;

"participating fund" means a mutual fund in which an asset allocation service permits investment;

"performance data" means a rating, ranking, quotation, discussion or analysis regarding an aspect of the investment

performance of an investment fund, an asset allocation service, a security, an index or a benchmark;

“permitted gold certificate” [Repealed]

“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;

“permitted precious metal” means gold, silver, platinum or palladium;

“permitted precious metal certificate” means a certificate representing a permitted precious metal if the permitted precious metal is held in Canada in the form of bars or wafers and is

(a) available for delivery in Canada, free of charge, to or to the order of the holder of the certificate,

(b) in the case of a certificate representing gold, of a minimum fineness of 995 parts per 1000,

(c) in the case of a certificate representing silver, platinum or palladium, of a minimum fineness of 999 parts per 1000, and

(d) if not purchased from a bank listed in Schedule, I, II or III of the *Bank Act* (Canada), fully insured against loss and bankruptcy by an insurance company licensed under the laws of Canada or a jurisdiction;

“permitted supranational agency” means the African Development Bank, the Asian Development Bank, the Caribbean Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-American Development Bank, the International Bank for Reconstruction and Development and the International Finance Corporation;

“physical commodity”, means, electricity, water, or, in an original or processed state, an agricultural product, forest product, product of the sea, mineral, metal, hydrocarbon fuel product, precious stone or other gem;

“portfolio adviser” means a person or company that provides investment advice or portfolio management services under a contract with the investment fund or with the manager of the investment fund;

“portfolio asset” means an asset of an investment fund;

“precious metals fund” means a mutual fund that has adopted a fundamental investment objective to invest primarily in one or more permitted precious metals;

“pricing date” means, for the sale of a security of a mutual fund, the date on which the net asset value per security of the mutual fund is calculated for the purpose of determining the price at which that security is to be issued;

“principal distributor” means a person or company through whom securities of a mutual fund are distributed under an arrangement with the mutual fund or its manager that provides

(a) an exclusive right to distribute the securities of the mutual fund in a particular area, or

(b) a feature that gives or is intended to give the person or company a material competitive advantage over others in the distribution of the securities of the mutual fund;

“public quotation” includes, for the purposes of calculating the amount of illiquid assets held by an investment fund, any quotation of a price for any of the following:

(a) a fixed income security made through the inter-dealer bond market,

(b) a foreign currency forward or foreign currency option in the interbank market;

“purchase” means, in connection with an acquisition of a portfolio asset by an investment fund, an acquisition that is the result of a decision made and action taken by the investment fund;

“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 a designated 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 a designated rating organization or its DRO affiliate have a designated rating, or

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

“redemption payment date” [Repealed]

“regulated clearing agency” has the meaning ascribed to that term in National Instrument 94-101 *Mandatory Central Counterparty Clearing of Derivatives*;

“report to securityholders” means a report that includes annual financial statements or interim financial reports, or an annual or interim management report of fund performance, and that is delivered to securityholders of an investment fund;

“restricted security” means a security, other than a specified derivative, the resale of which is restricted or limited by a representation, undertaking or agreement by the investment fund or by the investment fund’s predecessor in title, or by law;

“RSP clone fund” [Repealed]

“sales communication” means a communication relating to, and by, an investment fund or asset allocation service, its promoter, manager, portfolio adviser, principal distributor, a participating dealer or a person or company providing services to any of them, that

(a) is made

(i) to a securityholder of the investment fund or participant in the asset allocation service, or

(ii) to a person or company that is not a securityholder of the investment fund or participant in the asset allocation service, to induce the purchase of securities of the investment fund or the use of the asset allocation service, and

(b) in the case of an investment fund, is not contained in any of the following documents of the investment fund:

1. A prospectus or preliminary or *pro forma* prospectus.

2. [Repealed] ~~An annual information form or preliminary or *pro forma* annual information form.~~

3. A fund facts document or preliminary or *pro forma* fund facts document.

3.1 An ETF facts document or preliminary or *pro forma* ETF facts document.

4. Financial statements, including the notes to the financial statements and the auditor's report on the financial statements.

5. A trade confirmation.

6. A statement of account.

7. Annual or interim management report of fund performance;

"scholarship plan" has the meaning ascribed to that term in section 1.1 of National Instrument 81-106 *Investment Fund Continuous Disclosure*;

"short position" means a position held by an investment fund that, for

(a) an option, obliges the investment fund, at the election of another, to purchase, sell, receive or deliver the underlying interest, or, instead, pay or receive cash,

(b) a standardized future or forward contract, obliges the investment fund, at the election of another, to deliver the underlying interest or, instead, pay or receive cash,

(c) a call option on futures, obliges the investment fund, at the election of another, to assume a short position in standardized futures, and

(d) a put option on futures, obliges the investment fund, at the election of another, to assume a long position in standardized futures;

"special warrant" means a security that, by its terms or the terms of an accompanying contractual obligation, entitles or requires the holder to acquire another security without payment of material additional consideration and obliges the issuer of the special warrant or the other security to undertake efforts to file a prospectus to qualify the distribution of the other security;

"specified asset-backed security" means a security that

(a) is primarily serviced by the cash flows of a discrete pool of receivables or other financial assets, either fixed or revolving, that by their terms convert into cash within a finite time, and any rights or assets designed to assure the servicing or timely distribution of proceeds to securityholders, and

(b) by its terms entitles an investor in that security to a return of the investment of that investor at or by a time established by or determinable by reference to an agreement, except as a result of losses incurred on, or the non-performance of, the financial assets;

"specified dealer" means a dealer other than a dealer whose activities as a dealer are restricted by the terms of its registration to one or both of

(a) acting solely in respect of mutual fund securities;

(b) acting solely in respect of transactions in which a person or company registered in the category of exempt market dealer in a jurisdiction is permitted to engage;

“specified derivative” means an instrument, agreement or security, the market price, value or payment obligations of which are derived from, referenced to or based on an underlying interest, other than

(a) a conventional convertible security,

(b) a specified asset-backed security,

(c) an index participation unit,

(d) a government or corporate strip bond,

(e) a capital, equity dividend or income share of a subdivided equity or fixed income security,

(f) a conventional warrant or right, or

(g) a special warrant;

“standardized future” means an agreement traded on a futures exchange pursuant to standardized conditions contained in the by-laws, rules or regulations of the futures exchange, and cleared by a clearing corporation, to do one or more of the following at a price established by or determinable by reference to the agreement and at or by a time established by or determinable by reference to the agreement:

1. Make or take delivery of the underlying interest of the agreement.

2. Settle the obligation in cash instead of delivery of the underlying interest;

“sub-custodian” means, for an investment fund, an entity that has been appointed to hold portfolio assets of the investment fund in accordance with section 6.1 by either the custodian or a sub-custodian of the investment fund;

“successor credit rating organization” means, with respect to a credit rating organization, any credit rating organization that succeeded to or otherwise acquired all or substantially all of another credit rating organization’s business in Canada, whether through a restructuring transaction or otherwise, if that business was, at any time, owned by the first-mentioned credit rating organization;

“swap” means an agreement that provides for

(a) an exchange of principal amounts,

(b) the obligation to make, and the right to receive, cash payments based upon the value, level or price, or on relative changes or movements of the value, level or price, of one or more underlying interests, which payments may be netted against each other, or

(c) the right or obligation to make, and the right or obligation to receive, physical delivery of an underlying interest instead of the cash payments referred to in paragraph (b);

“synthetic cash” means a position that in aggregate provides the holder with the economic equivalent of the return on a banker’s acceptance accepted by a bank listed in Schedule I of the Bank Act (Canada) and that consists of

(a) a long position in a portfolio of shares and a short position in a standardized future of which the underlying interest consists of a stock index, if

(i) there is a high degree of positive correlation between changes in the value of the portfolio of shares and changes in the value of the stock index, and

(ii) the ratio between the value of the portfolio of shares and the standardized future is such that, for any change in the value of one, a change of similar magnitude occurs in the value of the other,

(b) a long position in the evidences of indebtedness issued, or fully and unconditionally guaranteed as to principal and interest, by any of the government of Canada or the government of a jurisdiction and a short position in a standardized future of which the underlying interest consists of evidences of indebtedness of the same issuer and same term to maturity, if

(i) there is a high degree of positive correlation between changes in the value of the portfolio of evidences of indebtedness and changes in the value of the standardized future, and

(ii) the ratio between the value of the evidences of indebtedness and the standardized future is such that, for any change in the value of one, a change of similar magnitude occurs in the value of the other, or

(c) a long position in securities of an issuer and a short position in a standardized future of which the underlying interest is securities of that issuer, if the ratio between the value of the securities of that issuer and the position in the standardized future is such that, for any change in the value of one, a change of similar magnitude occurs in the value of the other;"

"underlying interest" means, for a specified derivative, the security, commodity, financial instrument, currency, interest rate, foreign exchange rate, economic indicator, index, basket, agreement, benchmark or any other reference, interest or variable, and, if applicable, the relationship between any of the foregoing, from, to or on which the market price, value or payment obligation of the specified derivative is derived, referenced or based; ~~and~~

"underlying market exposure" means, for a position of an investment fund in

(a) an option, the quantity of the underlying interest of the option position multiplied by the market value of one unit of the underlying interest, multiplied, in turn, by the delta of the option,

(b) a standardized future or forward contract, the quantity of the underlying interest of the position multiplied by the current market value of one unit of the underlying interest; or

(c) a swap, the underlying market exposure, as calculated under paragraph (b), for the long position of the investment fund in the swap; ~~.~~

"U.S. GAAP" has the same meaning as in section 1.1. of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

"U.S. AICPA GAAS" has the same meaning as in section 1.1 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

"U.S. PCAOB GAAS" has the same meaning as in section 1.1. of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*.

1.2 Application — (1) This Instrument applies only to

(a) a mutual fund that offers or has offered securities under a prospectus for so long as the mutual fund remains a reporting issuer,

(a.1) a non-redeemable investment fund that is a reporting issuer, and

(b) a person or company in respect of activities pertaining to an investment fund referred to in paragraphs (a) and (a.1) or pertaining to the filing of a prospectus to which subsection 3.1(1) applies.

(2) Despite subsection (1), this Instrument does not apply to a scholarship plan.

(2.1) Despite subsection (1), section 2.5.1 also applies to an investment fund that is not a reporting issuer.

(3) Despite subsection (1), in Québec, in respect of investment funds organized under an Act to establish the *Fonds de solidarité des travailleurs du Québec (F.T.Q.)* (chapter F-3.2.1), an Act to establish *Fondaction, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi* (chapter F-3.1.2), or an Act constituting *Capital régional et coopératif Desjardins* (chapter C-6.1), the following requirements apply:

(a) section 2.6.1 and sections 2.7 to 2.17;

(b) Part 6;

(c) Part 15, except for paragraph 15.8(2)(b);

(d) Part 19;

(e) Part 20.

(4) For greater certainty, in British Columbia, if a provision of this Instrument conflicts or is inconsistent with a provision of the *Employee Investment Act* (British Columbia) or the *Small Business Venture Capital Act* (British Columbia), the provision of the Employee Investment Act or the Small Business Venture Capital Act, as the case may be, prevails.

(5) Despite paragraph (1)(a.1), the following provisions do not apply to a non-redeemable investment fund that was established before October 4, 2018, unless the fund has filed a prospectus for which a receipt was issued after that date:

(a) sections 2.1 and 2.4,

(b) paragraphs 2.6(1)(a), (b) and (c), and subsection 2.6(2), and

(c) sections 2.6.1, 2.6.2 and 2.9.1.

1.3 Interpretation — (1) Each section, part, class or series of a class of securities of an investment fund that is referable to a separate portfolio of assets is considered to be a separate investment fund for purposes of this Instrument.

(2) An investment 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) [Repealed]

Part 2 — Investments

2.1 Concentration Restriction — (1) A mutual fund, other than an alternative mutual fund, must not purchase a security of an issuer, enter into a specified derivatives transaction or purchase an index participation unit if, immediately after the transaction, more than 10% of its net asset value, would be invested in securities of any issuer.

(1.1) An alternative mutual fund or a non-redeemable investment fund must not purchase a security of an issuer, enter into a specified derivatives transaction or purchase an index participation unit if, immediately after the transaction, more than 20% of its net asset value would be invested in securities of any one issuer.

(2) Subsections (1) and (1.1) do not apply to the purchase of any of the following:

(a) a government security;

(b) a security issued by a clearing corporation;

(c) a security issued by an investment fund if the purchase is made in accordance with the requirements of section 2.5;

(d) an index participation unit that is a security of an investment fund;

(e) an equity security if the purchase is made by a fixed portfolio investment fund in accordance with its investment objectives.

(3) For the purposes of this section, for each long position in a specified derivative that is held by an investment fund for a purpose other than hedging and for each index participation unit held by the investment fund, the investment fund is considered to hold directly the underlying interest of that specified derivative or its proportionate share of the securities held by the issuer of the index participation unit.

(4) Despite subsection (3), for the purposes of this section, an investment fund is considered to not hold a security or instrument if that security or instrument is a component of, but represents less than 10% of,

(a) a stock or bond index that is the underlying interest of a specified derivative, or

(b) the securities held by the issuer of an index participation unit.

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

2.2 Control Restrictions — (1) An investment fund must not purchase a security of an issuer

(a) if, immediately after the purchase, the investment fund would hold securities representing more than 10% of

(i) the votes attaching to the outstanding voting securities of the issuer; or

(ii) the outstanding equity securities of the issuer; or

(b) for the purpose of exercising control over, or management of, the issuer.

(1.1) Subsection (1) does not apply to the purchase of any of the following:

(a) a security issued by an investment fund if the purchase is made in accordance with section 2.5;

(b) an index participation unit that is a security of an investment fund.

(2) If an investment fund acquires a security of an issuer other than as the result of a purchase, and the acquisition results in the investment fund exceeding the limits described in paragraph (1)(a), the investment fund must as quickly as is commercially reasonable, and in any event no later than 90 days after the acquisition, reduce its holdings of those securities so that it does not hold securities exceeding those limits.

(3) In determining its compliance with the restrictions contained in this section, an investment fund must

(a) assume the conversion of special warrants held by it; and

(b) consider that it holds directly the underlying securities represented by any American depositary receipts held by it.

2.3 Restrictions Concerning Types of Investments — (1) A mutual fund must not do any of the following:

(a) purchase real property;

(b) purchase a mortgage, other than a guaranteed mortgage;

(c) purchase a guaranteed mortgage if, immediately after the purchase, more than 10% of its net asset value would be made up of guaranteed mortgages;

(d) purchase a precious metal certificate, other than a permitted precious metal certificate;

(e) purchase a permitted precious metal, a permitted precious metal certificate, or a specified derivative of which the underlying interest is a physical commodity if, immediately after the purchase, more than 10% of the mutual fund's net asset value would be made up of permitted precious metals, permitted precious metal certificates, or specified derivatives of which the underlying interests are physical commodities;

(f) purchase a physical commodity, except to the extent permitted by paragraph (d) or (e);

(g) purchase, sell or use a specified derivative other than in compliance with sections 2.7 to 2.11; or

(h) [Repealed]

(i) purchase an interest in a loan syndication or loan participation if the purchase would require the mutual fund to assume any responsibilities in administering the loan in relation to the borrower.

(1.1) Paragraphs (1)(d), (e) and (f) do not apply to an alternative mutual fund.

(1.2) Paragraph (1)(e) does not apply to a precious metals fund with respect to purchasing a permitted precious metal, a permitted precious metal certificate or a specified derivative of which the underlying interest is one or more permitted precious metals.

(2) A non-redeemable investment fund must not do any of the following:

(a) purchase real property;

(b) purchase a mortgage, other than a guaranteed mortgage;

(c) purchase an interest in a loan syndication, or loan participation, if the purchase would require the non-redeemable investment fund to assume any responsibilities in administering the loan in relation to the borrower.

(3) For the purposes of this section, for each long position in a specified derivative that is held by an investment fund for a purpose other than hedging and for each index participation unit or underlying investment fund held by the investment fund, the investment fund is considered to hold directly the underlying interest of that specified derivative or its proportionate share of the assets held by the issuer of the index participation unit or underlying investment fund.

(4) Despite subsection (3), for the purposes of this section, an investment fund is considered to not hold a security or instrument if that security or instrument is a component of, but represents less than 10% of,

(a) a stock or bond index that is the underlying interest of a specified derivative, or

(b) the securities held by the issuer of an index participation unit or underlying investment fund.

2.4 Restrictions Concerning Illiquid Assets — (1) A mutual fund must not purchase an illiquid asset if, immediately after the purchase, more than 10% of its net asset value would be made up of illiquid assets.

(2) A mutual fund must not hold, for a period of 90 days or more, more than 15% of its net asset value in illiquid assets.

(3) If more than 15% of the net asset value of a mutual fund is made up of illiquid assets, the mutual fund must, as quickly as is commercially reasonable, take all necessary steps to reduce the percentage of its net asset value made up of illiquid assets to 15% or less.

(4) A non-redeemable investment fund must not purchase an illiquid asset if, immediately after the purchase, more than 20% of its net asset value would be made up of illiquid assets.

(5) A non-redeemable investment fund must not hold, for a period of 90 days or more, more than 25% of its net asset value in illiquid assets.

(6) If more than 25% of the net asset value of a non-redeemable investment fund is made up of illiquid assets, the non-

redeemable investment fund must, as quickly as commercially reasonable, take all necessary steps to reduce the percentage of its net asset value made up of illiquid assets to 25% or less.

2.5 Investments in Other Investment Funds — (1) For the purposes of this section, an investment fund is considered to be holding a security of another investment fund if

(a) it holds securities issued by the other investment fund, or

(b) it is maintaining a position in a specified derivative for which the underlying interest is a security of the other investment fund.

(2) An investment fund shall not purchase or hold a security of another investment fund unless,

(a) if the investment fund is a mutual fund, other than an alternative mutual fund, either of the following applies:

(i) the other investment fund is a mutual fund, other than an alternative mutual fund, that is subject to this Instrument;

(ii) the other investment fund is an alternative mutual fund or a non-redeemable investment fund that is subject to this Instrument and, at the time of the purchase of that security, the investment fund holds no more than 10% of its net asset value in securities of alternative mutual funds and non-redeemable investment funds,

(a.1) if the investment fund is an alternative mutual fund or a non-redeemable investment fund, one or both of the following apply:

(i) the other investment fund is subject to this Instrument;

(ii) the other investment fund complies with the provisions of this Instrument applicable to an alternative mutual fund or a non-redeemable investment fund,

(b) at the time of the purchase of that security, the other investment fund holds no more than 10% of its net asset value in securities of other investment funds,

(c) the other investment fund is a reporting issuer in a jurisdiction,

(c.1) [Repealed]

(d) no management fees or incentive fees are payable by the investment fund that, to a reasonable person, would duplicate a fee payable by the other investment fund for the same service,

(e) no sales fees or redemption fees are payable by the investment fund in relation to its purchases or redemptions of the securities of the other investment fund if the other investment fund is managed by the manager or an affiliate or associate of the manager of the investment fund, and

(f) no sales fees or redemption fees are payable by the investment fund in relation to its purchases or redemptions of securities of the other investment fund that, to a reasonable person, would duplicate a fee payable by an investor in the investment fund.

(3) Paragraphs (2)(a), (a.1) and (c) do not apply if the security

(a) is an index participation unit issued by an investment fund, or

(b) is issued by another investment fund established with the approval of the government of a foreign jurisdiction and the only means by which the foreign jurisdiction permits investment in the securities of issuers of that foreign jurisdiction is through that type of investment fund.

(4) Paragraph (2)(b) does not apply if the other investment fund

(a) is a clone fund, or

(b) in accordance with this section purchases or holds securities

(i) of a money market fund, or

(ii) that are index participation units issued by an investment fund.

(5) Paragraphs (2)(e) and (f) do not apply to brokerage fees incurred for the purchase or sale of securities issued by an investment fund that are listed for trading on a stock exchange.

(6) An investment fund that holds securities of another investment fund that is managed by the same manager or an affiliate or associate of the manager

(a) must not vote any of those securities, and

(b) may, if the manager so chooses, arrange for all of the securities it holds of the other investment fund to be voted by the beneficial holders of securities of the investment fund.

(7) The investment fund conflict of interest investment restrictions and the investment fund conflict of interest reporting requirements do not apply to an investment fund which purchases or holds securities of another investment fund if the purchase or holding is made in accordance with this section.

2.5.1 Investments in Other Investment Funds by Funds Not Reporting Issuers — (1) In this section, "significant interest" and "substantial security holder" have the meaning,

(a) except in British Columbia, ascribed to those terms in the investment fund conflict of interest investment restrictions, and

(b) in British Columbia, ascribed to those terms in section 2 of BC Instrument 81-513 *Self-Dealing*.

(2) The investment fund conflict of interest investment restrictions and the investment fund conflict of interest reporting requirements do not apply to an investment fund that is not a reporting issuer and that purchases or holds securities of another investment fund that is not a reporting issuer if

(a) the investment fund's securities are distributed solely under an exemption from the prospectus requirement,

(b) the purchase or holding is in accordance with paragraphs 2.5(2)(b), (d), (e) and (f),

(c) the other investment fund prepares annual financial statements for its most recently completed financial year, and obtains an auditor's report with respect to those statements, within 90 days after the end of that financial year,

(d) the other investment fund prepares interim financial statements for its most recently completed interim period within 60 days after the end of that interim period,

(e) the audited annual financial statements referred to in paragraph (c) and the interim financial statements referred to in paragraph (d) are prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises, IFRS or U.S. GAAP,

(f) the audited annual financial statements referred to in paragraph (c) are audited in accordance with Canadian GAAS, International Standards on Auditing, U.S. AICPA GAAS or U.S. PCAOB GAAS and the auditor's report referred to in paragraph (c) expresses an unmodified or unqualified opinion, as applicable,

(g) the other investment fund complies with section 2.4,

(h) the other investment fund has the same redemption and valuation dates as the investment fund,

(i) any purchase of the other fund's securities is made at a price that equals the net asset value per security of the other fund calculated in accordance with section 14.2 of National Instrument 81-106 *Investment Fund Continuous Disclosure*,

(j) before an investor purchases securities of the investment fund, the investor is provided a document that discloses

(i) that the fund may purchase securities of other related funds from time to time,

(ii) that the manager of the fund is any of the following, as applicable:

(A) the manager of each of the other funds;

(B) the portfolio adviser of each of the other funds;

(C) an affiliate of the manager of each of the other funds;

(D) an affiliate of the portfolio adviser of each of the other funds,

(iii) the approximate or maximum percentage of net assets of the fund that is intended to be invested in securities of the other fund,

(iv) the fees, expenses and any performance or special incentive distributions payable by the other fund,

(v) the process or criteria used to select the other fund,

(vi) for each officer, director or substantial security holder of the fund's manager, or of the fund, that has a significant interest in the other fund, the approximate amount of the significant interest that each officer, director or substantial securityholder holds in the other fund expressed as a percentage of the other fund's net asset value, and any conflicts of interest or potential conflicts of interest,

(vii) if the officers, directors and substantial securityholders of the fund's manager or of the fund, in aggregate, hold a significant interest in the other fund,

(A) the actual or approximate amount of the significant interest they hold, on an aggregate basis, expressed as a percentage of the other fund's net asset value, and

(B) any conflicts of interest or potential conflicts of interest, and

(viii) that investors are entitled to receive, on request and free of charge,

(A) a copy of the offering memorandum or other similar disclosure document of each other fund, if available, and

(B) the audited annual financial statements, accompanied by an auditor's report, and interim financial statements, if any, relating to each other fund, and

(k) investors are informed annually of their right to receive, on request and free of charge, a copy of the documents referred to in subparagraph (j)(viii).

(3) The investment fund conflict of interest investment restrictions and the investment fund conflict of interest reporting requirements do not apply to an investment fund that is not a reporting issuer and that purchases or holds securities of another investment fund if the other investment fund is a reporting issuer and the purchase or holding is in accordance with section 2.5.

2.6 Borrowing and Other Investment Practices — (1) An investment fund must not

(a) borrow cash or provide a security interest over any of its portfolio assets unless

(i) the transaction is a temporary measure to accommodate requests for the redemption of securities of the investment fund while the investment fund effects an orderly liquidation of portfolio assets, or to permit the investment fund to settle portfolio transactions and, after giving effect to all transactions undertaken under this subparagraph, the outstanding amount of all borrowings of the investment fund does not exceed 5% of its net asset value at the time of the borrowing,

(ii) the security interest is required to enable the investment fund to effect a specified derivative transaction or short sale of securities under this Instrument, is made in accordance with industry practice for that type of transaction and relates only to obligations arising under the particular specified derivatives transaction or short sale,

(iii) the security interest secures a claim for the fees and expenses of the custodian or a sub-custodian of the investment fund for services rendered in that capacity as permitted by subsection 6.4(3), or

(iv) in the case of an exchange-traded mutual fund that is not in continuous distribution or a non-redeemable investment fund, the transaction is to finance the acquisition of its portfolio securities and the outstanding amount of all borrowings is repaid on the closing of its initial public offering;

(b) purchase securities on margin, unless permitted by section 2.7 or 2.8;

(c) sell securities short other than in compliance with section 2.6.1, unless permitted by section 2.7 or 2.8;

(d) purchase a security, other than a specified derivative, that by its terms may require the investment fund to make a contribution in addition to the payment of the purchase price;

(e) engage in the business of underwriting, or marketing to the public, securities of any other issuer;

(f) lend cash or portfolio assets other than cash;

(g) guarantee securities or obligations of a person or company; or

(h) purchase securities other than through market facilities through which these securities are normally bought and sold unless the purchase price approximates the prevailing market price or the parties are at arm's length in connection with the transaction.

(2) Despite paragraphs (1)(a) and (b), an alternative mutual fund or a non-redeemable investment fund may borrow cash or provide a security interest over any of its portfolio assets if each of the following apply:

(a) any borrowing of cash is

(i) from an entity described in section 6.2 or 6.3, and

(ii) if the lender is an affiliate or associate of the investment fund manager of the alternative mutual fund or non-redeemable investment fund, under a borrowing agreement approved by the independent review committee as required under section 5.2 of NI 81-107;

(b) the borrowing agreement is in accordance with normal industry practice and on standard commercial terms for the type of transaction;

(c) the value of cash borrowed, when aggregated with the value of all outstanding borrowing by the alternative mutual fund or non-redeemable investment fund, does not exceed 50% of the alternative mutual fund or non-redeemable investment fund's net asset value.

2.6.1 Short Sales — (1) An investment fund may sell a security short if

(a) the security sold short is sold for cash;

(b) the security sold short is not any of the following:

(i) a security that the investment fund is otherwise not permitted by securities legislation to purchase at the time of the short sale transaction;

(ii) an illiquid asset;

(iii) a security of an investment fund other than an index participation unit; and

(c) at the time the investment fund sells the security short,

(i) the investment fund has borrowed or arranged to borrow from a borrowing agent the security that is to be sold under the short sale,

(ii) if the investment fund is a mutual fund, other than an alternative mutual fund, the aggregate market value of the securities of the issuer of the securities sold short by the mutual fund does not exceed 5% of the net asset value of the mutual fund,

(iii) if the investment fund is a mutual fund, other than an alternative mutual fund, the aggregate market value of the securities sold short by the mutual fund does not exceed 20% of the net asset value of the mutual fund,

(iv) if the investment fund is an alternative mutual fund or a non-redeemable investment fund, the aggregate market value of the securities of the issuer of the securities sold short by the investment fund, other than government securities sold short by an alternative mutual fund or non-redeemable investment fund, does not exceed 10% of the net asset value of the investment fund, and

(v) if the investment fund is an alternative mutual fund or a non-redeemable investment fund, the aggregate market value of the securities sold short by the investment fund does not exceed 50% of the net asset value of the investment fund.

(2) A mutual fund, other than an alternative mutual fund, that sells securities short must hold cash cover in an amount that, together with portfolio assets deposited with borrowing agents as security in connection with short sales of securities by the mutual fund, is at least 150% of the aggregate market value of the securities sold short by the mutual fund on a daily mark-to-market basis.

(3) A mutual fund, other than an alternative mutual fund, must not use the cash from a short sale to enter into a long position in a security, other than a security that qualifies as cash cover.

2.6.2 Total Borrowing and Short Sales — (1) Despite sections 2.6 and 2.6.1, an investment fund must not borrow cash or sell securities short if, immediately after entering into a cash borrowing or short selling transaction, the aggregate value of cash borrowed combined with the aggregate market value of the securities sold short by the investment fund would exceed 50% of the investment fund's net asset value.

(2) Despite sections 2.6 and 2.6.1, if the aggregate value of cash borrowed combined with the aggregate market value of the securities sold short by the investment fund exceeds 50% of the investment fund's net asset value, the investment fund must, as quickly as is commercially reasonable, take all necessary steps to reduce the aggregate value of cash borrowed combined with the aggregate market value of securities sold short to 50% or less of the investment fund's net asset value.

2.7 Transactions in Specified Derivatives for Hedging and Non-Hedging Purposes — (1) An investment fund must not purchase an option or a debt-like security or enter into a swap or a forward contract unless, at the time of the transaction, any of the following apply:

(a) in the case of an option, the option is a clearing corporation option;

(b) the option, debt-like security, swap or forward contract, has a designated rating;

(c) the 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 forward contract, has a designated rating.

(d) the option, debt-like security, swap or forward contract is a cleared specified derivative.

(2) If the credit rating of an option, 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 forward contract, falls below the level of designated rating while the option, debt-like security, swap or forward contract is held by an investment fund, the investment fund must take the steps that are reasonably required to close out its position in the option, debt-like security, swap or forward contract in an orderly and timely fashion, unless either of the following applies:

(a) the option is a clearing corporation option;

(b) the option, debt-like security, swap or forward contract is a cleared specified derivative.

(3) Despite any other provisions contained in this Part, an investment fund may enter into a trade to close out all or part of a position in a specified derivative, in which case the cash cover held to cover the underlying market exposure of the part of the position that is closed out may be released.

(4) The mark-to-market value of the exposure of an investment fund under its specified derivatives positions with any one counterparty, calculated in accordance with subsection (5), must not exceed, for a period of 30 days or more, 10% of the net asset value of the investment fund unless either of the following applies:

(a) the specified derivative is a cleared specified derivative;

(b) the 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 specified derivative, has a designated rating.

(5) The mark-to-market value of specified derivatives positions of an investment fund, with any one counterparty must be, for the purposes of subsection (4),

(a) if the investment fund has an agreement with the counterparty that provides for netting or the right of set-off, the net mark-to-market value of the specified derivatives positions of the investment fund; and

(b) in all other cases, the aggregated mark-to-market value of the specified derivative positions of the investment fund.

(6) Subsections (1), (2) and (3) do not apply to an alternative mutual fund or a non-redeemable investment fund.

2.8 Transactions in Specified Derivatives for Purposes Other than Hedging — (0.1) This section does not apply to an alternative mutual fund.

(1) A mutual fund must not

(a) purchase a debt-like security that has an options component or an option, unless, immediately after the purchase, not more than 10 percent of its net asset value would be made up of those instruments held for purposes other than hedging;

(b) write a call option, or have outstanding a written call option, that is not an option on futures unless, as long as the position remains open, the mutual fund holds

(i) an equivalent quantity of the underlying interest of the option,

(ii) a right or obligation, exercisable at any time that the option is exercisable, to acquire an equivalent quantity of the underlying interest of the option, and cash cover that, together with margin on account for the position, is not less than the amount, if any, by which the strike price of the right or obligation to acquire the underlying interest exceeds the strike price of the option, or

(iii) a combination of the positions referred to in subparagraphs (i) and (ii) that is sufficient, without recourse to other assets of the mutual fund, to enable the mutual fund to satisfy its obligations to deliver the underlying interest of the option;

(c) write a put option, or have outstanding a written put option, that is not an option on futures, unless, as long as the position remains open, the mutual fund holds

(i) a right or obligation, exercisable at any time that the option is exercisable, to sell an equivalent quantity of the underlying interest of the option, and cash cover in an amount that, together with margin on account for the position, is not less than the amount, if any, by which the strike price of the option exceeds the strike price of the right or obligation to sell the underlying interest,

(ii) cash cover that, together with margin on account for the option position, is not less than the strike price of the option, or

(iii) a combination of the positions referred to in subparagraphs (i) and (ii) that is sufficient, without recourse to other assets of the mutual fund, to enable the mutual fund to acquire the underlying interest of the option;

(d) open or maintain a long position in a debt-like security that has a component that is a long position in a forward contract, or in a standardized future or forward contract, unless the mutual fund holds cash cover in an amount that, together with margin on account for the specified derivative and the market value of the specified derivative, is not less than, on a daily mark-to-market basis, the underlying market exposure of the specified derivative;

(e) open or maintain a short position in a standardized future or forward contract, unless the mutual fund holds

(i) an equivalent quantity of the underlying interest of the future or contract,

(ii) a right or obligation to acquire an equivalent quantity of the underlying interest of the future or contract and cash cover that together with margin on account for the position is not less than the amount, if any, by which the strike price of the right or obligation to acquire the underlying interest exceeds the forward price of the contract, or

(iii) a combination of the positions referred to in subparagraphs (i) and (ii) that is sufficient, without recourse to other assets of the mutual fund, to enable the mutual fund to deliver the underlying interest of the future or contract; or

(f) enter into, or maintain, a swap position unless

(i) for periods when the mutual fund would be entitled to receive payments under the swap, the mutual fund holds cash cover in an amount that, together with margin on account for the swap and the market value of the swap, is not less than, on a daily mark-to-market basis, the underlying market exposure of the swap; and

(ii) for periods when the mutual fund would be required to make payments under the swap, the mutual fund holds

(A) an equivalent quantity of the underlying interest of the swap,

(B) a right or obligation to acquire an equivalent quantity of the underlying interest of the swap and cash cover that, together with margin on account for the position, is not less than the aggregate amount of the obligations of the mutual fund under the swap, or

(C) a combination of the positions referred to in clauses (A) and (B) that is sufficient, without recourse to other assets of the mutual fund, to enable the mutual fund to satisfy its obligations under the swap.

(2) A mutual fund must treat any synthetic cash position on any date as providing the cash cover equal to the notional principal value of a banker's acceptance then being accepted by a bank listed in Schedule I of the *Bank Act* (Canada) that would produce the same annualized return as the synthetic cash position is then producing.

2.9 Transactions in Specified Derivatives for Hedging Purposes — (1) Sections 2.1, 2.2, 2.4 and 2.8 do not apply to the use of specified derivatives by a mutual fund for hedging purposes.

(2) Section 2.2 does not apply to the use of specified derivatives by a non-redeemable investment fund for hedging purposes.

2.9.1 Aggregate Exposure to Borrowing, Short Selling and Specified Derivatives — (1) An alternative mutual fund or non-redeemable investment fund's aggregate exposure to cash borrowing, short selling and specified derivatives transactions must not exceed 300% of the fund's net asset value.

(2) For the purposes of subsection (1), an alternative mutual fund or non-redeemable investment fund's aggregate exposure is the sum of the following, divided by the fund's net asset value:

(a) the aggregate value of the alternative mutual fund's or non-redeemable investment fund's outstanding indebtedness under any borrowing agreements to which subsection 2.6(2) applies,

(b) the aggregate market value of all securities sold short by the alternative mutual fund or non-redeemable investment fund as permitted by section 2.6.1, and

(c) the aggregate notional amount of the alternative mutual fund's or non-redeemable investment's fund's specified derivatives positions, minus the aggregate notional amount of the specified derivative positions that are hedging transactions.

(3) For the purposes of this section the alternative mutual fund or non-redeemable investment fund must include in its calculation its proportionate share of the assets of any underlying investment fund for which a similar calculation is required.

(4) An alternative mutual fund or non-redeemable investment fund must determine its aggregate exposure in accordance with subsection (2) as of the close of business of each day on which it calculates a net asset value.

(5) If the alternative mutual fund or non-redeemable investment fund's aggregate exposure as determined in accordance with subsection (2) exceeds 300% of its net asset value, the alternative mutual fund or non-redeemable investment fund must, as quickly as is commercially reasonable, take all necessary steps to reduce the aggregate exposure to 300% its net asset value or less.

2.10 Adviser Requirements — (1) If a portfolio adviser of an investment fund receives advice from a non-resident sub-adviser concerning the use of options or standardized futures by the investment fund, the investment fund must not invest in or use options or standardized futures unless

(a) the obligations and duties of the non-resident sub-adviser are set out in a written agreement with the portfolio adviser; and

(b) the portfolio adviser contractually agrees with the investment fund to be responsible for any loss that arises out of the failure of the non-resident sub-adviser

(i) to exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the investment fund, and

(ii) to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

(2) An investment fund must not relieve a portfolio adviser of the mutual fund from liability for loss for which the portfolio adviser has assumed responsibility under paragraph (1)(b) that arises out of the failure of the relevant non-resident sub-adviser

(a) to exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the investment fund, or

(b) to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

(3) Despite subsection 4.4(3), an investment fund may indemnify a portfolio adviser against legal fees, judgments and amounts paid in settlement, actually and reasonably incurred by that person or company in connection with services provided by a non-resident sub-adviser for which the portfolio adviser has assumed responsibility under paragraph (1)(b), only if

(a) those fees, judgments and amounts were not incurred as a result of a breach of the standard of care described in subsection (1) or (2); and

(b) the investment fund has reasonable grounds to believe that the action or inaction that caused the payment of the fees, judgments and amounts paid in settlement was in the best interests of the investment fund.

(4) An investment fund must not incur the cost of any portion of liability insurance that insures a person or company for a liability except to the extent that the person or company may be indemnified for that liability under this section.

2.11 Commencement of Use of Specified Derivatives and Short Selling by an Investment Fund — (0.1) This section does not apply to an alternative mutual fund.

(1) An investment fund that has not used specified derivatives must not begin using specified derivatives, and a investment fund that has not sold a security short in accordance with section 2.6.1 must not sell a security short, unless,

(a) in the case of a mutual fund, other than an exchange-traded mutual fund that is not in continuous distribution, its prospectus contains the disclosure required for a mutual fund intending to engage in the activity;

(a.1) in the case of an exchange-traded mutual fund that is not in continuous distribution or of a non-redeemable investment fund, the investment fund issues a news release that contains both of the following:

(i) the disclosure required in a prospectus for an exchange-traded mutual fund that is not in continuous distribution, or a non-redeemable investment fund, intending to engage in the activity;

(ii) the date on which the activity is intended to begin; and

(b) the investment fund has provided to its securityholders, not less than 60 days before it begins the intended activity, written notice that discloses its intent to engage in the activity and the disclosure referred to in paragraph (a) or (a.1), as applicable.

(2) A mutual fund, other than an exchange-traded mutual fund that is not in continuous distribution, is not required to provide the notice referred to in paragraph (1)(b) if each prospectus of the mutual fund since its inception has contained the disclosure referred to in paragraph (1)(a).

(3) Subsection (1) does not apply to an exchange-traded mutual fund that is not in continuous distribution, or to a non-redeemable investment fund, if each prospectus of the investment fund filed since its inception has contained the disclosure referred to in paragraph (1)(a.1).

2.12 Securities Loans — (1) Despite any other provision of this Instrument, an investment 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 section 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 investment fund in exchange for collateral.

4. The securities transferred, either by the investment fund or to the investment 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 investment fund at the beginning of the transaction

(a) is received by the investment 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 investment 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 investment fund, and in at least the same number as those loaned by the investment fund; or

(d) irrevocable letters of credit issued by a Canadian financial institution that is not the counterparty, or an affiliate counterparty, of the investment fund in the transaction, if evidences of indebtedness of the Canadian financial institution that are rated as short term debt by a designated rating organization or its DRO affiliate have a designated 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 investment fund is adjusted on each business day to ensure that the market value of collateral maintained by the investment fund in connection with the transaction is at least 102 pecent of the market value of the loaned securities.

8. If an event of default by a borrower occurs, the investment 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 investment 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 investment 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 securities are lent.

12. Immediately after the investment fund enters into the transaction, the aggregate market value of all securities loaned by the investment fund in securities lending transactions and not yet returned to it or sold by the investment fund in repurchase transactions under section 2.13 and not yet repurchased does not exceed 50% of the net asset value of the investment fund.

(2) An investment 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).

(3) An investment fund, during the term of a securities lending transaction, must hold all, and must not invest or dispose of any, non-cash collateral delivered to it as collateral in the transaction.

2.13 Repurchase Transactions — (1) Despite any other provision of this Instrument, an investment 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 section 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 investment fund, with the investment fund assuming an obligation to repurchase the securities for cash.

4. The securities transferred by the investment fund as part of the transaction are immediately available for good delivery under applicable legislation.

5. The cash to be delivered to the investment fund at the beginning of the transaction

(a) is received by the investment 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 investment fund is adjusted on each business day to ensure that the amount of cash maintained by the investment fund in connection with the transaction is at lease 102 percent of the market value of the sold securities.

7. If an event of default by a purchaser occurs, the investment 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 investment 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 investment fund and the purchaser, is not more than 30 days.

11. Immediately after the investment fund enters into the transaction, the aggregate market value of all securities loaned by the investment fund in securities lending transactions under section 2.12 and not yet returned to it or sold by the investment fund in repurchase transactions and not yet repurchased does not exceed 50% of the net asset value of the investment fund.

(2) An investment 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).

2.14 Reverse Repurchase Transactions — (1) Despite any other provision of this Instrument, an investment 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 investment fund, with the investment 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 investment fund at the beginning of the transaction

(a) are received by the investment 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 investment fund.

6. The purchased securities are marked to market on each business day, and either the amound of cash paid for the purchased securities or the amount of purchased securities in the possession of the seller or the investment fund is adjusted on each business day to ensure that the market value of purchased securities held by the investment fund in connection with the transaction is not less than 102 percent of the cash paid by the investment fund.

7. If an event of default by a seller occurs, the investment 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 udner 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 investment fund, is not more than 30 days.

2.15 Agent for Securities Lending Repurchase and Reverse Repurchase Transactions — (1) The manager of an investment fund must appoint an agent or agents to act on behalf of the investment fund to administer the securities lending and repurchase transactions entered into by the investment fund.

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

(3) The custodian or a sub-custodian of the investment fund must be the agent appointed under subsection (1) or (2).

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

(a) the investment 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 investment fund will comply with this Instrument; and

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

(5) An agent appointed under this section, in administering the securities lending, repurchase and, if applicable, reverse

repurchase transactions of the investment fund must exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

2.16 Controls and Records — (1) An investment fund must 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 investment fund without an agent, the manager has established and maintains appropriate internal controls, procedures and records.

(2) The internal controls, procedures and records referred to in subsection (1) must 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.

(3) The manager of an investment fund must, 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 investment 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 investment fund entered into under subsection 2.15(4);

(d) review the terms of any agreement between the investment 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 investment 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 investment fund are administered in the manner described in paragraph (c), and

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

2.17 Commencement of Securities Lending, Repurchase and Reverse Repurchase Transactions by an Investment Fund — (1) An investment fund must not enter into securities lending, repurchase or reverse repurchase transactions unless,

(a) in the case of a mutual fund, other than an exchange-traded mutual fund that is not in continuous distribution, its prospectus contains the disclosure required for mutual funds entering into those types of transactions;

(b) in the case of an exchange-traded mutual fund that is not in continuous distribution or of a non-redeemable investment fund, the investment fund issues a news release that contains both of the following:

(i) the disclosure required in a prospectus for an exchange-traded mutual fund that is not in continuous distribution, or a non-redeemable investment fund, entering into those types of transactions;

(ii) the date on which the investment fund intends to begin entering into those types of transactions; and

(c) the investment fund provides to its securityholders, at least 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 referred to in paragraph (a) or (b), as applicable.

(2) Paragraph (1)(c) 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.

(3) Paragraph (1)(c) does not apply to a mutual fund, other than an exchange-traded mutual fund that is not in continuous distribution, if each prospectus of the mutual fund filed since its inception contains the disclosure referred to in paragraph (1)(a).

(4) Subsection (1) does not apply to an exchange-traded mutual fund that is not in continuous distribution, or to a non-redeemable investment fund, if each prospectus of the investment fund filed since its inception contains the disclosure referred to in paragraph (1)(b).

2.18 Money market fund — (1) A mutual fund must not describe itself as a “money market fund” in its prospectus, a continuous disclosure document or a sales communication unless

(a) it has all of its assets invested in one or more of the following:

(i) cash,

(ii) cash equivalents,

(iii) an evidence of indebtedness that has a remaining term to maturity of 365 days or less and a designated rating,

(iv) a floating rate evidence of indebtedness if

(A) the floating interest rate of the indebtedness is reset no later than every 185 days, and

(B) the principal amount of the indebtedness will continue to have a market value of approximately par at the time of each change in the rate to be paid to the holders of the evidence of indebtedness, or

(v) securities issued by one or more money market funds,

(b) it has a portfolio of assets, excluding a security described in subparagraph (a)(v), with a dollarweighted average term to maturity not exceeding

(i) 180 days, and

(ii) 90 days when calculated on the basis that the term of a floating rate obligation is the period remaining to the date of the next rate setting,

(c) not less than 95% of its assets invested in accordance with paragraph (a) are denominated in a currency in which the net asset value per security of the mutual fund is calculated, and

(d) it has not less than

(i) 5% of its assets invested in cash or readily convertible into cash within one day, and

(ii) 15% of its assets invested in cash or readily convertible into cash within one week.

(2) Despite any other provision of this Instrument, a mutual fund that describes itself as a “money market fund” must not use a specified derivative or sell securities short.

(3) A non-redeemable investment fund must not describe itself as a “money market fund”.

Part 3 — New Mutual Funds

3.1 Initial Investment in a New Mutual Fund — (1) A person or company must not file a prospectus for a newly established mutual fund unless

(a) an investment of at least $150,000 in securities of the mutual fund has been made, and those securities are beneficially owned, before the time of filing by

(i) the manager, a portfolio adviser, a promoter or a sponsor of the mutual fund,

(ii) the partners, directors, officers or securityholders of any of the manager, a portfolio adviser, a promoter or a sponsor of the mutual fund, or

(iii) a combination of the persons or companies referred to subparagraphs (i) and (ii); or

(b) the prospectus of the mutual fund states that the mutual fund will not issue securities other than those referred to in paragraph (a) unless subscriptions aggregating not less than $500,000 have been received by the mutual fund from investors other than the persons and companies referred to in paragraph (a) and accepted by the mutual fund.

(2) A mutual fund must not redeem a security issued upon an investment in the mutual fund referred to in paragraph (1)(a) until $500,000 has been received from persons or companies other than the persons and companies referred to in paragraph (1)(a).

3.2 Prohibition Against Distribution — If a prospectus of a mutual fund contains the disclosure described in paragraph 3.1(1)(b), the mutual fund must not distribute any securities unless the subscriptions described in that disclosure, together with payment for the securities subscribed for, have been received.

3.3 Prohibition Against Reimbursement of Organization Costs — (1) The costs of incorporation, formation or initial organization of a mutual fund, or of the preparation and filing of any of the preliminary prospectus, ~~preliminary annual information form,~~ preliminary fund facts document initial prospectus~~, annual information form~~ or fund facts document of the mutual fund must not be borne by the mutual fund or its securityholders.

(2) Subsection (1) does not apply to an exchange-traded mutual fund unless the fund is in continuous distribution.

Part 4 — Conflicts of Interest

4.1 Prohibited Investments — (1) A dealer managed investment fund must not knowingly make an investment in a class of securities of an issuer during, or for 60 days after, the period in which the dealer manager of the investment fund, or an associate or affiliate of the dealer manager of the investment fund, acts as an underwriter in the distribution of securities of that class of securities, except as a member of the selling group distributing five percent or less of the securities underwritten.

(2) A dealer managed investment fund must not knowingly make an investment in a class of securities of an issuer of which a partner, director, officer or employee of the dealer manager of the investment fund, or a partner, director, officer or employee of an affiliate or associate of the dealer manager, is a partner, director or officer, unless the partner, director, officer or employee

(a) does not participate in the formulation of investment decisions made on behalf of the dealer managed

investment fund;

(b) does not have access before implementation to information concerning investment decisions made on behalf of the dealer managed investment fund; and

(c) does not influence, other than through research, statistical and other reports generally available to clients, the investment decisions made on behalf of the dealer managed investment fund.

(3) Subsections (1) and (2) do not apply to an investment in a class of securities issued or fully and unconditionally guaranteed by the government of Canada or the government of a jurisdiction.

(4) Subsection (1) does not apply to an investment in a class of securities of a reporting issuer if,

(a) at the time of the investment,

(i) the independent review committee of the dealer managed investment fund has approved the transaction in accordance with subsection 5.2(2) of NI 81-107, and

(ii) the distribution of securities of the reporting issuer is made by prospectus or under an exemption from the prospectus requirement;

(b) during the 60 days after the period referred to in subsection (1), any of the following apply:

(i) the investment is made on an exchange on which the securities of the reporting issuer are listed and traded;

(ii) if the security is a debt security that does not trade on an exchange, the ask price is readily available and the price paid is not higher than the available ask price of the debt security at the time of the investment, and

(c) no later than the time the dealer managed investment fund files its annual financial statements, the manager of the dealer managed investment fund files the particulars of each investment made by the dealer managed investment fund during its most recently completed financial year.

~~(4) Subsection (1) does not apply to an investment in a class of securities of an issuer if, at the time of each investment~~

~~(a) the independent review committee of the dealer managed investment fund has approved the transaction under subsection 5.2(2) of NI 81-107;~~

~~(b) in a class of debt securities of an issuer other than a class of securities referred to in subsection (3), the security has been given, and continues to have, a designated rating by a designated rating organization or its DRO affiliate;~~

~~(c) in any other class of securities of an issuer,~~

~~(i) the distribution of the class of equity securities is made by prospectus filed with one or more securities regulatory authorities or regulators in Canada, and~~

~~(ii) during the 60 day period referred to in subsection (1) the investment is made on an exchange on which the class of equity securities of the issuer is listed and traded; and~~

~~(d) no later than the time the dealer managed investment fund files its annual financial statements, the manager of the dealer managed investment fund files the particulars of each investment made by the dealer managed investment fund during its most recently completed financial year.~~

(4.1) [Repealed]

(5) The provisions of securities legislation that are referred to in Appendix C do not apply with respect to an investment in a class of securities of an issuer referred to in subsection (4) if the investment is made in accordance with that

subsection.

4.2 Self-Dealing — (1) An investment fund must 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 investment fund.

2. A partner, director or officer of the investment fund or of the manager, portfolio adviser or trustee of the investment 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 investment fund or a partner, director or officer of the manager or portfolio adviser of the investment fund is a partner, director, officer or securityholder.

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

4.3 Exception — (1) Section 4.2 does not apply to a purchase or sale of a security by an investment fund if the price payable for the security is:

(a) not more than the ask price of the security as reported by any available public quotation in common use, in the case of a purchase by the investment fund; or

(b) not less than the bid price of the security as reported by any available public quotation in common use, in the case of a sale by the investment fund.

(2) Section 4.2 does not apply to a purchase or sale of a class of debt securities by an investment fund from, or to, another investment fund managed by the same manager or an affiliate of the manager, if, at the time of the transaction

(a) the investment fund is purchasing from, or selling to, another investment fund to which NI 81-107 applies;

(b) the independent review committee of the investment fund has approved the transaction under subsection 5.2(2) of NI 81-107; and

(c) the transaction complies with subsection 6.1(2) of NI 81-107.

4.4 Liability and Indemnification — (1) An agreement or declaration of trust by which a person or company acts as manager of an investment fund must provide that the manager is responsible for any loss that arises out of the failure of the manager, or of any person or company retained by the manager or the investment fund to discharge any of the manager's responsibilities to the investment fund,

(a) to exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the investment fund, and

(b) to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

(2) An investment fund must not relieve the manager of the investment fund from liability for loss that arises out of the failure of the manager, or of any person retained by the manager or the investment fund to discharge any of the manager's responsibilities to the investment fund,

(a) to exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the investment fund, or

(b) to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

(3) An investment fund may indemnify a person or company providing services to it against legal fees, judgments and amounts paid in settlement, actually and reasonably incurred by that person or company in connection with services provided by that person or company to the investment fund, if

(a) those fees, judgments and amounts were not incurred as a result of a breach of the standard of care described in subsection (1) or (2); and

(b) the investment fund has reasonable grounds to believe that the action or inaction that caused the payment of the fees, judgments and amounts paid in settlement was in the best interests of the investment fund.

(4) An investment fund must not incur the cost of any portion of liability insurance that insures a person or company for a liability except to the extent that the person or company may be indemnified for that liability under this section.

(5) This section does not apply to any losses to an investment fund or securityholder arising out of an action or inaction by any of the following:

(a) a director of the investment fund;

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

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

Part 5 — Fundamental Changes

5.1 Matters Requiring Securityholder Approval — (1) The prior approval of the securityholders of an investment fund, given as provided in section 5.2, is required before the occurrence of each of the following:

(a) the basis of the calculation of a fee or expense that is charged to the investment fund or directly to its securityholders by the investment fund or its manager in connection with the holding of securities of the investment fund is changed in a way that could result in an increase in charges to the investment fund or to its securityholders;

(a.1) a fee or expense, to be charged to the investment fund or directly to its securityholders by the investment fund or its manager in connection with the holding of securities of the investment fund that could result in an increase in charges to the investment fund or to its securityholders, is introduced;

(b) the manager of the investment fund is changed, unless the new manager is an affiliate of the current manager;

(c) the fundamental investment objectives of the investment fund are changed;

(d) *repealed.*

(e) the investment fund decreases the frequency of the calculation of its net asset value per security;

(f) the investment fund undertakes a reorganization with, or transfers its assets to, another issuer, if

(i) the investment fund ceases to continue after the reorganization or transfer of assets, and

(ii) the transaction results in the securityholders of the investment fund becoming securityholders in the other issuer;

(g) the investment fund undertakes a reorganization with, or acquires assets from, another issuer, if

(i) the investment fund continues after the reorganization or acquisition of assets,

(ii) the transaction results in the securityholders of the other issuer becoming securityholders in the investment fund, and

(iii) the transaction would be a material change to the investment fund,

(h) the investment fund implements any of the following:

(i) in the case of a non-redeemable investment fund, a restructuring into a mutual fund;

(ii) in the case of a mutual fund, a restructuring into a non-redeemable investment fund;

(iii) a restructuring into an issuer that is not an investment fund.

(2) An investment fund must not bear any of the costs or expenses associated with a restructuring referred to in paragraph (1)(h).

5.2 Approval of Securityholders — (1) Unless a greater majority is required by the constating documents of the investment fund, the laws applicable to the investment fund or an applicable agreement, the approval of the securityholders of the investment fund to a matter referred to in subsection 5.1(1) must be given by a resolution passed by at least a majority of the votes cast at a meeting of the securityholders of the investment fund duly called and held to consider the matter.

(2) Despite subsection (1), the holders of securities of a class or series of a class of securities of a investment fund must vote separately as a class or series of a class on a matter referred to in subsection 5.1(1) if that class or series of a class is affected by the action referred to in subsection 5.1(1) in a manner different from holders of securities of other classes or series of a class.

(3) Despite subsection 5.1(1) and subsections (1) and (2), if the constating documents of the investment fund so provide, the holders of securities of a class or series of a class of securities of an investment fund must not be entitled to vote on a matter referred to in subsection 5.1(1) if they, as holders of the class or series of a class, are not affected by the action referred to in subsection 5.1(1).

5.3 Circumstances in Which Approval of Securityholders Not Required — (1) Despite subsection 5.1(1), the approval of securityholders of an investment fund is not required to be obtained for a change referred to in paragraphs 5.1(1)(a) and (a.1)

(a) if

(i) the investment fund is at arm's length to the person or company charging the fee or expense to the investment fund referred to in paragraphs 5.1(1)(a) and (a.1),

(ii) the prospectus of the investment fund discloses that, although the approval of securityholders will not be obtained before making the changes, securityholders will be sent a written notice at least 60 days before the effective date of the change that is to be made that could result in an increase in charges to the investment fund, and

(iii) the notice referred to in subparagraph (ii) is actually sent at least 60 days before the effective date of the change; or

(b) if, in the case of a mutual fund,

(i) the mutual fund is permitted by this Instrument to be described as a "no-load" fund,

(ii) the prospectus of the mutual fund discloses that securityholders will be sent a written notice at least 60 days before the effective date of a change that is to be made that could result in an increase in charges to the mutual fund, and

(iii) the notice referred to in subparagraph (ii) is actually sent at least 60 days before the effective date of the change.

(2) Despite subsection 5.1(1), the approval of securityholders of an investment fund is not required to be obtained for a change referred to in paragraph 5.1(1)(f) if either of the following paragraphs apply:

(a) all of the following apply:

(i) the independent review committee of the investment fund has approved the change under subsection 5.2(2) of NI 81-107;

(ii) the investment fund is being reorganized with, or its assets are being transferred to, another investment fund to which this Instrument and NI 81-107 apply and that is managed by the manager, or an affiliate of the manager, of the investment fund;

(iii) all of the following apply to the reorganization or transfer of assets of the investment fund:

(A) subparagraph 5.6(1)(a)(i), clause 5.6(1)(a)(ii)(A), subparagraph 5.6(1)(a)(iii) and subparagraph 5.6(1)(a)(iv);

(B) subparagraph 5.6(1)(b)(i);

(C) paragraph 5.6(1)(c);

(D) paragraph 5.6(1)(d);

(E) paragraph 5.6(1)(g);

(F) paragraph 5.6(1)(h);

(G) paragraph 5.6(1)(i);

(H) paragraph 5.6(1)(j);

(I) paragraph 5.6(1)(k);

~~(iii) the reorganization or transfer of assets of the investment fund complies with the criteria in paragraphs 5.6(1)(a), (b), (c), (d), (g), (h), (i), (j) and (k);~~

(iv) the prospectus of the investment fund discloses that, although the approval of securityholders may not be obtained before making the change, securityholders will be sent a written notice at least 60 days before the effective date of the change;

(v) the notice referred to in subparagraph (iv) to securityholders is sent at least 60 days before the effective date of the change;

(b) all of the following apply:

(i) the investment fund is a non-redeemable investment fund that is being reorganized with, or its assets are being transferred to, a mutual fund that is

(A) a mutual fund to which this Instrument and NI 81-107 apply,

(B) managed by the manager, or an affiliate of the manager, of the investment fund,

(C) not in default of any requirement of securities legislation, and

(D) a reporting issuer in the local jurisdiction and the mutual fund has a current prospectus in the local jurisdiction;

(ii) the transaction is a tax-deferred transaction under subsection 85(1) of the ITA;

(iii) the securities of the investment fund do not give securityholders of the investment fund the right to request that the investment fund redeem the securities;

(iv) since its inception, there has been no market through which securityholders of the investment fund could sell securities of the investment fund;

(v) every prospectus of the investment fund discloses that

(A) securityholders of the investment fund, other than the manager, promoter or an affiliate of the manager or promoter, will cease to be securityholders of the investment fund within 30 months following the completion of the initial public offering by the investment fund, and

(B) the investment fund will, within 30 months following the completion of the initial public offering of the investment fund, undertake a reorganization with, or transfer its assets to, a mutual fund that is managed by the manager of the investment fund or by an affiliate of the manager of the investment fund;

(vi) the mutual fund bears none of the costs and expenses associated with the transaction;

(vii) the reorganization or transfer of assets of the investment fund complies with subparagraphs 5.3(2)(a)(i), (iv) and (v) and paragraphs 5.6(1)(d) and (k).

5.3.1 Change of Auditor of an Investment Fund — The auditor of an investment fund must not be changed unless

(a) the independent review committee of the investment fund has approved the change of auditor under subsection 5.2(2) of NI 81-107;

(b) the prospectus of the investment fund discloses that, although the approval of securityholders will not be obtained before making the change, securityholders will be sent a written notice at least 60 days before the effective date of the change, and

(c) the notice referred to in paragraph (b) to securityholders is sent 60 days before the effective date of the change.

5.4 Formalities Concerning Meetings of Securityholders — (1) A meeting of securityholders of an investment fund called to consider any matter referred to in subsection 5.1(1) must be called on written notice sent at least 21 days before the date of the meeting.

(2) The notice referred to in subsection (1) must contain or be accompanied by the following:

(a) a statement in an information circular that includes all of the following:

(i) a description of the change or transaction proposed to be made or entered into;

(ii) in the case of a matter referred to in paragraph 5.1(1)(a) or (a.1), the effect that the change would have had on the management expense ratio of the investment fund if the change were in effect throughout the investment fund's last completed financial year;

(iii) in the case of a matter referred to in paragraph 5.1(1)(b),

(A) all material information regarding the business, management and operations of the new manager, including, for greater certainty, details of the history and background of its executive officers and directors within the 5 years preceding the date of the notice or statement,

(B) a description of all material effects the change will have on the business, operations or affairs of the investment fund,

(C) a description of all material effects the change will have on the investment fund's securityholders, and

(D) a description of any material changes made to any material contract regarding the administration of the investment fund;

(iv) the date of the proposed implementation of the change or transaction;

(b) all information and documents required to be sent in order to comply with the applicable proxy solicitation provisions of securities legislation for the meeting.

~~(2) The notice referred to in subsection (1) must contain or be accompanied by a statement that includes~~

~~(a) a description of the change or transaction proposed to be made or entered into and, if the matter is one referred to in paragraphs 5.1(1)(a) or (a.1), the effect that the change would have had on the management expense ratio of the investment fund had the change been in force throughout the investment fund's last completed financial year;~~

~~(b) the date of the proposed implementation of the change or transaction; and~~

~~(c) all other information and documents necessary to comply with the applicable proxy solicitation requirements of securities legislation for the meeting.~~

5.5 Approval of Securities Regulatory Authority — (1) The approval of the securities regulatory authority or regulator is required before

(a) [Repealed] ~~the manager of an investment fund is changed, unless the new manager is an affiliate of the current manager;~~

(a.1) [Repealed] ~~a change of control of the manager of an investment fund occurs;~~

(b) a reorganization or transfer of assets of an investment fund is implemented, if the transaction will result in the securityholders of the investment fund becoming securityholders in another issuer; or

(c) [Repealed] ~~a change of the custodian of an investment fund is implemented, if there has been or will be, in connection with the proposed change, a change of the type referred to in paragraph (a); or~~

(d) an investment fund suspends, other than under section 10.6, the rights of securityholders to request that the investment fund redeem their securities.

(2) [Repealed]

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

5.6 Pre-Approved Reorganizations and Transfers — (1) Despite subsection 5.5(1), the approval of the securities regulatory authority or regulator is not required to implement a transaction referred to in paragraph 5.5(1)(b) if all of the following paragraphs apply:

(a) the investment fund is being reorganized with, or its assets are being transferred to, another investment fund to which this Instrument applies, and all of the following apply:

(i) the other investment fund is managed by the manager, or an affiliate of the manager, of the investment fund;

(ii) either of the following apply:

(A) a reasonable person would consider the other investment fund to have substantially similar fundamental investment objectives and valuation procedures, and a substantially similar fee structure, to those of the investment fund;

(B) if the other investment fund has different fundamental investment objectives or valuation procedures or a different fee structure, the following apply:

(I) the manager reasonably believes that the transaction is in the best interests of the investment fund despite the differences;

(II) the circular referred to in subparagraph (f)(i) includes disclosure of the differences and explains why the manager is of the belief that the transaction is in the best interests of the investment fund despite the differences;

(iii) the other investment fund is not in default of any requirement of securities legislation;

(iv) the other investment fund is a reporting issuer in the local jurisdiction and, if it is a mutual fund, has a current prospectus in the local jurisdiction;

~~(a) the investment fund is being reorganized with, or its assets are being transferred to, another investment fund to which this Instrument applies and that~~

~~(i) is managed by the manager, or an affiliate of the manager, of the investment fund,~~

~~(ii) a reasonable person would consider to have substantially similar fundamental investment objectives, valuation procedures and fee structure as the investment fund,~~

~~(iii) is not in default of any requirement of securities legislation, and~~

~~(iv) is a reporting issuer in the local jurisdiction and, if it is a mutual fund, also has a current prospectus in the local jurisdiction;~~

(b) either of the following apply:

(i) the transaction is a "qualifying exchange" within the meaning of section 132.2 of the ITA or is a tax-deferred transaction under subsection 85(1), 85.1(1), 86(1) or 87(1) of the ITA;

(ii) if the transaction is not a "qualifying exchange" within the meaning of section 132.2 of the ITA or a tax-deferred transaction under subsection 85(1), 85.1(1), 86(1) or 87(1) of the ITA, the following apply:

(A) the manager reasonably believes that the transaction is in the best interests of the investment fund despite the tax treatment of the transaction;

(B) the circular referred to in subparagraph (f)(i)

(I) discloses that the transaction is not a "qualifying exchange" within the meaning of section 132.2 of the ITA or a tax-deferred transaction under subsection 85(1), 85.1(1), 86(1) or 87(1) of the ITA,

(II) discloses the reason why the transaction is not structured so that subparagraph (i) applies, and

(III) explains why the manager is of the belief that the transaction is in the best interests of the investment fund despite the tax treatment of the transaction;

~~(b) the transaction is a "qualifying exchange" within the meaning of section 132.2 of the ITA or is a tax-deferred transaction under subsection 85(1), 85.1(1), 86(1) or 87(1) of the ITA;~~

(c) the transaction contemplates the wind-up of the investment fund as soon as reasonably possible following

the transaction;

(d) the portfolio assets of the investment fund to be acquired by the other investment fund as part of the transaction

(i) may be acquired by the other investment fund in compliance with this Instrument, and

(ii) are acceptable to the portfolio adviser of the other investment fund and consistent with the other investment fund's fundamental investment objectives;

(e) the transaction is approved

(i) by the securityholders of the investment fund in accordance with paragraph 5.1(1)(f), unless subsection 5.3(2) applies, and

(ii) if required, by the securityholders of the other investment fund in accordance with paragraph 5.1(1)(g);

(f) the materials sent to securityholders of the investment fund in connection with the approval under paragraph 5.1(1)(f) include

(i) a circular that, in addition to other requirements prescribed by law, describes the proposed transaction, the investment fund into which the investment fund will be reorganized, the income tax considerations for the investment funds participating in the transaction and their securityholders, and, if the investment fund is a corporation and the transaction involves its shareholders becoming securityholders of an investment fund that is established as a trust, a description of the material differences between being a shareholder of a corporation and being a securityholder of a trust,

(ii) if the other investment fund is a mutual fund, the most recently filed fund facts document or ETF facts document for the other investment fund, and

(iii) a statement that securityholders may, in respect of the reorganized investment fund,

(A) obtain all of the following documents at no cost by contacting the reorganized investment fund at an address or telephone number specified in the statement:

(I) if the reorganized investment fund is a mutual fund, the current prospectus;

(II) [Repealed] ~~the most recently filed annual information form, if one has been filed;~~

(III) as applicable, the most recently filed fund facts document;

(IV) the most recently filed annual financial statements and interim financial reports;

(V) the most recently filed annual and interim management reports of fund performance, or

(B) access those documents at the designated website address;

~~(B) access those documents at a website address specified in the statement;~~

(g) the investment 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 investment fund or of the investment fund;

(h) the investment funds participating in the transaction bear none of the costs and expenses associated with the transaction;

(i) if the investment fund is a mutual fund, securityholders of the investment fund continue to have the right to

redeem securities of the investment fund up to the close of business on the business day immediately before the effective date of the transaction;

(j) if the investment fund is a non-redeemable investment fund, all of the following apply:

(i) the investment fund issues and files a news release that discloses the transaction;

(ii) securityholders of the investment fund may redeem securities of the investment fund at a date that is after the date of the news release referred to in subparagraph (i) and before the effective date of the transaction;

(iii) the securities submitted for redemption in accordance with subparagraph (ii) are redeemed at a price equal to their net asset value per security on the redemption date;

(k) the consideration offered to securityholders of the investment fund for the transaction has a value that is equal to the net asset value of the investment fund calculated on the date of the transaction.

(1.1) Despite subsection 5.5(1), the approval of the securities regulatory authority or regulator is not required to implement a transaction referred to in paragraph 5.5(1)(b) if all the conditions in paragraph 5.3(2)(b) are satisfied and the independent review committee of the mutual fund involved in the transaction has approved the transaction in accordance with subsection 5.2(2) of NI 81-107.

(2) An investment fund that has continued after a transaction described in paragraph 5.5(1)(b) must, if the audit report accompanying its audited financial statements for its first completed financial year after the transaction contains a modified opinion in respect of the value of the portfolio assets acquired by the investment fund in the transaction, send a copy of those financial statements to each person or company that was a securityholder of an investment fund that was terminated as a result of the transaction and that is not a securityholder of the investment fund.

5.7 Applications — (1) An application for an approval required under section 5.5 must contain,

(a) [Repealed] ~~if the application is required by paragraph 5.5(1)(a) or (a.1),~~

~~(i) details of the proposed transaction,~~

~~(ii) details of the proposed new manager or the person or company proposing to acquire control of the manager,~~

~~(iii) as applicable, the names, residence addresses and birthdates of~~

~~(A) all proposed new partners, directors or officers of the manager,~~

~~(B) all partners, directors or officers of the person or company proposing to acquire control of the manager,~~

~~(C) any proposed new individual trustee of the investment fund, and~~

~~(D) any new directors or officers of the investment fund,~~

~~(iv) all information necessary to permit the securities regulatory authority or regulator to conduct security checks on the individuals referred to in subparagraph (iii),~~

~~(v) sufficient information to establish the integrity and experience of the persons or companies referred to in subparagraphs (ii) and (iii), and~~

~~(vi) details of how the proposed transaction will affect the management and administration of the investment fund;~~

(b) if the application is required by paragraph 5.5(1)(b),

(i) details of the proposed transaction,

(ii) details of the total annual returns of the investment fund and, if the other issuer is an investment fund, the other issuer for each of the previous five years,

(iii) a description of the differences between, as applicable, the fundamental investment objectives, investment strategies, valuation procedures and fee structure of the investment fund and the other issuer and any other material differences between the investment fund and the other issuer, and

(iv) a description of those elements of the proposed transaction that make section 5.6 inapplicable;

(c) [Repealed] ~~if the application is required by paragraph 5.5(1)(c), sufficient information to establish that the proposed custodial arrangements will be in compliance with Part 6;~~

(d) if the application relates to a matter that would constitute a material change for the investment fund, a draft amendment to the prospectus and, if applicable, to the fund facts document of the investment fund reflecting the change; and

(e) if the matter is one that requires the approval of securityholders, confirmation that the approval has been obtained or will be obtained before the change is implemented.

(2) An investment fund that applies for an approval under paragraph 5.5(1)(d) must

(a) make that application to the securities regulatory authority or regulator in the jurisdiction in which the head office or registered office of the investment fund is situated; and

(b) concurrently file a copy of the application so made with the securities regulatory authority or the regulator in the local jurisdiction if the head office or registered office of the investment fund is not situated in the local jurisdiction.

(3) An investment fund that has complied with subsection (2) in the local jurisdiction may suspend the right of securityholders to request that the investment fund redeem their securities if

(a) the securities regulatory authority or regulator in the jurisdiction in which the head office or registered office of the investment fund is situated has granted approval to the application made under paragraph (2)(a); and

(b) the securities regulatory authority or regulator in the local jurisdiction has not notified the investment fund, by the close of business on the business day immediately following the day on which the copy of the application referred to in paragraph (2)(b) was received, either that

(i) the securities regulatory authority or regulator has refused to grant approval to the application, or

(ii) this subsection may not be relied upon by the investment fund in the local jurisdiction.

5.8 Matters Requiring Notice — (1) A person or company must not continue to act as manager of an investment fund following a direct or indirect change of control of the person or company unless

(a) notice of the change of control was given to all securityholders of the investment fund at least 60 days before the change; and

(b) the notice referred to in paragraph (a) contains the information that would be required by law to be provided to securityholders if securityholder approval of the change were required to be obtained.

(2) A mutual fund must not terminate unless notice of the termination is given to all securityholders of the mutual fund at least 60 days before termination.

(3) The manager of a mutual fund that has terminated must give notice of the termination to the securities regulatory authority within 30 days of the termination.

5.8.1 Termination of a Non-Redeemable Investment Fund — (1) A non-redeemable investment fund must not terminate unless the investment fund first issues and files a news release that discloses the termination.

(2) A non-redeemable investment fund must not terminate earlier than 15 days or later than 90 days after the filing of the news release under subsection (1).

(3) Subsections (1) and (2) do not apply in respect of a transaction referred to in paragraph 5.1(1)(f).

5.9 Relief from Certain Regulatory Requirements — (1) The investment fund conflict of interest investment restrictions and the investment fund conflict of interest reporting requirements do not apply to a transaction referred to in paragraph 5.5(1)(b) if the approval of the securities regulatory authority or regulator has been given to the transaction.

(2) The investment fund conflict of interest investment restrictions and the investment fund conflict of interest reporting requirements do not apply to a transaction described in section 5.6.

5.10 [Repealed]

Part 6 — Custodianship of Portfolio Assets

6.1 General — (1) Except as provided in sections 6.8, 6.8.1 and 6.9, all portfolio assets of an investment fund must be held under the custodianship of one custodian that satisfies the requirements of section 6.2.

(2) Except as provided in subsection 6.5(3) and sections 6.8, 6.8.1 and 6.9, portfolio assets of a investment fund must be held

(a) in Canada by the custodian or a sub-custodian of the investment fund; or

(b) outside Canada by the custodian or a sub-custodian of the investment fund, if appropriate to facilitate portfolio transactions of the investment fund outside Canada.

(3) The custodian or a sub-custodian of an investment fund may appoint one or more sub-custodians to hold portfolio assets of the investment fund, if

(a) in the case of an appointment by the custodian, the investment fund consents in writing to the appointment,

(a.1) in the case of an appointment by a sub-custodian, the investment fund and the custodian of the investment fund consent in writing to the appointment,

(b) the sub-custodian that is to be appointed is an entity described in section 6.2 or 6.3, as applicable,

(c) the arrangements under which a sub-custodian is appointed are such that the investment fund may enforce rights directly, or require the custodian or a sub-custodian to enforce rights on behalf of the investment fund, to the portfolio assets held by the appointed sub-custodian, and

(d) the appointment is otherwise in compliance with this Instrument.

(4) The written consent referred to in paragraphs (3)(a) and (a.1) may be in the form of a general consent, contained in the agreement governing the relationship between the investment fund and the custodian, or the custodian and the sub-custodian, to the appointment of entities that are part of an international network of sub-custodians within the organization of the appointed custodian or sub-custodian.

(5) A custodian or sub-custodian must provide to the investment fund a list of all entities that are appointed sub-custodians under a general consent referred to in subsection (4).

(6) Despite any other provisions of this Part, the manager of an investment fund must not act as custodian or sub-custodian of the investment fund.

6.2 Entities Qualified to Act as Custodian or Sub-Custodian for Assets Held in Canada — If portfolio assets are held in Canada by a custodian or sub-custodian, the custodian or sub-custodian must be one of the following:

1. a bank listed in Schedule I, II or III of the *Bank Act* (Canada);

2. a trust company that is incorporated under the laws of Canada or a jurisdiction and licensed or registered under the laws of Canada or a jurisdiction, and that has equity, as reported in its most recent audited financial statements, of not less than $10,000,000;

3. a company that is incorporated under the laws of Canada or of a jurisdiction, and that is an affiliate of a bank or trust company referred to in paragraph 1 or 2, if either of the following applies:

(a) the company has equity, as reported in its most recent audited financial statements of not less than $10,000,000;

(b) the bank or trust company has assumed responsibility for all of the custodial obligations of the company for that investment fund.

6.3 Entities Qualified to Act as Sub-Custodian for Assets Held outside Canada — If portfolio assets are held outside of Canada by a sub-custodian, the sub-custodian must be one of the following:

1. an entity referred to in section 6.2;

2. an entity that

(a) is incorporated or organized under the laws of a country, or a political subdivision of a country, other than Canada,

(b) is regulated as a banking institution or trust company by the government, or an agency of the government, of the country under the laws of which it is incorporated or organized, or a political subdivision of that country, and

(c) has equity, as reported in its most recent audited financial statements, of not less than the equivalent of $100,000,000;

3. an affiliate of an entity referred to in paragraph 1 or 2 if either of the following applies:

(a) the affiliate has equity, as reported in its most recent audited financial statements of not less than the equivalent of $100,000,000;

(b) the entity referred to in paragraph 1 or 2 has assumed responsibility for all of the custodial obligations of the affiliate for that investment fund.

6.4 Contents of Custodian and Sub-Custodian Agreements — (1) All custodian agreements and sub-custodian agreements of an investment fund must provide for

(a) the location of portfolio assets,

(b) any appointment of a sub-custodian,

(c) requirements concerning lists of sub-custodians,

(d) the method of holding portfolio assets,

(e) the standard of care and responsibility for loss, and

(f) requirements concerning review and compliance reports.

(2) A sub-custodian agreement concerning the portfolio assets of an investment fund must provide for the safekeeping of portfolio assets on terms consistent with the custodian agreement of the investment fund.

(2.1) An agreement referred to under subsections (1) and (2) must comply with the requirements of this Part.

(3) A custodian agreement or sub-custodian agreement concerning the portfolio assets of an investment fund must not

(a) provide for the creation of any security interest on the portfolio assets of the investment fund except for a good faith claim for payment of the fees and expenses of the custodian or a sub-custodian for acting in that capacity or to secure the obligations of the investment fund to repay borrowings by the investment fund from the custodian or a sub-custodian for the purpose of settling portfolio transactions; or

(b) contain a provision that would require the payment of a fee to the custodian or a sub-custodian for the transfer of the beneficial ownership of portfolio assets of the investment fund, other than for safekeeping and administrative services in connection with acting as custodian or sub-custodian.

6.5 Holding of Portfolio Assets and Payment of Fees — (1) Except as provided in subsections (2) and (3) and sections 6.8, 6.8.1 and 6.9, portfolio assets of an investment fund not registered in the name of the investment fund must be registered in the name of the custodian or a sub-custodian of the investment fund, or any of their respective nominees, with an account number or other designation in the records of the custodian sufficient to show that the beneficial ownership of the portfolio assets is vested in the investment fund.

(2) The custodian or a sub-custodian of an investment fund, or an applicable nominee, must segregate portfolio assets issued in bearer form to show that the beneficial ownership of the property is vested in the investment fund.

(3) The custodian or a sub-custodian of an investment fund may deposit portfolio assets of the investment fund with a depository, or a clearing agency, that operates a book-based system.

(4) The custodian or a sub-custodian of an investment fund arranging for the deposit of portfolio assets of the investment fund with, and their delivery to, a depository, or clearing agency, that operates a book-based system must ensure that the records of any of the applicable participants in that book-based system or of the custodian contain an account number or other designation sufficient to show that the beneficial ownership of the portfolio assets is vested in the investment fund.

(5) An investment fund must not pay a fee to the custodian or a sub-custodian of the investment fund for the transfer of beneficial ownership of portfolio assets of the investment fund other than for safekeeping and administrative services in connection with acting as custodian or sub-custodian.

6.6 Standard of Care — (1) The custodian and each sub-custodian of an investment fund, in carrying out their duties concerning the safekeeping of, and dealing with, the portfolio assets of the investment fund, must exercise

(a) the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances; or

(b) at least the same degree of care as they exercise with respect to their own property of a similar kind, if this is a higher degree of care than the degree of care referred to in paragraph (a).

(2) An investment fund must not relieve the custodian or a sub-custodian of the investment fund from liability to the investment fund or to a securityholder of the investment fund for loss that arises out of the failure of the custodian or sub-custodian to exercise the standard of care imposed by subsection (1).

(3) An investment fund may indemnify the custodian or a sub-custodian against legal fees, judgments and amounts paid in settlement, actually and reasonably incurred by that entity in connection with custodial or sub-custodial services provided by that entity to the investment fund, if those fees, judgments and amounts were not incurred as a result of a

breach of the standard of care imposed by subsection (1).

(4) An investment fund must not incur the cost of any portion of liability insurance that insures the custodian or a sub-custodian for a liability, except to the extent that the custodian or sub-custodian may be indemnified for that liability under this section.

6.7 Review and Compliance Reports — (1) The custodian of an investment fund must, on a periodic basis not less frequently than annually,

(a) review the custodian agreement and all sub-custodian agreements of the investment fund to determine if those agreements are in compliance with this Part;

(b) make reasonable enquiries as to whether each sub-custodian satisfies the applicable requirements of section 6.2 or 6.3; and

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

(i) the custodian and sub-custodian agreements are in compliance with this Part; and

(ii) all sub-custodians of the investment fund satisfy the applicable requirements of section 6.2 or 6.3.

(2) The custodian of an investment fund must, within 60 days after the end of each financial year of the investment fund, advise the investment fund in writing

(a) of the names and addresses of all sub-custodians of the investment fund;

(b) whether the custodian and sub-custodian agreements are in compliance with this Part; and

(c) whether, to the best of the knowledge and belief of the custodian, each sub-custodian satisfies section 6.2 or 6.3, as applicable.

(3) A copy of the report referred to in subsection (2) must be delivered by or on behalf of the investment fund to the securities regulatory authority within 30 days after the filing of the annual financial statements of the investment fund.

6.8 Custodial Provisions relating to Borrowing, Derivatives and Securities Lending, Repurchase and Reverse Repurchase Agreements — (1) An investment fund may deposit portfolio assets as margin for transactions in Canada involving clearing corporation options, options on futures, standardized futures or cleared specified derivatives with a member of a regulated clearing agency or with a dealer that is a member of an SRO that is a participating member of CIPF if the amount of margin deposited does not, when aggregated with the amount of margin already held by the member or dealer on behalf of the investment fund, exceed 10% of the net asset value of the investment fund as at the time of deposit.

(2) An investment fund may deposit portfolio assets with a member of a regulated clearing agency or with a dealer as margin for transactions outside Canada involving clearing corporation options, options on futures, or standardized futures or cleared specified derivatives if

(a) the member or dealer is a member of a regulated clearing agency, futures exchange or stock exchange, and, as a result in any case, is subject to a regulatory audit,

(b) the member or dealer has a net worth, determined from its most recent audited financial statements, in excess of the equivalent of $50 million, and

(c) the amount of margin deposited does not, when aggregated with the amount of margin already held by the member or dealer on behalf of the investment fund, exceed 10% of the net asset value of the investment fund as at the time of deposit.

(3) An investment fund may deposit with its counterparty portfolio assets over which it has granted a security interest in connection with a particular specified derivatives transaction.

(3.1) An investment fund may deposit with its lender, portfolio assets over which it has granted a security interest in connection with a borrowing agreement to which section 2.6 applies.

(4) The agreement by which portfolio assets are deposited in accordance with subsection (1), (2), (3) or (3.1) must require the person or company holding the portfolio assets to ensure that its records show that the investment fund is the beneficial owner of the portfolio assets.

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

6.8.1 Custodial Provisions Relating to Short Sales — (1) Unless the borrowing agent is the investment fund's custodian or sub-custodian, if an investment fund deposits portfolio assets with a borrowing agent as security in connection with a short sale of securities, the market value of portfolio assets deposited with the borrowing agent must not, when aggregated with the market value of portfolio assets already held by the borrowing agent as security for outstanding short sales of securities by the investment fund,

(a) in the case of a mutual fund, other than an alternative mutual fund, exceed 10% of the net asset value of the mutual fund at the time of deposit, and

(b) in the case of an alternative mutual fund or a non-redeemable investment fund, exceed 25% of the net asset value of the alternative mutual fund or non-redeemable investment fund at the time of deposit.

(2) An investment fund must not deposit portfolio assets as security in connection with a short sale of securities with a dealer in Canada unless the dealer is a registered dealer and is a member of IIROC.

(3) An investment fund must not deposit portfolio assets as security in connection with a short sale of securities with a dealer outside of Canada unless that dealer

(a) is a member of a stock exchange and is subject to a regulatory audit; and

(b) has a net worth, determined from its most recent audited financial statements, in excess of the equivalent of $50 million.

6.9 Separate Account for Paying Expenses — An investment fund may deposit cash in Canada with an entity referred to in paragraph 1 or 2 of section 6.2 to facilitate the payment of regular operating expenses of the investment fund.

Part 7 — Incentive Fees

7.1 Incentive Fees — (1) A mutual fund, other than an alternative mutual fund, must not pay, or enter into arrangements that would require it to pay, and securities of a mutual fund must not be sold on the basis that an investor would be required to pay, a fee that is determined by the performance of the mutual fund unless

(a) the fee is calculated with reference to a benchmark or index that

(i) reflects the market sectors in which the mutual fund invests according to its fundamental investment objectives,

(ii) is available to persons or companies other than the mutual fund and persons providing services to it, and

(iii) is a total return benchmark or index;

(b) the payment of the fee is based upon a comparison of the cumulative total return of the mutual fund against the cumulative total percentage increase or decrease of the benchmark or index for the period that began immediately after the last period for which the performance fee was paid; and

(c) the method of calculation of the fee and details of the composition of the benchmark or index are described in the prospectus of the mutual fund.

(2) An alternative mutual fund must not pay, or enter into arrangements that would require it to pay, and must not sell securities of an alternative mutual fund on the basis that an investor would be required to pay, a fee that is determined by the performance of the alternative mutual fund unless

(a) the payment of the fee is based on the cumulative total return of the alternative mutual fund for the period that began immediately after the last period for which the performance fee was paid, and

(b) the method of calculating the fee is described in the alternative mutual fund's prospectus.

7.2 Multiple Portfolio Advisers — Section 7.1 applies to fees payable to a portfolio adviser of a mutual fund that has more than one portfolio adviser, if the fees are calculated on the basis of the performance of the portfolio assets under management by that portfolio adviser, as if those portfolio assets were a separate mutual fund.

Part 8 — Contractual Plans

8.1 Contractual Plans — A person or company must not sell securities of a mutual fund by way of a contractual plan unless

(a) the contractual plan was established, and its terms described in a prospectus that was filed with the securities regulatory authority, before the date that this Instrument came into force;

(b) there have been no changes made to the contractual plan or the rights of securityholders under the contractual plan since the date that this Instrument came into force; and

(c) the contractual plan has continued to be operated in the same manner after the date that this Instrument came into force as it was on that date.

Part 9 — Sale of Securities of an Investment Fund

9.0.1 Application — This Part, other than subsection 9.3(2), does not apply to an exchange-traded mutual fund that is not in continuous distribution.

9.1 Transmission and Receipt of Purchase Orders — (0.1) This section does not apply to an exchange-traded mutual fund.

(1) Each purchase order for securities of a mutual fund received by a participating dealer at a location that is not its principal office shall, on the day the order is received, be sent by same day or next day courier, same day or next day priority post, telephone or electronic means, without charge to the person or company placing the order or to the mutual fund, to the principal office of the participating dealer or a person or company providing services to the participating dealer.

(2) Each purchase order for securities of a mutual fund received by a participating dealer at its principal office, a person or company providing services to the participating dealer, or by the principal distributor of the mutual fund at a location that is not an order receipt office of the mutual fund must, on the day the order is received, be sent by same day or next day courier, same day or next day priority post, telephone or electronic means, without charge to the person or company placing the order or to the mutual fund, to an order receipt office of the mutual fund.

(3) Despite subsections (1) and (2), a purchase order for securities of a mutual fund received at a location referred to in those subsections after normal business hours on a business day, or on a day that is not a business day, may be sent, in the manner and to the place required by those subsections, on the next business day.

(4) A participating dealer, a principal distributor or a person or company providing services to the participating dealer or principal distributor, that sends purchase orders electronically may

(a) specify a time on a business day by which a purchase order must be received in order that it be sent

electronically on that business day; and

(b) despite subsections (1) and (2), send electronically on the next business day a purchase order received after the time specified under paragraph (a).

(5) A mutual fund is deemed to have received a purchase order for securities of the mutual fund when the order is received at an order receipt office of the mutual fund.

(6) Despite subsection (5), a mutual fund may provide that a purchase order for securities of the mutual fund received at an order receipt office of the mutual fund after a specified time on a business day, or on a day that is not a business day, will be considered to be received by the mutual fund on the next business day following the day of actual receipt.

(7) A principal distributor or participating dealer must ensure that a copy of each purchase order received in a jurisdiction is sent, by the time it is sent to the order receipt office of the mutual fund under subsection (2), to a person responsible for the supervision of trades made on behalf of clients for the principal distributor or participating dealer in the jurisdiction.

9.2 Acceptance of Purchase Orders — A mutual fund may reject a purchase order for the purchase of securities of the mutual fund if

(a) the rejection of the order is made no later than one business day after receipt by the mutual fund of the order;

(b) on rejection of the order, all cash received with the order is refunded immediately; and

(c) the prospectus of the mutual fund states that the right to reject a purchase order for securities of the mutual fund is reserved and reflects the requirements of paragraphs (a) and (b).

9.3 Issue Price of Securities — (1) The issue price of a security of a mutual fund to which a purchase order pertains must be the net asset value per security of that class, or series of a class, next determined after the receipt by the mutual fund of the order.

(2) The issue price of a security of an exchange-traded mutual fund that is not in continuous distribution, or of a non-redeemable investment fund, must not,

(a) as far as reasonably practicable, be a price that causes dilution of the net asset value of other outstanding securities of the investment fund at the time the security is issued, and

(b) be a price that is less than the most recent net asset value per security of that class, or series of a class, calculated prior to the pricing of the offering.

9.4 Delivery of Funds and Settlement — (1) A principal distributor, a participating dealer, or a person or company providing services to the principal distributor or participating dealer must forward any cash or securities received for payment of the issue price of securities of a mutual fund to an order receipt office of the mutual fund so that the cash or securities arrive at the order receipt office as soon as practicable and in any event no later than the second business day after the pricing date.

(2) Payment of the issue price of securities of a mutual fund must be made to the mutual fund on or before the second business day after the pricing date for the securities by using any or a combination of the following methods of payment:

(a) by paying cash in a currency in which the net asset value per security of the mutual fund is calculated;

(b) by making good delivery of securities if

(i) the mutual fund would at the time of payment be permitted to purchase those securities,

(ii) the securities 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 securities is at least equal to the issue price of the securities of the mutual fund for which they are payment, valued as if the securities were portfolio assets of the mutual fund.

(3) [Repealed]

(4) If payment of the issue price of the securities of a mutual fund to which a purchase order pertains is not made on or before the second business day after the pricing date or if the mutual fund has been paid the issue price by a cheque or method of payment that is subsequently not honoured,

(a) the mutual fund must redeem the securities to which the purchase order pertains as if it had received an order for the redemption of the securities on the third business day after the pricing date or on the day on which the mutual fund first knows that the method of payment will not be honoured; and

(b) the amount of the redemption proceeds derived from the redemption must be applied to reduce the amount owing to the mutual fund on the purchase of the securities and any banking costs incurred by the mutual fund in connection with the dishonoured cheque.

(5) If the amount of the redemption proceeds referred to in subsection (4) exceeds the aggregate of issue price of the securities and any banking costs incurred by the mutual fund in connection with the dishonoured cheque, the difference must belong to the mutual fund.

(6) If the amount of the redemption proceeds referred to in subsection (4) is less than the issue price of the securities and any banking costs incurred by the mutual fund in connection with the dishonoured cheque,

(a) if the mutual fund has a principal distributor, the principal distributor must pay, immediately upon notification by the mutual fund, to the mutual fund the amount of the deficiency; or

(b) if the mutual fund does not have a principal distributor, the participating dealer that delivered the relevant purchase order to the mutual fund must pay immediately, upon notification by the mutual fund, to the mutual fund the amount of the deficiency.

Part 9.1 — Warrants and Specified Derivatives

9.1.1 Issuance of Warrants or Specified Derivatives — An investment fund must not

(a) issue a conventional warrant or right, or

(b) enter into a short position in a specified derivative the underlying interest of which is a security of the investment fund.

Part 10 — Redemption of Securities of an Investment Fund

10.1 Requirements for Redemptions — (1) An investment fund must not pay redemption proceeds unless

(a) if the security of the investment fund to be redeemed is represented by a certificate, the investment fund has received the certificate or appropriate indemnities in connection with a lost certificate; and

(b) either

(i) the investment fund has received a written redemption order, duly completed and executed by or on behalf of the securityholder, or

(ii) the investment fund permits the making of redemption orders by telephone or electronic means by, or on behalf of, a securityholder who has made prior arrangements with the investment fund in that regard and the relevant redemption order is made in compliance with those arrangements.

(2) An investment fund may establish reasonable requirements applicable to securityholders who wish to have the

investment fund redeem securities, not contrary to this Instrument, as to procedures to be followed and documents to be delivered by the following times:

(a) in the case of a mutual fund, other than an exchange-traded mutual fund that is not in continuous distribution, by the time of delivery of a redemption order to an order receipt office of the mutual fund;

(a.1) in the case of an exchange-traded mutual fund that is not in continuous distribution or of a non-redeemable investment fund, by the time of delivery of a redemption order;

(b) by the time of payment of redemption proceeds.

(2.1) If disclosed in its prospectus, an alternative mutual fund may include, as part of the requirements contemplated in subsection (2), a provision that securityholders of the alternative mutual fund may not redeem their securities for a period up to 6 months after the date on which the receipt is issued for the initial prospectus of the alternative mutual fund.

(3) A manager of an investment fund must provide to securityholders of the investment fund at least annually a statement containing the following:

(a) a description of the requirements referred to in subsection (1);

(b) a description of the requirements established by the investment fund under subsection (2);

(c) a detailed reference to all documentation required for redemption of securities of the investment fund;

(d) detailed instructions on the manner in which documentation is to be delivered to participating dealers, the investment fund or a person or company providing services to the investment fund to which a redemption order may be made;

(e) a description of all other procedural or communication requirements;

(f) an explanation of the consequences of failing to meet timing requirements.

(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.

10.2 Transmission and Receipt of Redemption Orders — (0.1) This section does not apply to an exchange-traded mutual fund.

(1) Each redemption order for securities of a mutual fund received by a participating dealer at a location that is not its principal office must, on the day the order is received, be sent by same day or next day courier, same day or next day priority post, telephone or electronic means, without charge to the relevant securityholder or to the mutual fund, to the principal office of the participating dealer or a person or company providing services to the participating dealer.

(2) Each redemption order for securities of a mutual fund received by a participating dealer at its principal office, by the principal distributor of the mutual fund at a location that is not an order receipt office of the mutual fund, or a person or company providing services to the participating dealer or principal distributor must, on the day the order is received, be sent by same day or next day courier, same day or next day priority post, telephone or electronic means, without charge to the relevant securityholder or to the mutual fund, to an order receipt office of the mutual fund.

(3) Despite subsections (1) and (2), a redemption order for securities of a mutual fund received at a location referred to in those subsections after normal business hours on a business day, or on a day that is not a business day, may be sent, in the manner and to the place required by those subsections, on the next business day.

(4) A participating dealer, a principal distributor, or a person or company providing services to the participating dealer or principal distributor, that sends redemption orders electronically may

(a) specify a time on a business day by which a redemption order must be received in order that it be sent

electronically on that business day; and

(b) despite subsections (1) and (2), send electronically on the next business day a redemption order received after the time specified under paragraph (a).

(5) A mutual fund is deemed to have received a redemption order for securities of the mutual fund when the order is received at an order receipt office of the mutual fund or all requirements of the mutual fund established under paragraph 10.1(2)(a) have been satisfied, whichever is later.

(6) If a mutual fund determines that its requirements established under paragraph 10.1(2)(a) have not been satisfied, the mutual fund must notify the securityholder making the redemption order, by the close of business on the business day after the date of the delivery to the mutual fund of the incomplete redemption order, that its requirements established under paragraph 10.1(2)(a) have not been satisfied and must specify procedures still to be followed or the documents still to be delivered by that securityholder.

(7) Despite subsection (5), a mutual fund may provide that orders for the redemption of securities that are received at an order receipt office of the mutual fund after a specified time on a business day, or on a day that is not a business day, will be considered to be received by the mutual fund on the next business day following the day of actual receipt.

10.3 Redemption Price of Securities — (1) The redemption price of a security of a mutual fund to which a redemption order pertains must be the net asset value per security of that class, or series of a class, next determined after the receipt by the mutual fund of the order.

(2) Despite subsection (1), the redemption price of a security of an exchange-traded mutual fund that is not in continuous distribution may be a price that is less than the net asset value of the security and that is determined on a date specified in the exchange-traded mutual fund's prospectus ~~or annual information form~~.

(3) Despite subsection (1), the redemption price of a security of an exchange-traded mutual fund that is in continuous distribution may, if a securityholder redeems fewer than the manager-prescribed number of units, be a price that is calculated by reference to the closing price of the security on the stock exchange on which the security is listed and posted for trading, next determined after the receipt by the exchange-traded mutual fund of the redemption order.

(4) The redemption price of a security of a non-redeemable investment fund must not be a price that is more than the net asset value of the security determined on a redemption date specified in the prospectus ~~or annual information form~~ of the investment fund.

(5) Despite subsection (1), an alternative mutual fund may redeem securities of the alternative mutual fund at a price that is equal to the net asset value for those securities determined on the first or second business day after the date of receipt by the alternative mutual fund of the redemption order if

(a) the alternative mutual fund has established a policy providing for the redemption price to be calculated on such a basis, and

(b) the policy has been disclosed in the alternative mutual fund's prospectus before the policy's implementation.

10.4 Payment of Redemption Proceeds — (1) Subject to subsection 10.1(1) and to compliance with any requirements established by the mutual fund under paragraph 10.1(2)(b), a mutual fund must pay the redemption proceeds for securities that are the subject of a redemption order

(a) within two business days after the date of calculation of the net asset value per security used in establishing the redemption price; or

(b) if payment of the redemption proceeds was not made at the time referred to in paragraph (a) because a requirement established under paragraph 10.1(2)(b) or a requirement of subsection 10.1(1) had not been satisfied, within two business days of

(i) the satisfaction of the relevant requirement, or

(ii) the decision by the mutual fund to waive the requirement, if the requirement was a requirement established under paragraph 10.1(2)(b).

(1.1) Despite subsection (1), an exchange-traded mutual fund that is not in continuous distribution or an alternative mutual fund or must pay the redemption proceeds for securities that are the subject of a redemption order no later than 15 business days after the valuation date on which the redemption price was established.

(1.2) A non-redeemable investment fund must pay the redemption proceeds for securities that are the subject of a redemption order no later than 15 business days after the valuation date on which the redemption price was established.

(2) The redemption proceeds for a redeemed security, less any applicable investor fees, must be paid to or to the order of the securityholder of the security.

(3) An investment fund must pay the redemption proceeds for a redeemed security by using any or a combination of the following methods of payment:

(a) by paying cash in the currency in which the net asset value per security of the redeemed security was calculated;

(b) with the prior written consent of the securityholder for a redemption other than an exchange of a manager-prescribed number of units, by making good delivery to the securityholder of portfolio assets, the value of which is equal to the amount at which those portfolio assets were valued in calculating the net asset value per security used to establish the redemption price.

(4) [Repealed]

(5) If the redemption proceeds for a redeemed security are paid in currency, an investment fund is deemed to have made payment

(a) when the investment fund, its manager or principal distributor mails a cheque or transmits funds in the required amount to or to the order of the securityholder of the securities; or

(b) if the securityholder has requested that redemption proceeds be delivered in a currency other than that permitted in subsection (3), when the investment fund delivers the redemption proceeds to the manager or principal distributor of the investment fund for conversion into that currency and delivery forthwith to the securityholder.

10.5 Failure to Complete Redemption Order — (1) If a requirement of a mutual fund referred to in subsection 10.1(1) or established under paragraph 10.1(2)(b) has not been satisfied on or before the close of business on the tenth business day after the date of the redemption of the relevant securities, and, in the case of a requirement established under paragraph 10.1(2)(b), the mutual fund does not waive satisfaction of the requirement, the mutual fund must

(a) issue, to the person or company that immediately before the redemption held the securities that were redeemed, a number of securities equal to the number of securities that were redeemed, as if the mutual fund had received from the person or company on the tenth business day after the redemption, and accepted immediately before the close of business on the tenth business day after the redemption, an order for the purchase of that number of securities; and

(b) apply the amount of the redemption proceeds to the payment of the issue price of the securities.

(2) If the amount of the issue price of the securities referred to in subsection (1) is less than the redemption proceeds, the difference must belong to the mutual fund.

(3) If the amount of the issue price of the securities referred to in subsection (1) exceeds the redemption proceeds

(a) if the mutual fund has a principal distributor, the principal distributor must pay immediately to the mutual fund the amount of the deficiency;

(b) if the mutual fund does not have a principal distributor, the participating dealer that delivered the relevant redemption order to the mutual fund must pay immediately to the mutual fund the amount of the deficiency; or

(c) if the mutual fund has no principal distributor and no dealer delivered the relevant redemption order to the mutual fund, the manager of the mutual fund must pay immediately to the mutual fund the amount of the deficiency.

10.6 Suspension of Redemptions — (1) An investment fund may suspend the right of securityholders to request that the investment fund redeem its securities for the whole or any part of a period during which either of the following occurs:

(a) normal trading is suspended on a stock exchange, options exchange or futures exchange within or outside Canada on which securities are listed and posted for trading, or on which specified derivatives are traded, if those securities or specified derivatives represent more than 50% by value, or underlying market exposure, of the total assets of the investment fund without allowance for liabilities and if those securities or specified derivatives are not traded on any other exchange that represents a reasonably practical alternative for the investment fund;

(b) in the case of a clone fund, the investment fund whose performance it tracks has suspended redemptions.

(2) An investment fund that has an obligation to pay the redemption proceeds for securities that have been redeemed in accordance with subsection 10.4(1), (1.1) or (1.2) may postpone payment during a period in which the right of securityholders to request redemption of their securities is suspended, whether that suspension was made under subsection (1) or pursuant to an approval of the securities regulatory authority or regulator.

(3) An investment fund must not accept a purchase order for securities of the investment fund during a period in which it is exercising rights under subsection (1) or at a time in which it is relying on an approval of the securities regulatory authority or regulator contemplated by paragraph 5.5(1)(d).

Part 11 — Commingling of Cash

11.1 Principal Distributors and Service Providers — (1) Cash received by a principal distributor of a mutual fund, by a person or company providing services to the mutual fund or the principal distributor, or by a person or company providing services to a non-redeemable investment fund, for investment in, or on the redemption of, securities of the investment fund, or on the distribution of assets of the investment fund, until disbursed as permitted by subsection (3),

(a) must be accounted for separately and be deposited in a trust account or trust accounts established and maintained in accordance with the requirements of section 11.3, and

(b) may be commingled only with cash received by the principal distributor or service provider for the sale or on the redemption of other investment fund securities.

(2) Except as permitted by subsection (3), the principal distributor, a person or company providing services to the mutual fund or principal distributor, or a person or company providing services to the non-redeemable investment fund, must not use any of the cash referred to in subsection (1) to finance its own or any other operations in any way.

(3) The principal distributor or person or company providing services to an investment fund or principal distributor may withdraw cash from a trust account referred to in paragraph (1)(a) for any of the following purposes:

(a) remitting to the investment fund the amount or, if subsection (5) applies, the net amount, to be invested in the securities of the investment fund;

(b) remitting to the relevant persons or companies redemption or distribution proceeds being paid on behalf of the investment fund;

(c) paying fees, charges and expenses that are payable by an investor in connection with the purchase, conversion, holding, transfer or redemption of securities of the investment fund.

(4) All interest earned on cash held in a trust account referred to in paragraph (1)(a) must be paid to securityholders or to each of the investment funds to which the trust account pertains, pro rata based on cash flow,

(a) no less frequently than monthly if the amount owing to an investment fund or to a securityholder is $10 or more; and

(b) no less frequently than once a year.

(5) When making payments to an investment fund, the principal distributor or service provider may offset the proceeds of redemption of securities of the investment fund or amounts held for distributions to be paid on behalf of the investment fund held in the trust account against amounts held in the trust account for investment in the investment fund.

11.2 Participating Dealers — (1) Cash received by a participating dealer, or by a person or company providing services to a participating dealer, for investment in, or on the redemption of, securities of a mutual fund, or on the distribution of assets of a mutual fund, until disbursed as permitted by subsection (3)

(a) must be accounted for separately and must be deposited in a trust account or trust accounts established and maintained in accordance with section 11.3; and

(b) may be commingled only with cash received by the participating dealer or service provider for the sale or on the redemption of other mutual fund securities.

(2) Except as permitted by subsection (3), the participating dealer or person or company providing services to the participating dealer must not use any of the cash referred to in subsection (1) to finance its own or any other operations in any way.

(3) A participating dealer or person or company providing services to the participating dealer may withdraw cash from a trust account referred to in paragraph (1)(a) for the purpose of

(a) remitting to the mutual fund or the principal distributor of the mutual fund the amount or, if subsection (5) applies, the net amount, to be invested in the securities of the mutual fund;

(b) remitting to the relevant persons or companies redemption or distribution proceeds being paid on behalf of the mutual fund; or

(c) paying fees, charges and expenses that are payable by an investor in connection with the purchase, conversion, holding, transfer or redemption of securities of the mutual fund.

(4) All interest earned on cash held in a trust account referred to in paragraph (1)(a) must be paid to securityholders or to each of the mutual funds to which the trust account pertains, pro rata based on cash flow,

(a) no less frequently than monthly if the amount owing to a mutual fund or to a securityholder is $10 or more; and

(b) no less frequently than once a year.

(5) When making payments to a mutual fund, a participating dealer or service provider may offset the proceeds of redemption of securities of the mutual fund and amounts held for distributions to be paid on behalf of a mutual fund held in the trust account against amounts held in the trust account for investment in the mutual fund.

(6) A participating dealer or person providing services to the participating dealer must permit the mutual fund and the principal distributor, through their respective auditors or other designated representatives, to examine the books and records of the participating dealer to verify the compliance with this section of the participating dealer or person providing services.

11.3 Trust Accounts — A principal distributor or participating dealer, a person or company providing services to the principal distributor or participating dealer, or a person or company providing services to an investment fund, that deposits cash into a trust account in accordance with section 11.1 or 11.2 must

(a) advise, in writing, the financial institution with which the account is opened at the time of the opening of the account and annually thereafter, that

(i) the account is established for the purpose of holding client funds in trust,

(ii) the account is to be labelled by the financial institution as a “trust account”,

(iii) the account is not to be accessed by any person other than authorized representatives of the principal distributor or participating dealer, a person or company providing services to the principal distributor or participating dealer, or of a person or company providing services to the investment fund, and

(iv) the cash in the trust account may not be used to cover shortfalls in any accounts of the principal distributor or participating dealer, of a person or company providing services to the principal distributor or participating dealer, or of a person or company providing services to the investment fund;

(b) ensure that the trust account bears interest at rates equivalent to comparable accounts of the financial institution; and

(c) ensure that any charges against the trust account are not paid or reimbursed out of the trust account.

11.4 Exemption — (1) Sections 11.1 and 11.2 do not apply to a member of IIROC.

(1.1) Except in Québec, sections 11.1 and 11.2 do not apply to a member of the MFDA.

(1.2) In Québec, sections 11.1 and 11.2 do not apply to a mutual fund dealer.

(1.3) Section 11.1 does not apply to CDS Clearing and Depository Services Inc.

(2) A participating dealer that is a member of an SRO referred to in subsection (1) or (1.1) or, in Québec, that is a mutual fund dealer, must permit the mutual fund and the principal distributor, through their respective auditors or other designated representatives, to examine the books and records of the participating dealer to verify the participating dealer’s compliance with the requirements of its association or exchange, or the requirements applicable to the mutual fund dealer under the regulations in Québec, that relate to the commingling of cash.

11.5 Right of Inspection — The investment fund, its trustee, manager and principal distributor must ensure that all contractual arrangements made between any of them and any person or company providing services to the investment fund permit the representatives of the investment fund, its manager and trustee to examine the books and records of those persons or companies in order to monitor compliance with this Instrument.

Part 12 — Compliance Reports

12.1 Compliance Reports — (1) A mutual fund, other than an exchange-traded mutual fund that is not in continuous distribution, that does not have a principal distributor must complete and file, within 140 days after the financial year end of the mutual fund

(a) a report in the form contained in Appendix B-1 describing compliance by the mutual fund during that financial year with the applicable requirements of Parts 9, 10 and 11; and

(b) a report by the auditor of the mutual fund, in the form contained in Appendix B-1, concerning the report referred to in paragraph (a).

(2) The principal distributor of a mutual fund must complete and file, within 90 days after the financial year end of the principal distributor

(a) a report in the form contained in Appendix B-2 describing compliance by the principal distributor during that financial year with the applicable requirements of Parts 9, 10 and 11; and

(b) a report by the auditor of the principal distributor or by the auditor of the mutual fund, in the form contained in Appendix B-2, concerning the report referred to in paragraph (a).

(3) Each participating dealer that distributes securities of a mutual fund in a financial year of the participating dealer must complete and file, within 90 days after the end of that financial year

(a) a report in the form contained in Appendix B-3 describing compliance by the participating dealer during that financial year with the applicable requirements of Parts 9, 10 and 11 in connection with its distribution of securities of all mutual funds in that financial year; and

(b) a report by the auditor of the participating dealer, in the form contained in Appendix B-3, concerning the report referred to in paragraph (a).

(4) Subsections (2) and (3) do not apply to a member of IIROC.

(4.1) Except in Québec, subsections (2) and (3) do not apply to a member of the MFDA.

(4.2) In Québec, subsections (2) and (3) do not apply to a mutual fund dealer.

Part 13 — [Repealed]

Part 14 — Record Date

14.0.1 Application — This Part does not apply to an exchange-traded mutual fund.

14.1 Record Date — The record date for determining the right of securityholders of a mutual fund to receive a dividend or distribution by the mutual fund must be one of

(a) the day on which the net asset value per security is determined for the purpose of calculating the amount of the payment of the dividend or distribution;

(b) the last day on which the net asset value per security of the mutual fund was calculated before the day referred to in paragraph (a); or

(c) if the day referred to in paragraph (b) is not a business day, the last day on which the net asset value per security of the mutual fund was calculated before the day referred to in paragraph (b).

Part 15 — Sales Communications and Prohibited Representations

15.1 Ability to Make Sales Communications — Sales communications pertaining to an investment fund must be made by a person or company in accordance with this Part.

15.2 Sales Communications — General Requirements — (1) Despite any other provision of this Part, a sales communication must not

(a) be untrue or misleading; or

(b) include a statement that conflicts with information that is contained in the preliminary prospectus~~, the preliminary annual information form~~, the preliminary fund facts document, the prospectus~~, the annual information form~~ or the fund facts document, as applicable,

(i) of an investment fund, or

(ii) in which an asset allocation service is described.

(2) All performance data or disclosure specifically required by this Instrument and contained in a written sales communication must be at least as large as 10-point type.

15.3 Prohibited Disclosure in Sales Communications — (1) A sales communication must not compare the performance of an investment fund or asset allocation service with the performance or change of any benchmark or investment unless

(a) it includes all facts that, if disclosed, would be likely to alter materially the conclusions reasonably drawn or implied by the comparison;

(b) it presents data for each subject of the comparison for the same period or periods;

(c) it explains clearly any factors necessary to make the comparison fair and not misleading; and

(d) in the case of a comparison with a benchmark

(i) the benchmark existed and was widely recognized and available during the period for which the comparison is made, or

(ii) the benchmark did not exist for all or part of the period, but a reconstruction or calculation of what the benchmark would have been during that period, calculated on a basis consistent with its current basis of calculation, is widely recognized and available.

(2) A sales communication for a mutual fund or asset allocation service that is prohibited by paragraph 15.6(1)(a) from disclosing performance data must not provide performance data for any benchmark or investment other than a mutual fund or asset allocation service under common management with the mutual fund or asset allocation service to which the sales communication pertains.

(2.1) A sales communication for a non-redeemable investment fund that is restricted by paragraph 15.6(1)(a) from disclosing performance data must not provide performance data for any benchmark or investment, other than a non-redeemable investment fund under common management with the non-redeemable investment fund to which the sales communication pertains.

(3) Despite subsection (2), a sales communication for an index mutual fund may provide performance data for the index on which the investments of the mutual fund are based if the index complies with the requirements for benchmarks contained in paragraph (1)(d).

(4) A sales communication must not refer to a performance rating or ranking of a mutual fund or asset allocation service unless

(a) the rating or ranking is prepared by a mutual fund rating entity;

(b) standard performance data is provided for any mutual fund or asset allocation service for which a performance rating or ranking is given;

(c) the rating or ranking is provided for each period for which standard performance data is required to be given, except the period since the inception of the mutual fund;

(d) the rating or ranking is based on a published category of mutual funds that

(i) provides a reasonable basis for evaluating the performance of the mutual fund or asset allocation service, and

(ii) is not established or maintained by a member of the organization of the mutual fund or asset allocation service;

(e) the sales communication contains the following disclosure:

(i) the name of the category within which the mutual fund or asset allocation service is rated or ranked, including the name of the organization that maintains the category,

(ii) the number of mutual funds in the applicable category for each period of standard performance data required under paragraph (c),

(iii) the name of the mutual fund rating entity that provided the rating or ranking,

(iv) the length of the period or the first day of the period on which the rating or ranking is based, and its ending date,

(v) a statement that the rating or ranking is subject to change every month,

(vi) the criteria on which the rating or ranking is based, and

(vii) if the rating or ranking consists of a symbol rather than a number, the meaning of the symbol, and

(f) the rating or ranking is to the same calendar month end that is

(i) not more than 45 days before the date of the appearance or use of the advertisement in which it is included, and

(ii) not more than three months before the date of first publication of any other sales communication in which it is included.

(4.1) Despite paragraph (4)(c), a sales communication may refer to an overall rating or ranking of a mutual fund or asset allocation service in addition to each rating or ranking required under paragraph (4)(c) if the sales communication otherwise complies with the requirements of subsection (4).

(5) A sales communication must not refer to a credit rating of securities of an investment fund unless

(a) the rating is current and was prepared by a designated rating organization or its DRO affiliate;

(b) there has been no announcement by the designated rating organization or any of its DRO affiliates of which the investment fund or its manager is or ought to be aware that the credit rating of the securities may be down-graded; and

(c) no designated rating organization or any of its DRO affiliates is currently rating the securities at a lower level.

(6) A sales communication must not refer to a mutual fund as, or imply that it is, a money fund, cash fund or money market fund unless, at the time the sales communication is used and for each period for which money market fund standard performance data is provided, the mutual fund is and was a money market fund under this Instrument.

(7) A sales communication must not state or imply that a registered retirement savings plan, registered retirement income fund or registered education savings plan in itself, rather than the investment fund to which the sales communication relates, is an investment.

15.4 Required Disclosure and Warnings in Sales Communications — (1) A written sales communication must

(a) bear the name of the dealer that distributed the sales communication; and

(b) if the sales communication is not an advertisement, contain the date of first publication of the sales communication.

(2) A sales communication that includes a rate of return or a mathematical table illustrating the potential effect of a compound rate of return must contain a statement in substantially the following words:

[The rate of return or mathematical table shown] is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of [the investment fund or asset allocation service] or returns on investment [in the investment fund or from the use of the asset allocation service].

(3) A sales communication, other than a report to securityholders, of a mutual fund that is not a money market fund and that does not contain performance data must contain a warning in substantially the following words:

> Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

(3.1) A sales communication, other than a report to securityholders, of a non-redeemable investment fund that does not contain performance data must contain a warning in substantially the following words:

> [*If the securities of the non-redeemable investment fund are listed or quoted on an exchange or other market, state the following:*] "You will usually pay brokerage fees to your dealer if you purchase or sell [units or shares] of the investment fund on [*state the exchange or other market on which the securities of the investment fund are listed or quoted*]. If the [units or shares] are purchased or sold on [*state the exchange or other market*], investors may pay more than the current net asset value when buying [units or shares] of the investment fund and may receive less than the current net asset value when selling them."
>
> [*State the following in all cases:*] "There are ongoing fees and expenses associated with owning [units or shares] of an investment fund. An investment fund must prepare disclosure documents that contain key information about the fund. You can find more detailed information about the fund in these documents. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated.".

(4) A sales communication, other than a report to securityholders, of a money market fund that does not contain performance data must contain a warning in substantially the following words:

> Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual fund securities are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. There can be no assurances that the fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in the fund will be returned to you. Past performance may not be repeated.

(5) A sales communication for an asset allocation service that does not contain performance data must contain a warning in substantially the following words:

> Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments and the use of an asset allocation service. Please read the prospectus of the mutual funds in which investment may be made under the asset allocation service before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

(6) A sales communication, other than a report to securityholders, of a mutual fund that is not a money market fund and that contains performance data must contain a warning in substantially the following words:

> Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rate[s] of return is [are] the historical annual compounded total return[s] including changes in [share or unit] value and reinvestment of all [dividends or distributions] and does [do] not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

(6.1) A sales communication, other than a report to securityholders, of a non-redeemable investment fund that contains performance data must contain a warning in substantially the following words:

> [*If the securities of the non-redeemable investment fund are listed or quoted on an exchange or other market, state the following:*] "You will usually pay brokerage fees to your dealer if you purchase or sell [units or shares] of the investment fund on [*state the exchange or other market on which the securities of the investment fund are listed or quoted*]. If the [units or shares] are purchased or sold on [*state the exchange or other market*], investors may pay more than the current net asset value when buying [units or shares] of the investment fund and may receive less than the current net asset value when selling them."

[*State the following in all cases:*] “There are ongoing fees and expenses associated with owning [units or shares] of an investment fund. An investment fund must prepare disclosure documents that contain key information about the fund. You can find more detailed information about the fund in these documents. The indicated rate[s] of return is [are] the historical annual compounded total return[s] including changes in [share or unit] value and reinvestment of all [dividends or distributions] and does [do] not take into account [*state the following, as applicable:*] [certain fees such as redemption fees or optional charges or] income taxes payable by any securityholder that would have reduced returns. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated.”.

(7) A sales communication, other than a report to securityholders, of a money market fund that contains performance data must contain

(a) a warning in substantially the following words:

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The performance data provided assumes reinvestment of distributions only and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual fund securities are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. There can be no assurances that the fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in the fund will be returned to you. Past performance may not be repeated.

; and

(b) a statement in substantially the following words, immediately following the performance data:

This is an annualized historical yield based on the seven day period ended on [date] [annualized in the case of effective yield by compounding the seven day return] and does not represent an actual one year return.

(8) A sales communication for an asset allocation service that contains performance data must contain a warning in substantially the following words:

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments and the use of an asset allocation service. Please read the prospectus of the mutual funds in which investment may be made under the asset allocation service before investing. The indicated rate[s] of return is [are] the historical annual compounded total return[s] assuming the investment strategy recommended by the asset allocation service is used and after deduction of the fees and charges in respect of the service. The return[s] is [are] based on the historical annual compounded total returns of the participating funds including changes in [share] [unit] value and reinvestment of all [dividends or distributions] and does [do] not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder in respect of a participating fund that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

(9) A sales communication distributed after the issue of a receipt for a preliminary prospectus of the mutual fund described in the sales communication but before the issue of a receipt for its prospectus must contain a warning in substantially the following words:

A preliminary prospectus relating to the fund has been filed with certain Canadian securities commissions or similar authorities. You cannot buy [units] [shares] of the fund until the relevant securities commissions or similar authorities issue receipts for the prospectus of the fund.

(10) A sales communication for an investment fund or asset allocation service that purports to arrange a guarantee or insurance in order to protect all or some of the principal amount of an investment in the investment fund or asset allocation service must

(a) identify the person or company providing the guarantee or insurance;

(b) provide the material terms of the guarantee or insurance, including the maturity date of the guarantee or insurance;

(c) if applicable, state that the guarantee or insurance does not apply to the amount of any redemptions before the maturity date of the guarantee or before the death of the securityholder and that redemptions before that date would be based on the net asset value per security of the investment fund at the time; and

(d) modify any other disclosure required by this section appropriately.

(11) The warnings referred to in this section must be communicated in a manner that a reasonable person would consider clear and easily understood at the same time as, and through the medium by which, the related sales communication is communicated.

15.5 Disclosure Regarding Distribution Fees — (1) A person or company must not describe a mutual fund in a sales communication as a "no-load fund" or use words of like effect if on a purchase or redemption of securities of the mutual fund investor fees are payable by an investor or if any fees, charges or expenses are payable by an investor to a participating dealer of the mutual fund named in the sales communication, other than

(a) fees and charges related to specific optional services;

(b) for a mutual fund that is not a money market fund, redemption fees on the redemption of securities of the mutual fund that are redeemed within 90 days after the purchase of the securities, if the existence of the fees is disclosed in the sales communication, or in the prospectus of the mutual fund; or

(c) costs that are payable only on the set-up or closing of a securityholder's account and that reflect the administrative costs of establishing or closing the account, if the existence of the costs is disclosed in the sales communication, or in the prospectus of the mutual fund.

(2) If a sales communication describes a mutual fund as "no-load" or uses words to like effect, the sales communication must

(a) indicate the principal distributor or a participating dealer through which an investor may purchase the mutual fund on a no-load basis;

(b) disclose that management fees and operating expenses are paid by the mutual fund; and

(c) disclose the existence of any trailing commissions paid by a member of the organization of the mutual fund.

(3) A sales communication containing a reference to the existence or absence of fees or charges, other than the disclosure required by section 15.4 or a reference to the term "no-load", must disclose the types of fees and charges that exist.

(4) The rate of sales charges or commissions for the sale of securities of a mutual fund or the use of an asset allocation service must be expressed in a sales communication as a percentage of the amount paid by the purchaser and as a percentage of the net amount invested if a reference is made to sales charges or commissions.

15.6 Performance Data — General Requirements — (1) A sales communication pertaining to an investment fund or asset allocation service must not contain performance data of the investment fund or asset allocation service unless all of the following paragraphs apply:

(a) one of the following subparagraphs applies:

(i) in the case of a mutual fund, either of the following applies:

(A) the mutual fund has distributed securities under a prospectus in a jurisdiction for a period of at least 12 consecutive months;

(B) the mutual fund previously existed as a non-redeemable investment fund and has been a

reporting issuer in a jurisdiction for a period of at least 12 consecutive months;

(ii) in the case of a non-redeemable investment fund, the non-redeemable investment fund has been a reporting issuer in a jurisdiction for at least 12 consecutive months;

(iii) in the case of an asset allocation service, 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 prospectus in a jurisdiction for at least 12 consecutive months;

(iv) if the sales communication pertains to an investment fund or asset allocation service that does not satisfy subparagraph (i), (ii) or (iii), the sales communication is sent only to one of the following:

(A) securityholders of the investment fund or participants in the asset allocation service;

(B) securityholders of an investment fund or participants in an asset allocation service under common management with the investment fund or asset allocation service;

(b) the sales communication includes standard performance data of the investment fund or asset allocation service and, in the case of a written sales communication, the standard performance data is presented in type size that is equal to or larger than that used to present the other performance data;

(c) the performance data reflects or includes references to all elements of return;

(d) except as permitted by subsection 15.3(3), the sales communication does not contain performance data for a period that is,

(i) in the case of a mutual fund, before the time when the mutual fund offered its securities under a prospectus;

(ii) in the case of a non-redeemable investment fund, before the non-redeemable investment fund was a reporting issuer;

(iii) in the case of an asset allocation service, before the asset allocation service commenced operation.

(2) Despite subparagraph (1)(d)(i), a sales communication pertaining to a mutual fund referred to in clause (1)(a)(i)(B) that contains performance data of the mutual fund must include performance data for the period that the fund existed as a non-redeemable investment fund and was a reporting issuer.

15.7 Advertisements — An advertisement for a mutual fund or asset allocation service must not compare the performance of the mutual fund or asset allocation service with any benchmark or investment other than

(a) one or more mutual funds or asset allocation services that are under common management or administration with the mutual fund or asset allocation service to which the advertisement pertains;

(b) one or more mutual funds or asset allocation services that have fundamental investment objectives that a reasonable person would consider similar to the mutual fund or asset allocation service to which the advertisement pertains; or

(c) an index.

15.7.1 Advertisements for Non-Redeemable Investment Funds — An advertisement for a non-redeemable investment fund must not compare the performance of the non-redeemable investment fund with any benchmark or investment other than any of the following:

(a) one or more non-redeemable investment funds that are under common management or administration with the non-redeemable investment fund to which the advertisement pertains;

(b) one or more non-redeemable investment funds that have fundamental investment objectives that a reasonable person would consider similar to the non-redeemable investment fund to which the advertisement pertains;

(c) an index.

15.8 Performance Measurement Periods Covered by Performance Data — (1) A sales communication, other than a report to securityholders, that relates to a money market fund may provide standard performance data only if

(a) the standard performance data has been calculated for the most recent seven day period for which it is practicable to calculate, taking into account publication deadlines; and

(b) the seven day period does not start more than 45 days before the date of the appearance, use or publication of the sales communication.

(2) A sales communication, other than a report to securityholders, that relates to an asset allocation service, or to an investment fund other than a money market fund, must not provide standard performance data unless,

(a) to the extent applicable, the standard performance data has been calculated for 10, 5, 3 and one year periods,

(a.1) in the case of a mutual fund that has been offering securities by way of prospectus for more than one and less than 10 years, the standard performance data has been calculated for the period since the inception of the mutual fund,

(a.2) in the case of a non-redeemable investment fund that has been a reporting issuer for more than one and less than 10 years, the standard performance data has been calculated for the period since the inception of the non-redeemable investment fund, and

(b) the periods referred to in paragraphs (a), (a.1) and (a.2) end on the same calendar month end that is

(i) not more than 45 days before the date of the appearance or use of the advertisement in which it is included, and

(ii) not more than three months before the date of first publication of any other sales communication in which it is included.

(3) A report to securityholders must not contain standard performance data unless,

(a) to the extent applicable, the standard performance data has been calculated for 10, 5, 3 and one year periods,

(a.1) in the case of a mutual fund that has been offering securities by way of prospectus for more than one and less than 10 years, the standard performance data has been calculated for the period since the inception of the mutual fund,

(a.2) in the case of a non-redeemable investment fund that has been a reporting issuer for more than one and less than 10 years, the standard performance data has been calculated for the period since the inception of the non-redeemable investment fund, and

(b) the periods referred to in paragraphs (a), (a.1) and (a.2) end on the day as of which the statement of financial position of the financial statements contained in the report to securityholders was prepared.

(4) A sales communication must clearly identify the periods for which performance data is calculated.

15.9 Changes affecting Performance Data — (1) If, during or after a performance measurement period of performance data contained in a sales communication, there have been changes in the business, operations or affairs of the investment fund or asset allocation service to which the sales communication pertains that could have materially affected the performance of the investment fund or asset allocation service, the sales communication must contain

(a) summary disclosure of the changes, and of how those changes could have affected the performance had those changes been in effect throughout the performance measurement period; and

(b) for a money market fund that during the performance measurement period did not pay or accrue the full amount of any fees and charges of the type described under paragraph 15.11(1)1, disclosure of the difference between the full amounts and the amounts actually charged, expressed as an annualized percentage on a basis comparable to current yield.

(2) If an investment fund has, in the last 10 years, undertaken a reorganization with, or acquired assets from, another investment fund in a transaction that was a material change for the investment fund or would have been a material change for the investment fund had this Instrument been in force at the time of the transaction, then, in any sales communication of the investment fund,

(a) the investment fund must provide summary disclosure of the transaction;

(b) the investment fund may include its performance data covering any part of a period before the transaction only if it also includes the performance data for the other fund for the same periods;

(c) the investment fund must not include its performance data for any part of a period after the transaction unless

(i) 12 months have passed since the transaction, or

(ii) the investment fund includes in the sales communication the performance data for itself and the other investment fund referred to in paragraph (b); and

(d) the investment fund must not include any performance data for any period that is composed of both time before and after the transaction.

15.10 Formula for Calculating Standard Performance Data — (1) The standard performance data of an investment fund must be calculated in accordance with this Part.

(2) In this Part

“current yield” means the yield of a money market fund expressed as a percentage and determined by applying the following formula:

$$\text{current yield} = [\text{seven day return} \times 365/7] \times 100;$$

“effective yield” means the yield of a money market fund expressed as a percentage and determined by applying the following formula:

$$\text{effective yield} = [(\text{seven day return} + 1)365/7 - 1] \times 100;$$

“seven day return” means the income yield of an account of a securityholder in a money market fund that is calculated by

(a) determining the net change, exclusive of new subscriptions other than from the reinvestment of distributions or proceeds of redemption of securities of the money market fund, in the value of the account,

(b) subtracting all fees and charges of the type referred to in paragraph 15.11(1)3 for the seven day period, and

(c) dividing the result by the value of the account at the beginning of the seven day period;

“standard performance data” means, as calculated in each case in accordance with this Part,

(a) for a money market fund, either of the following:

(i) the current yield;

(ii) the current yield and effective yield, if the effective yield is reported in a type size that is at least equal to that of the current yield, and

(b) for any investment fund other than a money market fund, the total return;

"total return" means the annual compounded rate of return for an investment fund for a period that would equate the initial value to the redeemable value at the end of the period, expressed as a percentage, and determined by applying the following formula:

$$\text{total return} = [(\text{redeemable value}/\text{initial value})(1/N)-1] \times 100$$

where

N = the length of the performance measurement period in years, with a minimum value of 1.

(3) If there are fees and charges of the type described in paragraph 15.11(1)1 relevant to the calculation of redeemable value and initial value of the securities of an investment fund, the redeemable value and initial value of securities of an investment fund must be the net asset value of one unit or share of the investment fund at the beginning or at the end of the performance measurement period, minus the amount of those fees and charges calculated by applying the assumptions referred to in that paragraph to a hypothetical securityholder account.

(4) If there are no fees and charges of the type described in paragraph 15.11(1)1 relevant to a calculation of total return, the calculation of total return for an investment fund may assume a hypothetical investment of one security of the investment fund and be calculated as follows:

(a) "initial value" means the net asset value of one unit or share of an investment fund at the beginning of the performance measurement period; and

(b) "redeemable value" =

$$R \times (1 + D_1/P_1) \times (1 + D_2/P_2) \times (1 + D_3/P_3) \ldots \times (1 + D_n/P_n)$$

where

R = the net asset value of one unit or security of the investment fund at the end of the performance measurement period,

D = the dividend or distribution amount per security of the investment fund at the time of each distribution,

P = the dividend or distribution reinvestment price per security of the investment fund at the time of each distribution, and

n = the number of dividends or distributions during the performance measurement period.

(5) Standard performance data of an asset allocation service must be based upon the standard performance data of its participating funds.

(6) Performance data

(a) for an investment fund other than a money market fund must be calculated to the nearest one-tenth of one percent; and

(b) for a money market fund must be calculated to the nearest one-hundredth of one percent.

15.11 Assumptions for Calculating Standard Performance Data — (1) The following assumptions must be made in the

calculation of standard performance data of an investment fund:

1. Recurring fees and charges that are payable by all securityholders

(a) are accrued or paid in proportion to the length of the performance measurement period;

(b) if structured in a manner that would result in the performance information being dependent on the size of an investment, are calculated on the basis of an investment equal to the greater of $10,000 or the minimum amount that may be invested; and

(c) if fully negotiable, are calculated on the basis of the average fees paid by accounts of the size referred to in paragraph (b).

2. There are no fees and charges related to specific optional services.

3. All fees and charges payable by the investment fund are accrued or paid.

4. Dividends or distributions by the investment fund are reinvested in the investment fund at the net asset value per security of the investment fund on the reinvestment dates during the performance measurement period.

5. There are no non-recurring fees and charges that are payable by some or all securityholders and no recurring fees and charges that are payable by some but not all securityholders.

6. In the case of a mutual fund, a complete redemption occurs at the end of the performance measurement period so that the ending redeemable value includes elements of return that have been accrued but not yet paid to securityholders.

7. In the case of a non-redeemable investment fund, a complete redemption occurs at the net asset value of one security at the end of the performance measurement period so that the ending redeemable value includes elements of return that have been accrued but not yet paid to securityholders.

(2) The following assumptions must be made in the calculation of standard performance data of an asset allocation service:

1. Fees and charges that are payable by participants in the asset allocation service

(a) are accrued or paid in proportion to the length of the performance measurement period;

(b) if structured in a manner that would result in the performance information being dependent on the size of an investment, are calculated on the basis of an investment equal to the greater of $10,000 or the minimum amount that may be invested; and

(c) if fully negotiable, are calculated on the basis of the average fees paid by accounts of the size referred to in paragraph (b).

2. There are no fees and charges related to specific optional services.

3. The investment strategy recommended by the asset allocation service is utilized for the performance measurement period.

4. Transfer fees are

(a) accrued or paid;

(b) if structured in a manner that would result in the performance information being dependent on the size of an investment, calculated on the basis of an account equal to the greater of $10,000 or the minimum amount that may be invested; and

(c) if the fees and charges are fully negotiable, calculated on the basis of the average fees paid by an account of the size referred to in paragraph (b).

5. A complete redemption occurs at the end of the performance measurement period so that the ending redeemable value includes elements of return that have been accrued but not yet paid to securityholders.

(3) The calculation of standard performance data must be based on actual historical performance and the fees and charges payable by the investment fund and securityholders, or the asset allocation service and participants, in effect during the performance measurement period.

15.12 Sales Communications During the Waiting Period — If a sales communication is used after the issue of a receipt for a preliminary prospectus of the mutual fund described in the sales communication but before the issue of a receipt for its prospectus, the sales communication must state only

(a) whether the security represents a share in a corporation or an interest in a non-corporate entity;

(b) the name of the mutual fund and its manager;

(c) the fundamental investment objectives of the mutual fund;

(d) without giving details, whether the security is or will be a qualified investment for a registered retirement savings plan, registered retirement income fund or registered education savings plan or qualifies or will qualify the holder for special tax treatment; and

(e) any additional information permitted by securities legislation.

15.13 Prohibited Representations — (1) Securities issued by an unincorporated investment fund must be described by a term that is not and does not include the word “shares”.

(2) A communication by an investment fund or asset allocation service, its promoter, manager, portfolio adviser, principal distributor, participating dealer or a person providing services to the investment fund or asset allocation service must not describe the investment fund as an alternative mutual fund or as a vehicle for investors to participate in the speculative trading of, or leveraged investment in, derivatives, unless the investment fund is an alternative mutual fund.

15.14 Sales Communication — Multi-Class Investment Funds — A sales communication for an investment fund that distributes different classes or series of securities that are referable to the same portfolio must 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 must provide performance data for each class or series of security referred to in the sales communication and must 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 must 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 peformance.

Part 15.1 — Investment Risk Classification Methodology

15.1.1 Use of Investment Risk Classification Methodology — A mutual fund must

(a) determine its investment risk level, at least annually, in accordance with Appendix F *Investment Risk Classification Methodology* and

(b) disclose its investment risk level in the fund facts document in accordance with Part I, Item 4 of Form 81-

101F3, or the ETF facts document in accordance with Part I, Item 4 of Form 41-101F4, as applicable.

Part 16 — [Repealed]

[Repealed]

Part 17 — [Repealed]

[Repealed]

Part 18 — Securityholder Records

18.1 Maintenance of Records — An investment fund that is not a corporation must maintain, or cause to be maintained, up to date records of

(a) the names and latest known addresses of each securityholder of the investment fund;

(b) the number and class or series of a class of securities held by each securityholder of the investment fund; and

(c) the date and details of each issue and redemption of securities, and each distribution, of the investment fund.

18.2 Availability of Records — (1) An investment fund that is not a corporation must make, or cause to be made, the records referred to in section 18.1 available for inspection, free of charge, during normal business hours at its principal or head office by a securityholder or a representative of a securityholder, if the securityholder has agreed in writing that the information contained in the register will not be used by the securityholder for any purpose other than either of the following:

(a) in the case of a mutual fund, attempting to influence the voting of securityholders of the mutual fund or a matter relating to the relationships among the mutual fund, the members of the organization of the mutual fund, and the securityholders, partners, directors and officers of those entities;

(b) in the case of a non-redeemable investment fund, attempting to influence the voting of securityholders of the non-redeemable investment fund or a matter relating to the relationships among the non-redeemable investment fund, the manager and portfolio adviser of the non-redeemable investment fund and any of their affiliates, and the securityholders, partners, directors and officers of those entities.

(2) An investment fund must, upon written request by a securityholder of the investment fund, provide, or cause to be provided, to the securityholder a copy of the records referred to in paragraphs 18.1(a) and (b) if the securityholder

(a) has agreed in writing that the information contained in the register will not be used by the securityholder for any purpose other than attempting to influence the voting of securityholders of the investment fund or a matter relating to the administration of the investment fund; and

(b) has paid a reasonable fee to the investment fund that does not exceed the reasonable costs to the investment fund of providing the copy of the register.

Part 19 — Exemptions and Approvals

19.1 Exemption — (1) The regulator or securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario only the regulator may grant such an exemption.

19.2 Exemption or Approval under Prior Policy — (1) A mutual fund that has obtained, from the regulator or securities regulatory authority, an exemption or waiver from, or approval under, a provision of National Policy Statement No. 39 before this Instrument came into force is exempt from any substantially similar provision of this Instrument, if any, on

the same conditions, if any, as are contained in the earlier exemption or approval, unless the regulator or securities regulatory authority has revoked that exemption or waiver under authority provided to it in securities legislation.

(2) Despite Part 7, a mutual fund that has obtained, from the regulator or securities regulatory authority, approval under National Policy Statement No. 39 to pay incentive fees may continue to pay incentive fees on the terms of that approval if disclosure of the method of calculation of the fees and details of the composition of the benchmark or index used in calculating the fees are described in the prospectus of the mutual fund.

(3) A mutual fund that intends to rely upon subsection (1) must, at the time of the first filing of its pro forma prospectus after this Instrument comes into force, send to the regulator a letter or memorandum containing

(a) a brief description of the nature of the exemption from, or approval under, National Policy Statement No. 39 previously obtained; and

(b) the provision in the Instrument that is substantially similar to the provision in National Policy Statement No. 39 from or under which the exemption or approval was previously obtained.

19.3 Revocation of exemptions — (1) A mutual fund that has obtained an exemption or waiver from, or approval under, National Policy Statement No. 39 or this Instrument before December 31, 2003, that relates to a mutual fund investing in other mutual funds, may no longer rely on the exemption, waiver or approval as of December 31, 2004.

(2) In British Columbia, subsection (1) does not apply.

Part 20 — Transitional

20.1 Effective Date — This Instrument comes into force on February 1, 2000.

20.2 Sales Communications — Sales communications, other than advertisements, that were printed before December 31, 1999 may be used until August 1, 2000, despite any requirements in this Instrument.

20.3 Reports to Securityholders — 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.

20.4 Mortgage Funds — (1) Paragraphs 2.3(1)(b) and (c) do not apply to a mutual fund that has adopted fundamental investment objectives to permit it to invest in mortgages in accordance with National Policy Statement No. 29 if

(a) a National Instrument replacing National Policy Statement No. 29 has not come into force;

(b) the mutual fund was established, and has a prospectus or prospectus for which a receipt was issued, before the date that this Instrument came into force; and

(c) the mutual fund complies with National Policy Statement No. 29.

(2) If a non-redeemable investment fund has adopted fundamental investment objectives to permit it to invest in mortgages, paragraph 2.3(2)(b) does not apply to the non-redeemable investment fund if the non-redeemable investment fund was established, and has a prospectus for which a receipt was issued, on or before September 22, 2014.

20.5 Delayed Coming into Force — (1) Despite section 20.1, subsection 4.4(1) does not come into force until August 1, 2000.

(2) Despite section 20.1, the following provisions of this Instrument do not come into force until February 1, 2001:

1. Subsection 2.4(2).

2. Subsection 2.7(4).

3. Subsection 6.4(1).

4. Subsection 6.8(4).

Appendix A — [Repealed]

Appendix B-1 — Compliance Report

TO: [The appropriate securities regulatory authorities]

FROM: [Name of mutual fund]

RE: Compliance Report on National Instrument 81-102 For the year ended [insert date]

We hereby confirm that we have complied with the applicable requirements of Parts 9, 10 and 11 of National Instrument 81-102 for the year ended [insert date] [except as follows:] [list exceptions, if any].

[NAME of mutual fund]

..... Signature

..... Name and office of the person executing this report

..... Date

Appendix B-1 — Audit Report

TO: [The appropriate securities regulatory authorities]

RE: Compliance Report on National Instrument 81-102 For the year ended [insert date]

We have audited [name of mutual fund]'s report made under section 12.1 of National Instrument 81-102 regarding its compliance for the year ended [insert date] with the applicable requirements of Parts 9, 10 and 11 of that National Instrument. Compliance with these requirements is the responsibility of the management of [name of mutual fund] (the "Fund"). Our responsibility is to express an opinion on management's compliance report based on our audit.

We conducted our audit in accordance with standards for assurance engagements set out in the CICA Handbook — Assurance. Those standards require that we plan and perform an audit to obtain reasonable assurance as a basis for our opinion. Such an audit includes examining, on a test basis, evidence supporting the assertions in management's compliance report.

In our opinion, the Fund's statement of compliance for the year ended [insert date] complies, in all material respects, with the applicable requirements of Parts 9, 10 and 11 of National Instrument 81-102.

This report is provided solely for the purpose of assisting the securities regulatory authority [ies] to which it is addressed in discharging its [their] responsibilities and should not be used for any other purpose.

City

Date

Chartered Accountants

Appendix B-2 — Compliance Report

TO: [The appropriate securities regulatory authorities]

FROM: [Name of principal distributor] (the “Distributor”)

RE: Compliance Report on National Instrument 81-102 For the year ended [insert date]

FOR: [Name(s) of the mutual fund (the “Fund[s]”)]

We hereby confirm that we have complied with the applicable requirements of Parts 9, 10 and 11 of National Instrument 81-102 in respect of the Fund[s] for the year ended [insert date] [except as follows:] [list exceptions, if any].

[NAME of the Distributor]

..... Signature

..... Name and office of the person executing this report

..... Date

Appendix B-2 — Audit Report

TO: [The appropriate securities regulatory authorities]

RE: Compliance Report on National Instrument 81-102 For the year ended [insert date]

We have audited [name of principal distributor]'s report made under section 12.1 of National Instrument 81-102 regarding its compliance for the year ended [insert date] with the applicable requirements of Parts 9, 10 and 11 of that National Instrument in respect of the [name of mutual funds] (the "Funds"). Compliance with these requirements is the responsibility of the management of [name of principal distributor] (the "Company"). Our responsibility is to express an opinion on management's compliance report based on our audit.

We conducted our audit in accordance with standards for assurance engagements set out in the CICA Handbook — Assurance. Those standards require that we plan and perform an audit to obtain reasonable assurance as a basis for our opinion. Such an audit includes examining, on a test basis, evidence supporting the assertions in management's compliance report.

In our opinion, the Company's statement of compliance for the year ended [insert date] complies, in all material respects, with the applicable requirements of Parts 9, 10 and 11 of National Instrument 81-102 in respect of the Funds.

This report is provided solely for the purpose of assisting the securities regulatory authority [ies] to which it is addressed in discharging its [their] responsibilities and should not be used for any other purpose.

City

Date

Chartered Accountants

Appendix B-3 — Compliance Report

TO: [The appropriate securities regulatory authorities]

FROM: [Name of participating dealer] (the “Distributor”)

RE: Compliance Report on National Instrument 81-102 For the year ended [insert date]

We hereby confirm that we have sold mutual fund securities to which National Instrument 81-102 is applicable. In connection with our activities in distributing these securities, we have complied with the applicable requirements of Parts 9, 10 and 11 of National Instrument 81-102 for the year ended [insert date] [except as follows:] [list exceptions, if any].

[NAME of the Distributor]

..... Signature

..... Name and office of the person executing this report

..... Date

Appendix B-3 — Audit Report

TO: [The appropriate securities regulatory authorities]

RE: Compliance Report on National Instrument 81-102 For the year ended [insert date]

We have audited [name of participating dealer]'s report made under section 12.1 of National Instrument 81-102 regarding its compliance for the year ended [insert date] with the applicable requirements of Parts 9, 10 and 11 of that National Instrument in respect of sales of mutual fund securities. Compliance with these requirements is the responsibility of the management of [name of participating dealer] (the "Company"). Our responsibility is to express an opinion on management's compliance report based on our audit.

We conducted our audit in accordance with standards for assurance engagements set out in the CICA Handbook — Assurance. Those standards require that we plan and perform an audit to obtain reasonable assurance as a basis for our opinion. Such an audit includes examining, on a test basis, evidence supporting the assertions in management's compliance report.

In our opinion, the Company's statement of compliance for the year ended [insert date] complies, in all material respects, with the applicable requirements of Parts 9, 10 and 11 of National Instrument 81-102 in respect of sales of mutual fund securities.

This report is provided solely for the purpose of assisting the securities regulatory authority [ies] to which it is addressed in discharging its [their] responsibilities and should not be used for any other purpose.

City

Date

Chartered Accountants

Appendix C — Provisions Contained in Securities Legislation for the Purpose of Subsection 4.1(5) — Prohibited Investments

JURISDICTION	SECURITIES LEGISLATION REFERENCE
All Jurisdictions	s. 13.6 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*
Newfoundland and Labrador	s. 191 of Reg 805/96

Appendix D — Investment Fund Conflict of Interest Investment Restrictions

Jurisdiction	Securities Legislation Reference
—	
All Jurisdictions	Paragraphs 13.5(2)(a) and (b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and subsection 4.1(2) of this Instrument
~~All Jurisdictions~~	~~ss. 13.5(2)(a) and (b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*~~
—	
Alberta	ss. 185(2) and (3) of the *Securities Act* (Alberta)
—	
British Columbia	s. 6(2) of BC Instrument 81-513 *Self-Dealing*
—	
New Brunswick	s. 137(2) of the *Securities Act* (New Brunswick)
—	
Newfoundland and Labrador	ss. 112(2), 112(3), 119(2)(a) and 119(2)(b) of the *Securities Act* (Newfoundland and Labrador)
—	
Nova Scotia	ss. 119(2) and (3) of the *Securities Act* (Nova Scotia)
—	
Ontario	ss. 111(2) and (3) of the *Securities Act* (Ontario)
—	
Saskatchewan	ss. 120(2) and (3) of the *The Securities Act, 1988* (Saskatchewan)

Appendix E — Investment Fund Conflict of Interest Reporting Requirements

Jurisdiction	Securities Legislation Reference
Alberta	Paragraph 191(1)(a) of the *Securities Act* (Alberta)
British Columbia	Paragraph 9(a) of BC Instrument 81-513 *Self-Dealing*
New Brunswick	Paragraph 143(1)(a) of the *Securities Act* (New Brunswick)
Newfoundland and Labrador	Paragraph 118(1)(a) of the *Securities Act* (Newfoundland and Labrador)
Nova Scotia	Paragraph 125(1)(a) of the *Securities Act* (Nova Scotia)
Ontario	Item 117(1)1 of the *Securities Act* (Ontario)
Saskatchewan	Paragraph 126(1)(a) of the *Securities Act*, 1988 (Saskatchewan)

~~**Jurisdiction**~~ — ~~**Securities Legislation Reference**~~

~~Alberta~~ — ~~s. 191(1)(a) of the *Securities Act* (Alberta)~~

~~British Columbia~~ — ~~s. 9(a) of BC Instrument 81-513 *Self-Dealing*~~

~~New Brunswick~~ — ~~s. 143(1)(a) of the *Securities Act* (New Brunswick)~~

~~Newfoundland and Labrador~~ — ~~s. 118(1)(a) of the *Securities Act* (Newfoundland and Labrador)~~

~~Nova Scotia~~ — ~~s. 125(1)(a) of the *Securities Act* (Nova Scotia)~~

~~Ontario~~ — ~~s. 117(1)(a) of the *Securities Act* (Ontario)~~

~~Saskatchewan~~ — ~~s. 126(1)(a) of the *The Securities Act*, 1988 (Saskatchewan).~~

Appendix F — Investment Risk Classification Methodology

Commentary

This Appendix contains rules and accompanying commentary on those rules. Each member jurisdiction of the CSA has made these rules under authority granted to it under the securities legislation of its jurisdiction.

The commentary explains the implications of a rule, offer examples or indicate different ways to comply with a rule. It may expand on a particular subject without being exhaustive. The commentary is not legally binding, but it does reflect the views of the CSA. Commentary always appears in italics and is titled "Commentary."

Item 1 — Investment risk level

(1) Subject to subsection (2), to determine the "investment risk level" of a mutual fund,

(a) determine the mutual fund's standard deviation in accordance with Item 2 and, as applicable, Item 3, 4 or 5,

(b) in the table below, locate the range of standard deviation within which the mutual fund's standard deviation falls, and

(c) identify the investment risk level set opposite the applicable range.

Standard Deviation Range	Investment Risk Level
0 to less than 6	Low
6 to less than 11	Low to medium
11 to less than 16	Medium
16 to less than 20	Medium to High
20 or greater	High

(2) Despite subsection (1), the investment risk level of a mutual fund may be increased if doing so is reasonable in the circumstances.

(3) A mutual fund must keep and maintain records that document:

(a) how the investment risk level of a mutual fund was determined, and

(b) if the investment risk level of a mutual fund was increased, why it was reasonable to do so in the circumstances.

Commentary:

(1) The investment risk level may be determined more frequently than annually. Generally, the investment risk level must be determined again whenever it is no longer reasonable in the circumstances.

(2) Generally, a change to the mutual fund's investment risk level disclosed on the most recently filed fund facts document or ETF facts document, as applicable, would be a material change under securities legislation in accordance with Part 11 of National Instrument 81-106 Investment Fund Continuous Disclosure.

(3) In deciding whether to exercise the discretion to increase a mutual fund's investment risk level as permitted in subsection (2) above, consideration should be given as to whether the standard deviation calculation applied under the Investment Risk Classification Methodology may result in a risk level that is below the manager's own expectations for the mutual fund. This can occur, for example, when a mutual fund employs investment strategies that produce an atypical or non-normal distribution of performance results. In such circumstances mutual funds are encouraged to consider supplementing the Investment Risk Classification Methodology with other factors or risk metrics in order to determine whether it would be appropriate to make an upward adjustment of the mutual fund's risk level to better reflect the features of the mutual fund.

Item 2 — Standard deviation

(1) A mutual fund must calculate its standard deviation for the most recent 10 years as follows:

Standard Deviation

$$\sqrt{12} \times \sqrt{\frac{1}{n-1}\sum_{i=1}^{n}(R_i - \overline{R})^2}$$

where

n = 120 months
$R\{i\}$ = return on investment in month i
$\overline{R}$ = average monthly return on investment

(2) For the purposes of subsection (1), a mutual fund must make the calculation with respect to the series or class of securities of the mutual fund that first became available to the public and calculate the "return on investment" for each month using:

(a) the net asset value of the mutual fund, assuming the reinvestment of all income and capital gain distributions in additional securities of the mutual fund;

(b) the same currency in which the series or class is offered.

Commentary:

For the purposes of Item 2, except for seed capital, the date on which the series or class of securities "first became available to the public" corresponds or approximately corresponds to the date on which the securities of the series or class were first issued to investors.

Item 3 — Difference in classes or series of securities of a mutual fund

Despite Item 2(2), if a series or class of securities of the mutual fund has an attribute that results in a different investment risk level for the series or class than the investment risk level of the mutual fund, the "return on investment" for that series or class of securities must be used to calculate the standard deviation of that particular series or class of securities.

Commentary:

Generally, all series or classes of securities of a mutual fund will have the same investment risk level as determined by Items 1 and 2. However, a particular series or class of securities of a mutual fund may have a different investment risk level than the other series or classes of securities of the same mutual fund if that series or class of securities has an attribute that differs from the other. For example, a series or class of securities that employs currency hedging or that is offered in the currency of the United States of America (if the mutual fund is otherwise offered in the currency of Canada) has an attribute that could result in a different investment risk level than that of the mutual fund.

Item 4 — Mutual funds with less than 10 years of history

(1) For the purposes of Item 2, if it has been less than 10 years since securities of the mutual fund were first available to the public, and if the mutual fund is a clone fund and the underlying fund has 10 years of performance history, or if there is another mutual fund with 10 years of performance history which is subject to this Instrument, and has the same fund manager, portfolio manager, investment objectives and investment strategies as the mutual fund, then in either case the mutual fund must calculate the standard deviation of the mutual fund in accordance with Item 2 by

(a) using the available return history of the mutual fund, and

(b) imputing the return history of the underlying fund or the other mutual fund, respectively, for the remainder of the 10 year period.

(2) For the purposes of Item 2, if it has been less than 10 years since securities of the mutual fund were first available

to the public, and paragraph (1) above does not apply, then the mutual fund must select a reference index in accordance with Item 5, and calculate the standard deviation of the mutual fund in accordance with Item 2 by

(a) using the return history of the mutual fund, and

(b) imputing the return history of the reference index for the remainder of the 10 year period.

Commentary:

Generally, if a mutual fund that is structured as a mutual fund trust does not have 10 years of performance history, the past performance of a corporate class version of that mutual fund should be used to fill in the missing past performance information required to calculate standard deviation. Likewise, if a mutual fund that is structured as a corporate class fund does not have 10 years of performance history, the past performance of a mutual fund trust version of that mutual fund should be used to fill in the missing past performance information required to calculate standard deviation.

Item 5 — Reference Index

(1) For the purposes of Item 4(2), the mutual fund must select a reference index that reasonably approximates, or for a newly established mutual fund, is expected to reasonably approximate, the standard deviation of the mutual fund.

(2) When using a reference index, a mutual fund must

(a) monitor the reasonableness of the reference index on an annual basis or more frequently if necessary,

(b) disclose in the mutual fund's prospectus in Part B, Item 9.1 of Form 81-101F1 or Part B, Item 12.2 of Form 41-101F2, as applicable

(i) a brief description of the reference index, and

(ii) if the reference index has changed since the last disclosure under this section, details of when and why the change was made.

Instructions:

(1) A reference index must be made up of one permitted index or, where necessary, to more reasonably approximate the standard deviation of a mutual fund, a composite of several permitted indices.

(2) In selecting and monitoring the reasonableness of a reference index, a mutual fund must consider a number of factors, including whether the reference index

(a) contains a high proportion of the securities represented, or expected to be represented, in the mutual fund's portfolio,

(b) has returns, or is expected to have returns, highly correlated to the returns of the mutual fund,

(c) has risk and return characteristics that are, or expected to be, similar to the mutual fund,

(d) has its returns computed (total return, net of withholding taxes, etc.) on the same basis as the mutual fund's returns,

(e) is consistent with the investment objectives and investment strategies in which the mutual fund is investing,

(f) has investable constituents and has security allocations that represent investable position sizes, for the mutual fund, and

(g) is denominated in, or converted into, the same currency as the mutual fund's reported net asset value.

(3) In addition to the factors listed in (2), the mutual fund may consider other factors if relevant to the specific characteristics of the mutual fund.

Commentary:

A mutual fund must consider each of the factors in (2), and may consider other factors, as appropriate, in selecting and monitoring the reasonableness of a reference index. However, a reference index that reasonably approximates, or is expected to reasonably approximate, the standard deviation of a mutual fund may not necessarily meet all of the factors in (2).

Item 6 — Fundamental Changes

(1) For the purposes of Item 2, if there has been a reorganization or transfer of assets of the mutual fund pursuant to paragraphs 5.1(1)(f) or (g) or subparagraph 5.1(1)(h)(i) of the Instrument, the standard deviation must be calculated using the monthly "return on investment" of the continuing mutual fund, as the case may be.

(2) Despite subsection (1), if there has been a change to the fundamental investment objectives of the mutual fund pursuant to paragraph 5.1(1)(c) of the Instrument, for the purposes of Item 2, the standard deviation must be calculated using the monthly "return on investment" of the mutual fund starting from the date of that change.

SCHEDULE 3-B
COMPANION POLICY 81-102 *INVESTMENT FUNDS*

Table of Contents

Part 1 — Purpose

1.1 Purpose — The purpose of this Policy is to state the views of the Canadian securities regulatory authorities on various matters relating to National Instrument 81-102 Investment Funds (the “Instrument”), including

(a) the interpretation of various terms used in the Instrument;

(b) recommendations concerning the operating procedures that the Canadian securities regulatory authorities suggest that investment funds subject to the Instrument, or persons performing services for the investment funds, adopt to ensure compliance with the Instrument;

(c) discussions of circumstances in which the Canadian securities regulatory authorities have granted relief from particular requirements of National Policy Statement No. 39 (”NP39”), the predecessor to the Instrument, and the conditions that those authorities imposed in granting that relief; and

(d) recommendations concerning applications for approvals required under, or relief from, provisions of the Instrument.

Part 2 — Comments on Definitions Contained in the Instrument

2.01 "alternative mutual fund" — (1) This term replaced the term "commodity pool" that was previously defined under the National Instrument 81-104 *Commodity Pool* (NI 81-104). Mutual funds that were commodity pools under NI 81-104 are deemed to be alternative mutual funds under this Instrument.

(2) The definition of "alternative mutual fund" contemplates that the fund's fundamental investment objectives will reflect those features that distinguish the alternative mutual fund from more conventional mutual funds. Therefore if an existing mutual were to convert to an alternative mutual fund, we would expect such a change to necessitate changes to the mutual fund's investment objectives that would require securityholder approval under Part 5 of the Instrument.

(3) The Instrument does not mandate a naming convention for mutual funds. However, it is our view that a mutual fund with the word "alternative" in its name could be misleading or cause confusion in the marketplace if that mutual fund is not an alternative mutual fund. We would generally expect that the only mutual funds that would use that term in their name would be alternative mutual funds.

2.1 "asset allocation service" — The definition of "asset allocation service" in the Instrument includes only specific administrative services in which an investment in mutual funds subject to the Instrument is an integral part. The Canadian securities regulatory authorities do not view this definition as including general investment services such as discretionary portfolio management that may, but are not required to, invest in mutual funds subject to this Instrument.

2.2 "cash equivalent" — The definition of "cash equivalent" in the Instrument includes certain evidences of indebtedness of Canadian financial institutions. This includes banker's acceptances.

2.3 "clearing corporation" — The definition of "clearing corporation" in the Instrument includes both incorporated and unincorporated organizations, which may, but need not, be part of an options or futures exchange.

2.3.1 "cleared specified derivative" — the definition of "cleared specified derivative" is intended to apply to derivatives transactions that take place through the facilities of a "regulated clearing agency" as defined in National Instrument 94-101 *Mandatory Central Clearing of Derivatives*. The Instrument provides exemptions from certain of the provisions governing the use of cleared specified derivatives by investment funds. These exemptions are intended to facilitate the use of the clearing infrastructure in compliance with international requirements for mandatory clearing of derivatives, although the exemptions also apply in respect of cleared specified derivatives that are not subject to mandatory clearing obligations.

2.4 "debt-like security" — Paragraph (b) of the definition of "debt-like security" in the Instrument provides that the value of the component of an instrument that is not linked to the underlying interest of the instrument must account for less than 80% of the aggregate value of the instrument in order that the instrument be considered a debt-like security. The Canadian securities regulatory authorities have structured this provision in this manner to emphasize what they consider the most appropriate manner to value these instruments. That is, one should first value the component of the instrument that is not linked to the underlying interest, as this is often much easier to value than the component that is linked to the underlying interest. The Canadian securities regulatory authorities recognize the valuation difficulties that can arise if one attempts to value, by itself, the component of an instrument that is linked to the underlying interest.

2.4.1 "designated rating" and "designated rating organization" — The Canadian securities regulatory authorities recognize there are existing contracts that use the predecessor terms "approved credit rating", "approved rating" and "approved credit rating organization". The content of the new definitions "designated rating" and "designated rating organization" is substantially the same as the content of their respective predecessor terms, only the terminology has changed. Therefore, it is reasonable to interpret the predecessor terms as having the same meaning as the definition of "designated rating" and "designated rating organization" in the Investment as applicable.

2.5 "fundamental investment objectives" — (1) The definition of "fundamental investment objectives" is relevant in connection with paragraph 5.1(1)(c) of the Instrument, which requires that the approval of securityholders of an investment fund be obtained before any change is made to the fundamental investment objectives of the investment fund. The fundamental investment objectives of an investment fund are required to be disclosed in a prospectus under Part B of Form 81-101F1 *Contents of Simplified Prospectus* or under the requirements of Form 41-101F2 *Information*

Required in an Investment Fund Prospectus. The definition of "fundamental investment objectives" contained in the Instrument uses the language contained in the disclosure requirements of Form 81-101F1 and Form 41-101F2, and the definition should be read to include the matters that would have to be disclosed under the Item of the applicable form concerning "Fundamental Investment Objectives". Accordingly, any change to the investment fund requiring a change to that disclosure would trigger the requirement for securityholder approval under paragraph 5.1(1)(c) of the Instrument.

(2) Form 41-101F2 and Part B of Form 81-101F1 set out, among other things, the obligation that an investment fund disclose in a prospectus both its fundamental investment objectives and its investment strategies. The matters required to be disclosed under the Item of the applicable form relating to "Investment Strategies" are not "fundamental investment objectives" under the Instrument.

(3) Generally speaking, the "fundamental investment objectives" of an investment fund are those attributes that define its fundamental nature. For example, investment funds that are guaranteed or insured, or that pursue a highly specific investment approach such as index funds or derivative funds, may be defined by those attributes. Often the manner in which an investment fund is marketed will provide evidence as to its fundamental nature; an investment fund whose advertisements emphasize, for instance, that investments are guaranteed likely will have the existence of a guarantee as a "fundamental investment objective".

(5) One component of the definition of "fundamental investment objectives" is that those objectives distinguish an investment fund from other investment funds. This component does not imply that the fundamental investment objectives for each investment fund must be unique. Two or more investment funds can have identical fundamental investment objectives.

2.6 "guaranteed mortgage" — A mortgage insured under the *National Housing Act* (Canada) or similar provincial statutes is a "guaranteed mortgage" for the purposes of the Instrument.

2.7 "hedging" — (1) One component of the definition of "hedging" is the requirement that hedging transactions result in a "high degree of negative correlation between changes in the value of the investment or position, or group of investments or positions, being hedged and changes in the value of the instrument or instruments with which the investment or position is hedged". The Canadian securities regulatory authorities are of the view that there need not be complete congruence between the hedging instrument or instruments and the position or positions being hedged if it is reasonable to regard the one as a hedging instrument for the other, taking into account the closeness of the relationship between fluctuations in the price of the two and the availability and pricing of hedging instruments.

(2) The definition of "hedging" includes a reference to the "maintaining" of the position resulting from a hedging transaction or series of hedging transactions. The inclusion of this component in the definition requires an investment fund to ensure that a transaction continues to offset specific risks of the investment fund in order that the transaction be considered a "hedging" transaction under the Instrument; if the "hedging" position ceases to provide an offset to an existing risk of an investment fund, then that position is no longer a hedging position under the Instrument, and can be held by the investment fund only in compliance with the specified derivatives rules of the Instrument that apply to non-hedging positions. The component of the definition that requires the "maintaining" of a hedge position does not mean that an investment fund is locked into a specified derivatives position; it simply means that the specified derivatives position must continue to satisfy the definition of "hedging" in order to receive hedging treatment under the Instrument.

(3) Paragraph (b) of the definition of "hedging" has been included to ensure that currency cross hedging continues to be permitted under the Instrument. Currency cross hedging is the substitution of currency risk associated with one currency for currency risk associated with another currency, if neither currency is a currency in which the investment fund determines its net asset value per security and the aggregate amount of currency risk to which the investment fund is exposed is not increased by the substitution. Currency cross hedging is to be distinguished from currency hedging, as that term is ordinarily used. Ordinary currency hedging, in the context of investment funds, would involve replacing the investment fund's exposure to a "non-net asset value" currency with exposure to a currency in which the investment fund calculates its net asset value per security. That type of currency hedging is subject to paragraph (a) of the definition of "hedging".

2.8 "illiquid asset" — A portfolio asset of a mutual fund that meets the definition of "illiquid asset" will be an illiquid asset even if a person or company, including the manager or the portfolio adviser of a mutual fund or a partner, director or officer of the manager or portfolio adviser of a mutual fund or any of their respective associates or affiliates, has agreed to purchase the asset from the mutual fund. That type of agreement does not affect the words of the definition, which defines "illiquid asset" in terms of whether that asset cannot be readily disposed of through market facilities on which

public quotations in common use are widely available.

2.9 “manager” — The definition of “manager” under the Instrument only applies to the person or company that actually directs the business of the investment fund, and does not apply to others, such as trustees, that do not actually carry out this function. Also, a “manager” would not include a person or company whose duties are limited to acting as a service provider to the investment fund, such as a portfolio adviser.

2.10 “option” — The definition of “option” includes warrants, whether or not the warrants are listed on a stock exchange or quoted on an over-the-counter market.

2.11 “performance data” — The term “performance data” includes data on an aspect of the investment performance of an investment fund, an asset allocation service, security, index or benchmark. This could include data concerning return, volatility or yield. The Canadian securities regulatory authorities note that the term “performance data” would not include a rating prepared by an independent organization reflecting the credit quality, rather than the performance, of, for instance, an investment fund’s portfolio or the participating funds of an asset allocation service.

2.12 “public medium” — An “advertisement” is defined in the Instrument to mean a sales communication that is published or designed for use on or through a “public medium”. The Canadian securities regulatory authorities interpret the term “public medium” to include print, television, radio, tape recordings, video tapes, computer disks, the Internet, displays, signs, billboards, motion pictures and telephones.

2.13 “purchase” — (1) The definition of a “purchase”, in connection with the acquisition of a portfolio asset by an investment fund, means an acquisition that is the result of a decision made and action taken by the investment fund.

(2) The Canadian securities regulatory authorities consider that the following types of transactions would generally be purchases of a security by an investment fund under the definition:

1. The investment fund effects an ordinary purchase of the security, or, at its option, exercises, converts or exchanges a convertible security held by it.

2. The investment fund receives the security as consideration for a security tendered by the investment fund into a take-over bid.

3. The investment fund receives the security as the result of a merger, amalgamation, plan of arrangement or other reorganization for which the investment fund voted in favour.

4. The investment fund receives the security as a result of the automatic exercise of an exchange or conversion right attached to another security held by the investment fund in accordance with the terms of that other security or the exercise of that exchange or conversion right at the option of the investment fund.

5.

(a) The investment fund has become legally entitled to dispose of the collateral held by it under a securities loan or repurchase agreement and to apply proceeds of realization to satisfy the obligation of the counterparty of the investment fund under the transaction, and

(b) sufficient time has passed after the event described in paragraph (a) to enable the investment fund to sell the collateral in a manner that maintains an orderly market and that permits the perservation of the best value for the investment fund.

(3) The Canadian securities regulatory authorities consider that the following types of transactions would generally not be purchases of a security by an investment fund under the definition:

1. The investment fund receives the security as a result of a compulsory acquisition by an issuer following completion of a successful take-over bid.

2. The investment fund receives the security as a result of a merger, amalgamation, plan of arrangement or other reorganization that the investment fund voted against.

3. The investment fund receives the security as the result of the exercise of an exchange or conversion right attached to a security held by the investment fund made at the discretion of the issuer of the security held by the investment fund.

4. The investment fund declines to tender into an issuer bid, even though its decision is likely to result in an increase in its percentage holdings of a security beyond what the investment fund would be permitted under the Instrument to purchase.

2.14 “restricted security” — A special warrant is a form of restricted security and, accordingly, the provisions of the Instrument applying to restricted securities apply to special warrants.

2.15 “sales communication” — (1) The term “sales communication” includes a communication by an investment fund to (i) a securityholder of the investment fund and (ii) a person or company that is not a securityholder if the purpose of the communication is to induce the purchase of securities of the investment fund. A sales communication therefore does not include a communication solely between an investment fund or its promoter, manager, principal distributor or portfolio adviser and a participating dealer, or between the principal distributor or a participating dealer and its registered salespersons, that is indicated to be internal or confidential and that is not designed to be passed on by any principal distributor, participating dealer or registered salesperson to any securityholder of, or potential investor in, the investment fund. In the view of the Canadian securities regulatory authorities, if a communication of that type were so passed on by the principal distributor, participating dealer or registered salesperson, the communication would be a sales communication made by the party passing on the communication if the recipient of the communication were a securityholder of the investment fund or if the intent of the principal distributor, participating dealer or registered salesperson in passing on the communication were to induce the purchase of securities of the investment fund.

(2) The term “sales communication” is defined in the Instrument such that the communication need not be in writing and includes any oral communication. The Canadian securities regulatory authorities are of the view that the requirements in the Instrument pertaining to sales communications would apply to statements made at an investor conference to securityholders or to others to induce the purchase of securities of the investment fund.

(3) The Canadian securities regulatory authorities are of the view that image advertisements that are intended to promote a corporate identity or the expertise of an investment fund manager fall outside the definition of “sales communication”. However, an advertisement or other communication that refers to a specific investment fund or funds or promotes any particular investment portfolio or strategy would be a sales communication and therefore be required to include warnings of the type now described in section 15.4 of the Instrument.

(4) In the case of an investment fund, paragraph (b) of the definition of a “sales communication” in the Instrument excludes sales communications contained in certain documents that the investment fund is required to prepare, including audited or unaudited financial statements, statements of account and confirmations of trade. The Canadian securities regulatory authorities are of the view that if information is contained in these types of documents that is not required to be included by securities legislation, any such additional material is not excluded by paragraph (b) of the definition of sales communication and may, therefore, constitute a sales communication if the additional material otherwise falls within the definition of that term in the Instrument.

2.16 “specified derivative” — (1) The term “specified derivative” is defined to mean an instrument, agreement or security, the market price, value or payment obligations of which are derived from, referenced to or based on an underlying interest. Certain instruments, agreements or securities that would otherwise be specified derivatives within the meaning of the definition are then excluded from the definition for purposes of the Instrument.

(2) Because of the broad ambit of the lead-in language to the definition, it is impossible to list every instrument, agreement or security that might be caught by that lead-in language but that is not considered to be a derivative in any normal commercial sense of that term. The Canadian securities regulatory authorities consider conventional floating rate debt instruments, securities of an investment fund, American depositary receipts and instalment receipts generally to be within this category, and generally will not treat those instruments as specified derivatives in administering the Instrument.

(3) However, the Canadian securities regulatory authorities note that these general exclusions may not be applicable in cases in which a mutual fund invests in one of the vehicles described in subsection (2) with the result that the mutual fund obtains or increases exposure to a particular underlying interest in excess of the limit set out in section 2.1 of the Instrument. In such circumstances, the Canadian securities regulatory authorities are likely to consider that instrument a specified derivative under the Instrument.

2.17 “standardized future” — The definition of “standardized future” refers to an agreement traded on a futures exchange. This type of agreement is called a “futures contract” in the legislation of some jurisdictions, and an “exchange contract” in the legislation of some other jurisdictions (such as British Columbia). The term “standardized future” is used in the Instrument to refer to these types of contracts, to avoid conflict with existing local definitions.

2.18 “swap” — The Canadian securities regulatory authorities are of the view that the definition of a swap in the Instrument would include conventional interest rate and currency swaps, as well as equity swaps.

Part 3 — Investments

3.1 [Repealed]

3.2 Index Mutual Funds — (1) An “index mutual fund” is defined in section 1.1 of the Instrument as a mutual fund that has adopted fundamental investment objectives that require it 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.

(2) This definition includes only mutual funds whose entire portfolio is invested in accordance with one or more permitted indices. The Canadian securities regulatory authorities recognize that there may be mutual funds that invest part of their portfolio in accordance with a permitted index or indices, with a remaining part of the portfolio being actively managed. Those mutual funds cannot avail themselves of the relief provided by subsection 2.1(5) of the Instrument, which provides relief from the “10% rule” contained in subsection 2.1(1) of the Instrument, because they are not “index mutual funds”. The Canadian securities regulatory authorities acknowledge that there may be principles behind the relief contained in subsection 2.1(5) of the Instrument is also applicable to “partially-indexed” mutual funds. Therefore, the Canadian securities regulatory authorities will consider applications from those types of mutual funds for relief analogous to that provided by subsection 2.1(5) of the Instrument.

(3) It is noted that the manager of an index mutual fund may make a decision to base all or some of the investments of the mutual fund on a different permitted index than a permitted index previously used. This decision might be made for investment reasons or because that index no longer satisfies the definition of “permitted index” in the Instrument. It is noted that this decision by the manager will be considered by the Canadian securities regulatory authorities generally to constitute a change of fundamental investment objectives, thereby requiring securityholder approval under paragraph 5.1(1)(c) of the Instrument. In addition, this decision would also constitute a material change for the mutual fund, thereby requiring an amendment to the prospectus of the mutual fund and the issuing of a press release under Part 11 of National Instrument 81-106 *Investment Fund Continuous Disclosure*.

3.2.1 Control Restrictions — An investment fund generally holds a passive stake in the businesses in which it invests; that is, an investment fund generally does not seek to obtain control of, or become involved in, the management of investee companies. This key restriction on the type of investment activities that may be undertaken by an investment fund is codified in section 2.2 of the Instrument. Exceptions to this are labour sponsored or venture capital funds, where some degree of involvement in the management of the investees is generally an integral part of the investment strategy.

In determining whether an investment fund exercises control over, or is involved in the management of, an investee company, for the purposes of compliance with section 2.2 of the Instrument, the Canadian securities regulatory authorities will generally consider indicators, including the following:

(a) any right of the investment fund to appoint directors, or observers, of the board of the investee company;

(b) any right of the investment fund to restrict the management of the investee company, or to approve or veto decisions made by the management of the investee company;

(c) any right of the investment fund to restrict the transfer of securities by other securityholders of the investee company.

The Canadian securities regulatory authorities will take the above factors into consideration when considering the

nature of an investment fund's investment in an issuer to determine whether the investment fund is in compliance with section 2.2 of the Instrument. The Canadian securities regulatory authorities will also refer to the applicable accounting standards in determining whether an investment fund is exercising control over an issuer.

3.3 Special Warrants — An investment fund is required by subsection 2.2(3) of the Instrument to assume the conversion of each special warrant it holds. This requirement is imposed because the nature of a special warrant is such that there is a high degree of likelihood that its conversion feature will be exercised shortly after its issuance, once a prospectus relating to the underlying security has been filed.

3.3.1 Illiquid assets — (1) The Canadian securities regulatory authorities expect the manager of an investment fund (whether a mutual fund or a non-redeemable investment fund) to establish an effective liquidity risk management policy that considers the liquidity of the types of assets in which the investment fund will be invested, and the fund's obligations and other liabilities (for example, meeting redemption requests, or margin calls from derivative counterparties). Appropriate internal limits for the investment fund's liquidity needs, in line with its investment strategies, should be established.

(2) As portfolio assets may become illiquid when market conditions change, the Canadian securities regulatory authorities are of the view that the manager should regularly measure, monitor and manage the liquidity of the investment fund's portfolio assets, keeping in mind the time to liquidate each portfolio asset, the price the asset may be sold at and the pattern of redemption requests.

(3) Furthermore, the Canadian securities regulatory authorities are of the view that illiquid assets are generally more difficult to value, for the purposes of calculating an investment fund's net asset value, than assets which are liquid. As a result, where a non-redeemable investment fund has a large proportion of its assets invested in illiquid assets, this raises concerns about the accuracy of the fund's net asset value and the amount of any fees calculated with reference to net asset value. Accordingly, staff of the Canadian securities regulatory authorities may raise comments or questions in the course of their reviews of the prospectuses or continuous disclosure documents of non-redeemable investment funds where such funds have a significant proportion of their assets invested in illiquid assets.

3.4 Investment in Other Investment Funds — (1) Deleted (2) Subsection 2.5(7) of the Instrument provides that certain investment restrictions and reporting requirements do not apply to investments in other investment funds made in accordance with section 2.5 of the Instrument. In some cases, an investment fund's investments in other investment funds will be exempt from the requirements of section 2.5 of the Instrument because of an exemption granted by the regulator or securities regulatory authority. In these cases, assuming the investment fund complies with the terms of the exemption, its investments in other investment funds would be considered to have been made in accordance with section 2.5 of the Instrument. It is also noted that subsection 2.5(7) applies only with respect to an investment fund's investments in other investment funds, and not for any other investment or transaction.

(3) Section 2.5.1 of the Instrument provides that certain investment restrictions and reporting requirements do not apply to investments by investment funds that are not reporting issuers, including investments in other investment funds that are not reporting issuers, made in accordance with the conditions in section 2.5.1 of the Instrument. Paragraphs 2.5.1(2)(c) to (f) of the Instrument also specify the accounting preparation and auditing standards that apply to the preparation and auditing of financial statements of an underlying fund in which an investment fund that is not a reporting issuer, determines to invest in reliance on the exemption.

3.5 Instalments of Purchase Price — Paragraph 2.6(d) of the Instrument prohibits an investment fund from purchasing a security, other than a specified derivative, that by its terms may require the investment fund to make a contribution in addition to the payment of the purchase price. This prohibition does not extend to the purchase of securities that are paid for on an instalment basis in which the total purchase price and the amounts of all instalments are fixed at the time the first instalment is made.

3.6 Purchase of Evidences of Indebtedness — Paragraph 2.6(f) of the Instrument prohibits an investment fund from lending either cash or a portfolio asset other than cash. The Canadian securities regulatory authorities are of the view that the purchase of an evidence of indebtedness, such as a bond or debenture, a loan participation or loan syndication as permitted by paragraph 2.3(1)(i) or (2)(c) of the Instrument, or the purchase of a preferred share that is treated as debt for accounting purposes, does not constitute the lending of cash or a portfolio asset.

3.6.1 Cash Borrowing — Subsection 2.6(2) of the Instrument permits an alternative mutual fund or non-redeemable investment fund to borrow cash for investment purposes (including investing on margin) from an entity that meets the criteria of a fund custodian or subcustodian under section 6.2 or 6.3, and can include the fund's own custodian or

subcustodian. This provision also permits a fund to borrow cash from a lender that is an affiliate or associate of the fund's investment fund manager provided independent review committee approval is granted.

3.7 Securities Lending, Repurchase and Reverse Repurchase Transactions — (1) Section 2.12, 2.13 and 2.14 of the Instrument each contains a number of conditions that must be satisfied in order that an investment fund may enter into a securities lending, repurchase or reverse repurchase transaction in compliance with the Instrument. It is expected that, in addition to satisfying these conditions, the manager on behalf of the investment fund, in co-ordination with an agent, will ensure that the documentation evidencing these types of transactions contains customary provisions to protect the investment fund and to document the transaction properly. Among other things, these provisions would normally include:

(a) a definition of an "event of default" under the agreement, which would include failure to deliver cash of securities, or to promptly pay to the investment fund amounts equal to dividends and interest paid, and distributions made, on loaned or sold securities, as required by the agreement;

(b) provisions giving on-defaulting parties rights of termination, rights to sell the collateral, rights to purchase identical securities to replace the loaned securities and legal rights of set-off in connection with their obligations if an event of default occurs; and

(c) provisions that deal with, if an event of default occurs, how the value of collateral or securities held by the non-defaulting party that is in excess of the amount owed by the defaulting party will be treated.

(2) Section 2.12, 2.13 and 2.14 of the Instrument each imposes a requirement that an investment fund that has entered into a securities lending, repurchase or reverse repurchase transaction hold cash or securities of at least 102% of the market value of the securities or cash held by the investment fund's counterparty under the transaction. It is noted that the 102% requirement is a minimum requirement, and that it may be appropriate for the manager of an investment fund, or the agent acting on behalf of the investment fund, to negotiate the holding of a greater amount of cash or securities if necessary to protect the interests of the investment fund in particular transaction, having regard to the level of risk for the investment fund in the transaction. In addition, if the recognized best practices for a particular type of transaction in a particular market calls for a higher level of collateralization than 102%, it is expected that, absent special circumstances, the manager or the agent would ensure that its arrangements reflect the relevant best practices for that transactions.

(3) Paragraph 6 of subsection 2.12(1) of the Instrument refers to securities lending transactions in terms of securities that are "loaned" by an investment fund in exchange for collateral. Some securities lending transactions are documented so that title to the "loaned" securities is transferred from the "lender" to the "borrower". The Canadian securities regulatory authorities do not consider this fact as sufficient to disqualify those transactions as securities loan transactions within the meaning of the Instrument, so long as the transaction is in fact substantively a loan. References throughout the Instrument to "loaned" securities, and similar references, should be read to include securities "transferred" under a securities lending transaction.

(4) Subparagraph 6(d) of subsection 2.12(1) permits the use of irrevocable letters of credit as collateral in securities lending transactions. The Canadian securities regulatory authorities believe that at a minimum, the prudent use of letters of credit will involve the following arrangments:

(a) the investment fund should be allowed to draw down any amount of the letter of credit at any time by presenting its sight draft and certifying that the borrower is in default of its obligation under the securities lending agreement, and the amount capable of being drawn down would represent the current market value of the outstanding loaned securities or the amount required to cure any other borrower default; and

(b) the letter of credit should be structured so that the lender may draw down, on the date immediately preceding its expiration date, an amount equal to the current market value of all outstanding loaned securities on that date.

(5) Paragraph 9 of subsection 2.12(1) and paragraph 8 of subsection 2.13(1) of the Instrument each provides that the agreement under which an investment fund enters into a securities lending or repurchase transaction include a provision requiring the investment fund's counterparty to promptly pay to the investment fund, among other things, distributions made on the securities loaned or sold in the transaction. In this context, the term "distributions" should be read broadly to include all payments or distributions of any type made on the underlying securities, including without limitation, distributions of property, stock dividends, securities received as the result of splits, all rights to purchase additional securities and full or partial redemption proceeds. This extended meaning conforms to the meaning given

the term “distributions” in several standard forms of securities loan agreements widely used in the securities lending and repurchase markets.

(6) Sections 2.12, 2.13 and 2.14 of the Instrument each make reference to the “delivery” and “holding” of securities or collateral by the investment fund. The Canadian securities regulatory authorities note that these terms will include the delivery or holding by an agent for an investment fund. In addition, the Canadian securities regulatory authorities recognize that under ordinary market practice, agents pool collateral for securities lending/repurchase clients; this pooling of itself is not considered a violation of the Instrument.

(7) Sections 2.12, 2.13 and 2.14 of the Instrument each require that the securities involved in a securities lending, repurchase or reverse repurchase transaction be marked to market daily and adjusted as required daily. It is recognized that market practice often involves an agent marking to market a portfolio at the end of a business day, and effecting the necessary adjustments to a portfolio on the next business day. So long as each action occurs on each business day, this market practice is not a breach of the Instrument.

(8) As noted in subsection (7), the Instrument requires the daily marking to market of the securities involved in a securities lending, repurchase or reverse repurchase transaction. The valuation principles used in this marking to market may be those generally used by the agent acting for the investment fund, even if those principles deviate from the principles that are used by the investment fund in valuing its portfolio assets for the purposes of calculating net asset value.

(9) Paragraph 6 of subsection 2.13(1) of the Instrument imposes a requirement concerning the delivery of sales proceeds to the investment fund equal to 102% of the market value of the securities sold in the transaction. It is noted that accrued interest on the sold securities should be included in the calculation of the market value of those securities.

(10) Section 2.15 of the Instrument imposes the obligation on a manager of an investment fund to appoint an agent or agents to administer its securities lending and repurchase transactions, and makes optional the ability of a manger to appoint an agent or agents to administer its reverse repurchase transactions. A manager that appoints more than one agent to carry out these functions may allocate responsibility as it considers best. For instance, it may be appropriate that one agent be responsible for domestic transactions, with one or more agents responsible for off-shore transactions. Managers should ensure that the various requirements of sections 2.15 and 2.16 of the Instrument are satisfied for all agents.

(11) It is noted that the responsibilities of an agent appointed under section 2.15 of the Instrument include all aspects of acting on behalf of an investment fund in connection with securities lending, repurchase or reverse repurchase agreements. This includes acting in connection with the reinvestment of collateral or securities held during the life of a transaction.

(12) Subsection 2.15(3) of the Instrument requires that an agent appointed by an investment fund to administer its securities lending, repurchase or reverse repurchase transactions shall be a custodian or sub-custodian of the investment fund. It is noted that the provisions of Part 6 of the Instrument generally apply to the agent in connection with its activities relating to securities lending, repurchase or reverse repurchase transactions. The agent must have been appointed as custodian or sub-custodian in accordance with section 6.1, and must satisfy the other requirements of Part 6 in carrying out its responsibilities.

(13) Subsection 2.15(4) of the Instrument provides that the manager of an investment fund must not authorize an agent to enter into securities lending, repurchase or, if applicable, reverse repurchase transactions on behalf of the investment fund unless there is a written agreement between the agent, the manager and the investment fund that deals with certain prescribed matters. Subsection (5) requires that the manager and the investment fund, in the agreement, provide instructions to the agent on the parameters to be followed in entering into the type of transaction to which the agreement pertains. The parameters would normally include:

(a) details on the types of transactions that may be entered into by the investment fund;

(b) types of portfolio assets of the investment fund to be used in the transaction;

(c) specification of maximum transaction size, or aggregate amound of assets that may be committed to transactions at any one time;

(d) specification of permitted counterparties;

(e) any specific requirements regarding collateralization, including minimum requirements as to amount and diversification of collateralization, and details on the nature of the collateral that may be accepted by the investment fund;

(f) directions and an outline of responsibilities for the reinvestment of cash collateral received by the investment fund under the program to ensure that proper levels of liquidity are maintained at all times; and

(g) duties and obligations on the agent to take action to obtain payment by a borrower of any amounts owed by the borrower.

(14) The definition of "cash cover" contained in section 1.1 of the Instrument requires that the portfolio assets be used for cash cover not be "allocated for specific purposes". Securities loaned by a mutual fund in a securities lending transaction have been allocated for specific purposes and therefore cannot be used as cash cover by the mutual fund for its specified derivatives obligations.

(15) An investment fund sometimes needs to vote securities held by it in order to protect its interests in connection with corporate transactions or developments relating to the issuers of the securities. The manager and the portfolio adviser of an investment fund, or the agent of the investment fund administering a securities lending program on behalf of the investment fund, should monitor corporate developments relating to securities that are loaned by the investment fund in securities lending transactions, and take all necessary steps to ensure that the investment fund can exercise a right to vote the securities when necessary. This may be done by way of a termination of a securities lending transaction and recall of loaned securities, as described in paragraph 11 of subsection 2.12(1) of the Instrument.

(16) As part of the prudent management of a securities lending, repurchase or reverse repurchase program, managers of investment funds, together with their agents, should ensure that transfers of securities in connection with those programs are effected in a secure manner over an organized market or settlement system. For foreign securities, this may entail ensuring that securities are cleared through central depositories. Investment funds and their agents should pay close attention to settlement arrangements when entering into securities lending, repurchase and reverse repurchase transactions.

3.7.1 Money Market Funds — Section 2.18 of the Instrument imposes daily and weekly liquidity requirements on money market funds. Specifically, money market funds must keep 5% of their assets invested in cash or readily convertible into cash within one day, and 15% of their assets invested in cash or readily convertible into cash within one week. Assets that are "readily convertible to cash" would generally be short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Such assets can be sold in the ordinary course of business within one business day (in the case of the daily liquidity requirement) or within five business days (in the case of the weekly liquidity requirement) at approximately the value ascribed to them by the money market fund. The Canadian securities regulatory authorities note that the securities do not have to mature within the one and five business day periods. For example, direct obligations of the Canadian or U.S. government, or of a provincial government, that mature after one or five business days but that can be readily converted to cash within one or five business days, would likely be eligible for the 5% and 15% liquidity requirements.

3.8 Prohibited Investments — (1) Subsection 4.1(4) of the Instrument permits a dealer managed investment fund to make an investment otherwise prohibited by subsection 4.1(1) of the Instrument and the corresponding provisions in securities legislation referred to in Appendix C to the Instrument if the independent review committee of the dealer managed investment fund has approved the transaction under subsection 5.2(2) of National Instrument 81-107 *Independent Review Committee for Investment Funds* ("NI 81-107"). The Canadian securities regulatory authorities expect the independent review committee may contemplate giving its approval as a standing instruction, as contemplated in section 5.4 of NI 81-107. For purchases of debt securities made during the 60-day period after distribution, commentary 7 to section 6.1 of NI 81-107 provides guidance to assist in determining if the ask price for a debt security is readily available.

(2) Subsection 4.3(2) of the Instrument permits an investment fund to purchase a class of debt securities from, or sell a class of debt securities to, another investment fund managed by the same manager or an affiliate of the manager where the price payable for the security is not publicly available, if the independent review committee of the investment fund has approved the transaction under subsection 5.2(2) of NI 81-107 and the requirements in section 6.1 of NI 81-107 have been met. The Canadian securities regulatory authorities expect the independent review committee may contemplate giving its approval as a standing instruction, as contemplated in section 5.4 of NI 81-107.

(3) In providing its approval under paragraph 4.3(2), the CSA expect the independent review committee to have satisfied itself that the price of the security is fair. It may do this by considering the price quoted on a marketplace (e.g., CanPx or TRACE), or by obtaining a quote from an independent, arm's-length purchaser or seller, immediately before the purchase or sale.

Part 4 — Use of Specified Derivatives

4.1 Exercising Options on Futures — Paragraphs 2.8(1)(d) and (e) of the Instrument prohibit a mutual fund from, among other things, opening and maintaining a position in a standardized future except under the conditions referred to in those paragraphs. Opening and maintaining a position in a standardized future could be effected through the exercise by a mutual fund of an option on futures. Therefore, it should be noted that a mutual fund cannot exercise an option on futures and assume a position in a standardized future unless the applicable provisions of paragraphs 2.8(1)(d) or (e) are satisfied.

4.2 Registration Matters — The Canadian securities regulatory authorities remind industry participants of the following requirements contained in securities legislation:

1. An investment fund may only invest in or use clearing corporation options and over-the-counter options if the portfolio adviser advising with respect to these investments

(a) is permitted, either by virtue of registration as an adviser under the securities legislation or commodity futures legislation of the jurisdiction in which the portfolio adviser is providing the advice or an exemption from the requirement to be registered, to provide that advice to the investment fund under the laws of that jurisdiction; and

(b) has satisfied all applicable option proficiency requirements of that jurisdiction.

2. An investment fund may invest in or use futures and options on futures only if the portfolio adviser advising with respect to these investments or uses is registered as an adviser under the securities or commodity futures legislation of the jurisdiction in which the portfolio adviser is providing the advice, if this registration is required in that jurisdiction, and meets the proficiency requirements for advising with respect to futures and options on futures in the jurisdiction.

3. A portfolio adviser of an investment fund that receives advice from a non-resident sub-adviser as contemplated by section 2.10 of the Instrument is not relieved from the registration requirements described in paragraphs 1 and 2.

4. In Ontario, a non-resident sub-adviser is required, under the commodity futures legislation of Ontario, to be registered in Ontario if it provides advice to another portfolio adviser of an investment fund in Ontario concerning the use of standardized futures by the investment fund. Section 2.10 of the Instrument does not exempt the non-resident sub-adviser from this requirement. A non-resident sub-adviser should apply for an exemption in Ontario if it wishes to carry out the arrangements contemplated by section 2.10 without being registered in Ontario under that legislation.

4.3 Leveraging — (1) The investment restrictions in the Instrument are in part intended to prevent the use of specified derivatives for the purpose of leveraging the assets of a mutual fund. The definition of "hedging" prohibits leveraging with respect to specified derivatives used for hedging purposes. The provisions of subsection 2.8(1) of the Instrument restrict leveraging with respect specified derivatives used for non-hedging purposes.

(2) Alternative mutual funds however, are exempted from section 2.8 and are instead subject to the restrictions on the use of leverage set out in section 2.9.1 of the Instrument, which limit exposure to certain sources of leverage to no more than 300% of an alternative mutual fund's net asset value. The calculation in section 2.9.1 requires an investment fund to determine the notional amount of its specified derivatives positions. While the Instrument does not define notional amount, in this context we would expect it to be determined in regards to the value of the underlying reference asset, as if the specified derivative position were converted into the equivalent position in the underlying reference asset at the time of the calculation.

4.4 Cash Cover — The definition of "cash cover" in the Instrument prescribes the securities or other portfolio assets that may be used to satisfy the cash cover requirements relating to specified derivatives positions of mutual funds

required by Part 2 of the Instrument. The definition of “cash cover” includes various interest-bearing securities; the definition includes interest accrued on those securities, and so mutual funds are able to include accrued interest for purposes of cash cover calculations.

Part 5 — Liability and Indemnification

5.1 Liability and Indemnification — (1) Subsection 4.4(1) of the Instrument contains provisions that require that any agreement or declaration of trust under which a person or company acts as manager of an investment fund provide that the manager is responsible for any loss that arises out of the failure of it, and of any person or company retained by it or the investment fund to discharge any of the manager’s responsibilities to the investment fund, to satisfy the standard of care referred to in that section. Subsection 4.4(2) of the Instrument provides that an investment fund must not relieve the manager from that liability.

(2) The purpose of these provisions is to ensure that the manager remains responsible to the investment fund and therefore indirectly to its securityholders for the duty of care that is imposed by the securities legislation of most jurisdictions, and to clarify that the manager is responsible for ensuring that service providers perform to the level of that standard of care. The Instrument does not regulate the contractual relationships between the manager and service providers; whether a manager can seek indemnification from a service provider that fails to satisfy that standard of care is a contractual issue between those parties.

(3) Subsection 4.4(5) of the Instrument provides that section 4.4 does not apply to any losses to an investment fund or securityholder arising out of an action or inaction by a custodian or sub-custodian or by a director of an investment fund. A separate liability regime is imposed, on custodians or sub-custodians by section 6.6 of the Instrument. Directors are subject to the liability regime imposed by the relevant corporate legislation.

5.2 Securities Lending, Repurchase and Reverse Repurchase Transactions — (1) As described in section 5.1, section 4.4 of the Instrument is designed to ensure that the manager of an investment fund is repsonsible for any loss that arises out of the failure of it, and of any person or company retained by it or the investment fund to discharge any of the manager’s responsibilities to the investment fund, to satisfy the standard of care referred to in that section.

(2) The retention by a manager of an agent under section 2.15 of the Instrument to administer the investment fund’s securities lending, repurchase or reverse repurchase transactions does not relieve the manager from ultimate responsibility for the administration of those transactions in accordance with the Instrument and in conformity with the standard of care imposed on the manager by statute and required to be imposed on the agent in the relevant agreement by subsection 2.15(4) of the Instrument.

(3) Under subsection 2.15(3) of the Instrument, the custodian or sub-custodian of an investment fund must be the agent appointed to act on behalf of the investment fund to administer securities lending, repurchase or reverse repurchase transactions of the investment fund. The activities of the agent, as custodian or sub-custodian, are not within the responsibility of the manager of the investment fund, as provided for in subsection 4.4(5) of the Instrument. However, the activities of the agent, in its role as administering the investment funds’ securities lending, repurchase or reverse repurchase transactions, are within the ultimate responsbility of the manager, as provided for in subsection 4.4(6) of the Instrument.

Part 6 — Securityholder Matters

6.1 Meetings of Securityholders — Subsection 5.4(1) of the Instrument imposes a requirement that a meeting of securityholders of an investment fund called for the purpose of considering any of the matters referred to in subsection 5.1(1) of the Instrument must be called on notice sent at least 21 days before the date of the meeting. Industry participants are reminded that the provisions of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*, or a successor instrument, may apply to any meetings of securityholders of investment funds and that those provisions may require that a longer period of notice be given.

6.2 Limited Liability — (1) Investment funds generally are structured in a manner that ensures that investors are not exposed to the risk of loss of an amount more than their original investment. This is a very important and essential attribute of investment funds.

(2) Investment funds that are structured as corporations do not raise pressing liability problems because of the limited liability regime of corporate statutes.

(3) Investment funds that are structured as limited partnerships may raise some concerns about the loss of limited liability if limited partners participate in the management or control of the partnership. The Canadian securities regulatory authorities encourage managers of investment funds that are structured as limited partnerships to consider this issue in connection with the holding of meetings of securityholders, even if required under subsection 5.1(1) of the Instrument. In addition, in the view of the Canadian securities regulatory authorities, all managers of investment funds that are structured as limited partnerships should include a discussion of this issue as a risk factor in prospectuses.

6.3 Calculation of Fees — (1) Paragraph 5.1(1)(a) of the Instrument requires securityholder approval before the basis of the calculation of a fee or expense that is charged to an investment fund is changed in a way that could result in an increase in charges to the investment fund. The Canadian securities regulatory authorities note that the phrase “basis of the calculation” includes any increase in the rate at which a particular fee is charged to the investment fund.

(2) The Canadian securities regulatory authorities are of the view that the requirement of paragraph 5.1(1)(a) of the Instrument would not apply in instances where the change to the basis of the calculation is the result of separate individual agreements between the manager of the investment fund and individual securityholders of the investment fund, and the resulting increase in charges is payable directly or indirectly by those individual securityholders only.

6.4 Fund Conversions — (1) For the purposes of subparagraphs 5.1(1)(h)(i), (ii) and (iii) of the Instrument, the Canadian securities regulatory authorities consider that any change that will restructure an investment fund from its original structure requires the prior approval of the securityholders of the investment fund. For example, a non-redeemable investment fund may be designed to convert into a mutual fund on a specified date, or it may be designed to convert into a mutual fund after a specified date if the securities of the investment fund have traded at a specified discount to their net asset value per security for more than a set period of time. In each case, when the event that triggers the conversion occurs, the redemption feature of the securities of the non-redeemable investment fund changes and the securities of the non-redeemable investment fund will typically become redeemable at their net asset value per security daily. This change in the redemption feature of the securities of the investment fund may not be implemented unless securityholder approval has been obtained under subparagraph 5.1(1)(h)(i) of the Instrument. Another example of a change requiring securityholder approval is where an investment fund seeks to obtain control, or become involved in the management, of companies in which it invests, which is inconsistent with the nature of an investment fund. In such a situation, the investment fund would be required to obtain securityholder approval under subparagraph 5.1(1)(h)(iii) of the Instrument, in order to convert into a non-investment fund issuer, before it could become involved in the management of, or exercise control over, investees.

(2) For the purposes of subsection 5.1(2) of the Instrument, the Canadian securities regulatory authorities consider the costs and expenses associated with a change referred to in paragraph 5.1(1)(h) of the Instrument to include costs associated with the securityholder meeting to obtain approval of the change, the costs of preparing and filing a prospectus to commence continuous distribution of securities if the investment fund is converting from a non-redeemable investment fund to a mutual fund in continuous distribution, and brokerage commissions payable as a result of any portfolio realignment necessary to carry out the transaction.

Part 7 — Changes

7.1 [Repealed] ~~Integrity and Competence of Investment Fund Management Groups — (1) Paragraph 5.5(1)(a) of the Instrument requires that the approval of the securities regulatory authority be obtained before the manager of an investment fund is changed. Paragraph 5.5(1)(a.1) of the Instrument contemplates similar approval to a change in control of a manager.~~

~~(2) In connection with each of these approvals, applicants are required by section 5.7 of the Instrument to provide information to the securities regulatory authority concerning the integrity and experience of the persons or companies that are proposed to be involved in, or control, the management of the investment fund after the proposed transaction.~~

~~(3) The Canadian securities regulatory authorities would generally consider it helpful in their assessment of the integrity and experience of the proposed new management group that will manage an investment fund after a change in manager if the application set out, among any other information the applicant wishes to provide~~

~~(a) the name, registered address and principal business activity or the name, residential address and occupation or employment of~~

~~(i) if the proposed manager is not a public company, each beneficial owner of securities of each shareholder, partner or limited partner of the proposed manager, and~~

(ii) if the proposed manager is a public company, each beneficial owner of securities of each shareholder of the proposed manager that is the beneficial holder, directly or indirectly, of more than 10% of the outstanding securities of the proposed manager; and

(b) information concerning

(i) if the proposed manager is not a public company, each shareholder, partner or limited partner of the proposed manager,

(ii) if the proposed manager is a public company, each shareholder that is the beneficial holder, directly or indirectly, of more than 10% of the outstanding securities of the proposed manager,

(iii) each director and officer of the proposed manager, and

(iv) each proposed director, officer or individual trustee of the investment fund.

(4) The Canadian securities regulatory authorities would generally consider it helpful if the information relating to the persons and companies referred to in paragraph (3)(b) included

(a) for a company

(i) its name, registered address and principal business activity,

(ii) the number of securities or partnership units of the proposed manager beneficially owned, directly or indirectly, and

(iii) particulars of any existing or potential conflicts of interest that may arise as a result of the activities of the company and its relationship with the management group of the investment fund; and

(b) for an individual

(i) his or her name, birthdate and residential address,

(ii) his or her principal occupation or employment,

(iii) his or her principal occupations or employment during the five years before the date of the application, with a particular emphasis on the individual's experience in the financial services industry,

(iv) the individual's educational background, including information regarding courses successfully taken that relate to the financial services industry,

(v) his or her position and responsibilities with the proposed manager or the controlling shareholders of the proposed manager or the investment fund,

(vi) whether he or she is, or within five years before the date of the application has been, a director, officer or promoter of any reporting issuer other than the investment fund, and if so, disclosing the names of the reporting issuers and their business purpose, with a particular emphasis on relationships between the individual and other investment funds,

(vii) the number of securities or partnership units of the proposed manager beneficially owned, directly or indirectly,

(viii) particulars of any existing or potential conflicts of interest that may arise as a result of the individual's outside business interests and his or her relationship with the management group of the investment fund, and

(ix) a description of the individual's relationships to the proposed manager and other service providers to

~~the investment fund.~~

~~(5) The Canadian securities regulatory authorities would generally consider it helpful in their assessment of the integrity and experience of the persons or companies that are proposed to manage an investment fund after a change of control of the manager, if the application set out, among any other information that applicant wishes to provide, a description of~~

~~(a) the proposed corporate ownership of the manager of the investment fund after the proposed transaction, indicating for each proposed direct or indirect shareholder of the manager of the investment fund the information about that shareholder referred to in subsection (4);~~

~~(b) the proposed officers and directors of the manager of the investment fund, of the investment fund and of each of the proposed controlling shareholders of the investment fund, indicating for each individual, the information about that individual referred to in subsection (4);~~

~~(c) any anticipated changes to be made to the officers and directors of the manager of the investment fund, of the investment fund and of each of the proposed controlling shareholders of the investment fund that are not set out in paragraph (b); and~~

~~(d) the relationship of the members of the proposed controlling shareholders and the other members of the management group to the manager and any other service provider to the investment fund.~~

7.2 Mergers of Investment Funds — Subsection 5.6(1) of the Instrument provides that mergers of investment funds may be carried out on the conditions described in that subsection without prior approval of the securities regulatory authority. The Canadian securities regulatory authorities consider that the types of transactions contemplated by subsection 5.6(1) of the Instrument when carried out in accordance with the conditions of that subsection address the fundamental regulatory concerns raised by mergers of investment funds. This includes circumstances where a transaction does not satisfy the pre-approval criteria in clause 5.6(1)(a)(ii)(A) or subparagraph 5.6(1)(b)(i) but certain conditions are satisfied. In particular, the manager must come to the determination that the transaction is in the best interests in the investment fund and explain that view in the materials sent to securityholders. In circumstances where portfolios of the consolidating investment funds will be required to be realigned before a merger, the Canadian securities regulatory authorities note that paragraph 5.6(1)(h) of the Instrument provides that none of the costs and expenses associated with the transaction may be borne by the investment fund. Brokerage commissions payable as a result of any portfolio realignment necessary to carry out the transaction would, in the view of the Canadian securities regulatory authorities, be costs and expenses associated with the transaction. ~~Subsection 5.6(1) of the Instrument provides that mergers or conversions of investment funds may be carried out on the conditions described in that subsection without prior approval of the securities regulatory authority. The Canadian securities regulatory authorities consider that the types of transactions contemplated by subsection 5.6(1) of the Instrument when carried out in accordance with the conditions of that subsection address the fundamental regulatory concerns raised by mergers of investment funds. Subsection 5.6(1) of the Instrument is designed to facilitate consolidations of investment funds within fund families that have similar fundamental investment objectives and strategies and that are operated in a consistent and similar fashion. Since subsection 5.6(1) will be unavailable unless the investment funds involved in the transaction have substantially similar fundamental investment objectives and strategies and are operated in a substantially similar fashion, the Canadian securities regulatory authorities do not expect that the portfolios of the consolidating funds will be required to be realigned to any great extent before a merger. If realignment is necessary, the Canadian securities regulatory authorities note that paragraph 5.6(1)(h) of the Instrument provides that none of the costs and expenses associated with the transaction may be borne by the investment fund. Brokerage commissions payable as a result of any portfolio realignment necessary to carry out the transaction would, in the view of the Canadian securities regulatory authorities, be costs and expenses associated with the transaction.~~

7.3 Regulatory Approval for Reorganizations — (1) Paragraph 5.7(1)(b) of the Instrument requires certain details to be provided in respect of an application for regulatory approval required by paragraph 5.5(1)(b) that is not automatically approved under subsection 5.6(1). The Canadian securities regulatory authorities will be reviewing this type of proposed transaction, among other things, to ensure that adequate disclosure of the differences between the issuers participating in the proposed transaction is given to securityholders of the investment fund that will be merged, reorganized or amalgamated with another issuer.

(2) If an investment fund is proposed to be merged, amalgamated or reorganized with an investment fund that has a net asset value that is smaller than the net asset value of the terminating investment fund, the Canadian securities regulatory authorities will consider the implications of the proposed transaction on the smaller continuing investment

fund. The Canadian securities regulatory authorities believe that this type of transaction generally would constitute a material change for the smaller continuing investment fund, thereby triggering the requirements of paragraph 5.1(1)(g) of the Instrument and Part 11 of National Instrument 81-106 *Investment Fund Continuous Disclosure*.

7.4 [Repealed]

7.5 Circumstances in Which Approval of Securityholders Not Required — (1) Subsection 5.3(2) of the Instrument provides that an investment fund's reorganization with, or transfer of assets to, another issuer may be carried out on the conditions described in paragraph 5.3(2)(a) or (b) without the prior approval of the securityholders of the investment fund.

(2) If the manager refers the change contemplated in subsection 5.3(2) of the Instrument to the investment fund's independent review committee, and subsequently seeks the approval of the securityholders of the investment fund, the Canadian securities regulatory authorities expect the manager to include a description of the independent review committee's determination in the written notice to securityholders referred to in section 5.4 of the Instrument.

(3) The Canadian securities regulatory authorities expect the written notice referred to in subparagraph 5.3(2)(a)(iv) and (v) of the Instrument to include, at a minimum, the expected date of the reorganization, the name of the other investment fund with which the investment fund will be reorganized, how a securityholder of the investment fund may obtain a copy of the other investment fund's fund facts or simplified prospectus~~, simplified prospectus or annual information form~~, as applicable, and a description of the determination of the investment fund's independent review committee with respect to the reorganization.

7.6 Change of Auditor — Section 5.3.1 of the Instrument requires that the independent review committee of the investment fund give its prior approval to the manager before the auditor of the investment fund may be changed.

7.7 Connection to NI 81-107 — There may be matters under SUBsection 5.1(1) of the Instrument that may also be a conflict of interest matter as defined in NI 81-107. The Canadian securities regulatory authorities expect any matter under subsection 5.1(1) of the Instrument subject to review by the independent review committee to be referred by the manager to the independent review committee before seeking the approval of securityholders of the investment fund. The Canadian securities regulatory authorities further expect the manager to include a description of the independent review committee's determination in the written notice to securityholders referred to in subsection 5.4(2) of the Instrument.

7.8 Termination of an Investment Fund — Subsection 5.8(2) of the Instrument requires a mutual fund that is terminating to give notice of the termination to all securityholders of the mutual fund. Section 5.8.1 of the Instrument requires a non-redeemable investment fund that is terminating to issue and file a press release announcing the termination. Investment funds for which the termination is a material change must also comply with the requirements of Part 11 of National Instrument 81-106 *Investment Fund Continuous Disclosure*.

Part 8 — Custodianship of Portfolio Assets

8.1 Standard of Care — The standard of care prescribed by section 6.6 of the Instrument is a minimum standard only. Similarly, the provisions of section 6.5 of the Instrument, designed to protect an investment fund from loss in the event of the insolvency of those holding its portfolio assets, are minimum requirements. The Canadian securities regulatory authorities are of the view that the requirements set out in section 6.5 may require custodians and sub-custodians to take such additional steps as may be necessary or desirable properly to protect the portfolio assets of the investment fund in a foreign jurisdiction and to ensure that those portfolio assets are unavailable to satisfy the claims of creditors of the custodian or sub-custodian, having regard to creditor protection and bankruptcy legislation of any foreign jurisdiction in which portfolio assets of an investment fund may be located.

8.2 Book-Based System — (1) Subsection 6.5(3) of the Instrument provides that a custodian or sub-custodian of an investment fund may arrange for the deposit of portfolio assets of the investment fund with a depository, or clearing agency, that operates a book-based system. Such depositories or clearing agencies include The Canadian Depository For Securities Limited, the Depository Trust Company or any other domestic or foreign depository or clearing agency that is incorporated or organized under the laws of a country or a political subdivision of a country and operates a book-based system in that country or political subdivision or operates a transnational book-based system.

(2) A depository or clearing agency that operates a book-based system used by an investment fund is not considered

to be a custodian or sub-custodian of the investment fund.

8.3 Compliance — Paragraph 6.7(1)(c) of the Instrument requires the custodian of an investment fund to make any changes periodically that may be necessary to ensure that the custodian and sub-custodian agreements comply with Part 6, and that there is no sub-custodian of the investment fund that does not satisfy the applicable requirements of sections 6.2 or 6.3. The Canadian securities regulatory authorities note that necessary changes to ensure this compliance could include a change of sub-custodian.

Part 9 — Contractual Plans

9.1 Contractual Plans — Industry participants are reminded that the term "contractual plan" used in Part 8 of the Instrument is a defined term in the securities legislation of most jurisdictions, and that contractual plans as so defined are not the same as automatic or periodic investment plans. The distinguishing feature of a contractual plan is that sales charges are not deducted at a constant rate as investments in mutual fund securities are made under the plan; rather, proportionately higher sales charges are deducted from the investments made during the first year, or in some plans the first two years.

Part 10 — Sales and Redemptions of Securities

10.1 General — The purposes of Parts 9, 10 and 11 of the Instrument include ensuring that

(a) investors' cash is received by an investment fund promptly;

(b) the opportunity for loss of an investors' cash before investment in the investment fund is minimized; and

(c) the investment fund or the appropriate investor receives all interest that accrues on cash during the periods between delivery of the cash by an investor until investment in the investment fund, in the case of the purchase of investment fund securities, or between payment of the cash by the investment fund until receipt by the investor, in the case of redemptions.

10.2 Interpretation — (1) [Repealed]

(2) The Instrument refers to "securityholders" of an investment fund in several provisions. Investment funds must keep a record of the holders of their securities. An investment fund registers a holder of its securities on this record as requested by the person or company placing a purchase order or as subsequently requested by that registered securityholder. The Canadian securities regulatory authorities are of the view that an investment fund is entitled to rely on its register of holders of securities to determine the names of such holders and in its determination as to whom it is to take instructions from.

(3) Accordingly, when the Instrument refers to "securityholder" of an investment fund, it is referring to the securityholder registered as a holder of securities on the records of the investment fund. If that registered securityholder is a participating dealer acting for its client, the investment fund deals with and takes instructions from that participating dealer. The Instrument does not regulate the relationship between the participating dealer and its client for whom the participating dealer is acting as agent. The Canadian securities regulatory authorities note however, that the participating dealer should, as a matter of prudent business practice, obtain appropriate instructions, in writing, from its client when dealing with the client's beneficial holdings in an investment fund.

10.3 Receipt of Orders — (1) A principal distributor or participating dealer of a mutual fund should endeavour, to the extent possible, to receive cash to be invested in the mutual fund at the time the order to which they pertain is placed.

(2) A dealer receiving an order for redemption should, at the time of receipt of the investor's order, obtain from the investor all relevant documentation required by the mutual fund in respect of the redemption including, without limitation, any written request for redemption that may be required by the mutual fund, duly completed and executed, and any certificates representing the mutual fund securities to be redeemed, so that all required documentation is available at the time the redemption order is transmitted to the mutual fund or to its principal distributor for transmittal to the mutual fund.

10.4 Backward Pricing — Subsections 9.3(1) and 10.3(1) of the Instrument provide that the issue price or the redemption price of a security of a mutual fund to which a purchase order or redemption order pertains shall be the net

asset value per security, next determined after the receipt by the mutual fund of the relevant order. For clarification, the Canadian securities regulatory authorities emphasize that the issue price and redemption price cannot be based upon any net asset value per security calculated before receipt by the mutual fund of the relevant order.

10.5 Coverage of Losses — (1) Subsection 9.4(6) of the Instrument provides that certain participating dealers may be required to compensate a mutual fund for a loss suffered as the result of a failed settlement of a purchase of securities of the mutual fund. Similarly, subsection 10.5(3) of the Instrument provides that certain participating dealers may be required to compensate a mutual fund for a loss suffered as the result of a redemption that could not be completed due to the failure to satisfy the requirements of the mutual fund concerning redemptions.

(2) The Canadian securities regulatory authorities have not carried forward into the Instrument the provisions contained in NP39 relating to a participating dealer's ability to recover from their clients or other participating dealers any amounts that they were required to pay to a mutual fund. If participating dealers wish to provide for such rights they should make the appropriate provisions in the contractual arrangements that they enter into with their clients or other participating dealers.

10.6 Issue Price of Securities for Non-Redeemable Investment Funds — (1) Paragraph 9.3(2)(a) of the Instrument provides that the issue price of the securities of a non-redeemable investment fund must not, as far as reasonably practicable, be a price that causes dilution of the net asset value of the other outstanding securities of the investment fund at the time the security is issued. The Canadian securities regulatory authorities consider that, to satisfy this requirement, the issue price of the securities should generally not be a price that is less than the net asset value per security of that class, or series of a class, determined on the date of issuance. However, the Canadian securities regulatory authorities recognize that the determination of what is "reasonably practicable" is fact-specific and will vary depending on the type of offering or issuance.

(2) For example, the Canadian securities regulatory authorities generally expect that any issuances of new securities of a non-redeemable investment fund in connection with a merger of the fund, or any issuances of new securities to the manager of the non-redeemable investment fund as payment of management fees, be issued at a price that is not less than the NAV per security on the date of issuance. However, the Canadian securities regulatory authorities have observed when an existing non-redeemable investment fund issues new securities under a prospectus, the issue price typically exceeds the net asset value per security on the day before the date of the prospectus, such that the net proceeds of the offering on a per unit basis is no less than the net asset value per security on the day before the date of the prospectus. The Canadian securities regulatory authorities do not consider this issue price to cause dilution to the net asset value of other outstanding securities of the investment fund.

Part 11 — Commingling of Cash

11.1 Commingling of Cash — (1) Part 11 of the Instrument requires principal distributors and participating dealers to account separately for cash they may receive for the purchase of, or upon the redemption of, investment fund securities. Those principal distributors and participating dealers are prohibited from commingling any cash so received with their other assets or with cash held for the purchase or upon the sale of securities of other types of securities. The Canadian securities regulatory authorities are of the view that this means that dealers may not deposit into the trust accounts established under Part 11 cash obtained from the purchase or sale of other types of securities such as guaranteed investment certificates, government treasury bills, segregated funds or bonds.

(2) Subsections 11.1(2) and 11.2(2) of the Instrument state that principal distributors and participating dealers, respectively, may not use any cash received for the investment in investment fund securities to finance their own operations. The Canadian securities regulatory authorities are of the view that any costs associated with returned client cheques that did not have sufficient funds to cover a trade ("NSF cheques") are a cost of doing business and should be borne by the applicable principal distributor or participating dealer and should not be offset by interest income earned on the trust accounts established under Part 11 of the Instrument.

(3) No overdraft positions should arise in these trust accounts.

(4) Subsections 11.1(3) and 11.2(3) of the Instrument prescribe the circumstances under which a principal distributor or participating dealer, respectively, may withdraw funds from the trust accounts established under Part 11 of the Instrument. This would prevent the practice of "lapping". Lapping occurs as a result of the timing differences between trade date and settlement date, when cash of an investment fund client held for a trade which has not yet settled is used to settle a trade for another investment fund client who has not provided adequate cash to cover the settlement of that other trade on the settlement date. The Canadian securities regulatory authorities view this practice as a violation

of subsections 11.1(3) and 11.2(3) of the Instrument.

(5) Subsections 11.1(4) and 11.2(4) of the Instrument require that interest earned on cash held in the trust accounts established under Part 11 of the Instrument be paid to the applicable investment fund or its securityholders “pro rata based on cash flow”. The Canadian securities regulatory authorities are of the view that this requirement means, in effect, that the applicable investment fund or securityholder should be paid the amount of interest that the investment fund or securityholder would have received had the cash held in trust for that investment fund or securityholder been the only cash held in that trust account.

(6) Paragraph 11.3(b) of the Instrument requires that trust accounts maintained in accordance with sections 11.1 or 11.2 of the Instrument bear interest “at rates equivalent to comparable accounts of the financial institution”. A type of account that ordinarily pays zero interest may be used for trust accounts under sections 11.1 or 11.2 of the Instrument so long as zero interest is the rate of interest paid on that type of account for all depositors other than trust accounts.

Part 12 — [Repealed]

Part 13 — Prohibited Representations and Sales Communications

13.1 Misleading Sales Communications — (1) Part 15 of the Instrument prohibits misleading sales communications relating to investment funds and asset allocation services. Whether a particular description, representation, illustration or other statement in a sales communication is misleading depends upon an evaluation of the context in which it is made. The following list sets out some of the circumstances, in the view of the Canadian securities regulatory authorities, in which a sales communication would be misleading. No attempt has been made to enumerate all such circumstances since each sales communication must be assessed individually.

1. A statement would be misleading if it lacks explanations, qualifications, limitations or other statements necessary or appropriate to make the statement not misleading.

2. A representation about past or future investment performance would be misleading if it is

(a) a portrayal of past income, gain or growth of assets that conveys an impression of the net investment results achieved by an actual or hypothetical investment that is not justified under the circumstances;

(b) a representation about security of capital or expenses associated with an investment that is not justified under the circumstances or a representation about possible future gains or income; or

(c) a representation or presentation of past investment performance that implies that future gains or income may be inferred from or predicted based on past investment performance or portrayals of past performance.

3. A statement about the characteristics or attributes of an investment fund or an asset allocation service would be misleading if

(a) it concerns possible benefits connected with or resulting from services to be provided or methods of operation and does not give equal prominence to discussion of any risks or associated limitations;

(b) it makes exaggerated or unsubstantiated claims about management skill or techniques; characteristics of the investment fund or asset allocation service; an investment in securities issued by the fund or recommended by the service; services offered by the fund, the service or their respective manager; or effects of government supervision; or

(c) it makes unwarranted or incompletely explained comparisons to other investment vehicles or indices.

4. A sales communication that quoted a second party source would be misleading if the quote were out of context and proper attribution of the source were not given.

(2) Performance data information may be misleading even if it complies technically with the requirements of the Instrument. For instance, subsections 15.8(1) and (2) of the Instrument contain requirements that the standard performance data for investment funds given in sales communications be for prescribed periods falling within prescribed amounts of time before the date of the appearance or use of the advertisement or first date of publication of any other sales communication. That standard performance data may be misleading if it does not adequately reflect intervening events occurring after the prescribed period. An example of such an intervening event would be, in the case of money market funds, a substantial decline in interest rates after the prescribed period.

(3) An advertisement that presents information in a manner that distorts information contained in the preliminary prospectus or prospectus, or preliminary prospectus, preliminary fund facts document or prospectus, and fund facts document, as applicable, of an investment fund or that includes a visual image that provides a misleading impression will be considered to be misleading.

~~(3) An advertisement that presents information in a manner that distorts information contained in the preliminary prospectus or prospectus, or preliminary prospectus, preliminary fund facts document and preliminary annual information form or prospectus, fund facts document and annual information form, as applicable, of an investment fund or that includes a visual image that provides a misleading impression will be considered to be misleading.~~

(4) Any discussion of the income tax implications of an investment in an investment fund security should be balanced with a discussion of any other material aspects of the offering.

(5) Paragraph 15.2(1)(b) of the Instrument provides that sales communications must not include any statement that conflicts with information that is contained in, among other things and as applicable, a prospectus or fund facts document. The Canadian securities regulatory authorities are of the view that a sales communication that provides performance data in compliance with the requirements of Part 15 of the Instrument for time periods that differ from those shown in a prospectus, fund facts document or management report of fund performance does not violate the requirements of paragraph 15.2(1)(b) of the Instrument.

(6) Subsection 15.3(1) of the Instrument permits an investment fund or asset allocation service to compare its performance to, among other things, other types of investments or benchmarks on certain conditions. Examples of such other types of investments or benchmarks to which the performance of a investment fund or asset allocation service may be compared include consumer price indices; stock, bond or other types of indices; averages; returns payable on guaranteed investment certificates or other certificates of deposit; and returns from an investment in real estate.

(7) Paragraph 15.3(1)(c) of the Instrument requires that, if the performance of an investment fund or asset allocation service is compared to that of another investment or benchmark, the comparison sets out clearly any factors necessary to ensure that the comparison is fair and not misleading. Such factors would include an explanation of any relevant differences between the investment fund or asset allocation service and the investment or benchmark to which it is compared. Examples of such differences include any relevant differences in the guarantees of, or insurance on, the principal of or return from the investment or benchmark; fluctuations in principal, income or total return; any differing tax treatment; and, for a comparison to an index or average, any differences between the composition or calculation of the index or average and the investment portfolio of the investment fund or asset allocation service.

13.2 Other Provisions — (1) Subsection 15.9(1) of the Instrument imposes certain disclosure requirements for sales communications in circumstances in which there was a change in the business, operations or affairs of an investment fund or asset allocation service during or after a performance measurement period of performance data contained in the sales communication that could have materially affected the performance of the investment fund or asset allocation service. Examples of these changes are changes in the management, investment objectives, portfolio adviser, ownership of the manager, fees and charges, or of policies concerning the waiving or absorbing of fees and charges, of the investment fund or asset allocation service; or of a change in the characterization of a mutual fund as a money market fund. A reorganization or restructuring of an investment fund that results in a conversion of a nonredeemable investment fund into a mutual fund, or the conversion of a mutual fund into a non-redeemable investment fund, would also be an example of such a change.

(1.1) Subparagraph 15.6(1)(d)(i) of the Instrument prohibits a sales communication pertaining to a mutual fund from including performance data for a period that is before the time when the mutual fund offered its securities under a prospectus. Where the mutual fund has previously existed as a non-redeemable investment fund and has been a reporting issuer in a jurisdiction for a period of at least 12 consecutive months, either as a mutual fund or a non-redeemable investment fund, subsection 15.6(2) requires any sales communication that contains performance data of

the mutual fund to include performance data for the period that the fund existed as a non-redeemable investment fund. The Canadian securities regulatory authorities are of the view that performance data pertaining to a mutual fund that has converted from a non-redeemable investment fund should include both the periods before and after the converting transaction, similar to the past performance information presented in the mutual fund's management report of fund performance. Performance data must not be included for any period before the time the non-redeemable investment fund was a reporting issuer.

(2) Paragraph 15.11(1)5 of the Instrument requires that no non-recurring fees and charges that are payable by some or all securityholders and no recurring fees and charges that are payable by some but not all securityholders be assumed in calculating standard performance data. Examples of non-recurring types of fees and charges are front-end sales commissions and contingent deferred sales charges, and examples of recurring types of fees and charges are the annual fees paid by purchasers who purchased on a contingent deferred charge basis.

(3) Paragraphs 15.11(1)2 and 15.11(2)2 of the Instrument require that no fees and charges related to optional services be assumed in calculating standard performance data. Examples of these fees and charges include transfer fees, except in the case of an asset allocation service, and fees and charges for registered retirement savings plans, registered retirement income funds, registered education savings plans, pre-authorized investment plans and systematic withdrawal plans.

(4) The Canadian securities regulatory authorities are of the view that it is inappropriate and misleading for an investment fund that is continuing following a merger to prepare and use *pro forma* performance information or financial statements that purport to show the combined performance of the two funds during a period before their actual merger. The Canadian securities regulatory authorities are of the view that such *pro forma* information is hypothetical, involving the making of many assumptions that could affect the results.

(5) Subsections 15.8(2) and (3) of the Instrument require disclosure of standard performance data of a mutual fund, in some circumstances, from "the inception of the mutual fund". It is noted that paragraph 15.6(1)(d) generally prohibits disclosure of performance data for a period that is before the time when the mutual fund offered its securities under a prospectus or before an asset allocation service commenced operation. Also, each of Instruction (1) to Item 5 of Part B of Form 81-101F1 *Contents of Simplified Prospectus* and Instruction (1) to Item 2 of Part I of Form 81-101F3 *Contents of Fund Facts Document* requires disclosure of the date on which a mutual fund's securities first became available to the public as the date on which the mutual fund "started". Therefore consistent with these provisions, the words "inception of the mutual fund" in subsections 15.8(2) and (3) of the Instrument should be read as referring to the beginning of the mutual fund under a prospectus of the mutual fund, and not from any previous time in which the mutual fund may have existed but did not offer its securities under a prospectus. If a mutual fund previously existed as a non-redeemable investment fund, the words "inception of the mutual fund" in subsections 15.8(2) and (3) of the Instrument should be read as referring to the date that the non-redeemable investment fund became a reporting issuer.

(6) Paragraph 15.6(1)(a) of the Instrument contains a prohibition against the inclusion of performance data for a mutual fund that has been distributing securities for less than 12 consecutive months. The creation of a new class or series of security of an existing mutual fund and therefore does not subject the mutual fund to the restrictins of paragraph 15.6(1)(a) unless the new class or series is referable to a new portfolio of assets.

(7) Section 15.14 of the Instrument contains the rules relating to sales communications for multi-class investment funds. Those rules are applicable to an investment fund that has more than one class of securities that are referable to the same portfolio of assets. Section 15.14 does not deal directly with asset allocation services. It is possible that asset allocation services could offer multiple "classes"; the Canadian securities regulatory authorities recommend that any sales communications for those services generally respect the principles of section 15.14 in order to ensure that those sales communications not be misleading.

(8) The Canadian securities regulatory authorities believe that the use of hypothetical or *pro forma* performance data for new classes of securities of a multi-class investment fund would generally be misleading.

13.3 Sales Communications of Non-Redeemable Investment Funds During the Waiting Period and the Distribution Period — The Canadian securities regulatory authorities remind non-redeemable investment funds of the restrictions contained in securities legislation relating to the distribution of material and advertising and marketing in connection with a prospectus offering during the waiting period and during the distribution period following the issuance of a receipt for the final prospectus. Part 15 of the Instrument does not vary any of the restrictions imposed during these periods.

Part 14 — [Repealed]

Part 15 — Securityholder Records

15.1 Securityholder Records — (1) Section 18.1 of the Instrument requires the maintenance of securityholder records, including past records, relating to the issue and redemption of securities and distributions of the investment fund. Section 18.1 of the Instrument does not require that these records need be held indefinitely. It is up to the particular investment fund, having regard to prudent business practice and any applicable statutory limitation periods, to decide how long it wishes to retain old records.

(2) The Canadian securities regulatory authorities are of the view that the requirements in section 18.1 to maintain securityholder records may be satisfied if the investment fund maintains up to date records of registered securityholders. Each investment fund may decide whether it wishes to maintain records of beneficial securityholders.

Part 16 — Exemptions and Approvals

16.1 Need for Multiple or Separate Applications — The Canadian securities regulatory authorities note that a person or company that obtains an exemption from a provision of the Instrument need not apply again for the same exemption at the time of each prospectus or simplified prospectus refiling unless there has been some change in an important fact relating to the granting of the exemption. This also applies to exemptions from NP39 granted before the Instrument; as provided in section 19.2 of the Instrument, it is not necessary to obtain an exemption from the corresponding provision of the Instrument.

16.2 Exemptions under Prior Policies — (1) Subsection 19.2(1) of the Instrument provides that a mutual fund that has obtained, from the regulatory or securities regulatory authority, an exemption from a provision of NP 39 before the Instrument came into force is granted an exemption from any substantially similar provision of the Instrument, if any, on the same conditions, if any, contained in the earlier exemption.

(2) The Canadian securities regulatory authorities are of the view that the fact that a number of small amendments have been made to many of the provisions of the Instrument from the corresponding provision of NP39 should not lead to the conclusion that the provisions are not “substantially similar”, if the general purpose of the provisions remain the same. For instance, even though some changes have been made in the Instrument, the Canadian securities regulatory authorities consider paragraph 2.2(1)(a) of the Instrument to be substantially similar to paragraph 2.04(1)(b) of NP39, in that the primary purpose of both provisions is to prohibit mutual funds from acquiring securities of an issuer sufficient to permit the mutual fund to control or significantly influence the control of that issuer.

(3) The Canadian securities regulatory authorities are of the view that the new provisions of the Instrument relating to mutual funds investing in other mutual funds introduced on December 31, 2003 are not “substantially similar” to those of the Instrument which they replace.

16.3 Waivers and Orders concerning “Fund of Funds” — (1) The Canadian securities regulatory authorities in a number of jurisdictions have provided waivers and orders from NP39 and securities legislation to permit “fund of funds” to exist and carry on investment activities not otherwise permitted by NP39 or securities legislation. Some of those waivers and orders contained “sunset” provisions that provided that they expired when legislation or a policy or rule of the Canadian securities regulatory authorities came into force that effectively provided for a new “fund of funds” regime. For greater certainty, the Canadian securities regulatory authorities note that the coming into force of the Instrument will not trigger the “sunset” of those waivers and orders.

(2) For greater certainty, note that the coming into force of the Instrument did not trigger the “sunset” of those waivers and orders. However, the coming into force of section 19.3 of the Instrument will effectively cause those waivers and orders to expire one year after its coming into force.

SCHEDULE 4-A
NATIONAL INSTRUMENT 81-106 *INVESTMENT FUND CONTINUOUS DISCLOSURE*

Table of Contents

Part 1 — Definitions and Applications

1.1 Definitions — In this Instrument

"annual management report of fund performance" means a document prepared in accordance with Part B of Form 81-106F1;

"current value" means, for an asset held by, or a liability of, an investment fund, the value calculated in accordance with Canadian GAAP;

"designated rating" has the same meaning as in National Instrument 81-102 *Investment Funds*;

~~"designated rating" has the same meaning as in paragraph (b) of the definition of "designated rating" in National Instrument 81-102 Investment Funds;~~

"designated website" means, in relation to an investment fund, a website designated by the fund under section 16.1.2;

"education savings plan" means an agreement between one or more persons and another person or organization, in which the other person or organization agrees to pay or cause to be paid, to or for one or more beneficiaries designated in connection with the agreement, scholarship awards;

"EVCC" means an employee venture capital corporation that does not have a restricted constitution, and is registered under Part 2 of the *Employee Investment Act* (British Columbia), R.S.B.C. 1996 c. 112, and whose business objective is making multiple investments;

"financial statements" includes interim financial reports;

"independent review committee" means the independent review committee of the investment fund established under National Instrument 81-107 *Independent Review Committee for Investment Funds*;

"independent valuation" means a valuation of the assets and liabilities, or of the venture investments, of a labour sponsored or venture capital fund that contains the opinion of an independent valuator as to the current value of the assets and liabilities, or of the venture investments, and that is prepared in accordance with Part 8;

"independent valuator" means a valuator that is independent of the labour sponsored or venture capital fund and that has appropriate qualifications;

"information circular" means a document prepared in accordance with Form 51-102F5 *Information Circular*;

"interim management report of fund performance" means a document prepared in accordance with Part C of Form 81-106F1;

"interim period" means, in relation to an investment fund,

(a) a period of at least three months that ends six months before the end of a financial year of the investment

fund, or

(b) in the case of a transition year of the investment fund, a period commencing on the first day of the transition year and ending six months after the end of its old financial year;

"intermediary" has the same meaning as in section 1.1 of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*;

"investment fund" means a mutual fund or a non-redeemable investment fund, and, for greater certainty in British Columbia, includes an EVCC and a VCC;

"labour sponsored or venture capital fund" means an investment fund that is

(a) a labour sponsored investment fund corporation or a labour sponsored venture capital corporation under provincial legislation,

(b) a registered or prescribed labour sponsored venture capital corporation as defined in the ITA,

(c) an EVCC, or

(d) a VCC;

"management expense ratio" means the ratio, expressed as a percentage, of the expenses of an investment fund to its average net asset value, calculated in accordance with Part 15;

"management fees" means the total fees paid or payable by an investment fund to its manager or one or more portfolio advisers or sub-advisers, including incentive or performance fees, but excluding operating expenses of the investment fund;

"management report of fund performance" means an annual management report of fund performance or an interim management report of fund performance;

"material change" means, in relation to an investment fund,

(a) a change in the business, operations or affairs of the investment fund that would be considered important by a reasonable investor in determining whether to purchase or continue to hold securities of the investment fund, or

(b) a decision to implement a change referred to in paragraph (a) made

(i) by the board of directors of the investment fund or the board of directors of the manager of the investment fund or other persons acting in a similar capacity,

(ii) by senior management of the investment fund who believe that confirmation of the decision by the board of directors or such other persons acting in a similar capacity is probable, or

(iii) by senior management of the manager of the investment fund who believe that confirmation

of the decision by the board of directors of the manager or such other persons acting in a similar capacity is probable;

"material contract" means, for an investment fund, a document that the investment fund would be required to list in a simplified prospectus ~~an annual information form~~ under item 4.17 of Part A of Form 81-101F1 ~~Item 16 of Form 81-101F2~~ if the investment fund filed a simplified prospectus under National Instrument 81-101 *Mutual Fund Prospectus Disclosure*;

"meeting" means, except in sections 10.2, 10.3 and 16.3, a meeting of securityholders of an investment fund;

"mutual fund in the jurisdiction" means an incorporated or unincorporated mutual fund that is a reporting issuer in, or that is organized under the laws of, the local jurisdiction, but does not include a private mutual fund;

"National Instrument 51-102" means National Instrument 51-102 *Continuous Disclosure Obligations*;

"National Instrument 81-107" means National Instrument 81-107 *Independent Review Committee for Investment Funds*;

"net asset value" means the value of the total assets of the investment fund less the value of the total liabilities, other than net assets attributable to securityholders, of the investment fund, as at a specific date, determined in accordance with Part 14;

"NOBO" has the same meaning as in section 1.1 of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*;

"non-redeemable investment fund" means an issuer,

(a) whose primary purpose is to invest money provided by its securityholders,

(b) that does not invest,

(i) for the purpose of exercising or seeking to exercise control of an issuer, other than an issuer that is a mutual fund or a non-redeemable investment fund, or

(ii) for the purpose of being actively involved in the management of any issuer in which it invests, other than an issuer that is a mutual fund or a non-redeemable investment fund, and

(c) that is not a mutual fund;

"notice-and-access" means the delivery procedures referred to in section 12.2.1;

"notification of meeting and record dates" has the same meaning as in section 1.1 of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*;

"proximate intermediary" has the same meaning as in section 1.1 of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*;

"proxy-related materials" means securityholder materials relating to a meeting that a person or company that solicits proxies is required under corporate law or securities legislation to send to a registered holder or beneficial owner of the securities of an investment fund;

"publicly accountable enterprise" means a publicly accountable enterprise as defined in the Handbook;

"quarterly portfolio disclosure" means the disclosure prepared in accordance with Part 6;

"scholarship award" means any amount, other than a refund of contributions, that is paid or payable directly or indirectly to further the education of a beneficiary designated under an education savings plan;

"scholarship plan" means an arrangement under which contributions to education savings plans are pooled to provide scholarship awards to designated beneficiaries;

"send" includes to deliver or forward, or arrange to deliver or forward, by any means;

"statement of changes in financial position" means a statement of changes in equity or a statement of changes in net assets attributable to securityholders;

"stratification" means procedures whereby a paper copy of the information circular and, if applicable, the financial statements of the investment fund are included with the documents required to be sent in order to use notice-and-

access under section 12.2.1;

“transition year” means the financial year of an investment fund in which a change of year end occurs;

“VCC” means a venture capital corporation registered under Part 1 of the *Small Business Venture Capital Act* (British Columbia), R.S.B.C. 1996 c. 429 whose business objective is making multiple investments; and

“venture investment” means an investment in a private company or an investment made in accordance with the requirements of provincial labour sponsored or venture capital fund legislation or the ITA.

1.2 Application — (1) Except as otherwise provided in this Instrument, this Instrument applies to

(a) an investment fund that is a reporting issuer; and

(b) subject to subsection (2), a mutual fund in the jurisdiction.

(2) Despite paragraph (1)(b), in Alberta, British Columbia, Manitoba and Newfoundland and Labrador, this Instrument does not apply to a mutual fund that is not a reporting issuer.

(3) [Repealed]

(4) In Québec, this Instrument does not apply to a reporting issuer organized under

(a) an Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) R.S.Q., chapter F-3.2.1;

(b) an Act to establish Fondaction, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l’emploi (R.S.Q., chapter F-3.1.2); or

(c) an Act constituting Capital régional et coopératif Desjardins, Loi constituant Capital régional et coopératif Desjardins (R.S.Q., chapter C-6.1).

1.3 Interpretation — (1) Each section, part, class or series of a class of securities of an investment fund that is referable to a separate portfolio of assets is considered to be a separate investment fund for the purposes of this Instrument.

(2) Unless defined in section 1.1 of this Instrument, terms defined in National Instrument 81-102 Investment Funds and used in this Instrument have the respective meanings ascribed to them in that Instrument.

(3) Terms defined in National Instrument 81-105 *Mutual Fund Sales Practices* and used in this Instrument have the respective meanings ascribed to them in that Instrument except that references in those definitions to “mutual fund” must be read as references to “investment fund”.

1.4 Language of Documents — (1) A document that is required to be filed under this Instrument must be prepared in French or English.

(2) If an investment fund files a document in French or in English, and a translation of the document into the other language is sent to a securityholder, the investment fund must file the translated document not later than when it is sent to the securityholder.

(3) In Québec, the linguistic obligations and rights prescribed by Québec law must be complied with.

Part 2 — Financial Statements

2.1 Comparative Annual Financial Statements and Auditor’s Report — (1) An investment fund must file annual financial statements for the investment fund’s most recently completed financial year that include

(a) a statement of financial position as at the end of that financial year and a statement of financial position as at the end of the immediately preceding financial year;

(b) a statement of comprehensive income for that financial year and a statement of comprehensive income for the immediately preceding financial year;

(c) statement of changes in financial position for that financial year and a statement of changes in financial position for the immediately preceding financial year;

(d) for financial years beginning on or after January 1, 2014, a statement of cash flows for that financial year and a statement of cash flows for the immediately preceding financial year;

(e) a statement of investment portfolio as at the end of that financial year

(f) a statement of financial position as at the beginning of the immediately preceding financial year if the investment fund discloses in its annual financial statements an unreserved statement of compliance with IFRS and the investment fund:

(i) applies an accounting policy retrospectively in its annual financial statements,

(ii) makes a retrospective restatement of items in its annual financial statements, or

(iii) reclassifies items in its annual financial statements; and

(g) notes to the annual financial statements.

(2) Annual financial statements filed under subsection (1) must be accompanied by an auditor's report.

2.2 Filing Deadline for Annual Financial Statements — The annual financial statements and auditor's report required to be filed under section 2.1 must be filed on or before the 90th day after the investment fund's most recently completed financial year.

2.3 Interim Financial Report — An investment fund must file an interim financial report for the investment fund's most recently completed interim period that includes

(a) a statement of financial position as at the end of that interim period and a statement of financial position as at the end of the immediately preceding financial year;

(b) a statement of comprehensive income for that interim period and a statement of comprehensive income for the corresponding period in the immediately preceding financial year;

(c) a statement of changes in financial position for that interim period and a statement of changes in financial position for the corresponding period in the immediately preceding financial year;

(d) for financial years beginning on or after January 1, 2014, a statement of cash flows for that interim period and a statement of cash flows for the corresponding period in the immediately preceding financial year;

(e) a statement of investment portfolio as at the end of that interim period; and

(f) a statement of financial position as at the beginning of the immediately preceding financial year if the investment fund discloses in its interim financial report an unreserved statement of compliance with International Accounting Standard 34 *Interim Financial Reporting* and the investment fund

(i) applies an accounting policy retrospectively in its interim financial report,

(ii) makes a retrospective restatement of items in its interim financial report, or

(iii) reclassifies items in its interim financial report; and

(g) notes to the interim financial report.

2.4 Filing Deadline for Interim Financial Report — The interim financial report required to be filed under section 2.3 must be filed on or before the 60th day after the end of the most recent interim period of the investment fund.

2.5 Approval of Financial Statements — (1) The board of directors of an investment fund that is a corporation must approve the financial statements of the investment fund before those financial statements are filed or made available to securityholders or potential purchasers of securities of the investment fund.

(2) The trustee or trustees of an investment fund that is a trust, or another person or company authorized to do so by the constating documents of the investment fund, must approve the financial statements of the investment fund, before those financial statements are filed or made available to securityholders or potential purchasers of securities of the investment fund.

2.6 Acceptable Accounting Principles — (1) For financial years beginning before January 1, 2014, the financial statements of an investment fund must be prepared in accordance with Canadian GAAP applicable to public enterprises.

(2) For financial years beginning on or after January 1, 2014, the financial statements of an investment fund must be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises.

(3) Financial statements must be prepared in accordance with the same accounting principles for all periods presented in the financial statements.

2.7 Acceptable Auditing Standards — (1) Financial statements that are required to be audited must be audited in accordance with Canadian GAAS.

(2) For financial years beginning before January 1, 2014, audited financial statements must be accompanied by an auditor's report prepared in accordance with Canadian GAAS and the following requirements:

1. The auditor's report must not contain a reservation or express a modified opinion.

2. The auditor's report must identify all financial periods presented for which the auditor has issued an auditor's report.

3. If the investment fund has changed its auditor and a comparative period presented in the financial statements was audited by a different auditor, the auditor's report must refer to the former auditor's report on the comparative period.

4. The auditor's report must identify the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements.

(3) For financial years beginning on or after January 1, 2014, audited financial statements must be accompanied by an auditor's report prepared in accordance with Canadian GAAS and the following requirements:

1. The auditor's report expresses an unmodified opinion.

2. The auditor's report identifies all financial periods presented for which the auditor has issued an auditor's report.

3. The auditor's report is in the form specified by Canadian GAAS for an audit of financial statements prepared in accordance with a fair presentation framework.

4. The auditor's report refers to IFRS as the applicable fair presentation framework.

5. If the investment fund has changed its auditor and a comparative period presented in the financial statements was audited by a predecessor auditor, the financial statements are accompanied by the predecessor auditor's report on the comparative period or the auditor's report refers to the predecessor auditor's report on the comparative period.

2.8 Acceptable Auditors — An auditor's report must be prepared and signed by a person or company that is authorized to sign an auditor's report by the laws of a jurisdiction of Canada, and that meets the professional standards of that jurisdiction.

2.9 Change in Year End — (1) This section applies to an investment fund that is a reporting issuer.

(2) Section 4.8 of National Instrument 51-102 applies to an investment fund that changes its financial year end, except that

(a) a reference to "interim period" must be read as "interim period" as defined in this Instrument;

(b) a requirement under National Instrument 51-102 to include specified financial statements must be read as a requirement to include the financial statements required under this Part; and

(c) a reference to "filing deadline" in subsection 4.8(2) of National Instrument 51-102 must be read as a reference to the filing deadlines provided for under section 2.2 and 2.4 of this Instrument.

(3) Despite section 2.4, an investment fund is not required to file an interim financial report for any period in a transition year if the transition year is less than nine months in length.

(4) Despite paragraphs 4.8(7)(a) and (b) and (8)(a) and (b) of National Instrument 51-102,

(a) for an interim financial report for an interim period in the transition year, the investment fund must include as comparative information

(i) a statement of financial position as at the end of its old financial year; and

(ii) a statement of comprehensive income, a statement of changes in financial position, and a statement of cash flows, for the interim period of the old financial year;

(b) for an interim financial report for an interim period in a new financial year, the investment fund must include as comparative information

(i) a statement of financial position as at the end of the transition year; and

(ii) a statement of comprehensive income, a statement of changes in financial position, and a statement of cash flows, for the period that is one year earlier than the interim period in the new financial year.

2.10 Change in Legal Structure — If an investment fund that is a reporting issuer is party to an amalgamation, arrangement, merger, winding-up, reorganization or other transaction that will result in

(a) the investment fund terminating or ceasing to be a reporting issuer,

(b) another entity becoming an investment fund,

(c) a change in the investment fund's financial year end, or

(d) a change in the name of the investment fund,

the investment fund must, as soon as practicable, and in any event not later than the deadline for the first filing required by this Instrument following the transaction, file a notice stating:

(e) the names of the parties to the transaction;

(f) a description of the transaction;

(g) the effective date of the transaction;

(h) if applicable, the names of each party that terminated or ceased to be a reporting issuer following the transaction and of each continuing entity;

(i) if applicable, the date of the investment fund's first financial year end following the transaction; and

(j) if applicable, the periods, including the comparative periods, if any, of the interim financial report and annual financial statements required to be filed for the investment fund's first financial year following the transaction.

2.11 Filing Exemption for Mutual Funds that are Non-Reporting Issuers — A mutual fund that is not a reporting issuer is exempt from the filing requirements of section 2.1 for a financial year or section 2.3 for an interim period if

(a) the mutual fund prepares the applicable financial statements in accordance with this Instrument;

(b) the mutual fund delivers the financial statements to its securityholders in accordance with Part 5 within the same time periods as if the financial statements were required to be filed;

(c) the mutual fund has advised the regulator or securities regulatory authority that it is relying on this exemption not to file its financial statements; and

(d) the mutual fund has included in a note to the financial statements that it is relying on this exemption not to file its financial statements.

2.12 Disclosure of Auditor Review of Interim Financial Report — (1) This section applies to an investment fund that is a reporting issuer.

(2) If an auditor has not performed a review of the interim financial report required to be filed, the interim financial report must be accompanied by a notice indicating that the interim financial report has not been reviewed by an auditor.

(3) If an investment fund engaged an auditor to perform a review of the interim financial report required to be filed and the auditor was unable to complete the review, the interim financial report must be accompanied by a notice indicating that the auditor was unable to complete a review of the interim financial report and the reasons why.

(4) If an auditor has performed a review of the interim financial report required to be filed and the auditor has expressed a reservation in the auditor's interim review report, the interim financial report must be accompanied by a written review report from the auditor.

Part 3 — Financial Disclosure Requirements

3.1 Statement of Financial Position — The statement of financial position of an investment fund must disclose the following as separate line items, each shown at current value:

1. cash, term deposits and, if not included in the statement of investment portfolio, short term debt instruments.

2. investments.

3. accounts receivable relating to securities issued.

4. accounts receivable relating to portfolio assets sold.

5. accounts receivable relating to margin paid or deposited on futures or forward contracts.

6. amounts receivable or payable in respect of derivatives transactions, including premiums or discounts received or paid.

7. deposits with brokers for portfolio securities sold short.

8. accrued expenses.

9. accrued incentive arrangements or performance compensation.

10. portfolio securities sold short.

11. liabilities for securities redeemed.

12. liabilities for portfolio assets purchased.

13. income tax payable.

14. total equity or net assets attributable to securityholders and, if applicable, for each class or series.

15. total equity per security or net assets attributable to securityholders per security, or if applicable, per security of each class or series.

3.2 Statement of Comprehensive Income — The statement of comprehensive income of an investment fund must disclose the following information as separate line items:

1. dividend revenue.

2. interest revenue.

3. income from derivatives.

4. revenue from securities lending.

5. management fees, excluding incentive or performance fees.

6. incentive or performance fees.

7. audit fees.

8. directors' or trustees' fees.

8.1 independent review committee fees.

9. custodial fees.

10. legal fees.

10.1 commissions and other portfolio transaction costs.

11. securityholder reporting costs.

12. [Repealed]

13. amounts that would otherwise have been payable by the investment fund that were waived or paid by the manager or a portfolio adviser of the investment fund.

14. income tax.

15. [Repealed]

16. realized gains or losses.

17. unrealized gains or losses.

17.1 if recognized as an expense, distributions, showing separately the amount distributed out of net investment income and out of realized gains on portfolio assets sold.

18. increase or decrease in total equity from operations, or in net assets attributable to securityholders from operations, excluding distributions, and, if applicable, for each class or series.

19. increase or decrease in total equity from operations per security, or in net assets attributable to securityholders from operations, excluding distributions, per security or, if applicable, per security of each class or series.

3.3 Statement of Changes in Financial Position — The statement of changes in financial position of an investment fund must disclose, for each class or series, the following as separate line items:

1. total equity or net assets attributable to securityholders at the beginning of the period.

2. [Repealed]

3. proceeds from the issuance of securities of the investment fund.

4. aggregate amounts paid on redemption of securities of the investment fund.

5. securities issued on reinvestment of distributions.

6. if not recognized as an expense, distributions, showing separately the amount distributed out of net investment income and out of realized gains on portfolio assets sold.

6.1 return of capital.

7. total equity or net assets attributable to securityholders at the end of the period.

3.4 Statement of Cash Flows — The statement of cash flows of an investment fund must disclose the following as separate line items:

1. [Repealed]

2. proceeds of disposition of portfolio assets.

3. payments for the purchase of portfolio assets.

4. proceeds from the issuance of securities of the investment fund.

5. aggregate amounts paid on redemption of securities of the investment fund.

6. compensation paid in respect of the sale of securities of the investment fund.

3.5 Statement of Investment Portfolio — (1) The statement of investment portfolio of an investment fund must disclose the following for each portfolio asset held or sold short:

1. the name of the issuer of the portfolio asset.

2. a description of the portfolio asset, including

(a) for an equity security, the name of the class of the security.

(b) for a debt instrument not included in paragraph (c), all characteristics commonly used commercially to identify the instrument, including the name of the instrument, the interest rate of the instrument, the maturity date of the instrument, whether the instrument is convertible or exchangeable and, if used to identify the instrument, the priority of the instrument.

(c) for a debt instrument referred to in the definition of "money market fund" in National Instrument 81-102 *Investment Funds*, the name, interest rate and maturity date of the instrument.

(d) for a portfolio asset not referred to in paragraph (a), (b) or (c), the name of the portfolio asset and the material terms and conditions of the portfolio asset commonly used commercially in describing the portfolio asset.

3. the number or aggregate face value of the portfolio asset.

4. the cost of the portfolio asset.

5. the current value of the portfolio asset.

(2) For the purposes of subsection (1), disclosure for a long portfolio must be segregated from the disclosure for a short portfolio.

(3) For the purposes of subsection (1) and subject to subsection (2), disclosure must be aggregated for portfolio assets having the same description and issuer.

(4) [Repealed]

(5) [Repealed]

(6) If an investment fund holds positions in derivatives, the investment fund must disclose in the statement of investment portfolio or the notes to that statement,

(a) for long and short positions in options,

(i) the quantity of the underlying interest, the number of options, the underlying interest, the strike price, the expiration month and year, the cost and the current value, and

(ii) if the underlying interest is a future, information about the future in accordance with subparagraph (i);

(b) for positions in futures and forwards, the number of futures and forwards, the underlying interest, the price at which the contract was entered into, the delivery month and year and the current value;

(c) for positions in swaps, the number of swap contracts, the underlying interest, the principal or notional amount, the payment dates, and the current value; and

(d) if a rating of a counterparty has fallen below the designated rating level.

(7) If applicable, the statement of investment portfolio included in the financial statements of the investment fund, or the notes to the statement of investment portfolio, must identify the underlying interest that is being hedged by each position taken by the investment fund in a derivative.

(8) An investment fund may omit the information required by subsection (1) about mortgages from a statement of investment portfolio if the statement of investment portfolio discloses

(a) the total number of mortgages held;

(b) the aggregate current value of mortgages held;

(c) a breakdown of mortgages, by reference to number and current value among mortgages insured under the *National Housing Act* (Canada), insured conventional mortgages and uninsured conventional mortgages

(d) a breakdown of mortgages, by reference to number and current value, among mortgages that are pre-payable and those that are not pre-payable; and

(e) a breakdown of mortgages, by reference to number, current value, amortized cost and outstanding principal value, among groups of mortgages having contractual interest rates varying by no more than one quarter of one percent.

(9) An investment fund must maintain records of all portfolio transactions undertaken by the investment fund.

3.6 Notes to Financial Statements — (1) The notes to the financial statements of an investment fund must disclose the following:

1. the basis for determining current value and cost of portfolio assets and, if a method of determining cost other than by reference to the average cost of the portfolio assets is used, the method used.

1.1 for financial years beginning on or after January 1, 2014, the basis for classifying the investment fund's outstanding securities, or each class or series of outstanding securities, as either equity instruments or financial liabilities.*;*

2. if the investment fund has outstanding more than one class or series of securities ranking equally against its net assets, but differing in other respects,

(a) the number of authorized securities of each class or series;

(b) the number of securities of each class or series that have been issued and are outstanding;

(c) the differences between the classes or series, including differences in sales charges, and management fees;

(d) the method used to allocate income and expenses, and realized and unrealized capital gains and losses, to each class;

(e) the fee arrangements for any class-level expenses paid to affiliates; and

(f) transactions involving the issue or redemption of securities of the investment fund undertaken in the period for each class of securities to which the financial statements pertain.

3. to the extent the amount is ascertainable, the portion of the total client brokerage commissions, as defined in National Instrument 23-102 — *Use of Client Brokerage Commissions*, paid or payable to dealers by the investment fund for the provision of goods or services by the dealers or third parties, other than order execution.

4. the total cost of distribution of the investment fund's securities recorded in the statement of changes in financial position.

5. the net asset value per security as at the date of the financial statements compared to the total equity per security or net assets attributable to securityholders per security as shown on the statement of financial position, and an explanation of each of the differences between these amounts.

(2) If not disclosed elsewhere in the financial statements, an investment fund that borrows money must, in a note to the financial statements, disclose the minimum and maximum amount borrowed during the period to which the financial statements or management report of fund performance pertain.

(3) For financial years beginning on or after January 1, 2014, the notes to the financial statements must disclose

(a) in the case of annual financial statements, an unreserved statement of compliance with IFRS; and

(b) in the case of interim financial reports, an unreserved statement of compliance with International Accounting Standard 34 *Interim Financial Reporting*.

3.7 Inapplicable Line Items — Despite the requirements of this Part, an investment fund may omit a line item from the financial statements for any matter that does not apply to the investment fund or for which the investment fund has nothing to disclose.

3.8 Disclosure of Securities Lending Transactions — (1) An investment fund must disclose, in the statement of investment portfolio included in the financial statements of the investment fund, or in the notes to the financial statements,

(a) the aggregate dollar value of portfolio securities that were lent in the securities lending transactions of the investment fund that are outstanding as at the date of the financial statements; and

(b) the type and aggregate amount of collateral received by the investment fund under securities lending transactions of the investment fund that are outstanding as at the date of the financial statements.

(2) The statement of financial position of an investment fund that has received cash collateral from a securities lending transaction that is outstanding as of the date of the financial statements must disclose separately

(a) the cash collateral received by the investment fund; and

(b) the obligation to repay the cash collateral.

(3) The statement of comprehensive income of an investment fund must disclose income from a securities lending transaction as revenue.

(4) An investment fund must include, in the notes to the financial statements, a reconciliation of the gross amount generated from the securities lending transactions of the investment fund to the revenue from securities lending disclosed in the statement of comprehensive income of the investment fund under item 4 of section 3.2.

(5) The disclosure referred to in subsection (4) must include each of the following:

(a) the name of each person or company who was entitled to receive payments out of the gross amount generated from the securities lending transactions of the investment fund;

(b) the amount each recipient named under paragraph (a) was entitled to receive;

(c) the aggregate of the amounts disclosed under paragraph (b) as a percentage of the gross amount generated from the securities lending transactions of the investment fund.

3.9 Disclosure of Repurchase Transactions — (1) An investment fund, in the statement of investment portfolio included in the financial statements of the investment fund, or in the notes to that statement, must, for a repurchase transaction of the investment fund that is outstanding as at the date of the statement, disclose

(a) the date of the transaction;

(b) the expiration date of the transaction;

(c) the nature and current value of the portfolio securities sold by the investment fund;

(d) the amount of cash received and the repurchase price to be paid by the investment fund; and

(e) the current value of the sold portfolio securities as at the date of the statement.

(2) The statement of financial position of an investment fund that has entered into a repurchase transaction that is outstanding as of the date of the statement of financial position must disclose separately the obligation of the investment fund to repay the collateral.

(3) The statement of comprehensive income of an investment fund must disclose income from the use of the cash received on a repurchase transaction as revenue.

(4) The information required by this section may be presented on an aggregate basis.

3.10 Disclosure of Reverse Repurchase Transactions — (1) An investment fund, in the statement of investment portfolio or in the notes to that statement, must, for a reverse repurchase transaction of the investment fund that is outstanding as at the date of the statement, disclose

(a) the date of the transaction;

(b) the expiration date of the transaction;

(c) the total dollar amount paid by the investment fund;

(d) the nature and current value or principal amount of the portfolio securities received by the investment fund; and

(e) the current value of the purchased portfolio securities as at the date of the statement.

(2) The statement of financial position of an investment fund that has entered into a reverse repurchase transaction that is outstanding as of the date of the financial statements must disclose separately the reverse repurchase agreement relating to the transaction at current value.

(3) The statement of comprehensive income of an investment fund must disclose income from a reverse repurchase transaction as revenue.

(4) The information required by this section may be presented on an aggregate basis.

3.11 Scholarship Plans — (1) In addition to the requirements of this Part, an investment fund that is a scholarship plan must disclose, as of the end of its most recently completed financial year, a separate statement or schedule to the financial statements that provides

(a) a summary of education savings plans and units outstanding by year of eligibility, including

(i) disclosure of the number of units by year of eligibility for the opening units, units purchased, units forfeited and the ending units,

(ii) disclosure of the principal amounts and the accumulated income per year of eligibility, and their total balances, and

(iii) a reconciliation of the total balances of the principal amounts and the accumulated income in the statement or schedule to the statement of financial position of the scholarship plan;

(b) the total number of units outstanding; and

(c) a statement of scholarship awards paid to beneficiaries, and a reconciliation of the amount of scholarship awards paid with the statement of comprehensive income.

(2) Despite sections 3.1 and 3.2, an investment fund that is a scholarship plan may omit the “total equity per security or net assets attributable to securityholders per security” and “increase or decrease in total equity from operations per

security, or in net assets attributable to securityholders from operations, excluding distributions, per security" line items from its financial statements.

3.12 Disclosure of Use of Leverage — (1) An investment fund that uses leverage must disclose the following information in its financial statements:

(a) a brief explanation of the sources of leverage including cash borrowing, short selling or use of specified derivatives, used during the reporting period covered by the financial statements,

(b) the lowest and highest level of the aggregate exposure to those sources of leverage in the period, and

(c) a brief explanation of the significance to the investment fund of the lowest and highest levels of the aggregate exposure to those sources of leverage.

(2) For the purposes of subsection (1), an investment fund must calculate its aggregate exposure to those sources of leverage in accordance with section 2.9.1 of National Instrument 81-102 *Investment Funds*.

Part 4 — Management Reports of Fund Performance

4.1 Application — This Part applies to an investment fund that is a reporting issuer.

4.2 Filing of Management Reports of Fund Performance — An investment fund, other than an investment fund that is a scholarship plan, must file an annual management report of fund performance for each financial year and an interim management report of fund performance for each interim period at the same time that it files its annual financial statements or its interim financial report for that financial period.

4.3 Filing of Annual Management Report of Fund Performance for an Investment Fund that is a Scholarship Plan — An investment fund that is a scholarship plan must file an annual management report of fund performance for each financial year at the same time that it files its annual financial statements.

4.4 Contents of Management Reports of Fund Performance — A management report of fund performance required by this Part must

(a) be prepared in accordance with Form 81-106F1; and

(b) not incorporate by reference information from any other document that is required to be included in a management report of fund performance.

4.5 Approval of Management Reports of Fund Performance — (1) The board of directors of an investment fund that is a corporation must approve the management report of fund performance of the investment fund before the report is filed or made available to a holder or potential purchaser of securities of the investment fund.

(2) The trustee or trustees of an investment fund that is a trust, or another person or company authorized to do so by the constating documents of the investment fund, must approve the management report of fund performance of the investment fund before the report is filed or made available to a holder or potential purchaser of securities of the investment fund.

Part 5 — Delivery of Financial Statements and Management Reports of Fund Performance

5.1 Delivery of Certain Continuous Disclosure Documents — (1) In this Part, "securityholder" means a registered holder or beneficial owner of securities issued by an investment fund.

(2) Subject to section 5.2 or section 5.3, an investment fund must send to a securityholder, by the filing deadline for the document, the following:

(a) annual financial statements;

(b) the interim financial report;

(c) if required to be prepared by the investment fund, the annual management report of fund performance;

(d) if required to be prepared by the investment fund, the interim management report of fund performance.

(3) An investment fund must apply the procedures set out in National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* when complying with this Part.

(4) Despite subsection (3), National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* does not apply to an investment fund with respect to a requirement under this Part if the investment fund has the necessary information to communicate directly with a beneficial owner of its securities.

5.2 Sending According to Standing Instructions — (1) Subsection 5.1(2) does not apply to an investment fund that requests standing instructions from a securityholder in accordance with this section and sends the documents listed in subsection 5.1(2) according to those instructions.

(2) An investment fund relying on subsection 5.2(1) must send, to each securityholder, a document that

(a) explains the choices a securityholder has to receive the documents listed in subsection 5.1(2);

(b) solicits instructions from the securityholder about delivery of those documents; and

(c) explains that the instructions provided by the securityholder will continue to be followed by the investment fund until they are changed by the securityholder.

(3) If a person or company becomes a securityholder of an investment fund, the investment fund must solicit instructions in accordance with subsection (2) from the securityholder as soon as reasonably practicable after the investment fund accepts a purchase order from the securityholder.

(4) An investment fund must rely on instructions given under this section until a securityholder changes them.

(5) At least once a year, an investment fund must send each securityholder a reminder that

(a) the securityholder is entitled to receive the documents listed in subsection 5.1(2);

(b) the investment fund is relying on delivery instructions provided by the securityholder;

(c) explains how a securityholder can change the instructions it has given; and

(d) the securityholder can obtain the documents on the SEDAR website and on the investment fund's designated website ~~investment fund's website, if applicable~~, and by contacting the investment fund.

5.3 Sending According to Annual Instructions — (1) Subsection 5.1(2) does not apply to an investment fund that requests annual instructions from a securityholder in accordance with this section and sends the documents listed in subsection 5.1(2) according to those instructions.

(2) Subsection (1) does not apply to an investment fund that has previously relied on subsection 5.2(1).

(3) An investment fund relying on subsection 5.3(1) must send annually to each securityholder a request form the securityholder may use to instruct the investment fund as to which of the documents listed in subsection 5.1(2) the securityholder wishes to receive.

(4) The request form described in subsection (3) must be accompanied by a notice explaining that

(a) the securityholder is providing delivery instructions for the current year only; and

(b) the documents are available on the SEDAR website and on the investment fund's designated website ~~investment fund's website, if applicable,~~ and by contacting the investment fund.

5.4 General — (1) If a securityholder requests any of the documents listed in subsection 5.1(2), an investment fund must send a copy of the requested documents by the later of

(a) the filing deadline for the requested document; and

(b) ten calendar days after the investment fund receives the request.

(2) An investment fund must not charge a fee for sending the documents referred to in this Part and must ensure that securityholders can respond without cost to the solicitations of instructions required by this Part.

(3) Investment funds under common management may solicit one set of delivery instructions from a securityholder that will apply to all of the investment funds under common management held by that securityholder.

(4) Despite subsection 7.1(3), for the purposes of delivery to a securityholder, an investment fund may bind its management report of fund performance with the management report of fund performance for one or more other investment funds if the securityholder holds each investment fund.

5.5 Websites — An investment fund that is a reporting issuer must post on its designated website ~~An investment fund that is a reporting issuer and that has a website must post to the website~~ any documents listed in subsection 5.1(2) no later than the date that those documents are filed.

Part 6 — Quarterly Portfolio Disclosure

6.1 Application — This Part applies to an investment fund that is a reporting issuer, other than a scholarship plan or a labour sponsored or venture capital fund.

6.2 Preparation and Dissemination — (1) An investment fund must prepare quarterly portfolio disclosure that includes

(a) a summary of investment portfolio prepared in accordance with Item 5 of Part B of Form 81-106F1 as at the end of

(i) each period of at least three months that ends three or nine months before the end of a financial year of the investment fund; or

(ii) in the case of a transition year of the investment fund, each period commencing on the first day of the transition year and ending either three, nine or twelve months, if applicable, after the end of its old financial year; and

(b) the total net asset value of the investment fund as at the end of the periods specified in (a)(i) or (ii).

(2) An investment fund must post on its designated website ~~An investment fund that has a website must post to the website~~ the quarterly portfolio disclosure within 60 days of the end of the period for which the quarterly portfolio disclosure was prepared.

(3) An investment fund must promptly send the most recent quarterly portfolio disclosure, without charge, to any securityholder of the investment fund, upon a request made by the securityholder 60 days after the end of the period to which the quarterly portfolio disclosure pertains.

Part 7 — Binding and Presentation

7.1 Binding of Financial Statements and Management Reports of Fund Performance — (1) An investment fund must not bind its financial statements with the financial statements of another investment fund in a document unless all information relating to the investment fund is presented together and not intermingled with information relating to the other investment fund.

(2) Despite subsection (1), if a document contains the financial statements of more than one investment fund, the notes to the financial statements may be combined and presented in a separate part of the document.

(3) An investment fund must not bind its management report of fund performance with the management report of fund performance for another investment fund.

7.2 Multiple Class Investment Funds — (1) An investment fund that has more than one class or series of securities outstanding that are referable to a single portfolio must prepare financial statements and management reports of fund performance that contain information concerning all of the classes or series.

(2) If an investment fund has more than one class or series of securities outstanding, the distinctions between the classes or series must be disclosed in the financial statements and management reports of fund performance.

Part 8 — Independent Valuations for Labour Sponsored or Venture Capital Funds

8.1 Application — This Part applies to a labour sponsored or venture capital fund that is a reporting issuer.

8.2 Exemption from Requirement to Disclose Individual Current Values for Venture Investments — Despite item 5 of subsection 3.5(1), a labour sponsored or venture capital fund is exempt from the requirement to present separately in a statement of investment portfolio the current value of each venture investment that does not have a market value if

(a) the labour sponsored or venture capital fund discloses in the statement of investment portfolio

(i) the cost amounts for each venture investment,

(ii) the total cost of the venture investments,

(iii) the total adjustment from cost to current value of the venture investments, and

(iv) the total current value of the venture investments;

(b) the labour sponsored or venture capital fund discloses in the statement of investment portfolio tables showing the distribution of venture investments by stage of development and by industry classification including

(i) the number of venture investments in each stage of development and industry class,

(ii) the total cost and aggregate current value of the venture investments for each stage of development and industry class, and

(iii) the total cost and aggregate current value of venture investments for each stage of development and industry class as a percentage of total venture investments;

(c) for a statement of investment portfolio contained in annual financial statements, the labour sponsored or venture capital fund has obtained an independent valuation relating to the value of the venture investments or to the net assets of the fund and has filed the independent valuation concurrently with the filing of the annual financial statements;

(d) for a statement of investment portfolio contained in an interim financial report, the labour sponsored or venture capital fund obtained and filed the independent valuation referred to in paragraph (c) in connection with the preparation of the most recent annual financial statements of the labour sponsored or venture capital fund; and

(e) the labour sponsored or venture capital fund has disclosed in the applicable financial statements that an independent valuation has been obtained as of the end of the applicable financial year.

8.3 Disclosure Concerning Independent Valuator — A labour sponsored or venture capital fund that obtains an independent valuation must include, in the statement of investment portfolio contained in its annual financial statements, or in the notes to the annual financial statements,

(a) a description of the independent valuator's qualifications, and

(b) a description of any past, present or anticipated relationship between the independent valuator and the labour sponsored or venture capital fund, its manager or portfolio adviser.

8.4 Content of Independent Valuation — An independent valuation must provide the aggregate current value of the venture investments or of the total equity or net assets attributable to securityholders of the labour sponsored or venture capital fund as at the fund's financial year end.

8.5 Independent Valuator's Consent — A labour sponsored or venture capital fund obtaining an independent valuation must

(a) obtain the independent valuator's consent to its filing; and

(b) include a statement in the valuation report, signed by the independent valuator, in substantially the following form:

> We refer to the independent valuation of the [total equity/net assets attributable to securityholders/venture investments] of [name of labour sponsored or venture capital fund] as of [date of financial year end] dated ..... We consent to the filing of the independent valuation with the securities regulatory authorities.

Part 9 — Annual Information Form

9.1 Application — This Part applies to an investment fund that is a reporting issuer.

9.2 Requirement to File Annual Information Form — An investment fund must file an annual information form if the investment fund has not obtained a receipt for a prospectus during the last 12 months preceding its financial year end.

9.3 Filing Deadline for Annual Information Form — An investment fund required under section 9.2 to file an annual information form must file the annual information form no later than 90 days after the end of its most recently completed financial year.

9.4 Preparation and Content of Annual Information Form — (1) An annual information form required to be filed under section 9.2 must be prepared as of the end of the most recently completed financial year of the investment fund to which it pertains.

(2) Subject to subsections (2.1), (2.2) and (2.3), an annual information form that is required to be filed must be completed

(a) in accordance with Form 41-101F2 if the investment fund last distributed securities under a prospectus prepared in accordance with that Form,

(b) in accordance with Form 81-101F1 if the mutual fund last distributed securities under a prospectus prepared in accordance with that Form, or

(c) in accordance with Form 81-101F2.

(2.1) For the purposes of completing Form 41-101F2 under paragraph (2)(a),

(a) a reference in Form 41-101F2 to "prospectus" must be read as a reference to "annual information form",

(b) the items of Form 41-101F2 that are applicable to distributions of securities only and are inapplicable to any other case, do not apply,

(c) item 1.1, items 1.4 to 1.15, paragraph 3.3(1)(b), paragraph 3.3(1)(f), item 3.5, paragraph 3.6(3)(a) and items 7.1, 9.1, 11, 14.1, 15.2, 16, 17.1, 17.2, 24, 25, 26, 28, 29.2, 36, 38 and 39 of Form 41-101F2 do not apply,

(d) item 1.3 of Form 41-101F2 must be read as follows:

(1) State on the front cover that the document is an annual information form for each of the mutual funds to which the document pertains.

(2) State 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, state the name of each of those classes or series covered in the document.

(3) State the date of the document, which is the date of the certificates for the document. This date must be within three business days of the date it is filed with the securities regulatory authority. Write the date of the document in full, writing the name of the month.

(4) State, in substantially the following words:

"No securities regulatory authority has expressed an opinion about these [units/shares] and it is an offence to claim otherwise.",

(e) a reference to the term "distribution" in item 3.2 of Form 41-101F2 must be read as a reference to "investment fund",

(f) subsections 19.1(11) to (13) of Form 41-101F2 do not apply to an investment fund that is a corporation, except for the requirement to include disclosure in respect of the independent review committee,

(g) item 21 of Form 41-101F2 must be completed in respect of all of the securities of the investment fund, and

(h) item 35.1 of Form 41-101F2 must be completed despite no distribution taking place.

(2.2) For the purposes of completing Form 81-101F1 under paragraph (2)(b),

(a) a reference in Form 81-101F1 to "simplified prospectus" must be read as a reference to "annual information form",

(b) the items of Form 81-101F1 that are applicable to distributions of securities only and are inapplicable to any other case, do not apply,

(c) general instruction (18), subsection 1.1(4), subsection 1.1(5), subsection 1.1(7), item 3, item 4.4, paragraph 4.17(1)(e), subsections 7(3) to (11) and items 12, 15, 16, 17, 18 of Part A of Form 81-101F1 do not apply,

(d) item 4.16 of Part A of Form 81-101F1 does not apply to an investment fund that is a corporation, except for the requirement to include disclosure in respect of the independent review committee,

(e) item 7 of Part B of Form 81-101F1 must be completed in respect of all of the securities of the investment fund, and

(f) subsection 12(2) of Part B of Form 81-101F1 must be read as follows:

(2) State, in substantially the following words:

• "Additional information about the Fund[s] is available in the Fund['s/s'] Fund Facts document, management reports of fund performance and financial statements.

• You can get a copy of these documents, at your request, and at no cost, by calling [toll-free/collect] [insert the toll-free telephone number or telephone number where collect calls are accepted, as required by section 3.4 of the Instrument], or from your dealer or by e-mail at [insert e-mail address].

• These documents and other information about the Fund[s], such as information circulars and material contracts, are also available [on the [insert name of mutual fund] designated website at [insert investment fund designated website address] or] at www.sedar.com."

(2.3) For the purposes of completing Form 81-101F2 under paragraph (2)(c),

(a) a reference to "mutual fund" in Form 81-101F2 must be read as a reference to "investment fund",

(b) general instructions (3), (10) and (14) of Form 81-101F2 do not apply,

(c) subsections (3), (4) and (6) of item 1.1 of Form 81-101F2 do not apply,

(d) subsections (3), (4) and (6) of item 1.2 of Form 81-101F2 do not apply,

(e) item 5 of Form 81-101F2 must be completed in respect of each [class/series] of securities of the investment fund,

(f) item 15 of Form 81-101F2 does not apply to an investment fund that is a corporation, except for the disclosure required to be made in respect of the independent review committee, and

(g) items 19, 20, 21 and 22 of Form 81-101F2 do not apply.

~~(2) An annual information form required to be filed must be prepared in accordance with Form 81-101F2, except that~~

~~(a) a reference to "mutual fund" must be read as a reference to "investment fund";~~

~~(b) General Instructions (3), (10) and (14) of Form 81-101F2 do not apply;~~

~~(c) subsections (3), (4) and (6) of Item 1.1 of Form 81-101F2 do not apply;~~

~~(d) subsections (3), (4) and (6) of Item 1.2 of Form 81-101F2 do not apply;~~

~~(e) Item 5 of Form 81-101F2 must be completed in connection with all of the securities of the investment fund;~~

~~(f) Item 15 of Form 81-101F2 does not apply to an investment fund that is a corporation, except for the disclosure in connection with the independent review committee; and~~

~~(g) Items 19, 20, 21 and 22 of Form 81-101F2 do not apply.~~

(3) An investment fund required to file an annual information form must at the same time file copies of all material incorporated by reference in the annual information form that it has not previously filed.

Part 10 — Proxy Voting Disclosure for Portfolio Securities Held

10.1 Application — This Part applies to an investment fund that is a reporting issuer.

10.2 Requirement to Establish Policies and Procedures — (1) An investment fund must establish policies and procedures that it will follow to determine whether, and how, to vote on any matter for which the investment fund receives, in its capacity as securityholder, proxy materials for a meeting of securityholders of an issuer.

(2) The policies and procedures referred to in subsection (1) must include

(a) a standing policy for dealing with routine matters on which the investment fund may vote;

(b) the circumstances under which the investment fund will deviate from the standing policy for routine matters;

(c) the policies under which, and the procedures by which, the investment fund will determine how to vote or refrain from voting on non-routine matters; and

(d) procedures to ensure that portfolio securities held by the investment fund are voted in accordance with the instructions of the investment fund.

(3) An investment fund must include a summary of the policies and procedures required under this section in its prospectus.

~~(3) An investment fund that has not prepared an annual information form in accordance with Part 9 or in accordance with National Instrument 81-101 Mutual Fund Prospectus Disclosure must include a summary of the policies and procedures required by this section in its prospectus.~~

10.3 Proxy Voting Record — An investment fund must maintain a proxy voting record that includes, for each time that the investment fund receives, in its capacity as securityholder, materials relating to a meeting of securityholders of a reporting issuer or the equivalent of a reporting issuer in a foreign jurisdiction,

(a) the name of the issuer;

(b) the exchange ticker symbol of the portfolio securities, unless not readily available to the investment fund;

(c) the CUSIP number for the portfolio securities;

(d) the meeting date;

(e) a brief identification of the matter or matters to be voted on at the meeting;

(f) whether the matter or matters voted on were proposed by the issuer, its management or another person or company;

(g) whether the investment fund voted on the matter or matters;

(h) if applicable, how the investment fund voted on the matter or matters; and

(i) whether votes cast by the investment fund were for or against the recommendations of management of the issuer.

10.4 Preparation and Availability of Proxy Voting Record — (1) An investment fund must prepare a proxy voting record on an annual basis for the period ending on June 30 of each year.

(2) An investment fund must post the proxy voting record on its designated website ~~An investment fund that has a website must post the proxy voting record to the website~~ no later than August 31 of each year.

(3) An investment fund must promptly send the most recent copy of the investment fund's proxy voting policies and procedures and proxy voting record, without charge, to any securityholder upon a request made by the securityholder after August 31.

Part 11 — Material Change Reports

11.1 Application — This Part applies to an investment fund that is a reporting issuer.

11.2 Publication of Material Change — (1) If a material change occurs in the affairs of an investment fund, the investment fund must

(a) promptly issue and file a news release that is authorized by an executive officer of the manager of the investment fund and that discloses the nature and substance of the material change;

(b) post all disclosure made under paragraph (a) on the investment fund's designated website ~~on the website of the investment fund or the investment fund manager~~;

(c) as soon as practicable, but in any event no later than 10 days after the date on which the change occurs, file a report containing the information required by Form 51-102F3, except that a reference in Form 51-102F3 to

(i) the term “material change” must be read as “material change” under this Instrument;

(ii) “section 7.1 of National Instrument 51-102” in Item 3 of Part 2 must be read as a reference to “section 11.2 of National Instrument 81-106”;

(iii) “subsection 7.1(2) of National Instrument 51-102” in Item 6 of Part 2 must be read as a reference to “subsection 11.2(2)of National Instrument 81-106”;

(iv) “subsection 7.1(5) of National Instrument 51-102” in Items 6 and 7 of Part 2 must be read as a reference to “subsection 11.2(4) of National Instrument 81-106”; and

(v) “executive officer of your company” in Item 8 of Part 2 must be read as a reference to “officer of the investment fund or of the manager of the investment fund”; and

(d) file an amendment to its prospectus, simplified prospectus, fund facts document or ETF facts document that discloses the material change in accordance with the requirements of securities legislation.

(2) If

(a) in the opinion of the board of directors or trustee of an investment fund or the manager, and if that opinion is arrived at in a reasonable manner, the disclosure required by subsection (1) would be unduly detrimental to the investment fund’s interest; or

(b) the material change

(i) consists of a decision to implement a change made by senior management of the investment fund or senior management of the manager of the investment fund who believe that confirmation of the decision by the board of directors or persons acting in a similar capacity is probable; and

(ii) senior management of the investment fund or senior management of the manager of the investment fund has no reason to believe that persons with knowledge of the material change have made use of that knowledge in purchasing or selling securities of the investment fund, the investment fund may, instead of complying with subsection (1), immediately file the report required under paragraph (1)(c) marked to indicate that it is confidential, together with written reasons for non-disclosure.

(3) [Repealed]

(4) If a report has been filed under subsection (2), the investment fund must advise the regulator or securities regulatory authority in writing within ten days of the initial filing of the report if it believes the report should continue to remain confidential and every 10 days thereafter until the material change is generally disclosed in the manner referred to in subsection (1) or, if the material change consists of a decision of the type referred to in paragraph (2)(b), until that decision has been rejected by the board of directors of the investment fund or the board of directors of the manager of the investment fund.

(5) Despite filing a report under subsection (2), an investment fund must promptly and generally disclose the material change in the manner referred to in subsection (1) upon the investment fund becoming aware, or having reasonable grounds to believe, that a person or company is purchasing or selling securities of the investment fund with knowledge of the material change that has not been generally disclosed.

Part 12 — Proxy Solicitation and Information Circulars

12.1 Application — This Part applies to an investment fund that is a reporting issuer.

12.2 Sending of Proxies and Information Circulars — (1) If management of an investment fund or the manager of an investment fund gives or intends to give notice of a meeting to registered holders of the investment fund, management or the manager must, at the same time as or before giving that notice, send to each registered holder who is entitled to notice of the meeting a form of proxy for use at the meeting.

(2) A person or company that solicits proxies from registered holders of an investment fund must

(a) in the case of a solicitation by or on behalf of management of the investment fund, send with the notice of meeting to each registered holder whose proxy is solicited a completed Form 51-102F5; or

(b) in the case of a solicitation by or on behalf of any person or company other than management of the investment fund, at the same time as or before the solicitation, send a completed Form 51-102F5 and a form of proxy to each registered holder whose proxy is solicited.

12.2.1 Notice-and-access — A person or company that solicits proxies from a registered holder of securities of an investment fund under subsection 12.2(2) of this Instrument, or sends proxy-related materials to beneficial owners of an investment fund under section 2.7 of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*, must not use notice-and-access to send proxy-related materials to the registered holder or beneficial owner unless all of the following apply:

(a) the registered holder or beneficial owner is sent a notice that contains only the following information:

(i) the date, time and location of the meeting;

(ii) a description of each matter or group of related matters identified in the form of proxy to be voted on, unless that information is already included in the form of proxy, in Form 54-101F6 *Request for Voting Instructions Made by Reporting Issuer* or in Form 54-101F7 *Request for Voting Instructions Made by Intermediary*, that is sent to the registered holder or beneficial owner under paragraph (b);

(iii) the website addresses for SEDAR and the non-SEDAR website where the proxy-related materials are posted;

(vi) a reminder to review the information circular before voting;

(vii) an explanation of how to obtain a paper copy of the information circular and, if applicable, the financial statements of the investment fund, from the person or company soliciting proxies;

(vi) a plain-language explanation of notice-and-access that includes the following information:

(A) if stratification is used, a list of the types of registered holders or beneficial owners who will receive paper copies of the information circular and, if applicable, the financial statements of the investment fund;

(B) the estimated date and time by which a request for a paper copy of the information circular and, if applicable, the financial statements of the investment fund, is to be received in order for the registered holder or beneficial owner to receive the paper copy in advance of any deadline for the submission of the proxy or the voting instructions for the meeting, and the date of the meeting;

(C) an explanation of how the registered holder or beneficial owner is to return the proxy or the voting instructions, including any deadline for return of the proxy or the voting instructions;

(D) the sections of the information circular where disclosure regarding each matter or group of related matters identified in the notice can be found;

(E) a toll-free telephone number the registered holder or beneficial owner can call to get information about notice-and-access;

(b) by prepaid mail, courier or the equivalent,

(i) the registered holder is sent the notice, and a form of proxy for use at the meeting, at least 30 days before the date of the meeting, and

(ii) the beneficial owner is sent the notice and a Form 54-101F6 or Form 54-101F7, using the procedures referred to in section 2.9 or 2.12 of *National Instrument 54-101 Communication with Beneficial Owners of Securities of a Reporting Issuer*, as applicable;

(c) the proxy-related materials are sent at least 30 days, and no more than 50 days, before the date of the meeting;

(d) if proxy-related materials are sent directly to a NOBO using notice-and-access, the notice and, if applicable, any paper copies of information circulars and financial statements, are sent at least 30 days before the date of the meeting;

(e) if proxy-related materials are sent indirectly to a beneficial owner using notice-and-access, the notice and, if applicable, any paper copies of information circulars or financial statements are sent to any proximate intermediary,

(i) at least 3 business days before the 30th day before the date of the meeting, in the case of proxy-related materials that are to be sent on by the proximate intermediary by first class mail, courier or the equivalent, and

(ii) at least 4 business days before the 30th day before the date of the meeting, in the case of proxy-related materials that are to be sent on by the proximate intermediary using any other type of prepaid mail;

(f) in the case of a solicitation by or on behalf of management of the investment fund, or if another person or company soliciting proxies has requested a meeting, the notification of meeting and record dates is filed on SEDAR and that filing occurs on the same date that the notification of meeting and record dates is sent under subsection 2.2(1) of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*;

(g) public electronic access to the information circular, the notice and the form of proxy is provided on or before the date that the notice is sent to the registered holder or beneficial owner, as follows:

(i) the documents are filed on SEDAR;

(ii) the documents are posted for no less than one year on

(A) the investment fund's designated website, in the case of a solicitation by or on behalf of management of the investment fund, and

(B) a website other than SEDAR, in the case of a solicitation by or on behalf of any other person or company;

(h) a toll-free telephone number is provided for use by the registered holder or beneficial owner to request a paper copy of the information circular and, if applicable, the financial statements of the investment fund at any time

(i) following the date that the notice is sent to the registered holder or beneficial owner, and

(ii) on or before the date of the meeting, including any adjournment;

(i) if a request for a paper copy of the information circular and, if applicable, the financial statements of the investment fund is received by telephone using the toll-free telephone number provided in the notice or by any other means, a paper copy of the document requested is sent free of charge by the person or company to the registered holder or beneficial owner at the address specified in the request,

(i) in the case of a request received before the date of the meeting, within 3 business days after receiving the request, by first class mail, courier or the equivalent, and

(ii) in the case of a request received on or after the date of the meeting, and within one year of the date the information circular is filed on SEDAR, within 10 calendar days after receiving the request, by prepaid mail, courier or the equivalent;

(j) the notice is not sent with any other document other than the following:

(i) a form of proxy, Form 54-101F6 or Form 54-101F7;

(ii) if financial statements of the investment fund are to be presented at the meeting, the financial statements;

(iii) if the meeting is to approve a reorganization of the investment fund with another investment fund as contemplated by paragraph 5.1(1)(f) of National Instrument 81-102 *Investment Funds*, Form 81-101F3 *Contents of Fund Facts Document* or Form 41-101F4 *Information Required in an ETF Facts Document* for the continuing investment fund;

(k) the notice is not combined with any document other than a form of proxy, Form 54-101F6 or Form 54-101F7;

(l) the information circular discloses that proxy-related materials are being sent to registered holders or beneficial owners of the investment fund using notice-and-access, and if stratification is used, the types of registered holders or beneficial owners who will receive paper copies of the information circular and, if applicable, the financial statements of the investment fund;

(m) the cost of sending the information circular and, if applicable, the financial statements of the investment fund, to a registered holder or beneficial owner, if a paper copy is requested by the registered holder or beneficial owner, is paid by the manager of the investment fund or other person or company soliciting proxies that is not the investment fund.

12.2.2 Restrictions on Information Gathering — (1) A person or company using notice-and-access that receives a request for a paper copy of the information circular or the financial statements of the investment fund, through the toll-free telephone number provided in the notice referred to in paragraph 12.2.1(a) or by any other means, must not

(a) ask for any information about the person or company making the request, other than the name and address to which the information circular and, if applicable, the financial statements are to be sent, or

(b) disclose or use the name or address of the person or company making the request for any purpose other than sending the information circular or the financial statements of the investment fund.

(2) A person or company that posts proxy-related materials to a website under subparagraph 12.2.1(1)(g)(ii) must not collect information that can be used to identify a person or company that has accessed the website.

12.2.3 Posting Materials on Non-SEDAR Website — (1) A person or company that posts proxy-related materials to a website under subparagraph 12.2.1(1)(g)(ii) must also post on the website all of the following:

(a) any disclosure regarding the meeting that the person or company has sent to registered holders or beneficial owners;

(b) any written communications the person or company has made available to the public regarding each matter or group of matters to be voted on at the meeting, whether or not the communications were sent to registered holders or beneficial owners.

(2) For greater certainty, a person or company that posts proxy-related materials on a website under subparagraph 12.2.1(1)(g)(ii) must do so in a manner and format that permits an individual with a reasonable level of computer skill and knowledge to easily do all of the following:

(a) access, read and search the materials;

(b) download and print the materials.

12.2.4 Record Date for Notice of Meeting, Abridgement of Time and Notification of Meeting Date and Record Date — (1) A person or company that solicits proxies from a registered holder or beneficial owner using notice-and-access, in the case of solicitation by or on behalf of management of an investment fund, must

(a) despite paragraph 2.1(b) of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*, set or request a record date for notice of the meeting that is no fewer than 40 days before the date of the meeting,

(b) specify in the notification of meeting and record dates sent under section 2.2 of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* that proxy-related materials are being sent to registered holders or beneficial owners using notice-and-access, and

(c) not abridge the time prescribed under paragraph 2.1(b), subsection 2.2(1) or subsection 2.5(1) of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* unless the person or company

(i) complies with paragraphs 2.20 (a) to (c) of that Instrument, and

(ii) sends the notification of meeting and record dates sent under section 2.2 of that Instrument at least 3 business days before the record date for notice of the meeting.

(2) In the case of a person or company not referred to in subsection (1) that requests a meeting, the person or company must request the following:

(a) a record date for notice of the meeting that is no fewer than 40 days before the date of the meeting;

(b) that the notification of meeting and record dates sent under section 2.2 of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* state that proxy-related materials are being sent to registered holders or beneficial owners using notice-and-access.

12.2.5 Consent to Other Delivery Methods — For greater certainty, section 12.2.1 does not

(a) prevent a registered holder or beneficial owner from consenting to the use of other delivery methods to send proxy-related materials,

(b) terminate or modify a consent that a registered holder or beneficial owner previously gave to a person or company regarding the use of other delivery methods to send proxy-related materials to the registered holder or beneficial owner, or

(c) prevent a person or company that solicits proxies, an intermediary or any other person or company from sending proxy-related materials to a registered holder or beneficial owner using a method to which the registered holder or beneficial owner has consented prior to January 5, 2022.

12.2.6 Instructions to Receive Paper Copies — (1) Despite section 12.2.1, an investment fund or its manager or management may obtain standing instructions from a registered holder of securities of the investment fund, and an intermediary may obtain standing instructions from a client that is a beneficial owner of securities of the investment fund, that a paper copy of the information circular or the financial statements of the investment fund be sent to the registered holder or beneficial owner in all cases when using notice-and-access in respect of a meeting of the investment fund.

(2) If an investment fund or its manager or management has obtained standing instructions from a registered holder under subsection (1), the investment fund, its manager or management must do all of the following:

(a) include with the notice referred to in paragraph 12.2.1(a) any paper copies of information circulars or financial statements of the investment fund referred to in the registered holder's standing instructions;

(b) notify the registered holder, by including a statement in the notice referred to in paragraph 12.2.1(a) or by another method, of the means by which the registered holder may revoke the registered holder's standing instructions.

(3) If an intermediary has obtained standing instructions from a beneficial owner under subsection (1), the intermediary must do all of the following:

(a) if the investment fund or its manager or management is sending proxy-related materials directly under section 2.9 of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*, indicate in the NOBO list provided to the investment fund or its manager or management,

those NOBOs who have provided standing instructions under subsection (1) as at the date the NOBO list is generated;

(b) if the intermediary is sending proxy-related materials to a beneficial owner on behalf of an investment fund or its manager or management using notice-and-access, request appropriate quantities of paper copies of the information circular and, if applicable, the financial statements of the investment fund, from the investment fund or its manager or management, for forwarding to beneficial owners who have provided standing instructions to be sent paper copies;

(c) include with the notice a description, or otherwise inform the beneficial owner of, the means by which the beneficial owner may revoke the beneficial owner's standing instructions.

12.2.7 Compliance with National Instrument 51-102 and National Instrument 54-101 — (1) A person or company that solicits proxies must comply with the following:

(a) Items 7.12 and 9.9 of Form 54-101F2 *Request for Beneficial Ownership Information*;

(b) Form 54-101F5 *Electronic Format for NOBO List*.

(2) For the purposes of subsection (1), "notice-and-access" and "stratification", as used in Items 7.12 and 9.9 of Form 54-101F2 and in Form 54-101F5, have the same meaning as in this Instrument.

12.3 Exemption — (1) Subsection 12.2(2) does not apply to a solicitation by a person or company in respect of securities of which the person or company is the beneficial owner.

(2) Paragraph 12.2(2)(b) does not apply to a solicitation if the total number of securityholders whose proxies are solicited is not more than 15.

(3) For the purposes of subsection (2), two or more persons or companies who are joint registered owners of one or more securities are considered to be one securityholder.

12.4 Compliance with National Instrument 51-102 — A person or company that solicits proxies under section 12.2 must comply with sections 9.3 and 9.4 of National Instrument 51-102 as if those sections applied to the person or company.

Part 13 — Change of Auditor Disclosure

13.1 Application — This Part applies to an investment fund that is a reporting issuer.

13.2 Change of Auditor — Section 4.11 of National Instrument 51-102 applies to an investment fund that changes its auditor, except that references in that section to the "board of directors" are to be read as references to,

(a) if the investment fund is a corporation, the "board of directors of the investment fund", or

(b) if the investment fund is a trust, the "trustee or trustees or another person or company authorized by the constating documents of the investment fund".

Part 14 — Calculation of Net Asset Value

14.1 Application — This Part applies to an investment fund that is a reporting issuer.

14.2 Calculation, Frequency and Currency — (1) The net asset value of an investment fund must be calculated using the fair value of the investment fund's assets and liabilities.

(1.1) The net asset value of an investment fund must include the income and expenses of the investment fund accrued up to the date of calculation of the net asset value.

(1.2) For the purposes of subsection (1), fair value means

(a) the market value based on reported prices and quotations in an active market, or

(b) if the market value is not available, or the manager of the investment fund believes that it is unreliable, a value that is fair and reasonable in all the relevant circumstances.

(1.3) The manager of an investment fund must

(a) establish and maintain appropriate written policies and procedures for determining the fair value of the investment fund's assets and liabilities; and

(b) consistently follow those policies and procedures.

(1.4) The manager of an investment fund must maintain a record of the determination of fair value and the reasons supporting that determination.

(2) For the purposes of calculating net asset value for purchases and redemptions of its securities as required by Parts 9 and 10 of National Instrument 81-102 *Investment Funds*, a labour sponsored or venture capital fund that has included a deferred charge for sales commissions in the calculation may continue to do so, provided that

(a) the calculation reflects the amortization of this deferred charge over the remaining amortization period, and

(b) the labour sponsored or venture capital fund ceased adding to this deferred charge by December 31, 2003.

(3) An investment fund must calculate its net asset value at least as frequently as the following:

(a) if the investment fund does not use specified derivatives or sell securities short, once a week;

(b) if the investment fund uses specified derivatives or sells securities short, once every business day.

(4) A mutual fund that holds securities of other mutual funds must have dates for the calculation of net asset value that are compatible with those of the other mutual funds.

(5) Despite subsection (3)(a), an investment fund that, at the date that this Instrument comes into force, calculates net asset value no less frequently than once a month may continue to calculate net asset value at least as frequently as it does at that date.

(6) The net asset value of an investment fund must be calculated in the currency of Canada or in the currency of the United States of America or both.

(6.1) An investment fund must, upon calculating the net asset value of the investment fund under this section, make the following information available to the public at no cost:

(a) the net asset value of the investment fund;

(b) the net asset value per security of the investment fund unless the investment fund is a scholarship plan.

(7) An investment fund that publishes its net asset value or net asset value per security in the financial press, or posts its net asset value or net asset value per security on its designated website, must provide its current net asset value or net asset value per security on a timely basis to the financial press or post it to its designated website on a timely basis, as applicable.

~~(7) An investment fund that arranges for the publication of its net asset value or net asset value per security in the financial press must ensure that its current net asset value or net asset value per security is provided on a timely basis to the financial press.~~

14.3 Portfolio Transactions — The net asset value of an investment fund must include each purchase or sale of a portfolio asset no later than in the next calculation of the net asset value after the date the purchase or sale becomes

binding.

14.4 Capital Transactions — The investment fund must include each issue or redemption of a security of the investment fund in the next calculation of net asset value the investment fund makes after the calculation of net asset value used to establish the issue or redemption price.

Part 15 — Calculation of Management Expense Ratio

15.1 Calculation of Management Expense Ratio — (1) An investment fund may disclose its management expense ratio only if the management expense ratio is calculated for the financial year or interim period of the investment fund and if it is calculated by

(a) dividing

(i) the aggregate of

(A) total expenses of the investment fund, excluding distributions if recognized as an expense, commissions and other portfolio transaction costs, before income taxes, for the financial year or interim period, as shown on its statement of comprehensive income; and

(B) any other fee, charge or expense of the investment fund that has the effect of reducing the investment fund's net asset value;

by

(ii) the average net asset value of the investment fund for the financial year or interim period, obtained by

(A) adding together the net asset values of the investment fund as at the close of business of the investment fund on each day during the financial year or interim period on which the net asset value of the investment fund has been calculated, and

(B) dividing the amount obtained under clause (A) by the number of days during the financial year or interim period on which the net asset value of the investment fund has been calculated; and

(b) multiplying the result obtained under paragraph (a) by 100.

(2) If any fees and expenses otherwise payable by an investment fund in a financial year or interim period were waived or otherwise absorbed by a member of the organization of the investment fund, the investment fund must disclose, in a note to the disclosure of its management expense ratio, details of

(a) what the management expense ratio would have been without any waivers or absorptions;

(b) the length of time that the waiver or absorption is expected to continue;

(c) whether the waiver or absorption can be terminated at any time by the member of the organization of the investment fund; and

(d) any other arrangements concerning the waiver or absorption.

(3) Investment fund expenses rebated by a manager or an investment fund to a securityholder must not be deducted from total expenses of the investment fund in determining the management expense ratio of the investment fund.

(4) An investment fund that has separate classes or series of securities must calculate a management expense ratio for each class or series, in the manner required by this section, modified as appropriate.

(5) The management expense ratio of an investment fund for a financial period of less than or greater than twelve months must be annualized.

(6) If an investment fund provides its management expense ratio to a service provider that will arrange for public dissemination of the management expense ratio,

(a) the investment fund must provide the management expense ratio calculated in accordance with this Part; and

(b) the requirement to provide note disclosure contained in subsection (2) does not apply if the investment fund indicates, as applicable, that fees have been waived, expenses have been absorbed, or that fees or expenses were paid directly by investors during the period for which the management expense ratio was calculated.

15.2 Fund of Funds Calculation — (1) For the purposes of subparagraph 15.1(1)(a)(i), the total expenses for a financial year or interim period of an investment fund that invests in securities of other investment funds is equal to the sum of

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

(i) multiplying the total expenses of each underlying investment fund, excluding distributions if recognized as an expense, commissions and other portfolio transaction costs, before income taxes, for the financial year or interim period, by

(ii) the average proportion of securities of the underlying investment fund held by the investment fund during the financial year or interim period, calculated by

(A) adding together the proportion of securities of the underlying investment fund held by the investment 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 investment fund, excluding distributions if recognized as an expense, commissions and other portfolio transaction costs, before income taxes, for the period.

(2) An investment fund that has exposure to one or more other investment funds through the use of derivatives in a financial year or interim period must calculate its management expense ratio for the financial year or interim period in the manner described in subsection (1), treating each investment fund to which it has exposure as an “underlying investment fund” under subsection (1).

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

(4) Management fees rebated by an underlying fund to an investment fund that invests in the underlying fund must 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 investment funds.

Part 16 — Additional Filing Requirements

16.1 Application — This Part applies to an investment fund that is a reporting issuer.

16.2 Additional Filing Requirements — If an investment fund sends to its securityholders any disclosure document other than those required by this Instrument, the investment fund must file a copy of the document on the same date as, or as soon as practicable after, the date on which the document is sent to its securityholders.

16.3 Voting Results — An investment fund must, promptly following a meeting of securityholders at which a matter was submitted to a vote, file a report that discloses, for each matter voted upon

(a) a brief description of the matter voted upon and the outcome of the vote; and

(b) if the vote was conducted by ballot, the number and percentage of votes cast, which includes votes cast in

person and by proxy, for, against, or withheld from, each vote.

16.4 Filing of Material Contracts — An investment fund that is not subject to National Instrument 81-101 *Mutual Fund Prospectus Disclosure*, or securities legislation that imposes a similar requirement, must file a copy of any material contract of the investment fund not previously filed, or any amendment to any material contract of the investment fund not previously filed

(a) with the final prospectus of the investment fund; or

(b) upon the execution of the material contract or amendment.

Part 16.1 — Investment Fund Website

16.1.1 Application — This Part applies to an investment fund that is a reporting issuer.

16.1.2 Requirement to Have a Designated Website — (1) An investment fund must designate one qualifying website on which the fund intends to post disclosure as required by securities legislation.

(2) In this section, a "qualifying website" of an investment fund is a website that is

(a) publicly accessible, and

(b) established and maintained by the fund or on its behalf by one or more of the following persons:

(i) its investment fund manager;

(ii) a person or company designated by its investment fund manager.

(3) The designated website referred to in (1) must be identified as the designated website in the following, as applicable:

(a) item 19.13 of Form 41-101F2, if the investment fund last distributed securities under a prospectus prepared in accordance with that form;

(b) item 2.18 of Part D of Form 41-101F3, if the scholarship plan last distributed securities under a prospectus prepared in accordance with that form;

(c) item 4.19 of Form 81-101F1, if the mutual fund last distributed securities under a prospectus prepared in accordance with that form;

(d) item 10.11 of Form 81-101F2, if the investment fund is required to file an annual information form under section 9.2 of this Instrument.

Part 17 — Exemptions

17.1 Exemption — (1) The regulator or securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario only the regulator may grant an exemption from any part of this Instrument.

Part 18 — Effective Date and Transition

18.1 Effective Date — This Instrument comes into force on June 1, 2005.

18.2 [Repealed]

18.3 [Repealed]

18.4 [Repealed]

18.5 [Repealed]

18.5.1 Transition to IFRS — (1) For the first interim period in the financial year beginning on or after January 1, 2014, an investment fund must file, with its interim financial report for that interim period, an opening statement of financial position as at the date of transition to IFRS.

(2) For the first financial year beginning on or after January 1, 2014, an investment fund must file, with its annual financial statements for that financial year, an audited opening statement of financial position as at the date of transition to IFRS.

(3) Despite sections 3.1, 3.2, 3.3, 3.4 and 3.6, for financial years beginning before January 1, 2014, an investment fund may present line items and use terminology in its financial statements consistent with the immediately preceding financial year.

18.5.2 Securities Lending — For financial years beginning before January 1, 2016, an investment fund is not required to comply with subsections 3.8(4) and (5).

18.6 Existing Exemptions — (1) An investment fund that has obtained an exemption or waiver from, or approval under, securities legislation, National Policy 39, National Instrument 81-101 *Mutual Fund Prospectus Disclosure*, National Instrument 81-102 *Investment Funds*, National Instrument 81-104 *Commodity Pools* or National Instrument 81-105 *Mutual Fund Sales Practices* relating to its continuous disclosure obligations is exempt from any substantially similar provision of this Instrument to the same extent and on the same conditions, if any, as contained in the exemption, waiver or approval, unless the regulator or securities regulatory authority has revoked that exemption, waiver or approval under authority provided to it in securities legislation.

(2) An investment fund must, at the time that it first intends to rely on subsection (1) in connection with a filing requirement under this Instrument, inform the securities regulatory authority in writing of

(a) the general nature of the prior exemption, waiver or approval and the date on which it was granted; and

(b) the provision in respect of which the prior exemption, waiver or approval applied and the substantially similar provision of this Instrument.

SCHEDULE 4-B
COMPANION POLICY 81-106 *INVESTMENT FUND CONTINUOUS DISCLOSURE*

Table of Contents

Part 1 — Purpose and Application of the Companion Policy

1.1 Purpose — The purpose of this Companion Policy (the Policy) is to help you understand how the Canadian securities regulatory authorities (CSA or we) interpret or apply certain provisions of National Instrument 81-106 *Investment Fund Continuous Disclosure* (the Instrument).

1.2 Application — (1) The Instrument applies to investment funds. The general nature of an investment fund is that the money invested in it is professionally managed on the basis of a stated investment policy, usually expressed in terms of investment objectives and strategies, and is invested in a portfolio of securities. The fund has the discretion to buy and sell investments within the constraints of its investment policy. Investment decisions are made by a manager or portfolio adviser acting on behalf of the fund. An investment fund provides a means whereby investors can have their money professionally managed rather than making their own decisions about investing in individual securities.

(2) An investment fund generally does not seek to obtain control of or become involved in the management of companies in which it invests. Exceptions to this include labour sponsored or venture capital funds, where some degree of involvement in the management of the investees is an integral part of the investment strategy.

Investment funds can be distinguished from holding companies, which generally exert a significant degree of control over the companies in which they invest. They can also be distinguished from the issuers known as “Income Trusts” which generally issue securities that entitle the holder to net cash flows generated by (i) an underlying business owned by the trust or other entity, or (ii) the income-producing property owned by the trust or other entity. Examples of entities that are not investment funds are business income trusts, real estate investment trusts and royalty trusts.

(3) Investment funds that meet the definition of “mutual fund” in securities legislation — generally because their securities are redeemable on demand or within a specified period after demand at net asset value per security — are referred to as mutual funds. Other investment funds are generally referred to as non-redeemable investment funds. The definition of “non-redeemable investment fund” included in this instrument summarises the concepts discussed above. Because of their similarity to mutual funds, they are subject to similar reporting requirements. Examples include closed-end funds, funds traded on exchanges with limited redeemability, certain limited partnerships investing in portfolios of securities such as flow-through shares, and scholarship plans (other than self-directed RESPs as defined in OSC Rule 46-501 *Self-Directed Registered Education Savings Plans*).

(4) Labour sponsored and venture capital funds may or may not be considered to be mutual funds depending on the requirements of the provincial legislation under which they are established (for example, shares of Ontario labour sponsored funds are generally redeemable on demand, while shares of British Columbia employee venture capital corporations are not). Nevertheless, these issuers are investment funds and must comply with the general disclosure rules for investment funds as well as specific requirements for labour sponsored and venture capital funds included in Part 8 of this Instrument.

1.3 Definitions — (1) A term used in the Instrument and defined in the securities statute of a local jurisdiction has the meaning given to it in that statute unless (a) the definition in that statute is restricted to a specific portion of the statute that does not govern continuous disclosure, or (b) the context otherwise requires.

(2) For instance, the term “material change” is defined in local securities legislation of most jurisdictions. The CSA consider the meaning given to this term in securities legislation to be substantially similar to the definition set out in the Instrument.

(3) The Instrument uses accounting terms that may be defined or referred to in Canadian GAAP applicable to publicly accountable enterprises. Some of these terms may be defined differently in securities legislation. National Instrument 14-101 *Definitions* provides that a term used in the Instrument and defined in the securities statute of a local jurisdiction has the meaning given to it in the statute unless the definition in that statute is restricted to a specific portion of the statute, or the context otherwise requires.

1.4 Plain Language Principles — The CSA believe that plain language will help investors understand an investment fund's disclosure documents so that they can make informed investment decisions. You can achieve this by

- using short sentences
- using definite, everyday language
- using the active voice
- avoiding unnecessary words
- organizing the document into clear, concise sections, paragraphs and sentences
- avoiding jargon
- using personal pronouns to speak directly to the reader
- avoiding reliance on glossaries and defined terms unless it helps to understand the disclosure
- using technical terms only where necessary and explaining those terms clearly
- avoiding boilerplate wording
- using concrete terms and examples
- using charts and tables where it makes the disclosure easier to understand.

1.5 Signature and Certificates — The directors, trustee or manager of an investment fund are not required to file signed or certified continuous disclosure documents. They are responsible for the information in the investment fund's disclosure documents whether or not a document is signed or certified, and it is an offence under securities legislation to make a false or misleading statement in any required document.

1.6 Filings on SEDAR — All documents required to be filed under the Instrument must be filed in accordance with National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)*.

1.7 Corporate Law Requirements — Some investment funds may be subject to requirements of corporate law that address matters similar to those addressed by the Instrument, and which may impose additional or more onerous requirements. For example, applicable corporate law may require investment funds to deliver annual financial statements to securityholders. This Instrument cannot provide exemptions from these requirements.

Part 2 — Financial Statements

2.1 Interrelationship of Financial Statements with Canadian GAAP — (1) [Repealed]

(1.1) Subsection 2.6(2) of the Instrument, applicable to financial years beginning on or after January 1, 2014, refers to Canadian GAAP for publicly accountable enterprises, which is IFRS incorporated into the Handbook, contained in Part I of the Handbook. IFRS is defined in National Instrument 14-101 *Definitions* as the standards and interpretations adopted by the International Accounting Standards Board.

Subsection 2.6(1) of the Instrument, applicable to financial years beginning before January 1, 2014, refers to Canadian GAAP as applicable to public enterprises, which the CSA considers to be the standards in Part V of the Handbook.

(2) The CSA believe that an investment fund's financial statements must include certain information, at a minimum, in order to provide full disclosure. The Instrument sets out these minimum requirements, but does not mandate all the required disclosure. Canadian GAAP applicable to publicly accountable enterprises also contains minimum requirements relating to the content of financial statements. An investment fund's financial statements must meet these requirements as well.

In some cases, the Instrument prescribes line items that may already be required by Canadian GAAP, but these line items are expressed more specifically for the activities of an investment fund. For example, Canadian GAAP requires a "trade and other receivables" line item on the statement of financial position, but the Instrument requires accounts receivable to be broken down into more specific categories. In other instances, the line items prescribed in the Instrument are in addition to those in Canadian GAAP.

While the Instrument prescribes line items, it does not prescribe the order in which those line items are presented. Investment funds should present line items, as well as any subtotals or totals, in a logical order that will contribute to a reader's overall understanding of the financial statements.

Investment funds are responsible for disclosing all material information concerning their financial position and financial performance in the financial statements.

(3) [Repealed]

2.1.1 Classification of Securities Issued by an Investment Fund — (1) One goal of the Instrument is comparable financial statement presentation between investment funds. However, the adoption of IFRS results in certain changes to this presentation. For example, the presentation is impacted by the classification of an investment fund's securities as either equity instruments or financial liabilities. Certain line items, such as "total equity or net assets attributable to securityholders", acknowledge the difference between an equity and liability presentation, but maintain a comparable measurement between investment funds regardless of this classification.

(2) If an investment fund's securities are classified as financial liabilities, IFRS requires financing costs to include certain distributions made by the investment fund to those securityholders. However, if an investment fund's securities are classified as equity instruments, distributions to holders of these securities are not included in financing costs (and are not recognized as an expense), creating a difference that reduces comparability. To address this, the Instrument requires distributions to be excluded from certain calculations, specifically: (i) increase or decrease in net assets attributable to securityholders from operations as disclosed in the statement of comprehensive income, and (ii) determination of total expenses for the management expense ratio (MER).

(3) For investment funds that classify their own securities as financial liabilities, "net assets attributable to securityholders" represents the equivalent of "total equity" for investment funds that classify their own securities as equity instruments. Net assets attributable to securityholders does not include amounts owed on securities issued by the investment fund that provide leverage to the fund.

2.2 Filing Deadline for Annual Financial Statements and Auditor's Report — Section 2.2 of the Instrument sets out the filing deadline for annual financial statements. While section 2.2 of the Instrument does not address the auditor's report date, investment funds are encouraged to file their annual financial statements as soon as possible after the date of the auditor's report.

2.3 Timing and Content of Interim Financial Statements — [Repealed]

2.4 Length of Financial Year — For the purposes of the Instrument, unless otherwise expressly provided, references to a financial year apply regardless of the length of that year. The first financial year of an investment fund commences on the date of its incorporation or organization and ends at the close of that year.

2.5 Contents of Statement of Comprehensive Income — The amount of fund expenses waived or paid by the manager or portfolio adviser of the investment fund disclosed in the statement of comprehensive income excludes amounts waived or paid due to an expense cap that would require securityholder approval to change.

2.5.1 Disclosure of Investment Portfolio — (1) The term "statement of investment portfolio" is used to describe the disclosure required by section 3.5 of the Instrument. As this term is not used in the Handbook, preparers may refer to it as a "schedule of investment portfolio" within a complete set of investment fund financial statements. Regardless of

how the disclosure is described, sections 2.1 and 2.3 of the Instrument require it to be included within a complete set of investment fund financial statements, and subsection 2.1(2) of the Instrument requires annual financial statements to be accompanied by an auditor's report, for the purposes of securities legislation.

If financial statements for more than one investment fund are bound together, Part 7 of the Instrument requires all of the information pertaining to each investment fund to be presented together and not intermingled with information relating to another investment fund. The CSA is of the view that this requirement applies equally to the portfolio disclosure, which should be presented together with the other financial information relating to the investment fund.

(2) If an investment fund invests substantially all of its assets directly, or indirectly through the use of derivatives, in securities of one other investment fund, the investment fund should provide in the statement of investment portfolio, or the notes to that statement, additional disclosure concerning the holdings of the other investment fund, as available, in order to assist investors in understanding the actual portfolio to which the investment fund is exposed. The CSA is of the view that such disclosure is consistent with the requirements in the Handbook relating to financial instrument disclosure.

2.6 Disclosure of Soft Dollars — The notes to the financial statements of an investment fund must contain disclosure of soft dollar amounts when such amounts are ascertainable. When calculating these amounts, investment funds should include the quantifiable value of goods and services, beyond the amount attributed to order execution, received directly from the dealer executing the fund's portfolio transactions, or from a third party.

2.7 Securities Lending Transactions — (1) Section 3.8 of the Instrument imposes certain reporting requirements on investment funds in connection with any securities lending transactions entered into by the investment fund. These requirements were included to ensure that certain aspects of securities lending transactions are disclosed in the same manner.

Generally, in a securities lending transaction, the investment fund is able to call the original securities back at any time, and the securities returned must be the same or substantially the same as the original securities. The investment fund retains substantially all of the risks and rewards of ownership.

(2) [Repealed]

(3) The Canadian securities regulatory authorities consider that, for the purposes of disclosing the gross amount generated from securities lending transactions in the notes to the financial statements of an investment fund pursuant to subsection 3.8(4) of the Instrument, all amounts generated in relation to the securities lending transactions of the investment fund must be disclosed, prior to the deduction of any amounts paid to securities lending agents or other service providers pursuant to any revenue sharing arrangement. Furthermore, for the purposes of subsection 3.8(4) of the Instrument, the Canadian securities regulatory authorities are of the view that any proceeds generated as a result of investing the collateral delivered to the investment fund in connection with a securities lending transaction form part of the gross amount from the securities lending transaction and must be included in the amount disclosed in the notes to the financial statements under subsection 3.8(4) of the Instrument.

2.8 Change in Year End — (1) The change in year end reporting requirements are adopted from National Instrument 51-102, with appropriate modifications to reflect that investment funds report on a six month interim period.

(2) The definition of "interim period" in the Instrument differs from the definition of this term in National Instrument 51-102. An investment fund cannot have more than one interim period in a transition year.

(3) The interim financial report for the new financial year will have comparatives from the corresponding months in the preceding year, whether or not they are from the transition year or from the old financial year, they were previously prepared or not, or they straddle a year-end.

(4) If an investment fund voluntarily reports on a quarterly basis, it should follow the requirements set out in National Instrument 51-102 for a change in year end, with appropriate modifications.

(5) Appendix A to this Policy outlines the financial statement filing requirements under section 2.9 of the Instrument for an investment fund that changes its year end.

2.9 [Repealed]

2.10 Mutual Funds that are Non-Reporting Issuers — The requirement in subsection 2.11(c) to advise the applicable regulator or securities regulatory authority of a mutual fund's reliance on the financial statement filing exemption provided in section 2.11 of the Instrument can be satisfied by a one-time notice.

Part 3 — Auditors and their Reports

3.1 Acceptable Auditor — Securities legislation in most jurisdictions prohibits a regulator or securities regulatory authority from issuing a receipt for a prospectus if it appears that a person or company who has prepared any part of the prospectus, or is named as having prepared or certified a report used in connection with a prospectus, is not acceptable.

Investment funds that are reporting issuers, and their auditors, should refer to National Instrument 52-108 *Auditor Oversight* for requirements relating to auditor oversight by the Canadian Public Accountability Board.

3.2 Modification of Opinion — (1) The Instrument prohibits an auditor's report from expressing a modified opinion under Canadian GAAS. A modification of opinion includes a qualification of opinion, an adverse opinion, and a disclaimer of opinion.

(2) Part 17 of the Instrument permits the regulator or securities regulatory authority to grant exemptive relief from the Instrument, including the requirement that an auditor's report express an unmodified opinion or other similar communication that would constitute a modification of opinion under Canadian GAAS. However, we will generally recommend that such exemptive relief should not be granted if the modification of opinion or other similar communication is

(a) due to a departure from accounting principles permitted by the Instrument, or

(b) due to a limitation in the scope of the auditor's examination that

(i) results in the auditor being unable to form an opinion on the financial statements as a whole,

(ii) is imposed or could reasonably be eliminated by management, or

(iii) could reasonably be expected to be recurring.

3.3 Auditor's Involvement with Management Reports of Fund Performance — Investment funds' auditors are expected to comply with the Handbook with respect to their involvement with the annual and interim management reports of fund performance required by the Instrument as these reports contain financial information extracted from the financial statements.

3.4 Auditor Involvement with Interim Financial Reports — (1) The board of directors of an investment fund that is a corporation or the trustees of an investment fund that is a trust, in discharging their responsibilities for ensuring a reliable interim financial report, should consider engaging an external auditor to carry out a review of the interim financial report.

(2) Section 2.12 of the Instrument requires an investment fund to disclose if an auditor has not performed a review of the interim financial report, to disclose if an auditor was unable to complete a review and why, and to file a written report from the auditor if the auditor performed a review and expressed a reservation in the auditor's interim review report. No positive statement is required when an auditor performed a review and provided an unqualified communication. If an auditor was engaged to perform a review on an interim financial report applying review standards set out in the Handbook, and the auditor was unable to complete the review, the investment fund's disclosure of the reasons why the auditor was unable to complete the review should normally include a discussion of

(a) inadequate internal control,

(b) a limitation on the scope of the auditor's work, or

(c) a failure of management to provide the auditor with written representations the auditor believes are necessary.

(3) The terms "review" and "written review report" used in section 2.12 of the Instrument refer to the auditor's review of

and report on an interim financial report using standards for a review of an interim financial report by the auditor as set out in the Handbook.

(4) The Instrument does not specify the form of notice that should accompany an interim financial report that has not been reviewed by the auditor. The notice accompanies, but does not form part of, the interim financial report. We expect that the notice will normally be provided on a separate page appearing immediately before the interim financial report, in a manner similar to an auditor's report that accompanies annual financial statements.

Part 4 — Delivery of Financial Statements and Management Reports of Fund Performance

4.1 Delivery Instructions — (1) The Instrument gives investment funds the following choices for the delivery of financial statements and management reports of fund performance:

(a) send these documents to all securityholders;

(b) obtain standing instructions from securityholders with respect to the documents they wish to receive; or

(c) obtain annual instructions from securityholders by sending them an annual request form they can use to indicate which documents they wish to receive.

The choices are intended to provide some flexibility concerning the delivery of continuous disclosure documents to securityholders. An investment fund can use any combination of the delivery options for its securityholders. However, the Instrument specifies that once an investment fund chooses option (b) for a securityholder, it cannot switch back to option (c) for that securityholder at a later date. The purpose of this requirement is to encourage investment funds to obtain standing instructions and to ensure that if a securityholder provides standing instructions, the investment fund will abide by those instructions unless the securityholder specifically changes them.

(2) When soliciting delivery instructions from a securityholder, an investment fund can deem no response from the securityholder to be a request by the securityholder to receive all, some or none of the documents listed in subsection 5.1(2) of the Instrument. When soliciting delivery instructions, an investment fund should make clear what the consequence of no response will be to its securityholders.

(3) Investment funds should solicit delivery instructions sufficiently ahead of time so that securityholders can receive the requested documents by the relevant filing deadline. Securityholders should also be given a reasonable amount of time to respond to a request for instructions. Investment funds should provide securityholders with complete contact information for the investment fund, including a toll-free telephone number or a number for collect calls.

(4) Investment funds under common management can solicit one set of delivery instructions from a securityholder that will apply to all of the funds in the same fund family that the securityholder owns. If a securityholder has given an investment fund standing delivery instructions and then later acquires the securities of another investment fund managed by the same manager, the newly acquired fund can rely on those standing instructions.

(5) The Instrument requires investment funds to deliver the quarterly portfolio disclosure and the proxy voting record to securityholders upon request, but does not require investment funds to solicit delivery instructions from securityholders with respect to this disclosure. Investment funds are obligated to state on the first page of their management reports of fund performance that this disclosure is available.

4.2 Communication with Beneficial Owners — Generally, investment funds must apply the procedures set out in National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* for the purposes of Part 5 of the Instrument, but an exemption from National Instrument 54-101 is available to investment funds that have beneficial owner information.

We recognize that different types of investment funds have different access to beneficial owner information (for example, mutual funds are more likely to have beneficial owner information than exchange-traded funds) and that the procedures in National Instrument 54-101 may not be efficient for every investment fund. We intend the provisions in Part 5 of the Instrument to provide investment funds with flexibility to communicate directly with the beneficial owners of their securities. If an investment fund has the necessary information to communicate directly with one or more beneficial owners of its securities, it can do so, even though it may need to rely on National Instrument 54-101 to communicate with other beneficial owners of its securities.

4.3 Binding — For the purposes of delivery to a securityholder, the Instrument permits more than one management report of fund performance to be bound together if the securityholder owns all of the funds to which the management reports relate. There is no prohibition in the Instrument against binding the management report of fund performance with the financial statements for one investment fund for the purposes of delivering these documents to a securityholder who has requested them.

4.4 Electronic Delivery — Any documents required to be sent under the Instrument may be sent by electronic delivery, as long as such delivery is made in compliance with National Policy 11-201 *Delivery of Documents by Electronic Means* and, in Quebec, Quebec Staff Notice *The Delivery of Documents by Electronic Means*. In particular, the annual reminder required by section 5.2 and the request form required by section 5.3 of the Instrument may be given in electronic form and may be combined with other notices. Request forms and notices may alternatively be sent with account statements or other materials sent to securityholders by an investment fund.

4.5 [Repealed] ~~Website Disclosure — The Instrument does not specify the length of time that continuous disclosure documents must remain on an investment fund's website. In the CSA's view, the documents should stay on the website for a reasonable length of time, and at least until they are replaced by more current versions.~~

Part 5 — Independent Valuations

5.1 Independent Valuations — (1) Part 8 of the Instrument is designed to address the concerns raised by labour sponsored or venture capital funds that disclosing a fair value for their venture investments may disadvantage the private companies in which they invest. Section 8.2 permits alternative disclosure by a labour sponsored or venture capital fund of its statement of investment portfolio. Labour sponsored or venture capital funds must disclose the individual securities in which they invest, but may aggregate all changes from costs of the venture investments, thereby only showing an aggregate adjustment from cost to fair value for these securities. This alternative disclosure is only permitted if the labour sponsored or venture capital fund has obtained an independent valuation in accordance with Part 8 of the Instrument.

(2) The CSA expect the independent valuator's report to provide either a number or a range of values which the independent valuator considers to be a fair and reasonable expression of the value of the venture investments or of the net asset value of the labour sponsored or venture capital fund. The independent valuation should include a critical review of the valuation methodology and an assessment of whether it was properly applied. A report on compliance with stated valuation policies and practices cannot take the place of an independent valuation.

The valuation report should disclose the scope of the review, including any limitations on the scope, and the implications of these limitations on the independent valuator's conclusion.

(3) The independent valuator should refer to the reporting standards of the Canadian Institute of Chartered Business Valuators for guidance.

(4) A labour sponsored or venture capital fund obtaining an independent valuation should furnish the independent valuator with access to its manager, advisers and all material information in its possession relevant to the independent valuation.

5.2 Independent Valuators — (1) It is a question of fact as to whether a valuator is independent of the labour sponsored or venture capital fund. In determining the independence of the valuator, a number of factors may be relevant, including whether

> (a) the valuator or an affiliated entity has a material financial interest in future business in respect of which an agreement, commitment or understanding exists involving the fund or a person or company listed in paragraph (2)(a); or
>
> (b) the valuator or its affiliated entity is a lender of a material amount of indebtedness to any of the issuers of the fund's illiquid investments.

(2) The CSA would generally consider a valuator not to be independent of a labour sponsored or venture capital fund where

> (a) the valuator or an affiliated entity of the valuator is

(i) the manager of the fund,

(ii) a portfolio adviser of the fund,

(iii) an insider of the fund,

(iv) an associate of the fund,

(v) an affiliated entity of the fund, or

(vi) an affiliated entity of any of the persons or companies named in this paragraph (a);

(b) the compensation of the valuator or an affiliated entity of the valuator depends in whole or in part upon an agreement, arrangement or understanding that gives the valuator, or its affiliated entity, a financial incentive in respect of the conclusions reached in the valuation; or

(c) the valuator or an affiliated entity of the valuator has a material investment in the labour sponsored or venture capital fund or in a portfolio asset of the fund.

Part 6 — Proxy Voting Disclosure for Portfolio Securities Held

6.1 Proxy Voting Disclosure — (1) An investment fund's manager, acting on the investment fund's behalf, has the right and obligation to vote proxies relating to the investment fund's portfolio securities. As a practical matter, the manager may delegate this function to the investment fund's portfolio adviser as part of the adviser's general management of investment fund assets. In either case, the manager or portfolio adviser voting proxies on behalf of an investment fund must do so in a manner consistent with the best interests of the fund and its securityholders.

(2) Because of the substantial institutional voting power held by investment funds, the increasing importance of the exercise of that power to securityholders, and the potential for conflicts of interest with respect to the exercise of proxy voting, we believe that investment funds should disclose their proxy voting policies and procedures, and should make their actual proxy voting records available to securityholders.

(3) The Instrument requires that the investment fund establish policies and procedures for determining whether, and how, to vote on any matter for which the investment fund receives proxy materials for a meeting of securityholders of an issuer. The CSA consider an investment fund to "receive" a document when it is delivered to any service provider or to the investment fund in respect of securities held beneficially by the investment fund. Proxy materials may be delivered to a manager, a portfolio adviser or sub-adviser, or a custodian. All of these deliveries are considered delivered "to" the investment fund.

(4) The Instrument requires an investment fund to maintain an annual proxy voting record as of June 30 and to post this on the fund's designated website ~~to the fund's website if it has one~~. However, investment funds may choose to disclose their proxy votes throughout the course of the year, and may also choose to disclose how they intend to vote prior to the shareholder meeting.

6.2 Proxy Voting Policies and Procedures — (1) Section 10.2 of the Instrument sets out, in general terms, what the securities regulatory authorities consider to be minimum policies and procedures for the proxy voting process. Investment funds are responsible for adopting any additional policies relevant to their particular situation. For example, investment funds should consider whether they require any specific policies dealing with shareholder meetings of issuers resident in other countries.

(2) An investment fund sometimes needs to vote securities held by it in order to protect its interests in connection with corporate transactions or developments relating to the issuers of its portfolio securities. The manager and portfolio adviser, or the agent of the investment fund administering a securities lending program on behalf of the investment fund, should monitor corporate developments relating to portfolio securities that are loaned by the investment fund in securities lending transactions, and take all necessary steps to ensure that the investment fund can exercise a right to vote the securities when necessary.

Part 7 — Material Change

7.1 Material Changes — Determining whether a change is a material change will depend on the specific facts and circumstances surrounding the change. However, the CSA is of the view that

(a) the change of portfolio adviser of an investment fund will generally constitute a material change for the investment fund, and

(b) the departure of a high-profile individual from the employ of a portfolio adviser of an investment fund may constitute a material change for the investment fund, depending on how prominently the investment fund featured that individual in its marketing. An investment fund that emphasized the ability of a particular individual to encourage investors to purchase the fund could not later take the position that the departure of that individual was immaterial to investors and therefore not a material change.

7.2 Confidential Material Change Report — The CSA are of the view that in order for an investment fund to file a confidential material change report under Section 11.2 of the Instrument, the investment fund or its manager should advise insiders of the prohibition against trading during the filing period of a confidential material change report and must also take steps to monitor trading activity.

Part 8 — Information Circulars

8.1 Sending of Proxies and Information Circulars — Investment funds are reminded that National Instrument 54-101 prescribes certain procedures relating to the delivery of proxy-related materials sent to beneficial owners of securities.

8.2 Notice-and-access — (1) In the Instrument and this Companion Policy, references to registered holders and beneficial owners should be read to correspond with references to forms of proxy or voting instruction forms, as appropriate.

We expect that persons or companies that solicit proxies will only use notice-and-access for a particular meeting where they have no reason to believe it is inappropriate or inconsistent with the purposes of notice-and-access to do so, taking into account factors such as

- the purpose of the meeting,
- whether a better participation rate would be obtained by sending the information circular with the other proxy-related materials, and
- whether notice-and-access resulted in material declines in beneficial owner voting rates in prior meetings where notice-and-access was used.

(2) With respect to matters to be voted on at the meeting, the notice must only contain a description of each matter or group of related matters identified in the form of proxy, unless that information is already included in the form of proxy or voting instruction form. We expect that persons or companies who use notice-and-access will state each matter or group of related matters in the form of proxy or voting instruction form in a reasonably clear and user-friendly manner. For example, it would be inappropriate to identify the matter to be voted on solely by referring to disclosure contained in the information circular as follows: “To vote For or Against the resolution in Schedule A of the management information circular”.

The plain-language explanation of notice-and-access required in the notice can also address other aspects of the proxy voting process. However, there should not be any substantive discussion of the matters to be considered at the meeting.

(3) Paragraph 12.2.1(h) requires establishment of a toll-free telephone number for the registered holder or beneficial owner to request a paper copy of the information circular. A person or company soliciting proxies may choose, but is not required, to provide additional methods for requesting a paper copy of the information circular. If persons or companies soliciting proxies do so, they must still comply with the fulfillment timelines in paragraph 12.2.1(i).

(4) Section 12.2.2 is intended to restrict intentional information gathering about registered holders or beneficial owners who make requests for paper copies of information circulars or access the non-SEDAR website.

(5) Section 12.2.3 is intended to enable registered holders and beneficial owners to access the posted proxy-related materials in a user-friendly manner. For example, requiring the registered holder or beneficial owner to navigate through several web pages to access the proxy-related materials, even within the same website, would not be user-friendly. Providing the registered holder or beneficial owner with the specific URL where the documents are posted would be more user-friendly. We encourage persons or companies soliciting proxies and their service providers to develop best practices in this regard.

(6) We expect that where stratification is used for purposes other than complying with registered holder or beneficial owner instructions, it is used to enhance effective communication, and not used if it would potentially disenfranchise registered holders or beneficial owners.

(7) Section 12.2.5 permits other delivery methods, such as electronic means, to be used to send proxy-related materials if the consent of the registered holder or beneficial owner has been obtained.

(8) National Policy 11-201 *Electronic Delivery of Documents* discusses the sending of materials by electronic means. The guidelines set out in National Policy 11-201 *Electronic Delivery of Documents*, particularly the suggestion that consent be obtained to an electronic transmission of a document, are applicable to documents sent under the Instrument.

(9) Whether persons or companies soliciting proxies may do so in compliance with foreign notice-and-access rules is not contemplated.

(10) A single investor may hold securities of the same class or series in two or more accounts with the same address. Delivering a single set of securityholder materials to that person or company would satisfy the delivery requirements under the Instrument. We encourage this practice as a way to help reduce the costs of securityholder communications.

(11) "Notice-and-access", as used in all of the following provisions of Companion Policy 54-101CP – *Communication with Beneficial Owners of Securities of a Reporting Issuer*, have the same meaning as in the Instrument, in addition to any other required adaptations:

- subsection 3.1(1);
- subsection 3.4.1(2);
- section 5.1.

Part 9 — Net Asset Value

9.1 Publication of Net Asset Value Per Security — An investment fund that arranges for the publication of its net asset value per security should calculate its net asset value per security and make the results of that calculation available on its designated website or to the financial press ~~make the results of that calculation available to the financial press~~ as quickly as is commercially practicable. An investment fund should attempt to meet the deadlines of the financial press for publication in order to ensure that its net asset values per security are publicly available as quickly as possible.

9.2 Fair Value Guidance — Section 14.2 of the Instrument requires an investment fund to calculate its net asset value based on the fair value of the investment fund's assets and liabilities. This may differ from the calculation of "current value" for financial statement purposes. Section 3.6 of the Instrument requires an explanation of this difference.

While investment funds are required to comply with the definition of "fair value" in the Instrument when calculating net asset value, they may also look to the Handbook for guidance on the measurement of fair value. The fair value principles articulated in the Handbook can be applied by investment funds when valuing assets and liabilities.

9.3 Meaning of Fair Value — [Repealed]

9.4 Determination of Fair Value in Calculating Net Asset Value — (1) A market is generally considered active when quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices reflect actual and regularly occurring market transactions on an arm's length basis. Accordingly, fair value should not reflect the amount that would be received or paid in a forced transaction, involuntary

liquidation or distress sale.

(2) A market is not considered to be active, and prices derived from it may be unreliable for valuation purposes, if, at the time the investment fund begins to calculate its net asset value, any of the following circumstances are present:

- markets on which portfolio securities are principally traded closed several hours earlier (e.g. some foreign markets may close as much as 15 hours before the time the investment fund begins to calculate its net asset value)
- trading is halted
- events occur that unexpectedly close entire markets (e.g. natural disasters, power blackouts, public disturbances, or similar major events)
- markets are closed due to scheduled holidays
- the security is illiquid and trades infrequently.

If an investment fund manager determines that an active market does not exist for a security, the manager should consider whether the last available quoted market price is representative of fair value. If a significant event (i.e. one that may impact the value of the portfolio security) has occurred between the time the last quoted market price was established and the time the investment fund begins to calculate its net asset value, the last quoted market price may not be representative of fair value.

(3) Whether a particular event is a significant event for a security depends on whether the event may affect the value of the security. Generally, significant events fall into one of three categories: (i) issuer specific events — e.g. the resignation of the CEO or an after-hours earnings announcement, (ii) market events — e.g. a natural disaster, a political event, or a significant governmental action like raising interest rates, and (iii) volatility events — e.g. a significant movement in North American equity markets that may directly impact the market prices of securities traded on overseas exchanges.

Whether a market movement is significant is a matter to be determined by the manager through the establishment of tolerance levels which it may choose to base on, for example, a specified intraday and/or interday percentage movement of a specific index, security or basket of securities. In all cases, the appropriate triggers should be determined based on the manager's own due diligence and understanding of the correlations relevant to each investment fund's portfolio.

9.5 Fair Value Techniques — The CSA do not endorse any particular fair value technique as we recognize that this is a constantly evolving process. However, whichever technique is used, it should be applied consistently for a portfolio security throughout the fund complex and reviewed for reasonableness on a regular basis.

9.6 Valuation Policies and Procedures — An investment fund's valuation policy should be approved by the manager's board of directors. The policies and procedures should describe the process for monitoring significant events or other situations that could call into question whether a quoted market price is representative of fair value. They should also describe the methods by which the manager will review and test valuations to evaluate the quality of the prices obtained as well as the general functioning of the valuation process. The manager should also consider whether its valuation process is a conflict of interest matter as defined in NI 81-107.

Part 10 — Calculation of Management Expense Ratio

10.1 Calculation of Management Expense Ratio — (1) Part 15 of the Instrument sets out the method to be used by an investment fund to calculate its management expense ratio (MER). The requirements apply in all circumstances in which an investment fund circulates and discloses an MER. This includes disclosure in a sales communication, a prospectus, a fund facts document, an ETF facts document~~, an annual information form~~, financial statements, a management report of fund performance or a report to securityholders.

(2) Paragraph 15.1(1)(a) requires the investment fund to use its "total expenses" (other than distributions if these are

an expense for the investment fund) before income taxes for the relevant period as the basis for the calculation of MER. Total expenses, before income taxes, include interest charges and taxes, including sales taxes, GST and capital taxes payable by the investment fund. Withholding taxes need not be included in the MER calculation.

The CSA is of the view that if an investment fund issues debt-like securities or securities that otherwise provide leverage to the fund, payments to holders of these securities should be treated as financing costs from the perspective of the investment fund's other classes of securities (the classes that benefit from the financing or leverage). These costs should not be excluded from total expenses when calculating the MER of the investment fund's other classes of securities. Securities that provide leverage generally include preferred shares.

Non-optional fees paid directly by investors in connection with the holding of an investment fund's securities do not have to be included in the MER calculation.

(3) The CSA recognize that an investment fund may incur fees and charges that are not included in total expenses, but that reduce the net asset value and the amount of investable assets of the investment fund. Sales commissions paid by an investment fund in connection with the sale of the investment fund's securities are an example of such fees and charges. We believe that these fees and charges should be reflected in the MER of the investment fund.

(4) While brokerage commissions and other portfolio transaction costs are expenses of an investment fund for accounting purposes, they are not included in the MER. These costs are reflected in the trading expense ratio.

(5) In its management report of fund performance, an investment fund must disclose historical MERs for five years calculated in accordance with Part 15. If the investment fund has not calculated the historical MERs in the manner required by the Instrument, we are of the view that the change in the method of calculating the MER should be treated in a manner similar to a change in accounting policy under International Accounting Standard 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Under Canadian GAAP, a change in accounting policy requires a retrospective application of the change for all periods shown. However, the Handbook acknowledges that there may be circumstances where the data needed to restate the financial information is not reasonably determinable.

If an investment fund restates its MER for any of the five years it is required to show, the investment fund should describe this restatement in the first document released and in the first management report of fund performance in which the restated MERs are reported.

If an investment fund does not restate its MER for prior periods because, based on specific facts and circumstances, the information required to do so is not reasonably determinable, the MER for all financial periods ending after the effective date of the Instrument must be calculated in accordance with Part 15. In this case, the investment fund must also disclose

(i) that the method of calculating MER has changed, specifying for which periods the MER has been calculated in accordance with the change;

(ii) that the investment fund has not restated the MER for specified prior periods;

(iii) the impact that the change would have had if the investment fund had restated the MER for the specified prior periods (for example, would the MER have increased or decreased and an estimate of the increase or decrease); and

(iv) a description of the main differences between an MER calculated in accordance with the Instrument and the previous calculations.

The disclosure outlined above should be provided for all periods presented until such time as all MERs presented are calculated in accordance with the Instrument.

Part 11 Investment Fund Website

11.1 Requirement to designate a website — (1) The purpose of Part 16.1 is to improve investor access to investment fund regulatory disclosure and other information that characterizes a fund. Investment funds' websites typically include regulatory disclosure (e.g., a prospectus, a fund facts document, an ETF facts document, continuous disclosure documents), as well as other information on a fund (e.g. a fund profile) and its management (e.g., the

names of its investment fund manager, portfolio manager, custodian, trustee). Section 16.1.2 of the Instrument does not prescribe the disclosure that must be posted on an investment fund's designated website. The regulatory disclosure that must be posted on an investment fund's designated website is included in other provisions of the securities legislation applicable to reporting investment funds.

(2) The CSA would generally consider that an investment fund's designated website includes a set of webpages on the internet containing links to each other and made available online by the investment fund, its investment fund manager or a person designated by its investment fund manager.

In the CSA's view, an investment fund's designated website must be open-access to everybody and free of charge. The designated website may contain a webpage that is accessible only by the fund's securityholders (for example, with an access code and a password) for the sole purpose of posting confidential or non-public information that is not required by securities legislation.

(3) We note that an investment fund's regulatory disclosure and other information may be disseminated on a website that is established and maintained by the investment fund's manager or a person designated by the fund's manager, which may include a third-party service provider or an affiliate or an associate of the investment fund's manager.

The CSA does not expect an investment fund to create a stand-alone website to fulfil its obligations to post regulatory disclosure on a designated website. In order to improve flexibility and access to disclosure, investment funds may identify as a designated website, the website of another investment fund managed by the same investment fund manager, or of an affiliate or an associate of the investment fund's manager.

In any case, the investment fund's designated website is expected to clearly identify and differentiate between the information applicable to each investment fund. The designated website's user interface should make it clear to investors where information relating to their particular investment can be located.

(4) The Instrument does not specify how an investment fund should structure its designated website. Investment funds may choose to post all regulatory disclosure and other information pertaining to one investment fund on a single webpage dedicated to this fund or instead aggregate some regulatory disclosure and other key information for several investment funds that are part of the same investment fund family into a single webpage. The CSA expect that investment funds and their investment fund managers will adopt a consistent and harmonized structure within an investment fund's designated website in order to avoid any confusion amongst users.

(5) The investment fund's designated website should be designed in a manner that allows an individual investor with a reasonable level of technological skill and knowledge to easily do any of the following:

(a) access, read and search the information and the documents posted on the website;

(b) download and print the documents.

(6) Maintenance and supervision of an investment fund's designated website and its content should be accounted for in the compliance systems of the investment fund and its manager. The establishment and maintenance of a compliance system by investment fund managers is required under section 11.1 of NI 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. We also expect investment funds and their managers to take steps to protect themselves against cyber threats. In this respect, they should review and consult guidance issued by securities regulators and self-regulatory organizations.

(7) Investment funds and their investment fund managers should ensure the designated website accurately discloses regulatory disclosure and other information. If inaccurate disclosure regarding a fund is found on the designated website, it should be removed or updated as soon as possible. A website that contains information that is out-of-date could in certain cases be considered inaccurate and misleading.

The Instrument does not specify the length of time that regulatory disclosure and other information must remain on an investment fund's designated website. The CSA are of the view that regulatory disclosure and other information should stay on a designated website for a reasonable length of time, and at least until replaced with more current information or documents. Some disclosure should be updated more frequently depending on its nature or its importance to current and potential investors (e.g. net asset values per security and past performance).

We generally encourage investment funds and their managers to archive documents or information that may retain historical or other value to investors on the designated website. However, documents or information that mislead investors should be removed.

(8) An investment fund and its manager may create hyperlinks leading to third-party websites. In such cases, a warning informing individuals that they are about to leave the investment fund's designated website may be appropriate.

(9) Section 16.1.2, sets out that an investment fund designates its website by identifying it in a specified location of the investment fund's prospectus, or its annual information form if it is required to file one under section 9.2. Where a prospectus or annual information form is prepared in respect of more than one investment fund, the designated websites of each investment fund, where they are different, should be disclosed.

When the fund designates its website under section 16.1.2, that website becomes the fund's designated website, including for the purpose of all requirements where a fund is required to disclose a designated website. For example, as required in Item 1 of Part I of Form 41-101F4 *Information Required in an ETF Facts Document* and in Item 1 of Part I of Form 81-101F3 *Contents of Fund Facts Document*, the website noted in the ETF facts document or fund facts document must reference the same website. If the address of the designated website is modified, it would be acceptable for the website located at the previous address to redirect visitors to the new address of the designated website, with a corresponding update to the prospectus or annual information form, and each other document that is required to refer to the designated website, occurring at the time of the next renewal or filing.

(10) Investment fund managers should consider the guidance concerning outsourcing found in sections 7.3 and Part 11 of the Companion Policy 31-103 CP, including that which indicates that the investment fund manager is responsible for any functions delegated or outsourced and must supervise the service provider.

Appendix A

Examples of Filing Requirements for Changes in Year End The following examples assume the old financial year ended on December 31, 20X0

Transition Year	Comparative Annual Financial Statements to Transition Year	New Financial Year	Comparative Annual Financial Statements to New Financial Year	Interim Periods for Transition Year	Compara-tive Interim Periods to Transition Year	Interim Periods for New Financial Year	Comparative Interim Periods to New Financial Year
Up to 3 months							
3 months ended 3/31/X1	12 months ended 12/31/X0	3/31/X2	3 months ended 3/31/X1 and 12 months ended 12/31/X0	Not applicable	Not applicable	6 months ended 9/30/X1	6 months ended 9/30/X0
4 to 6 months							
6 months ended 6/30/X1	12 months ended 12/31/X0	6/30/X2	6 months ended 6/30/X1 and 12 months ended 12/31/X0	Not applicable	Not applicable	6 months ended 12/31/X1	6 months ended 12/31/X0
7 or 8 months							
8 months ended 8/31/X1	12 months ended 12/31/X0	8/31/X2	8 months ended 8/31/X1 and 12 months ended 12/31/X0	Not applicable	Not applicable	6 months ended 2/28/X2	6 months ended 2/28/X1
9 to 11 months							
11 months ended 11/30/X1	12 months ended 12/31/X0	11/30/X2	11 months ended 11/30/X1	6 months ended 6/30/X1	6 months ended 6/30/X0	6 months ended 5/31/X2	6 months ended 5/31/X1
11 to 15 months							
15 months ended 3/31/X2	12 months ended 12/31/X0	3/31/X3	15 months ended 3/31/X2	6 months ended 6/30/X1	6 months ended 6/30/X0	6 months ended 9/30/X2	6 months ended 9/30/X1

Appendix B — Contact Addresses

Alberta Securities Commission

Suite 600

250 - 5th Street SW

Calgary, Alberta

T2P 0R4

Attention: Corporate Finance

British Columbia Securities Commission

P.O. Box 10142, Pacific Centre

701 West Georgia Street

Vancouver, British Columbia

V7Y 1L2

Attention: Financial Reporting

Manitoba Securities Commission

Manitoba Securities Commission

500 — 400 St. Mary Avenue

Winnipeg, Manitoba

R3C 4K5

Attention: Corporate Finance

Financial and Consumer Services Commission (New Brunswick)

85 Charlotte Street, Suite 300

Saint John, NB

E2L 2J2

Attention: Corporate Finance

Financial Services Regulation Division Department of Government Services

P.O. Box 8700

St. John's, NL

A1B 4J6

Attention: Superintendent of Securities

Department of Justice, Northwest Territories

Legal Registries

P.O. Box 1320

1st Floor, 5009-49th Street

Yellowknife, NWT X1A 2L9

Attention: Director, Legal Registries

Nova Scotia Securities Commission

2nd Floor, Joseph Howe Building

1690 Hollis Street

Halifax, Nova Scotia B3J 3J9

Attention: Corporate Finance

Department of Justice, Nunavut

Securities Office Division

P.O. Box 1000 — Station 570

1st Floor, Brown Building

Iqaluit, NT X0A 0H0

Attention: Superintendent of Securities

Ontario Securities Commission

20 Queen Street West, 22nd Floor

Toronto, ON M5H 3S8

Attention: Continuous Disclosure, Investment Funds

Registrar of Securities, Prince Edward Island

P.O. Box 2000

95 Rochford Street, 5th Floor,

Charlottetown, PEI

C1A 7N8

Attention: Registrar of Securities

Autorité des marchés financiers

800 Square Victoria, 22nd Floor

P.O. Box 246, Tour de la Bourse

Montréal, Québec

H4Z 1G3

Attention: Direction des fonds d'investissement

Financial and Consumer Affairs Authority of Saskatchewan — Securities Division

601 - 1919 Saskatchewan Drive

Regina, SK

S4P 4H2

Attention: Deputy Director, Corporate Finance

Superintendent of Securities, Government of Yukon

Corporate Affairs J-9

P.O. Box 2703

Whitehorse, Yukon

Y1A 5H3

Attention: Superintendent of Securities

SCHEDULE 5
NATIONAL INSTRUMENT 81-107 *INDEPENDENT REVIEW COMMITTEE FOR INVESTMENT FUNDS*

Table of Contents

Introduction

This National Instrument (the Instrument) contains both rules and accompanying commentary on those rules. The Canadian Securities Administrators (the CSA or we), have made these rules under authority granted by the securities legislation of their jurisdiction.

The commentary may explain the implications of a rule, offer examples or indicate different ways to comply with a rule. It may expand on a particular subject without being exhaustive. The commentary is not legally binding, but it does reflect the views of the CSA. Commentary always appears in italic type and, outside of this introduction, is titled "Commentary".

Part 1 — Definitions and application

1.1 — Investment funds subject to Instrument

(1) This Instrument applies to an investment fund that is a reporting issuer.

(2) In Québec, this Instrument does not apply to a reporting issuer organized under

(a) an Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) R.S.Q., chapter F-3.2.1;

(b) an Act to establish Fondaction, le Fonds de dévelopement de la Confédération des syndicats nationaux pour la coopération et l'emploi (R.S.Q., chapter F-3.1.2); and

(c) an Act constituting Capital régional et coopératif Desjardins (R.S.Q., chapter C-6.1).

(3) Despite subsection (1), sections 6.1 to 6.5 also apply to an investment fund that is not a reporting issuer.

(4) Despite subsection (1), sections 6.1 and 6.5 also apply in respect of a managed account.

Commentary
1. This Instrument applies to all publicly offered mutual funds and non-redeemable investment funds. Investment funds subject to this Instrument include:

- *labour sponsored or venture capital funds;*
- *scholarship plans;*
- *mutual funds and closed-end funds listed and posted for trading on a stock exchange or quoted on an over-the-counter market; and*
- *investment funds not governed by National Instrument 81-102* Investment Funds *(NI 81-102)*.

2. This Instrument does not regulate mutual funds that are not reporting issuers (commonly referred to as pooled funds),

for example, mutual funds that sell securities to the public only under capital raising exemptions in securities legislation. *Part 6, however, provides exemptions that may be relied on in connection with certain trades involving managed accounts and investment funds that are not reporting issuers.*

1.2 — Definition of "conflict of interest matter"

In this Instrument, "a conflict of interest matter" means

(a) a situation where a reasonable person would consider a manager, or an entity related to the manager, to have an interest that may conflict with the manager's ability to act in good faith and in the best interests of the investment fund; or

(b) a conflict of interest or self-dealing provision listed in Appendix A that restricts or prohibits an investment fund, a manager or an entity related to the manager from proceeding with a proposed action.

Commentary

1. Section 5.1 of this Instrument requires that a manager refer all conflict of interest matters to the independent review committee (IRC).

2. The CSA do not consider the 'reasonable person' test described in paragraph (a) to capture inconsequential matters. It is expected that, among the factors the manager will look to for guidance to identify conflict of interest matters caught by this Instrument, will be industry best practices. The CSA expect, however, each manager to consider the nature of its investment fund operations when making its decisions about which conflict of interest matters it faces for the funds it manages.

3. The types of conflicts of interest faced by the portfolio manager or portfolio adviser (or sub-adviser) or any other entity related to the manager this Instrument captures relate to the decisions made on behalf of the investment fund that may affect or influence the manager's ability to make decisions in good faith and in the best interests of the investment fund. This Instrument is not intended to capture the conflicts of interest at the service provider level generally.

The CSA expect the manager to consider whether a particular portfolio manager or portfolio adviser or any other 'entity related to the manager' would have any conflicts of interest falling within the definition.
For example, paragraph (a) might, depending on the circumstances, capture these conflicts of the portfolio manager or portfolio adviser:

- *portfolio management processes for the investment fund, including allocation of investments among a family of investment funds; and*

- *trading practices for the investment fund, including negotiating soft dollar arrangements with dealers with whom the adviser places portfolio transactions for the investment fund*.

4. The CSA contemplate that an 'entity related to the manager' will have its own policies and procedures to address any conflicts of interest in its operations. It is expected the manager will make reasonable inquiries of these policies and procedures. The conflicts of interest facing these entities, including any third party portfolio manager or portfolio adviser, may affect, or be perceived to affect, the manager's ability to make decisions in the best interests of the investment fund. The manager is expected to refer such conflicts to the IRC under this Instrument.

5. For greater certainty, paragraph (b) requires that a 'conflict of interest matter' includes any course of action that the investment fund, the manager or an entity related to the manager would otherwise be restricted or prohibited from proceeding with because of a conflict of interest or self-dealing prohibition in securities legislation. These include the types of transactions described under subsection 5.2(1) of this Instrument.

1.3 — Definition of "entity related to the manager"

In this Instrument, "entity related to the manager" means

(a) a person or company that can direct or materially affect the direction of the management and policies of the manager or the investment fund, other than as a member of the independent review committee; or

(b) an associate, affiliate, partner, director, officer or subsidiary of the manager or of a person or company referred to in paragraph (a).

Commentary

1. The CSA consider an 'entity related to the manager' in paragraph (a) to include:

• the portfolio manager or portfolio adviser (or sub-adviser) of the investment fund, including any third party portfolio manager or portfolio adviser;

• the administrator of a scholarship plan; and

• any person or company that can materially direct or affect the manager's management or policies, including through contractual agreements or ownership of voting securities.

1.4 — Definition of "independent"

(1) In this Instrument, a member of the independent review committee is "independent" if the member has no material relationship with the manager, the investment fund, or an entity related to the manager.

(2) For the purposes of subsection (1), a material relationship means a relationship which could reasonably be perceived to interfere with the member's judgment regarding a conflict of interest matter.

Commentary

1. Under subsection 3.7(3), all members of the IRC must be independent of the manager, the investment fund and entities related to the manager. The CSA believe that all members must be independent because the principal function of the IRC is to review activities and transactions that involve inherent conflicts of interest between an investment fund and its manager. Given this role, it is important that the members of the IRC are free from conflicting loyalties.

2. While the members of the IRC should not themselves be subject to inherent conflicts or divided loyalties, the CSA recognize that there may be inherent conflicts relating to inter-fund issues where a single IRC acts for a family of investment funds. In those cases, this Instrument requires members to conduct themselves in accordance with their written charter and in accordance with the standard of care set out in this Instrument.

The CSA do not consider the IRC's ability to set its own reasonable compensation to be a material relationship with the manager or investment fund under subsection 1.4(1).

3. A material relationship referred to in subsection 1.4(1) may include an ownership, commercial, charitable, industrial, banking, consulting, legal, accounting or familial relationship. The CSA expect managers and IRC members to consider both past and current relationships when determining whether a material relationship exists.
For example, depending on the circumstances, the following individuals may be independent under section 1.4:

• an independent member of an existing advisory board or IRC of an investment fund;

• an independent member or former independent member of the board of directors, or of a special committee of the board of directors, of an investment fund;

• a former independent member of the board of directors, or special committee of the board of directors, of the manager;

• an individual appointed as a trustee for an investment fund; and

• an independent member of the board of directors, or of a special committee of the board of directors, of a registered trust company that acts as trustee for an investment fund.

By way of further example, the CSA consider it unlikely that the following individuals would be independent under section 1.4:

- *a person who is or has recently been an employee or executive officer of the manager or investment fund; and*

- *a person whose immediate family member is or has recently been an executive officer of the manager or investment fund.*

The CSA also consider that it would be rare that a member of the board of directors, or special committee of the board of directors, of a manager could be 'independent' within the meaning of this Instrument. One such example of when a member of the board of directors of a manager could be 'independent' may be "owner-operated" investment funds, sold exclusively to defined groups of investors, such as members of a trade or professional association or co-operative organization, who directly or indirectly, own the manager. In the case of these investment funds, the CSA view the interests of the independent members of the board of directors of the manager and investors as aligned.

1.5 — Definition of "inter-fund self-dealing investment prohibitions"

In this Instrument, "inter-fund self-dealing investment prohibitions" means the provisions listed in Appendix B that prohibit

(a) a portfolio manager from knowingly causing any investment portfolio managed by it to purchase or sell, or

(b) an investment fund from purchasing or selling,

the securities of an issuer from or to the account of a responsible person, an associate of a responsible person or the portfolio manager.

1.6 — Definition of "manager"

In this Instrument, "manager" means a person or company that directs the business, operations and affairs of an investment fund.

Commentary

1. The CSA are of the view that the term 'manager' should be interpreted broadly.

The term "manager" is intended to include a group of members on the board of an investment fund or the general partner of an investment fund organized as a limited partnership, where it acts in the capacity of 'manager'/decision-maker.

2. The CSA have, in connection with prospectus reviews, on occasion encountered investment funds structured in unusual ways. The CSA may examine an investment fund if it seems that it was structured to avoid the operation of this Instrument.

1.7 — Definition of "standing instruction"

In this Instrument, "standing instruction" means a written approval or recommendation from the independent review committee that permits the manager to proceed with a proposed action under section 5.2 or 5.3 on an ongoing basis.

1.8 — Definition of "designated website"

In this Instrument, "designated website" has the meaning ascribed to that term in National Instrument 81-106 *Investment Fund Continuous Disclosure*.

Part 2 — Functions of the manager

2.1 — Manager standard of care

A manager in exercising its powers and discharging its duties related to the management of the investment fund must

(a) act honestly and in good faith, and in the best interests of the investment fund; and

(b) exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Commentary

1. This section introduces a required standard of care for managers in certain jurisdictions and is intended to create a uniform standard of care provision for managers of investment funds subject to this Instrument.

2.2 — Manager to have written policies and procedures

(1) Before proceeding with a conflict of interest matter or any other matter that securities legislation requires the manager to refer to the independent review committee, the manager must

(a) establish written policies and procedures that it must follow on that matter or on that type of matter, having regard to its duties under securities legislation; and

(b) refer the policies and procedures to the independent review committee for its review and input.

(2) In establishing the written policies and procedures described in subsection (1), the manager must consider the input of the independent review committee, if any.

(3) The manager may revise its policies and procedures if it provides the independent review committee with a written description of any significant changes for the independent review committee's review and input before implementing the revisions.

Commentary

1. Section 2.2 contemplates that a manager should identify for each investment fund the conflict of interest matters it expects will arise and that will be required to be referred to the IRC under section 5.1, and review its policies and procedures for those matters with the IRC.

Section 2.2 further requires the manager to establish policies and procedures for other matters it expects will arise and that will be required by securities legislation to be referred to the IRC, for example, certain reorganizations and transfers of assets between related mutual funds under Part 5 of NI 81-102.

2. A manager is expected to establish policies and procedures that are consistent with its obligations to the investment fund under securities legislation to make decisions in the best interests of the fund. Paragraph (1)(a) is intended to reinforce this obligation.

A manager that manages more than one investment fund may establish policies and procedures for an action or category of actions for all of the investment funds it manages. Alternatively, the manager may establish separate policies and procedures for the action or category of actions for each of its investment funds, or groups of its investment funds.

However structured, the CSA expect the written policies and procedures the manager establishes to be designed to prevent any violations by the manager and the investment fund of securities legislation in the areas that this Instrument addresses, and to detect and promptly correct any violations that occur.

3. A manager is expected to follow the policies and procedures established under this section. In referring a matter to the IRC under section 5.1, the CSA expect the manager to inform the IRC whether its proposed action follows its written policies and procedures on the matter.

If an unanticipated conflict of interest matter arises for which the manager does not have a policy and procedure, the CSA expect the manager to bring the matter and its proposed action to the IRC for its review and input at the time the matter is referred to the IRC.

4. Small investment fund families may require fewer written policies and procedures than large fund complexes that, for example, have conflicts of interest as a result of affiliations with other financial service firms.

5. The CSA do not consider a manager's organization of an investment fund (such as the initial setting of fees or the initial choice of service providers) to be subject to IRC review, unless the manager's decisions give rise to a conflict of interest concerning the manager's obligations to existing investment funds within the manager's fund family. However, the CSA expect the manager will establish policies and procedures for any conflict of interest matters arising from the investment fund's organization or otherwise and refer to the IRC these policies and procedures and any decisions related to such matters.

It is anticipated that the manager will wish to engage the IRC early in the establishment of any new investment fund to ensure the IRC is adequately informed of potential new conflicts of interest.

2.3 — Manager to maintain records

A manager must maintain a record of any activity that is subject to the review of the independent review committee, including

(a) a copy of the policies and procedures that address the matter;

(b) minutes of its meetings, if any; and

(c) copies of materials, including any written reports, provided to the independent review committee.

Commentary

1. This section is intended to assist the CSA in determining whether the manager is adhering to this Instrument, and in identifying weaknesses in the manager's policies and procedures if violations do occur. The CSA expect managers to keep records in accordance with existing best practices.

2. A manager is expected under this section to keep minutes only of any material discussions it has at meetings with the IRC or internally on matters subject to the review of the IRC.

The CSA do not view this section or this Instrument as preventing the IRC and manager from sharing record keeping and maintaining joint records of IRC and manager meetings.

3. The CSA expect a manager to keep records of the actions it takes in respect of a matter referred to the IRC. This includes any otherwise restricted or prohibited transactions described in subsection 5.2(1) for which the manager requires the IRC's approval under Part 6 of this Instrument or under Part 4 of NI 81-102.

2.4 — Manager to provide assistance

(1) When a manager refers to the independent review committee a conflict of interest matter or any other matter that securities legislation requires it to refer, or refers its policies and procedures related to such matters, the manager must

(a) provide the independent review committee with information sufficient for the independent review committee to properly carry out its responsibilities, including

(i) a description of the facts and circumstances giving rise to the matter;

(ii) the manager's policies and procedures;

(iii) the manager's proposed course of action, if applicable; and

(iv) all further information the independent review committee reasonably requests;

(b) make its officers who are knowledgeable about the matter available to attend meetings of the independent review committee or respond to inquiries of the independent review committee about the matter; and

(c) provide the independent review committee with any other assistance it reasonably requests in its review of the matter.

(2) A manager must not prevent or attempt to prevent the independent review committee, or a member of the independent review committee, from communicating with the securities regulatory authority or regulator.

Part 3 — Independent review committee

3.1 — Independent review committee for an investment fund

An investment fund must have an independent review committee.

Commentary

1. A manager is expected to establish an IRC using a structure that is appropriate for the investment funds it manages, having regard to the expected workload of that committee. For example, a manager may establish one IRC for each of the investment funds it manages, for several of its investment funds, or for all of its investment funds.

2. This Instrument does not prevent investment funds from sharing an IRC with investment funds managed by another manager. This Instrument also does not prevent a third party from offering IRCs for investment funds. Managers of smaller families of investment funds may find these to be cost-effective ways to establish IRCs for their investment funds.

3.2 — Initial appointments

The manager must appoint each member of an investment fund's first independent review committee.

3.3 — Vacancies and reappointments

(1) An independent review committee must fill a vacancy on the independent review committee as soon as practicable.

(2) A member whose term has expired, or will soon expire, may be reappointed by the other members of the independent review committee.

(3) In filling a vacancy on the independent review committee or reappointing a member of the independent review committee, the independent review committee must consider the manager's recommendations, if any.

(4) A member may not be reappointed for a term or terms of office that, if served, would result in the member serving on the independent review committee for longer than 6 years, unless the manager agrees to the reappointment.

(5) If, for any reason, an independent review committee has no members, the manager must appoint a member to fill each vacancy as soon as practicable.

Commentary

1. Consistent with the manager's role to appoint the first members of an IRC, if at any time the IRC has no members, the manager will also appoint the replacement members. The CSA anticipate that the circumstances contemplated in subsection (5) will occur rarely, such as in the event of a change of manager or change in control of the manager. In these circumstances, managers should consider their timely disclosure obligations under securities legislation.

2. The manager may suggest candidates and may provide assistance to the IRC in the selection and recruitment process when a vacancy arises. Subsection (3) requires the IRC to consider the manager's recommendation, if any,

when filling a vacancy or reappointing a member of the IRC.

The CSA believe that allowing the IRC to select its own members and decide the term a member can serve will foster independent-minded committees that will be focussed on the best interests of the investment fund. The CSA also consider the members of the IRC to be best-positioned to judge the manner in which a prospective member can contribute to the effectiveness of the IRC.

3. The maximum term limit of 6 years specified in subsection (4) for a member to serve on an investment fund's IRC is intended to enhance the independence and effectiveness of the IRC. An IRC may reappoint a member beyond the maximum term, but only with the agreement of the manager.

3.4 — Term of office

The term of office of a member of an independent review committee must be not less than 1 year and not more than 3 years, and must be set by the manager or the independent review committee, as the case may be, at the time the member is appointed.

Commentary

1. To ensure continuity and continued independence from the manager, the CSA recommend that the terms of all IRC members be staggered.

3.5 — Nominating criteria

Before a member of the independent review committee is appointed, the manager or the independent review committee, as the case may be, must consider

(a) the competencies and skills the independent review committee, as a whole, should possess;

(b) the competencies and skills of each other member of the independent review committee; and

(c) the competencies and skills the prospective member would bring to the independent review committee.

Commentary

1. Section 3.5 sets out the criteria the manager and the IRC must consider before appointing a member of the IRC. Subject to these requirements, the manager and the IRC may establish nominating criteria in addition to those set out in this section.

3.6 — Written charter

(1) The independent review committee must adopt a written charter that includes its mandate, responsibilities and functions, and the policies and procedures it will follow when performing its functions.

(2) If the independent review committee and the manager agree in writing that the independent review committee will perform functions other than those prescribed by securities legislation, the charter must include a description of the functions that are the subject of the agreement.

(3) In adopting the charter, the independent review committee must consider the manager's recommendations, if any.

Commentary

1. The CSA expect the written charter to set out the necessary policies and procedures to ensure the IRC performs its role adequately and effectively and in compliance with this Instrument. An IRC acting for more than one investment fund may choose to establish a separate charter for each fund. Alternatively, an IRC may choose to establish one charter for all of the investment funds it oversees or groups of investment funds.

2. The IRC should consider the specific matters subject to its review when developing the policies and procedures to be set out in its charter.
3. Without discussing all of the policies and procedures that may be set out in the written charter, the CSA expect that the written charter will include the following:

- *policies and procedures the IRC must follow when reviewing conflict of interest matters,*

- *criteria for the IRC to consider in setting its compensation and expenses and the compensation and expenses of any advisors employed by the IRC,*

- *a policy relating to IRC member ownership of securities of the investment fund, manager or in any person or company that provides services to the investment fund or the manager,*

- *policies and procedures that describe how a member of the IRC is to conduct himself or herself when he or she faces a conflict of interest, or could be perceived to face a conflict of interest, with respect to a matter being considered or to be considered by the IRC,*

- *policies and procedures that describe how the IRC is to interact with any existing advisory board or board of directors of the investment fund and the manager, and*

- *policies and procedures that describe how any subcommittee of the IRC to which has been delegated any of the functions of the IRC, is to report to the IRC.*

4. The manager and the IRC may agree that the IRC will perform functions in addition to those prescribed by this Instrument and elsewhere in securities legislation. This Instrument does not preclude those arrangements, nor does this Instrument regulate those arrangements.

3.7 — Composition

(1) An independent review committee must have at least three members.

(2) The size of the independent review committee is to be determined by the manager, with a view to facilitating effective decision-making, and may only be changed by the manager.

(3) Every independent review committee member must be independent.

(4) An independent review committee must appoint a member as Chair.

(5) The Chair of an independent review committee is responsible for managing the mandate, and responsibilities and functions, of the independent review committee.

Commentary

1. To ensure its effectiveness, a manager should consider the workload of the IRC when determining its size. The CSA expect that the manager will seek the input of the IRC prior to changing the size of the IRC.

2. The CSA anticipate that the Chair of the IRC will lead IRC meetings, foster communication among IRC members, and ensure the IRC carries out its responsibilities in a timely and effective manner.

The CSA expect the IRC Chair will be the primary person to interact with the manager on issues relating to the investment fund. An IRC Chair and the manager may agree to have regular communication as a way for the IRC Chair to keep informed of the operations of the investment fund between meetings, and of any significant events relating to the investment fund.

3. The requirement that all members of the IRC be independent does not preclude the IRC from consulting with others who can help the members understand matters that are beyond their specific expertise, or help them understand industry practices or trends, for example.

3.8 — Compensation

(1) The manager may set the initial compensation and expenses of an independent review committee that is appointed under section 3.2 or subsection 3.3(5).

(2) Subject to subsection (1), the independent review committee must set reasonable compensation and proper expenses for its members.

(3) When setting its compensation and expenses under subsection (2), the independent review committee must consider

(a) the independent review committee's most recent assessment of its compensation under paragraph 4.2(2)(b); and

(b) the manager's recommendations, if any.

Commentary

1. This section permits the manager to determine the amount and type of compensation and expenses the IRC members will initially receive. To avoid undue influence from the manager, subsection (2) requires that, subsequent to the initial setting of compensation and other than in the unusual circumstance described in subsection 3.3(5), members of the IRC have the sole authority for determining their compensation. The Instrument permits the manager to recommend to the members of the IRC the amount and type of compensation to be paid, and requires the IRC to consider that recommendation.

2. The CSA expect the IRC and the manager to decide the IRC's compensation in a manner consistent with good governance practices. Among the factors the IRC and manager should consider when determining the appropriate level of compensation are the following:

- *the number, nature and complexity of the investment funds and the fund families for which the IRC acts;*
- *the nature and extent of the workload of each member of the IRC, including the commitment of time and energy that is expected from each member;*
- *industry best practices, including industry averages and surveys on IRC compensation; and*
- *the best interests of the investment fund*.

3. The CSA expect that the IRC and the manager will discuss any instance where the IRC disagrees with the manager's recommendations under paragraph (3)(b), in an attempt to reach an agreement that is satisfactory to both the IRC and the manager.

3.9 — Standard of care

(1) Every member of an independent review committee, in exercising his or her powers and discharging his or her duties related to the investment fund, and, for greater certainty, not to any other person, as a member of the independent review committee must

(a) act honestly and in good faith, with a view to the best interests of the investment fund; and

(b) exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(2) Every member of an independent review committee must comply with this Instrument and the written charter of the independent review committee required under section 3.6.

(3) A member of the independent review committee does not breach paragraph (1)(b), if the member exercised the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, including

reliance in good faith on

(a) a report or certification represented as full and true to the independent review committee by the manager or an entity related to the manager; or

(b) a report of a person whose profession lends credibility to a statement made by the person.

(4) A member of the independent review committee has complied with his or her duties under paragraph (1)(a) if the member has relied in good faith on

(a) a report or certification represented as full and true to the independent review committee by the manager or an entity related to the manager; or

(b) a report of a person whose profession lends credibility to a statement made by the person.

Commentary

1. The standard of care for IRC members under this section is consistent with the special relationship between the IRC and the investment fund.

The CSA consider the role of the members of the IRC to be similar to corporate directors, though with a much more limited mandate, and therefore we would expect any defences available to corporate directors to also be available to IRC members.

2. The CSA consider the best interests of the investment fund referred to in paragraph (1)(a) to generally be consistent with the interests of the securityholders in the investment fund as a whole.

3. It is not the intention of the CSA to create a duty of care on the part of the IRC to any other person under paragraph (1)(b).

3.10 — Ceasing to be a member

(1) An individual ceases to be a member of an independent review committee when

(a) the investment fund terminates;

(b) the manager of the investment fund changes, unless the new manager is an affiliate of the former manager; or

(c) there is a change of control of the manager of the investment fund.

(2) An individual ceases to be a member of an independent review committee if

(a) the individual resigns;

(b) the individual's term of office expires and the member is not reappointed;

(c) a majority of the other members of the independent review committee vote to remove the individual; or

(d) a majority of the securityholders of the investment fund vote to remove the individual at a special meeting called for that purpose by the manager.

(3) An individual ceases to be a member of the independent review committee if the individual is

(a) no longer independent within the meaning of section 1.4 and the cause of the member's non-independence is not temporary for which the member can recuse himself or herself;

(b) of unsound mind and has been so found by a court in Canada or elsewhere;

(c) bankrupt;

(d) prohibited from acting as a director or officer of any issuer in Canada;

(e) subject to any penalties or sanctions made by a court relating to provincial and territorial securities legislation; or

(f) a party to a settlement agreement with a provincial or territorial securities regulatory authority.

(4) If an individual ceases to be a member of the independent review committee due to a circumstance described in subsection (2), the manager must, as soon as practicable, notify the securities regulatory authority or regulator of the date and the reason the individual ceased to be a member.

(5) The notification referred to in subsection (4) is satisfied if it is made to the investment fund's principal regulator.

(6) The notice of a meeting of securityholders of an investment fund called to consider the removal of a member under paragraph (2)(d) must comply with the notice requirements set out in section 5.4 of National Instrument 81-102 *Investment Funds*.

(7) For any member of the independent review committee who receives notice or otherwise learns of a meeting of securityholders called to consider the removal of the member under paragraph (2)(d),

(a) the member may submit to the manager a written statement giving reasons for opposing the removal; and

(b) the manager must, as soon as practicable, send a copy of the statement referred to in paragraph (a) to every securityholder entitled to receive notice of the meeting and to the member unless the statement is included in or attached to the notice documents required by subsection (6).

Commentary

1. The CSA do not anticipate that the securityholder vote contemplated in paragraph 3.10(2)(d) will be routine. When a manager calls a meeting of securityholders to consider the removal of a member, subsection (7) requires that the member will have an opportunity to respond to the manager's notice.

2. In the circumstances described in paragraphs 3.10(1)(b) and (c), all members of the IRC will cease to be members. This does not preclude the new manager from reappointing the former members of the IRC under subsection 3.3(5).

3. Paragraph 3. 10(3)(a) is meant to exclude a situation where a member may face, or be perceived to face, a conflict of interest with respect to a specific conflict of interest matter the IRC is considering.

3.11 — Authority

(1) An independent review committee has authority to

(a) request information it determines useful or necessary from the manager and its officers to carry out its duties;

(b) engage independent counsel and other advisors it determines useful or necessary to carry out its duties;

(c) set reasonable compensation and proper expenses for any independent counsel and other advisors engaged by the independent review committee; and

(d) delegate to a subcommittee of at least three members of the independent review committee any of its functions, except the removal of a member under paragraph 3.10(2)(c).

(2) If the independent review committee delegates to a subcommittee under paragraph (1)(d) any of its functions, the

subcommittee must report on its activities to the independent review committee at least annually.

(3) Despite any other provision in this Instrument, an independent review committee may communicate directly with the securities regulatory authority or regulator with respect to any matter.

Commentary

1. The CSA recognize that utilizing the manager's staff and industry experts may be important to help the members of the IRC deal with matters that are beyond the level of their expertise, or help them understand different practices among investment funds.

While this Instrument does not require legal counsel or other advisers for the IRC to be independent of the manager or the investment fund, there may be instances when the members of the IRC believe they need access to counsel or advisers who are free from conflicting loyalties. Paragraph (1)(b) gives the IRC the discretion and authority to hire independent legal counsel and other advisers. The CSA expect that the IRC will use independent advisors selectively and only to assist, not replace, IRC decision-making. The CSA do not anticipate that IRCs will routinely use external counsel and other advisers.

2. Paragraph (1)(d) is intended to allow an IRC of more than three members to delegate any of its functions, except the removal of an IRC member, to a subcommittee of at least three members. The CSA expect in such instances that the written charter of the IRC will include a defined mandate and reporting requirements for any subcommittee.

The CSA do not consider delegation by the IRC of a function to a subcommittee to absolve the IRC from its responsibility for the function.

3. Subsection (3) specifies that the IRC may inform the securities regulatory authority or regulator of any concerns or issues that it may not otherwise be required to report. For example, the IRC may be concerned if very few matters have been referred by the manager for review, or it may have found, or have reasonable grounds to suspect, a breach of securities legislation has occurred. However, the IRC has no obligation to report matters other than those prescribed by this Instrument or elsewhere in securities legislation.

4. The CSA do not consider that this section or this Instrument prevents the manager from communicating with the securities regulatory authorities with respect to any matter.

3.12 — Decisions

(1) A decision by the independent review committee on a conflict of interest matter or any other matter that securities legislation requires the independent review committee to review requires the agreement of a majority of the independent review committee's members.

(2) If, for any reason, an independent review committee has two members, a decision by the independent review committee must be unanimous.

(3) An independent review committee with one member may not make a decision.

Commentary

1. This section requires a decision of the members of the IRC to represent the majority. Should the IRC find itself with two members, subsection (2) permits the IRC to continue to make decisions on conflict of interest matters provided the remaining two members agree.

3.13 — Fees and expenses to be paid by the investment fund

The investment fund must pay from the assets of its fund all reasonable costs and expenses reasonably incurred in the compliance of this Instrument.

Commentary

1. A manager is expected to allocate the costs associated with the IRC on an equitable and reasonable basis amongst the investment funds for which the IRC acts.

This Instrument does not prohibit a manager from reimbursing the investment fund for any of the costs associated with compliance with this Instrument. It is expected that the prospectus will disclose whether or not the manager will reimburse the investment fund.

2. The CSA do not expect costs that the manager or investment fund would ordinarily incur in the operation of the investment fund without the presence of the IRC (for example, rent) to be charged to the investment fund under this section. Among the costs the CSA expect will be charged to the investment fund under this section are the following:

- *the compensation and expenses payable to the members of the IRC and to any independent counsel and other advisers employed by the IRC;*

- *the costs of the orientation and continuing education of the members of the IRC; and*

- *the costs and expenses associated with a special meeting of securityholders called by the manager to remove a member or members of the IRC.*

3.14 — Indemnification and insurance

(1) In this section, "member" means:

(a) a member of the independent review committee;

(b) a former member of the independent review committee; and

(c) the heirs, executors, administrators or other legal representatives of the estate of an individual in (a) or (b).

(2) An investment fund and manager may indemnify a member against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the person in respect of any civil, criminal, administrative, investigative or other proceeding in which the member is involved because of being or having been a member.

(3) An investment fund and manager may advance moneys to a member for the costs, charges and expenses of a proceeding referred to in subsection (2). The member must repay the moneys if the member does not fulfill the conditions of subsection (4).

(4) An investment fund and manager may not indemnify a member under subsection (2) unless

(a) the member acted honestly and in good faith, with a view to the best interests of the investment fund; and

(b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the member had reasonable grounds for believing that the individual's conduct was lawful.

(5) Despite subsection (2), a member referred to in that subsection is entitled to an indemnity from the investment fund in respect of all costs, charges and expenses reasonably incurred by the member in connection with the defence of any civil, criminal, administrative, investigative or other proceeding to which the member is subject because of the member's association with the investment fund as described in subsection (2), if the member seeking indemnity

(a) was not judged by the court or other competent authority to have committed any fault or omitted to do anything that ought to have been done; and

(b) fulfills the conditions set out in subsection (4).

(6) An investment fund and manager may purchase and maintain insurance for the benefit of any member referred to in subsection (2) against any liability incurred by the member in his or her capacity as a member.

Commentary

1. This Instrument requires that members of an IRC be accountable for their actions. At the same time, this section does not prevent an investment fund or a manager from limiting a member's financial exposure through insurance and indemnification.

2. This section permits an investment fund and the manager to indemnify and purchase insurance coverage for the members of the IRC on terms comparable to those applicable to directors of corporations. The broad goals underlying the indemnity provisions are to allow for reimbursement for reasonable good faith behaviour, thereby discouraging the hindsight application of perfection to the IRC's actions.

Under this section, the investment fund is required to indemnify an IRC member who has been sued and has successfully defended the action, subject to certain conditions. If the IRC member does not defend the action successfully, the investment fund and manager may indemnify the member in certain circumstances. The intention of indemnity is to encourage responsible behaviour yet still permit enough leeway to attract strong candidates.
The two conditions which must be satisfied in either instance under this section for an IRC member to be indemnified are:

- *the IRC member must have acted in a manner consistent with his or her fiduciary duty with respect to the action or matter for which the IRC member is seeking the indemnification; and*

- *the IRC member must have had reasonable grounds for believing that his or her conduct was lawful*.

The CSA expect any such coverage to be on reasonable commercial terms.

3. It is open to members of the IRC to negotiate contractual indemnities with the manager and the investment fund provided the protection is permissible under this section.

3.15 — Orientation and continuing education

(1) The manager and independent review committee must provide orientation consisting of educational or informational programs that enable a new independent review committee member to understand

(a) the role of the independent review committee and its members collectively; and

(b) the role of the individual member.

(2) The manager may provide a member of the independent review committee with educational or informational programs, as the manager considers useful or necessary, that enable the member to understand the nature and operation of the manager's and investment fund's businesses.

(3) The independent review committee may reasonably supplement the educational and informational programs provided to its members under this section.

Commentary

1. The CSA expect members of the IRC to regularly participate in educational or informational programs that may be useful to the members in understanding and fulfilling their duties.
Section 3.15 sets out only the minimum educational programs that a manager and IRC are expected to provide for members of the IRC. Educational activities could include presentations, seminars or discussion groups conducted by:

- *personnel of the investment fund or manager,*

- *outside experts,*

- *industry groups,*

- *representatives of the investment fund's various service providers, and*

- *educational organizations and institutions*.

2. The CSA expect a discussion of a member's role referred to in paragraph (1)(b) to include a reference to the commitment of time and energy that is expected from the member.

Part 4 — Functions of independent review committee

4.1 — Review of matters referred by manager

(1) The independent review committee must review and provide its decision under section 5.2 or under section 5.3 to the manager on a conflict of interest matter that the manager refers to the independent review committee for review.

(2) The independent review committee must perform any other function required by securities legislation.

(3) The independent review committee has the authority to choose whether to deliberate and decide on a matter referred to in subsection (1) and (2) in the absence of the manager, any representative of the manager and any entity related to the manager.

(4) Despite subsection (3), an independent review committee must hold at least one meeting annually at which the manager, any representative of the manager or any entity related to the manager are not in attendance.

(5) The independent review committee has no power, authority or responsibility for the operation of the investment fund or the manager except as provided in this section.

Commentary

1. The Instrument requires the IRC only to consider matters referred to it by the manager that involve or may be perceived to involve a conflict of interest for the manager between its own interests and its duty to manage an investment fund.

Securities legislation also requires the IRC to consider other matters. For example, a change in a mutual fund's auditor and certain reorganizations and transfers of assets between related mutual funds under Part 5 of NI 81-102 require the review and prior approval of the IRC for the manager to proceed.

2. The manager and the IRC may agree that the IRC will perform functions in addition to those prescribed by this Instrument and elsewhere in securities legislation. This Instrument does not preclude those arrangements, nor does this Instrument regulate those arrangements.

3. Subsection (3) permits the IRC to decide who, other than IRC members, may attend any IRC meeting other than the meeting referred to in subsection (4). Subsection (3) also does not preclude the IRC from receiving oral or written submissions from the manager or from holding meetings with representatives of the manager or an entity related to the manager or any other person not independent under this Instrument. The CSA believe utilizing the manager's staff and industry experts may be important to help the members of the IRC understand matters that are beyond their specific expertise, or help them understand different practices among investment funds.

4. The requirement that the IRC hold at least one meeting without anyone else present (including management of the investment fund) is intended to give the members of the IRC an opportunity to speak freely about any sensitive issues, including any concerns about the manager.

The CSA are of the view that subsection (4) is satisfied if the IRC holds a portion of any meeting annually without the presence of the manager, any representative of the manager or any entity related to the manager.

4.2 — Regular assessments

(1) At least annually, the independent review committee must review and assess the adequacy and effectiveness of

(a) the manager's written policies and procedures required under section 2.2;

(b) any standing instruction it has provided to the manager under section 5.4;

(c) the manager's and the investment fund's compliance with any conditions imposed by the independent review committee in a recommendation or approval it has provided to the manager; and

(d) any subcommittee to which the independent review committee has delegated, under paragraph 3.11(1)(d), any of its functions.

(2) At least annually, the independent review committee must review and assess

(a) the independence of its members; and

(b) the compensation of its members.

(3) At least annually, the independent review committee must review and assess its effectiveness as a committee, as well as the effectiveness and contribution of each of its members.

(4) The review by the independent review committee required under subsection (3) must include a consideration of

(a) the independent review committee's written charter referred to in section 3.6;

(b) the competencies and knowledge each member is expected to bring to the independent review committee;

(c) the level of complexity of the issues reasonably expected to be raised by members in connection with the matters under review by the independent review committee; and

(d) the ability of each member to contribute the necessary time required to serve effectively on the independent review committee.

Commentary

1. Section 4.2 sets out the minimum assessments the independent review committee must perform. Subject to these requirements, the IRC may establish a process for (and determine the frequency of) additional assessments as it sees fit.

2. The annual self-assessment by the IRC should improve performance by strengthening each member's understanding of his or her role and fostering better communication and greater cohesiveness among members.

3. When evaluating individual performance, it is expected that the IRC consider factors such as the member's attendance and participation in meetings, continuing education activities and industry knowledge. The manager may also provide IRC members with feedback which the IRC may consider.
It is expected the self-assessment should focus on both substantive and procedural aspects of the IRC's operations. When evaluating the IRC's structure and effectiveness, the IRC should consider factors such as the following:

- *the frequency of meetings;*
- *the substance of meeting agendas;*
- *the policies and procedures that the manager has established to refer matters to the IRC;*
- *the usefulness of the materials provided to the members of the IRC;*
- *the collective experience and background of the members of the IRC;*

• the number of funds the IRC oversees; and

• the amount and form of compensation the members receive from an individual investment fund and in aggregate from the fund family.

4. The CSA expect the members of an IRC to respond appropriately to address any weaknesses found in a self-assessment. For example, it may be necessary to improve the IRC members' continuing education, recommend ways to improve the quality and sufficiency of the information provided to them, or recommend to the manager decreasing the number of investment funds under the IRC's oversight.

In rare circumstances, the IRC may consider removing a member of the IRC as contemplated under paragraph 3.10(2)(c) as a result of the self-assessment.

4.3 — Reporting to the manager

The independent review committee must as soon as practicable deliver to the manager a written report of the results of an assessment under subsection 4.2(1) and (2) that includes

(a) a description of each instance of a breach of any of the manager's policies or procedures of which the independent review committee is aware, or that it has reason to believe has occurred;

(b) a description of each instance of a breach of a condition imposed by the independent review committee in a recommendation or approval it has provided to the manager, of which the independent review committee is aware, or that it has reason to believe has occurred; and

(c) recommendations for any changes the independent review committee considers should be made to the manager's policies and procedures.

4.4 — Reporting to securityholders

(1) An independent review committee must prepare, for each financial year of the investment fund and no later than the date the investment fund files its annual financial statements, a report to securityholders of the investment fund that describes the independent review committee and its activities for the financial year and includes

(a) the name of each member of the independent review committee at the date of the report, with

(i) the member's length of service on the independent review committee;

(ii) the name of any other fund family on whose independent review committee the member serves; and

(iii) if applicable, a description of any relationship that may cause a reasonable person to question the member's independence and the basis upon which the independent review committee determined that the member is independent;

(b) the percentage of securities of each class or series of voting or equity securities beneficially owned, directly or indirectly, in aggregate, by all the members of the independent review committee of the investment fund

(i) in the investment fund if the aggregate level of ownership exceeds 10 percent;

(ii) in the manager; or

(iii) in any person or company that provides services to the investment fund or the manager;

(c) the identity of the Chair of the independent review committee;

(d) any changes in the composition or membership of the independent review committee during the period;

(e) the aggregate compensation paid to the independent review committee and any indemnities paid to members of the independent review committee by the investment fund during the period;

(f) a description of the process and criteria used by the independent review committee to determine the appropriate level of compensation of its members and any instance when, in setting the compensation and expenses of its members, the independent review committee did not follow the recommendation of the manager, including

(i) a summary of the manager's recommendation; and

(ii) the independent review committee's reasons for not following the recommendation;

(g) if known, a description of each instance when the manager acted in a conflict of interest matter referred to the independent review committee for which the independent review committee did not give a positive recommendation, including

(i) a summary of the recommendation; and

(ii) if known, the manager's reasons for proceeding without following the recommendation of the independent review committee and the result of proceeding;

(h) if known, a description of each instance when the manager acted in a conflict of interest matter but did not meet a condition imposed by the independent review committee in its recommendation or approval, including

(i) the nature of the condition;

(ii) if known, the manager's reasons for not meeting the condition; and

(iii) whether the independent review committee is of the view that the manager has taken, or proposes to take, appropriate action to deal with the matter; and

(i) a brief summary of any recommendations and approvals the manager relied upon during the period.

(2) The report required under subsection (1) must as soon as practicable

(a) be sent by the investment fund, without charge, to a securityholder of the investment fund, upon the securityholder's request;

(b) be made available and prominently displayed by the manager on the investment fund's designated website;

~~(b) be made available and prominently displayed by the manager on the investment fund's, investment fund family's or manager's website, if it has a website;~~

(c) be filed by the investment fund with the securities regulatory authority or regulator; and

(d) be delivered by the independent review committee to the manager.

Commentary

1. The report to be filed with the securities regulatory authorities should be filed on the SEDAR group profile number of the investment fund as a continuous disclosure document. The CSA expect that the investment fund will pay any reasonable costs associated with the filing of the report.

2. It is expected the report will be displayed in an easily visible location on the home page of the investment fund's designated website ~~the website of the investment fund, the investment fund family or the manager, as applicable~~. The CSA expect the report to remain on the designated website ~~on the website~~ at least until the posting of the next report.

3. The disclosure required in subparagraph (1)(a)(iii) is expected to be provided only in instances where a member could reasonably be perceived to not be 'independent' under this Instrument.

4.5 — Reporting to securities regulatory authorities

(1) If the independent review committee is aware of an instance where the manager acted in a conflict of interest matter under subsection 5.2(1) but did not comply with a condition or conditions imposed by securities legislation or the independent review committee in its approval, the independent review committee must, as soon as practicable, notify in writing the securities regulatory authority or regulator.

(2) The notification referred to in subsection (1) is satisfied if it is made to the investment fund's principal regulator.

Commentary

1. Subsection (1) captures a breach of a condition imposed for an otherwise prohibited or restricted transaction described in subsection 5.2(1), for which the manager has acted under Part 6 of this Instrument or under Part 4 of NI 81-102. This includes a breach of a condition imposed by the IRC as part of its approval (including a standing instruction), or, for example, any conditions imposed for inter-fund trading under section 6.1 of this Instrument or section 4.3 of NI 81-102, for transactions in securities of related issuers under section 6.2 of this Instrument, and for purchases of securities underwritten by related underwriters under section 4.1 of NI 81-102.

The CSA consider that a breach of a condition imposed by securities legislation (including this Instrument) or by the IRC in a transaction described in subsection 5.2(1) will result in the transaction having been made in contravention of securities legislation. In such instances, the securities regulatory authorities may consider taking various action, including requiring the manager to unwind the transaction and pay any costs associated with doing so.

2. The CSA expect that the IRC will include in its notification the steps the manager proposes to take, or has taken, to remedy the breach, if known.

3. Notification under this section is not intended to be a mechanism to resolve disputes between an IRC and a manager, or to raise inconsequential matters with the securities regulatory authorities.

4. The CSA do not view this section or this Instrument as preventing the manager from communicating with the securities regulatory authorities with respect to any matter.

4.6 — Independent review committee to maintain records

An independent review committee must maintain records, including

(a) a copy of its current written charter;

(b) minutes of its meetings;

(c) copies of any materials and written reports provided to it;

(d) copies of materials and written reports prepared by it; and

(e) the decisions it makes.

Commentary

1. Section 4.6 sets out the minimum requirements regarding the record keeping by an IRC. The CSA expect IRCs to keep records in accordance with existing best practices.

2. The IRC is expected under paragraph (b) to keep minutes only of any material discussions it has at meetings with the manager or internally on matters subject to its review.

The CSA do not view this section or this Instrument as preventing the IRC and manager from sharing record keeping and maintaining joint records of IRC and manager meetings.

3. The CSA expect the IRC to keep records of any actions it takes in respect of a matter referred to it, in particular any transaction otherwise prohibited or restricted by securities legislation, as described in subsection 5.2(1), for which the manager has sought the approval of the IRC.

Part 5 — Conflict of interest matters

5.1 — Manager to refer conflict of interest matters to independent review committee

(1) Subject to section 5.4, when a conflict of interest matter arises, and before taking any action in the matter, the manager must

(a) determine what action it proposes to take in respect of the matter, having regard to

(i) its duties under securities legislation; and

(ii) its written policies and procedures on the matter; and

(b) refer the matter, along with its proposed action, to the independent review committee for its review and decision.

(2) If a manager must hold a meeting of securityholders to obtain securityholder approval before taking an action in a conflict of interest matter, the manager must include a summary of the independent review committee's decision under subsection (1) in the notice of the meeting.

Commentary

1. Section 5.1 recognizes that a manager may not be able to objectively determine whether it is acting in the best interests of the investment fund when it has a conflict of interest. This section requires managers to refer all conflict of interest matters — not just those subject to prohibitions or restrictions under securities legislation — to the IRC so that an independent perspective can be brought to bear on the manager's proposed action.

A decision tree for different types of conflict of interest matters is set out in Appendix A to the Commentary.

While the CSA expect the IRC to bring a high degree of rigour and skeptical objectivity to its review of conflict of interest matters, the CSA do not consider it the role of the IRC to second-guess the investment or business decisions of a manager or an entity related to the manager.

2. Section 5.1 sets out how the manager must proceed when faced with a conflict of interest matter.

Referring proposed actions involving conflict of interest matters to the IRC for its review is not considered by the CSA to detract from the manager's obligations to the investment fund under securities legislation to make decisions in the best interests of the fund. Subparagraph (a)(i) is intended to reinforce this obligation.

3. In referring a matter to the IRC, a manager is expected to inform the IRC whether its proposed action follows its written policies and procedures on the matter under section 2.2.

If an unanticipated conflict of interest matter arises for which the manager does not have an existing written policy and procedure, the CSA expect the manager to bring the matter and its proposed action to the IRC for its review and input at the time the matter is referred to the IRC.

4. There may be matters that are subject to a securityholder vote that also involve a "conflict of interest matter" under this Instrument. For example, increases in the charges of the manager to the mutual fund will be a conflict of interest matter as well as a matter subject to a securityholder vote under Part 5 of National Instrument 81-102 Investment Funds. *For these matters, subsection (2) requires a manager to refer the matter first to the IRC before seeking the approval of securityholders, and to include a summary of the IRC's decision in the written notice to securityholders*.

5. The CSA do not consider the expenses incurred by existing investment funds in establishing an IRC under this Instrument to be caught in section 5.1 of NI 81-107. We do not view section 5.1 as intending to capture the costs associated with compliance by an investment fund with new regulatory requirements.

5.2 — Matters requiring independent review committee approval

(1) A manager may not proceed with a proposed action under section 5.1 without the approval of the independent review committee if the action is

(a) an inter-fund trade as described in subsection 6.1(2) of this Instrument or a transaction as described in subsection 4.2(1) of National Instrument 81-102 *Investment Funds*;

(b) a transaction in securities of an issuer described in any of the following:

(i) subsection 6.2(1);

(ii) subsection 6.3(1);

(iii) subsection 6.4(1);

(iv) subsection 6.5(1);

~~(b) a transaction in securities of an issuer as described in subsection 6.2(1) of this Instrument;~~

(c) an investment in a class of securities of an issuer underwritten by an entity related to the manager as described in subsection 4.1(1) of National Instrument 81-102 *Investment Funds*; or

(d) a transaction in which an investment fund intends to borrow cash from a person or company that is an associate or affiliate of the investment fund manager.

(2) An independent review committee must not approve an action unless it has determined, after reasonable inquiry, that the action

(a) is proposed by the manager free from any influence by an entity related to the manager and without taking into account any consideration relevant to an entity related to the manager;

(b) represents the business judgment of the manager uninfluenced by considerations other than the best interests of the investment fund;

(c) is in compliance with the manager's written policies and procedures relating to the action; and

(d) achieves a fair and reasonable result for the investment fund.

Commentary

1. For the transactions described in subsection (1), provided the manager receives the IRC's approval under this section, and satisfies the additional conditions imposed under the applicable sections of Part 6 of this Instrument or Part 2 and Part 4 of NI 81-102, the manager will be permitted to proceed with the action without obtaining regulatory exemptive relief.

The IRC may give its approval for certain actions or categories of actions in the form of a standing instruction as described in section 5.4. If no standing instruction is in effect, the manager is required to seek the IRC's approval prior to proceeding with any action set out in subsection (1). An IRC may consider as guidance any conditions in prior exemptive relief orders, waivers or approvals obtained from the securities regulatory authorities when contemplating the appropriate terms and conditions in its approval.

2. If the IRC does not approve a proposed action described in subsection (1), the manager is not permitted to proceed

without obtaining exemptive relief from the securities regulatory authorities. The CSA consider it in the best interests of the investment fund, and ultimately investors, for the IRC to be able to stop any proposed action which does not meet the test in subsection (2).

3. The CSA would usually expect that, before the IRC approves a proposed action described in subsection (1), it will have requested from the manager or others a report or certification to assist in its determination that the test in subsection (2) has been met.

4. The CSA expect that the manager will discuss with the IRC any instance where the IRC does not approve a proposed action, so that an alternative action satisfactory to both the manager and the IRC can be found, if possible.

5. The CSA consider that the ability of the manager to seek the removal of a member or members of the IRC under paragraph 3.10(2)(d) sufficiently addresses any concern that a manager may have about an IRC's ongoing refusal to approve matters.

5.3 — Matters subject to independent review committee recommendation

(1) Before a manager may proceed with a proposed action under section 5.1 other than those set out in subsection 5.2(1),

(a) the independent review committee must provide a recommendation to the manager as to whether, in the committee's opinion after reasonable inquiry, the proposed action achieves a fair and reasonable result for the investment fund; and

(b) the manager must consider the recommendation of the independent review committee.

(2) If the manager decides to proceed with an action in a conflict of interest matter that, in the opinion of the independent review committee after reasonable inquiry, does not achieve a fair and reasonable result for the investment fund under paragraph (1)(a), the manager must notify in writing the independent review committee before proceeding with the proposed action.

(3) Upon receiving the notification described in subsection (2), the independent review committee may require the manager to notify securityholders of the investment fund of the manager's decision.

(4) A notification to securityholders under subsection (3) must

(a) sufficiently describe the proposed action of the manager, the recommendation of the independent review committee and the manager's reasons for proceeding;

(b) state the date of the proposed implementation of the action; and

(c) be sent by the manager to each securityholder of the investment fund at least thirty days before the effective date of the proposed action.

(5) The investment fund must, as soon as practicable, file the notification referred to in subsection (4) with the securities regulatory authority or regulator upon the notice being sent to securityholders.

Commentary

1. This section captures all conflict of interest matters a manager encounters other than those listed in subsection 5.2(1). This includes conflict of interest matters prohibited or restricted by securities legislation not specified in subsection 5.2(1), and a manager's business and commercial decisions made on behalf of the investment fund that may be motivated, or be perceived to be motivated, by the manager's own interests rather than the best interests of the investment fund. Examples include:

- *increasing charges to the investment fund for costs incurred by the manager in operating the fund;*

- *correcting material errors made by the manager in administering the investment fund;*

• negotiating soft dollar arrangements with dealers with whom the manager places portfolio transactions for the investment fund; and

• choosing to bring services in-house over using third-party service providers.

The CSA expect that, in seeking guidance in identifying conflict of interest matters caught by this Instrument, among the factors the manager will look to for guidance to identify conflict of interest matters will be industry best practices. However, the CSA also acknowledge that each manager will need to consider the nature of its investment fund operations in determining a conflict of interest matter.

2. The CSA expect the IRC's recommendation to state a positive or negative response as to whether they view the proposed action as achieving a fair and reasonable result for the investment fund.

3. For a proposed action in a conflict of interest matter under this section that is prohibited or restricted by securities legislation (but not specified in subsection 5.2(1)), a manager will still need to seek exemptive relief from the securities regulatory authorities.

4. Subsection (2) recognizes that, in exceptional circumstances, the manager may decide to proceed with a proposed course of action despite a negative recommendation from the IRC. In such instances, subsection (2) requires the manager to notify the IRC before proceeding with the action. If the IRC determines that the proposed action is sufficiently important to warrant notice to securityholders in the investment fund, the IRC has the authority to require the manager to give such notification before proceeding with the action.

The CSA anticipate that the situation of a manager proceeding with a conflict of interest matter, despite a negative recommendation by the IRC, will occur infrequently.

5. The notification referred to in subsection (5) should be filed on the SEDAR group profile number of the investment fund as a continuous disclosure document.

5.4 — Standing instructions by the independent review committee

(1) Despite section 5.1, the manager is not required to refer a conflict of interest matter nor its proposed action to the independent review committee if the manager complies with the terms of a standing instruction that is in effect.

(2) For any action for which the independent review committee has provided a standing instruction, at the time of the independent review committee's regular assessment described in subsection 4.2(1),

(a) the manager must provide a written report to the independent review committee describing each instance that it acted in reliance on a standing instruction; and

(b) the independent review committee must

(i) review and assess the adequacy and effectiveness of the manager's written policies and procedures on the matter or on that type of matter with respect to all actions permitted by each standing instruction;

(ii) review and assess the manager's and investment fund's compliance with any conditions imposed by it in each standing instruction;

(iii) reaffirm or amend each standing instruction;

(iv) establish new standing instructions, if necessary; and

(v) advise the manager in writing of all changes to the standing instructions.

(3) A manager may continue to rely on a standing instruction under subsection (1) until such time as the independent review committee notifies the manager that the standing instruction has been amended or is no longer in effect.

Commentary

1. Section 5.4 recognizes that there are certain actions or categories of actions of the manager for which it may be appropriate for the IRC to choose to provide a standing instruction. For example, this may include a manager's ongoing voting of proxies on securities held by the investment fund when the manager has a business relationship with the issuer of the securities, or, a manager's decision to engage in inter-fund trading.

2. The CSA expect that, before providing or continuing a standing instruction to the manager for an action or category of actions, the IRC will have:

- *reviewed the manager's written policies and procedures with respect to the action or category of actions;*
- *requested from the manager or other persons a report or certification to assist in deciding whether to give its approval or recommendation for the action or category of actions under subsection 5.2(1) or 5.3(1), as the case may be;*
- *considered whether a standing instruction for the particular action or category of actions is appropriate for the investment fund; and*
- *established very clear terms and conditions surrounding the standing instruction for the action or category of actions.*

An IRC may consider including in any standing instruction any terms or conditions in prior exemptive relief orders, waivers or approvals obtained from the securities regulatory authorities.

3. As part of the IRC's review under subparagraph (2)(b)(ii), the IRC is expected to be mindful of its reporting obligation under section 4.5 of this Instrument, which includes notifying the securities regulatory authorities of any instance where the manager, in proceeding with an action, did not meet a condition imposed by the IRC in its approval (this includes a standing instruction).

4. This section is intended to improve the flexibility and timeliness of the manager's decisions concerning a proposed course of action in a conflict of interest matter.

Part 6 — Exempted transactions

6.1 — Inter-fund trades

(1) In this section

(a) "current market price of the security" means,

(i) if the security is an exchange-traded security or a foreign exchange-traded security,

(A) the closing sale price on the day of the transaction as reported on the exchange upon which the security is listed or the quotation trade reporting system upon which the security is quoted, or

(B) if there are no reported transactions for the day of the transaction, the average of the highest current bid and lowest current ask for the security as displayed on the exchange upon which the security is listed or the quotation trade reporting system upon which the security is quoted, or

(C) if the closing sale price on the day of the transaction is outside of the closing bid and closing ask, the average of the highest current bid and lowest current ask for the security as displayed on the exchange upon which the security is listed or the quotation trade reporting system upon which the security is quoted, or ~~is quoted; or~~

(D) the last sale price as defined under the Universal Market Integrity Rules of the Investment Industry Regulatory Organization of Canada, as amended from time to time; or

(ii) for all other securities, the average of the highest current bid and lowest current ask determined on the basis of reasonable inquiry; ~~and~~

(a.1) "managed account" means an account, or an investment portfolio, that is managed by a portfolio manager or portfolio adviser on behalf of a client under an investment management agreement but does not include

(i) an account of a "responsible person" as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, or

(ii) an account of an investment fund; and

(b) "market integrity requirements" means

(i) if the security is an exchange-traded security, the purchase or sale

(A) is printed on a marketplace that executes trades of the security; and

(B) complies with the market conduct and display requirements of the marketplace, its regulation services provider and securities regulatory authorities; or

(ii) if the security is a foreign exchange-traded security, the purchase or sale complies with the requirements that govern transparency and trading of foreign exchange-traded securities on the foreign exchange or foreign quotation and trade reporting system; or

(iii) for all other securities, the purchase or sale is through a dealer, if the purchase or sale is required to be reported by a registered dealer under applicable securities legislation.

(2) A portfolio manager of a managed account or a portfolio manager of an investment fund, including, for greater certainty, an investment fund that is not a reporting issuer, may purchase a security of an issuer from, or sell a security of an issuer to, another investment fund, including, for greater certainty, an investment fund that is not a reporting issuer, managed by the same manager or an affiliate of the manager, if, at the time of the transaction,

(a) the portfolio manager, on behalf of the investment fund or managed account, is purchasing from or selling to another investment fund that is a reporting issuer or, if the investment fund is not a reporting issuer, the manager has appointed an independent review committee that complies with sections 3.7 and 3.9 for the purpose of approving the transaction,

(b) the independent review committee has approved the transaction under subsection 5.2(2),

(c) the investment management agreement for the managed account authorizes the purchase or sale of the security,

(d) the bid and ask price of the security is readily available,

(e) the investment fund receives no consideration and the only cost for the transaction is the nominal cost incurred by the investment fund to print or otherwise display the trade,

(f) the transaction is executed at the current market price of the security, and

(g) the transaction is subject to market integrity requirements.

~~(2) The portfolio manager of an investment fund may purchase a security of any issuer from, or sell a security of any issuer to, another investment fund managed by the same manager or an affiliate of the manager, if, at the time of the transaction~~

~~(a) the investment fund is purchasing from, or selling to, another investment fund to which this Instrument applies;~~

~~(b) the independent review committee has approved the transaction under subsection 5.2(2);~~

~~(c) the bid and ask price of the security is readily available;~~

~~(d) the investment fund receives no consideration and the only cost for the trade is the nominal cost incurred by the investment fund to print or otherwise display the trade;~~

~~(e) the transaction is executed at the current market price of the security;~~

~~(f) the transaction is subject to market integrity requirements; and~~

~~(g) the investment fund keeps written records, including~~

~~(i) a record of each purchase and sale of securities;~~

~~(ii) the parties to the trade; and~~

~~(iii) the terms of the purchase or sale~~

~~for five years after the end of the fiscal year in which the trade occurred, the most recent two years in a reasonably accessible place.~~

(2.1) An investment fund, or a portfolio manager on behalf of a managed account, referred to in subsection (2), must keep records in accordance with the record-keeping requirements applicable to registered firms set out in sections 11.5 and 11.6 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

(3) With respect to a purchase or sale of a security referred to in subsection (2), National Instrument 21-101 *Marketplace Operation*, and Parts 6 and 8 of National Instrument 23-101 *Trading Rules*, do not apply to any of the following:

(a) a portfolio manager or portfolio adviser of an investment fund, including for greater certainty, an investment fund that is not a reporting issuer;

(b) a portfolio manager or portfolio adviser of a managed account;

(c) an investment fund, including for greater certainty, an investment fund that is not a reporting issuer;

(d) a managed account.

~~(3) The provisions of National Instrument 21-101 Marketplace Operation, and Part 6 and Part 8 of National Instrument 23-101 *Trading Rules*, do not apply to a portfolio manager or portfolio adviser of an investment fund, or an investment fund, with respect to a purchase or sale of a security referred to in subsection (2) if the purchase or sale is made in accordance with that subsection.~~

(4) With respect to a purchase or sale of a security referred to in subsection (2), the inter-fund self-dealing investment prohibitions do not apply to any of the following:

(a) a portfolio manager or portfolio adviser of an investment fund, including for greater certainty, an investment fund that is not a reporting issuer;

(b) a portfolio manager or portfolio adviser of a managed account;

(c) an investment fund, including for greater certainty, an investment fund that is not a reporting issuer;

(d) a managed account.

~~(4) The inter-fund self-dealing investment prohibitions do not apply to a portfolio manager or portfolio adviser of an investment fund, or an investment fund, with respect to a purchase or sale of a security referred to in subsection (2) if the purchase or sale is made in accordance with that subsection.~~

(5) With respect to a purchase or sale of a security referred to in subsection (2), the dealer registration requirement does not apply to a portfolio manager or portfolio adviser of an investment fund, including, for greater certainty, an investment fund that is not a reporting issuer.

~~(5) The dealer registration requirement does not apply to a portfolio manager of an investment fund, with respect to a purchase or sale of a security referred to in subsection (2) if the purchase or sale is made in accordance with that subsection.~~

(6) In subsection (5), "dealer registration requirement" has the meaning ascribed to that term in National Instrument 14-101 *Definitions*.

Commentary

1. The term "inter-fund self-dealing investment prohibitions" is defined in section 1.5 of this Instrument. It is intended to capture the prohibitions in the securities legislation and certain regulations of each securities regulatory authority regarding inter-fund trades.

2. This section is intended to exempt investment funds, including investment funds that are not reporting issuers and managed accounts, from the prohibitions in the securities legislation and certain regulations that preclude inter-fund trades. It is not intended to apply to securities issued by an investment fund that are purchased by another fund within the same fund family. The CSA are of the view that this section applies to inter-fund trades between fund families of the same manager provided the purchase or sale is made in accordance with subsection (2).

Funds that are not reporting issuers must appoint an IRC for the purpose of approving inter-fund trades in order to be eligible to rely upon the exemption. At a minimum, the IRC for the funds that are not reporting issuers must comply with sections 3.7 and 3.9 of the Instrument. It is up to the IRC and the manager to tailor the IRC's responsibilities for investment funds that are not reporting issuers beyond that.

The portfolio manager or portfolio adviser of a managed account must obtain the authorization of its client to conduct inter-fund trades in the investment management agreement in order to be eligible to rely upon the exemption.

~~*The CSA are of the view that this section applies to inter-fund trades between fund families of the same manager provided the purchase or sale is made in accordance with subsection (2).*~~

3. This section is also intended to provide a portfolio manager with a dealer registration exemption, where necessary, for inter-fund trades made in accordance with this section, but will not apply to any other activities of the portfolio manager. The exemption is based on compliance with this Instrument and the limitation of its application to prospectus-qualified investment funds. The CSA note that the Registration Reform project may re-examine this exemption.

4. This section sets out the minimum conditions for inter-fund trades to proceed without regulatory exemptive relief. An IRC may consider including in any approval any terms or conditions in prior exemptive relief orders, waivers or approvals obtained from the securities regulatory authorities.

5. This section does not specify the policies and procedures that a manager must have to effect inter-fund trades. However, the CSA expect the manager's policies to include factors or criteria for

- *allocating securities purchased for or sold by two or more investment funds managed by the manager; and*
- *ensuring that the terms of purchase or sale will be no less beneficial to the investment fund than those generally available to other market participants in arm's-length transactions.*

6. The CSA expect that the IRC may give its approval in the form of a standing instruction under section 5.4, to give the manager greater flexibility to take advantage of perceived market opportunity.

7. Paragraph 2(d) ~~Paragraph (2)(c)~~ requires that the market quotations for the transactions be transparent. The CSA expect that if the price information is publicly available from a marketplace, newspaper or through a data vendor, for example, this will be the price. If the price is not publicly available, the CSA expect the investment fund to obtain at least one quote from an independent, arm's-length purchaser or seller, immediately before the purchase or sale.

8. The CSA consider the requirement in paragraph 2(g) ~~paragraph (2)(f)~~ to be a way to facilitate price discovery and integrity. The CSA believe this is essential to well-functioning and efficient capital markets. Subparagraph (1)(b)(iii) is intended to capture, for corporate debt securities, the requirement, if applicable, to report the trade to CanPx, and for illiquid securities, the requirement, if applicable, to report the trade to the Canadian Unlisted Board (CUB).

9. Subsection 2.1 sets expectations regarding the records of the investment fund must keep of its inter-fund trades made in reliance on this section. These records should comply with the recordkeeping requirements applicable to registered firms as set out in sections 11.5 and 11.6 of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. ~~Paragraph (2)(g) sets out the minimum expectations regarding the records an investment fund must keep of its inter-fund trades made in reliance on this section. The records should be detailed, and sufficient to establish a proper audit trail of the transactions.~~

6.2 — Transactions in securities of related issuers

(1) An investment fund, including for greater certainty, an investment fund that is not a reporting issuer, may make or hold an investment in the security of an issuer related to it, to its manager or to an entity related to its manager, if,

(a) at the time the investment is made,

(i) in the case of an investment made by an investment fund that is not a reporting issuer,

(A) the manager of the investment fund has appointed an independent review committee that complies with sections 3.7 and 3.9 for the purpose of approving the investment, and

(B) the independent review committee has approved the investment in compliance with subsection 5.2(2), and

(ii) in the case of an investment made by an investment fund that is a reporting issuer, the investment fund's independent review committee has approved the investment in compliance with subsection 5.2(2), and

(b) the purchase is made on an exchange on which the securities of the issuer are listed and traded.

(2) After an investment referred to in subsection (1) is made, and no later than the time the investment fund files its annual financial statements, the manager of the investment fund must file the particulars of the investment with the securities regulatory authority or regulator.

(3) The investment fund conflict of interest investment restrictions do not apply to an investment fund, including, for greater certainty, an investment fund that is not a reporting issuer, with respect to an investment fund referred to in subsection (1) if the investment is made in accordance with that subsection.

(4) For the purpose of subsection (3), "investment fund conflict of interest investment restrictions" has the meaning ascribed to that term in National Instrument 81-102 *Investment Funds*.

~~(1) An investment fund may make or hold an investment in the security of an issuer related to it, its manager, or an entity related to the manager, if~~

~~(a) at the time that the investment is made,~~

~~(i) the independent review committee has approved the investment under subsection 5.2(2); and~~

~~(ii) the purchase is made on an exchange on which the securities of the issuer are listed and traded; and~~

~~(b) no later than the time the investment fund files its annual financial statements, the manager of the investment fund files with the securities regulatory authority or regulator the particulars of the investment.~~

~~(2) The investment fund conflict of interest investment restrictions do not apply to an investment fund with respect to an investment referred to in subsection (1) if the investment is made in accordance with that subsection.~~

~~(3) In subsection (2), "investment fund conflict of interest investment restrictions" has the meaning ascribed to that term~~

~~in National Instrument 81-102 *Investment Funds*.~~

Commentary

1. This section is intended to relieve investment funds in Quebec, and investment funds ~~mutual funds~~ elsewhere in Canada, including investment funds that are not reporting issuers, from the prohibitions in the securities legislation of each securities regulatory authority that preclude investments in securities of related issuers.

2. This section sets out the minimum conditions for purchases to proceed without regulatory exemptive relief. An IRC may consider including in any approval any terms or conditions in prior exemptive relief orders, waivers or approvals obtained from the securities regulatory authorities.

The CSA expect that the IRC may give its approval in the form of a standing instruction as described in section 5.4 to allow the manager greater flexibility in its decisions. Funds that are not reporting issuers must appoint an IRC for the purpose of approving inter-fund trades in order to be eligible to rely upon the exemption. At a minimum, the IRC for the funds that are not reporting issuers must comply with sections 3.7 and 3.9 of the Instrument. It is up to the IRC and the manager to tailor the IRC's responsibilities for investment funds that are not reporting issuers beyond that.

3. This section contemplates that the manager will comply with the applicable reporting requirements under securities legislation for each purchase. The filing referred to in paragraph (1)(b) should be filed on the SEDAR group profile number of the investment fund, as a continuous disclosure document.

4. If an IRC gives its approval for the investment fund to purchase securities of an issuer described in this section, and then subsequently withdraws its approval for additional purchases, the CSA will not consider the continued holding of the securities to be subject to subsection 1.2(b) of the Instrument. However, we will expect the manager to consider whether continuing to hold those securities is a conflict of interest matter that subsection 1.2(a) of the Instrument would require the manager to refer to the IRC.

6.3 — Transactions in securities of related issuers – Secondary market non-exchange traded debt securities

(1) An investment fund, including, for greater certainty, an investment fund that is not a reporting issuer, may make an investment in the secondary market in a non-exchange traded debt security of an issuer related to it, to its manager or to an entity related to the manager, and continue to hold the debt security, if the conditions set out in subsection (2) are satisfied.

(2) For the purposes of subsection (1), an investment fund may make an investment in a debt security referred to in subsection (1) if,

(a) at the time the investment is made,

(i) in the case of an investment made by an investment fund that is not a reporting issuer,

(A) the manager of the investment fund has appointed an independent review committee that complies with sections 3.7 and 3.9 for the purpose of approving the investment, and

(B) the independent review committee has approved the investment in compliance with subsection 5.2(2), and

(ii) in the case of an investment made by an investment fund that is a reporting issuer, the investment fund's independent review committee has approved the investment in compliance with subsection 5.2(2),

(b) at the time the investment is made, the debt security has a designated rating as defined in paragraph (b) of the definition of "designated rating" in National Instrument 44-101 *Short Form Prospectus Distributions*,

(c) in the case of an investment made on a marketplace, the price paid for the debt security is not more than the price for the debt security determined in accordance with the requirements of that marketplace,

(d) in the case of an investment that is not made on a marketplace, the price paid for the debt security is not more than

(i) the price at which an arm's length seller is willing to sell the debt security,

(ii) the price quoted publicly, immediately before the investment is made, by an independent marketplace, or

(iii) the price quoted, immediately before the investment is made, by an arm's length purchaser or seller of the debt security, and

(e) the investment is subject to the applicable "market integrity requirements" as defined in section 6.1, if any.

(3) After an investment referred to in subsection (2) is made, and no later than the time the investment fund files its annual financial statements, the manager of the investment fund must file the particulars of the investment with the securities regulatory authority or regulator.

(4) The investment fund conflict of interest investment restrictions do not apply to an investment fund, including, for greater certainty, an investment fund that is not a reporting issuer, with respect to an investment referred to in subsection (2) if the investment is made in accordance with that subsection.

(5) For the purpose of subsection (4), "investment fund conflict of interest investment restrictions" has the meaning ascribed to that term in National Instrument 81-102 *Investment Funds*.

Commentary

1. This section is intended to relieve investment funds, including investment funds that are not reporting issuers, from the prohibitions in the securities legislation of each securities regulatory authority that preclude investments in debt securities of related issuers that do not trade on an exchange. Because these securities do not trade on an exchange, paragraphs (2)(c) and (2)(d) impose alternative criteria to help ensure the investments occur at a fair and objective price.

2. This section sets out the minimum conditions for purchases to proceed without regulatory exemptive relief. An IRC may consider including in any approval any terms or conditions in prior exemptive relief orders, waivers or approvals obtained from the securities regulatory authorities. The CSA expect that the IRC may give its approval in the form of a standing instruction as described in section 5.4 to allow the manager greater flexibility in its decisions.

Funds that are not reporting issuers must appoint an IRC for the purpose of approving inter-fund trades in order to be eligible to rely upon the exemption. At a minimum, for the funds that are not reporting issuers, the IRC must comply with sections 3.7 and 3.9 of the Instrument. It is up to the IRC and the manager to tailor the IRC's responsibilities for investment funds that are not reporting issuers beyond that.

3. The designated rating referred to in this section is the "designated rating" as defined in paragraph (b) of its definition in National Instrument 44-101 Short Form Prospectus Distributions. Fund managers should note that the definition of designated rating in paragraph (b) of National Instrument 44-101 Short Form Prospectus Distributions also identifies the specific Designated Rating Organizations that are contemplated for the purpose of determining the designated rating.

4. This section contemplates that the manager will comply with the applicable reporting requirements under securities legislation for each purchase. The filing referred to in subsection (3) should be filed on the SEDAR group profile number of the investment fund, as a continuous disclosure document.

5. If an IRC gives its approval for the investment fund to purchase securities of an issuer described in this section, and then subsequently withdraws its approval for additional purchases, the CSA will not consider the continued holding of the securities to be subject to paragraph 1.2(b) of the Instrument. However, we will expect the manager to consider whether continuing to hold those securities is a conflict of interest matter that paragraph 1.2(a) of the Instrument would require the manager to refer to the IRC.

6.4 — Transactions in securities of related issuers – Primary market distributions of long-term debt securities

(1) An investment fund, including, for greater certainty, an investment fund that is not a reporting issuer, may make an investment in a long-term debt security of an issuer related to it, to its manager or to an entity related to the manager,

if the investment is made under a distribution of the long-term debt security of that issuer, and continue to hold the debt security, if,

(a) at the time the investment is made,

(i) in the case of an investment made by an investment fund that is not a reporting issuer,

(A) the manager of the investment fund has appointed an independent review committee that complies with sections 3.7 and 3.9 for the purpose of approving the investment, and

(B) the independent review committee has approved the investment in compliance with subsection 5.2(2), and

(ii) in the case of an investment made by an investment fund that is a reporting issuer, the investment fund's independent review committee has approved the investment in compliance with subsection 5.2(2),

(iii) the debt security has a term to maturity greater than 365 days,

(iv) the debt security is not asset-backed commercial paper,

(v) the debt security has a designated rating as defined in paragraph (b) of the definition of "designated rating" in National Instrument 44-101 Short Form Prospectus Distributions,

(vi) the distribution is for at least $100 million, and

(vii) at least two purchasers that are arm's length purchasers, including, for greater certainty, "independent underwriters" within the meaning of National Instrument 33-105 *Underwriting Conflicts*, have collectively purchased at least 20% of the distribution,

(b) the price paid for the long-term debt security is not higher than the lowest price paid by any arm's length purchaser that participates in the distribution, and

(c) immediately after the investment is made,

(i) the investment fund holds no more than 5% of its net assets in long-term debt securities of the issuer, and

(ii) the investment fund, together with other investment funds managed by the manager, hold no more than 20% of the long-term debt securities issued in the distribution.

(2) After an investment referred to in subsection (1) is made, and no later than the time the investment fund files its annual financial statements, the manager of the investment fund must file the particulars of the investment with the securities regulatory authority or regulator.

(3) The investment fund conflict of interest investment restrictions do not apply to an investment fund, including, for greater certainty, an investment fund that is not a reporting issuer, with respect to an investment referred to in subsection (2) if the investment is made in accordance with that subsection.

(4) For the purpose of subsection (3), "investment fund conflict of interest investment restrictions" has the meaning ascribed to that term in National Instrument 81-102 *Investment Funds*.

Commentary

1. This section is intended to relieve investment funds, including investment funds that are not reporting issuers, from the prohibitions in the securities legislation of each securities regulatory authority that preclude investments in debt securities of related issuers under primary treasury offerings or distributions by those issuers. The additional conditions in this section to IRC approval are designed to mitigate the risk of the related issuer using the investment funds as captive financing vehicles and impose alternative criteria to help ensure the investments occur at a fair and objective price.

2. This section sets out the minimum conditions for purchases to proceed without regulatory exemptive relief. An IRC may consider including in any approval any terms or conditions in prior exemptive relief orders, waivers or approvals obtained from the securities regulatory authorities. The CSA expect that the IRC may give its approval in the form of a standing instruction as described in section 5.4 to allow the manager greater flexibility in its decisions.

Funds that are not reporting issuers must appoint an IRC for the purpose of approving inter-fund trades in order to be eligible to rely upon the exemption. At a minimum, for the funds that are not reporting issuers, the IRC must comply with sections 3.7 and 3.9 of the Instrument. It is up to the IRC and the manager to tailor the IRC's responsibilities for investment funds that are not reporting issuers beyond that.

3. The designated rating referred to in this section is the "designated rating" as defined in paragraph (b) of its definition in National Instrument 44-101 Short Form Prospectus Distributions. Fund managers should note that the definition of designated rating in paragraph (b) of National Instrument 44-101 Short Form Prospectus Distributions also identifies the specific Designated Rating Organizations that are contemplated for the purpose of determining the designated rating.

4. This section contemplates that the manager will comply with the applicable reporting requirements under securities legislation for each purchase. The filing referred to in subsection 6.4(2) should be filed on the SEDAR group profile number of the investment fund, as a continuous disclosure document.

5. If an IRC gives its approval for the investment fund to purchase securities of an issuer described in this section, and then subsequently withdraws its approval for additional purchases, the CSA will not consider the continued holding of the securities to be subject to paragraph 1.2(b) of the Instrument. However, we will expect the manager to consider whether continuing to hold those securities is a conflict of interest matter that paragraph 1.2(a) of the Instrument would require the manager to refer to the IRC.

6.5 — Transactions in debt securities with a related dealer – principal trades in debt securities

(1) A portfolio manager or portfolio adviser, acting on behalf of an investment fund, including, for greater certainty, an investment fund that is not a reporting issuer, or acting on behalf of a managed account as defined in section 6.1, may cause the investment fund or managed account to purchase a debt security of any issuer from, or sell a debt security of any issuer to, a dealer related to the portfolio manager, acting for its own account, if, at the time of the transaction,

(a) in the case of an investment fund that is not a reporting issuer,

(i) the manager of the investment fund has appointed an independent review committee that complies with sections 3.7 and 3.9 for the purpose of approving the transaction, and

(ii) the independent review committee has approved the transaction in compliance with subsection 5.2(2),

(b) in the case of an investment fund that is a reporting issuer, the investment fund's independent review committee has approved the transaction in compliance with subsection 5.2(2),

(c) the investment management agreement for the managed account authorizes the purchase or sale of the debt security,

(d) the bid and ask price of the security transacted is readily available,

(e) the purchase is not executed at a price that is higher than the available ask price or the sale is not executed at a price that is lower than the available bid price, and

(f) the purchase or sale is subject to the applicable market integrity requirements as defined in section 6.1.

(2) An investment fund, or a portfolio manager on behalf of a managed account referred to in subsection (1), must keep records in accordance with the record-keeping requirements applicable to registered firms set out in sections 11.5 and 11.6 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

(3) With respect to a purchase or sale of a security referred to in subsection (1), the inter-fund self-dealing investment prohibitions do not apply to any of the following:

(a) a portfolio manager or portfolio adviser of an investment fund, including for greater certainty, an investment fund that is not a reporting issuer;

(b) a portfolio manager or portfolio adviser of a managed account;

(c) an investment fund, including for greater certainty, an investment fund that is not a reporting issuer;

(d) a managed account.

Commentary

1. The term "inter-fund self-dealing investment prohibitions" is defined in section 1.5 of this Instrument. For the purposes of this section, it is intended to capture the prohibitions in the securities legislation and certain regulations of each securities regulatory authority regarding trades in securities between an investment fund or a managed account and a related dealer acting as principal for its own account.

This section is intended to relieve investment funds, including managed accounts and investment funds that are not reporting issuers, from the inter-fund self-dealing prohibitions in connection with principal trades in debt securities. Because debt securities do not generally trade on an exchange, the additional conditions in this section to IRC approval impose alternative criteria to help ensure the investments occur at a fair and objective price.

2. This section sets out the minimum conditions for purchases to proceed without regulatory exemptive relief. An IRC may consider including in any approval any terms or conditions in prior exemptive relief orders, waivers or approvals obtained from the securities regulatory authorities. The CSA expect that the IRC may give its approval in the form of a standing instruction as described in section 5.4 to allow the manager greater flexibility in its decisions.

Funds that are not reporting issuers must appoint an IRC for the purpose of approving principal trades in debt securities in order to be eligible to rely upon the exemption. At a minimum, the IRC for the funds that are not reporting issuers must comply with sections 3.7 and 3.9 of the Instrument. It is up to the IRC and the manager to tailor the IRC's responsibilities for investment funds that are not reporting issuers beyond that. The portfolio manager or portfolio adviser of a managed account must obtain the authorization of its client to conduct principal trades with a related dealer in the investment management agreement in order to be eligible to rely upon the exemption.

3. Subsection (2) sets out the minimum expectations regarding the records an investment fund must keep of its trades made in reliance on this section. The records should be detailed and sufficient to establish a proper audit trail of the transactions.

Part 7 — Exemptions

7.1 — Exemptions

(1) The securities regulatory authority or regulator may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario only the regulator may grant such an exemption.

7.2 — Existing exemptions, waivers or approvals

Any exemption, waiver or approval under a provision of securities legislation that was effective before this Instrument came into force and that deals with the matters that this Instrument regulates, will expire one year after this Instrument comes into force.

Commentary

1. [Deleted] ~~*The CSA have, in a number of jurisdictions, granted exemptions and waivers from the conflict of interest and self-dealing provisions in securities legislation to permit the manager and/or the investment fund to make investments not otherwise permitted by securities legislation. Some of those exemptions and waivers contained "sunset" provisions that provided for the expiry of the exemption or waiver upon the coming into force of legislation or a CSA policy or rule that effectively provides for fund governance.*~~

~~*For greater certainty, the CSA note that the coming into force of section 7.2 of this Instrument will effectively cause all exemptions and waivers that deal with the matters regulated by this Instrument — not just those exemptions and waivers that deal with the matters under subsection 5.2(1) — to expire one year after its coming into force whether or not they contained a "sunset" provision.*~~

Part 8 — Effective date

8.1 — Effective date

This Instrument comes into force on November 1, 2006.

8.2 — Transition

(1) Despite section 8.1, this Instrument does not apply to an investment fund until the earlier of

(a) the date on which the manager provides to the securities regulatory authority or regulator the notification referred to in subsection (4); and

(b) the date one year after this Instrument comes into force.

(2) Despite subsection (1), six months from the date this Instrument comes into force the manager must appoint the first members of the independent review committee under section 3.2 in compliance with this Instrument.

(3) Despite section 4.4, the independent review committee's first report to securityholders must be completed by the 120th day after the end of the first financial year of the investment fund to which this Instrument applies.

(4) A manager of an investment fund must notify the securities regulatory authority or regulator in writing if it intends to comply with this Instrument prior to the expiration of the transition period under subsection (1).

(5) The notification referred to in subsection (4) is satisfied if the notification is made to the investment fund's principal regulator.

Commentary

[Deleted]

~~*1. Section 8.2 is intended to address transitional concerns.*~~

~~*The CSA expect that all investment funds will be compliant with this Instrument following the expiry of the transition period under subsection 8.2(1), twelve months after the Instrument is in force. For an investment fund established after the expiry of the transition period, it is expected that the investment fund will be compliant with this Instrument before any purchase order for securities of the investment fund is accepted.*~~

~~*2. Subsection 8.2(2) allows a manager an extra six months from the date this Instrument is in force to appoint the initial members of the IRC.*~~

~~*While a six month transition period exists for the appointment of IRC members, the CSA strongly encourage a timely appointment of the IRC by the manager so that within the twelve month transitional period there is sufficient time for the IRC to adopt its charter, to review the manager's policies and procedures, and to review (subject to manager referral) any existing conflict of interest matters.*~~

~~*The transition period is also intended to give the manager sufficient time to refer existing and new conflict of interest matters to the IRC for its review and determination.*~~

~~*3. The CSA anticipate a manager or investment fund may wish to rely on the Instrument before the expiry of the transition period so that it may proceed with IRC approval for an otherwise prohibited or restricted transaction in securities legislation described in subsection 5.2(1). This may not occur unless there is complete compliance with the*~~

~~*Instrument. Subsection (4) is intended to assist the CSA in knowing which managers of investment funds are proceeding in this manner before the expiry of the transition period.*~~

~~*4. For investment funds established before the expiry of the transition period, the CSA expect the manager to establish policies and procedures on any conflict of interest matters (if they do not already have them), and to refer to the IRC these policies and procedures and any decisions related to such matters prior to the end of the transition period.*~~

~~*5. The CSA do not consider a manager's organization of an investment fund (such as the initial setting of fees or the initial choice of service providers) to be subject to IRC review, unless the manager's decisions give rise to a conflict of interest concerning the manager's obligations to existing investment funds within the manager's fund family. However, the CSA expect the manager will establish policies and procedures for any conflict of interest matters arising from the investment fund's organization or otherwise, and refer to the IRC these policies and procedures and any decisions related to such matters.*~~

~~*It is anticipated that the manager will wish to engage the IRC early in the establishment of the investment fund to ensure the IRC is adequately informed of potential new conflicts of interest.*~~

~~*6. An investment fund, whether established before or after the date this Instrument comes into force, has a total transition period of up to twelve months from the date the Instrument comes into force to comply with the Instrument. Only if the manager of an investment fund intends to comply with the Instrument in its entirety before the expiry of the transition period is the notice in subsection (4) required.*~~

~~*7. It is expected that investment funds will incorporate any new disclosure obligations arising out of this Instrument as part of their annual prospectus renewal or continuous disclosure filing following the expiry of the transition period.*~~

~~*8. The CSA do not consider the expenses incurred by existing investment funds in establishing an IRC under this Instrument to be caught by section 5.1 of NI 81-102. We do not view section 5.1 as intending to capture the costs associated with compliance by an investment fund with new regulatory requirements.*~~

Appendix A — Conflict of Interest or Self-Dealing Provisions

JURISDICTION	SECURITIES LEGISLATION REFERENCE
—	
Alberta	Part 15 — Insider Trading and Self-Dealing of the *Securities Act* (Alberta)
—	
British Columbia	Part 15 — Self-Dealing of the *Securities Act* (British Columbia)
—	
Manitoba	Part XI — Insider Trading of the *Securities Act* (Manitoba)
—	
Newfoundland and Labrador	Part XX — Insider Trading and Self-Dealing of the *Securities Act* (Newfoundland and Labrador)
—	
New Brunswick	Part 10 — Insider Trading and Self-Dealing of the *Securities Act* (New Brunswick)
—	
Northwest Territories	Part 11 — Insider Reporting and Early Warning of the *Securities Act* (Northwest Territories)
—	
Nova Scotia	Sections 112 — 128 of the *Securities Act* (Nova Scotia)
—	
Ontario	Part XXI — Insider Trading and Self-Dealing of the *Securities Act* (Ontario)
—	
Quebec	Section 236 of the *Securities Regulation* (Quebec)
—	
Saskatchewan	Part XVII — Insider Trading and Self-Dealing — Mutual Funds of the *Securities Act* (Saskatchewan)
—	
Alberta, British Columbia, Manitoba, Newfoundland and Labrador, New Brunswick, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, Quebec, Saskatchewan and Yukon	Part 4 of National Instrument 81-102 *Investment Funds* and section 13.5 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*

Appendix B Inter-Fund Self-Dealing Conflict of Interest Provisions

JURISDICTION	LEGISLATION REFERENCE
Alberta	Paragraph 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and section 4.2 of National Instrument 81-102 *Investment Funds*
British Columbia	Paragraph 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and section 4.2 of National Instrument 81-102 *Investment Funds*
Manitoba	Paragraph 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and section 4.2 of National Instrument 81-102 *Investment Funds*
New Brunswick	Paragraph 144(1)(b) of the *Securities Act* (New Brunswick) Subsection 11.7(6) of Local Rule 31-501 *Registration Requirements* Paragraph 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and section 4.2 of National Instrument 81-102 *Investment Funds*
Newfoundland and Labrador	Paragraph 119(2)(b) of the *Securities Act* (Newfoundland and Labrador) Subsection 103(6) of Reg. 805/96 Paragraph 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and section 4.2 of National Instrument 81-102 *Investment Funds*
Northwest Territories	Paragraph 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and section 4.2 of National Instrument 81-102 *Investment Funds*
Nova Scotia	Paragraph 126(2)(b) of the *Securities Act* (Nova Scotia) Subsection 32(6) of the General Securities Rules Paragraph 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and section 4.2 of National Instrument 81-102 *Investment Funds*
Nunavut	Paragraph 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and section 4.2 of National Instrument 81-102 *Investment Funds*
Ontario	Paragraph 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and section 4.2 of National Instrument 81-102 *Investment Funds*

Prince Edward Island	Paragraph 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and section 4.2 of National Instrument 81-102 *Investment Funds*
Quebec	Paragraph 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and section 4.2 of National Instrument 81-102 *Investment Funds*
Saskatchewan	Paragraph 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and section 4.2 of National Instrument 81-102 *Investment Funds*
Yukon	Paragraph 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and section 4.2 of National Instrument 81-102 *Investment Funds*

~~Appendix B — Inter-Fund Self-Dealing Conflict of Interest Provisions~~

~~JURISDICTION~~	~~LEGISLATION REFERENCE~~
~~Alberta~~	~~Section 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*~~
~~British Columbia~~	~~Section 127(1)(b) of the *Securities Act* (British Columbia)~~
~~-~~	~~Section 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*~~
~~Manitoba~~	~~Section 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*~~
~~New Brunswick~~	~~Section 144(1)(b) of the *Securities Act* (New Brunswick)~~
~~-~~	~~Section 11.7(6) of Local Rule 31-501 *Registration Requirements*~~
~~-~~	~~Section 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*~~
~~Newfoundland and Labrador~~	~~Section 119(2)(b) of the *Securities Act* (Newfoundland and Labrador)~~
~~-~~	~~Section 103(6) of Reg. 805/96~~
~~-~~	~~Section 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*~~
~~Northwest Territories~~	~~Section 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*~~
~~Nova Scotia~~	~~Section 126(2)(b) of the *Securities Act* (Nova Scotia)~~
~~-~~	~~Section 32(6) of the General Securities Rules~~

-	Section 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*
Nunavut	Section 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*
Ontario	Section 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*
Prince Edward Island	Section 38.1(6) of Securities Act Regulations
-	Section 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*
Quebec	Section 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*
Saskatchewan	Section 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*
Yukon	Section 13.5(2)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*

APPENDIX A to COMMENTARY — DECISION TREE