

**CSA Notice of Amendments to  
National Instrument 81-102 *Mutual Funds*, National Instrument 81-106  
*Investment Fund Continuous Disclosure*, National Instrument 81-101 *Mutual  
Fund Prospectus Disclosure*, National Instrument 41-101 *General Prospectus  
Requirements* and Related Consequential Amendments**

**June 19, 2014**

## **Introduction**

The Canadian Securities Administrators (the CSA or we) are adopting amendments (the Amendments) to the following rules, as part of Phase 2 of the CSA's implementation of the Modernization of Investment Fund Product Regulation Project (the Modernization Project):

- National Instrument 81-102 *Mutual Funds* (NI 81-102);
- National Instrument 81-106 *Investment Fund Continuous Disclosure* (NI 81-106);
- National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (NI 81-101);
- National Instrument 41-101 *General Prospectus Requirements* (NI 41-101).

The references above to a national instrument include its form(s).

The CSA are also making changes (the Related Changes) to Companion Policy 81-102CP to National Instrument 81-102 *Mutual Funds* (81-102CP) and to Companion Policy 81-106CP to National Instrument 81-106 *Investment Fund Continuous Disclosure* (81-106CP).

Related consequential amendments and changes (collectively, the Consequential Amendments) set out in Annexes G to K are also being made to reflect the change in the title of NI 81-102.

Subject to Ministerial approval requirements, the Amendments, the Related Changes and the Consequential Amendments come into force on September 22, 2014.

## **Background**

The mandate of the Modernization Project is to review the product regulation of publicly offered investment funds and to consider whether our current regulatory approach sufficiently addresses product and market developments in the Canadian investment fund industry, and continues to adequately protect investors. The types of investment funds included in the Modernization Project are publicly offered mutual funds and non-redeemable investment funds (including exchange-traded investment funds).

In Phase 1 of the Modernization Project the CSA focused primarily on publicly offered mutual funds to codify exemptive relief that had been frequently granted in recognition of market and product developments. As well, we made amendments to keep pace with developing global standards in mutual fund product regulation, notably introducing maturity restrictions and liquidity requirements for money market funds. The Phase 1 amendments came into force on April 30, 2012, except for the provisions relating to money market funds, which came into force on October 30, 2012.

The objective of Phase 2 of the Modernization Project is to identify and address any market efficiency, investor protection and fairness issues that arise out of the differing regulatory regimes that apply to publicly offered mutual funds and non-redeemable investment funds. The aim is to achieve fair and consistent product regulation across the spectrum of retail investment funds.

The Amendments, the Related Changes and the Consequential Amendments were published for comment on March 27, 2013 (the 2013 Proposal). They have three key components:

- 1) the introduction of core investment restrictions and fundamental operational requirements for non-redeemable investment funds;
- 2) enhanced disclosure requirements regarding securities lending activities by investment funds, to better highlight the costs, benefits and risks, and keep pace with developing global standards in the regulation, of these activities; and
- 3) the creation of a more comprehensive alternative funds framework to be effected through amendments to National Instrument 81-104 *Commodity Pools* (NI 81-104) (the Alternative Funds Proposals).

On June 25, 2013, the CSA published CSA Staff Notice 11-324 *Extension of Comment Period* (CSA Staff Notice 11-324), which extended the comment period on the 2013 Proposal from June 25, 2013 to August 23, 2013.

In CSA Staff Notice 11-324, we advised that the CSA will consider the Alternative Funds Proposals at a later date, in conjunction with certain investment restrictions for non-redeemable investment funds proposed as part of the 2013 Proposal that we consider to be interrelated with the Alternative Funds Proposals (the Interrelated Investment Restrictions). The Interrelated Investment Restrictions include the proposed restrictions in the 2013 Proposal on investments in physical commodities, short selling, the use of derivatives and borrowing cash.

Accordingly, the Amendments being adopted at this time address the first two components of this Phase of the Modernization Project listed above, and specifically focus on introducing fundamental investment restrictions and operating requirements for non-redeemable investment funds, as well as new disclosure requirements with respect to securities lending by all investment funds (the Securities Lending Disclosure Requirements).

## **Substance and Purpose of the Amendments**

The Amendments introduce fundamental investment restrictions and operating requirements for non-redeemable investment funds, as well as the Securities Lending Disclosure Requirements. The Amendments and the Related Changes also include a number of minor drafting changes generally intended to clarify and update NI 81-102 and 81-102CP.

### **(i) Investment Restrictions**

#### ***Control Restriction***

The Amendments extend the application of section 2.2 of NI 81-102 to non-redeemable investment funds. Section 2.2 of NI 81-102, among other things, restricts the amount of securities of an issuer that an investment fund may purchase to 10% of the outstanding equity securities of that issuer.

Moreover, section 2.2 of NI 81-102 restricts an investment fund from purchasing a security for the purpose of exercising control over the issuer of the security. The CSA have added section 3.2.1 to 81-102CP to provide guidance on how the CSA will generally interpret control for the purposes of section 2.2 of NI 81-102. This guidance is intended to apply only to the interpretation of control for the purposes of this section.

The application of section 2.2 of NI 81-102 to non-redeemable investment funds is intended to restrict investments that the CSA view to be inconsistent with the fundamental characteristics of investment funds as investment vehicles which generally do not become actively involved in the management of their investee companies.

While new non-redeemable investment funds must comply with section 2.2 of NI 81-102 as of September 22, 2014, for existing non-redeemable investment funds that are reporting issuers, the Amendments relating to section 2.2 come into force on March 21, 2016. See “Transition Periods and Grandfathering”.

#### ***Investments in Real Property and Loan Syndications***

The Amendments introduce paragraphs 2.3(2)(a) and (c) of NI 81-102, which restrict a non-redeemable investment fund from purchasing real property, or an interest in certain loan syndications or loan participations, respectively. These restrictions are meant to limit activities which the CSA view as inconsistent with the fundamental characteristics of publicly offered investment funds.

While new non-redeemable investment funds must comply with paragraphs 2.3(2)(a) and (c) of NI 81-102 as of September 22, 2014, existing non-redeemable investment funds that are reporting issuers are not required to comply with paragraphs 2.3(2)(a) and (c) until March 21, 2016. See “Transition Periods and Grandfathering”.

### ***Investments in Mortgages***

The Amendments introduce paragraph 2.3(2)(b) of NI 81-102, which restricts a non-redeemable investment fund from purchasing a mortgage other than a guaranteed mortgage (as defined in NI 81-102). This restriction reflects the CSA's general view that investments in non-guaranteed mortgages are inconsistent with the nature of a publicly offered investment fund, as such investments may be akin to engaging in a lending business, which is generally outside of the scope of portfolio management typically engaged in by publicly offered investment funds.

In response to the comments received on this section, the Amendments specify that paragraph 2.3(2)(b) of NI 81-102 does not apply to a non-redeemable investment fund that has filed a prospectus for which a receipt was issued on or before September 22, 2014 and which has adopted fundamental investment objectives to permit it to invest in mortgages. See "Transition Periods and Grandfathering" below.

For greater clarity, paragraph 2.3(2)(b) of NI 81-102 does not relate to or impact National Policy 29 *Mutual Funds Investing in Mortgages*, which applies to a small number of mutual funds whose existence predates the coming-into-force of NI 81-102.

### ***Fund-of-Fund Structures***

The Amendments permit a non-redeemable investment fund to invest in another investment fund provided the investment complies with the requirements of subsection 2.5(2) of NI 81-102 applicable to non-redeemable investment funds. Other than new paragraphs 2.5(2)(a.1) and (c.1) of NI 81-102, these requirements are the same as the fund-of-fund requirements applicable to mutual funds.

Under paragraph 2.5(2)(a.1) of NI 81-102, the underlying investment fund must be subject to NI 81-102 or must comply with the provisions of NI 81-102 applicable to a non-redeemable investment fund. This requirement is meant to give flexibility to non-redeemable investment funds to continue using their traditional fund-of-fund structures, which generally involve investing all or substantially all of their assets in a mutual fund which, although a reporting issuer, is not subject to NI 81-102, while still achieving the CSA's objective of ensuring the fund-of-fund structure does not permit investments indirectly by a non-redeemable investment fund that are not permissible directly.

Under paragraph 2.5(2)(c.1) of NI 81-102, the underlying investment fund must be a reporting issuer in at least one Canadian jurisdiction in which the non-redeemable investment fund is a reporting issuer. This requirement is intended to ensure that the underlying fund is subject to the CSA's continuous disclosure regime in NI 81-106, and to permit securityholders of the non-redeemable investment fund to readily access information about the underlying fund.

The CSA recognize that there are a limited number of existing non-redeemable investment funds that invest in foreign investment funds, which may not comply with paragraphs 2.5(2)(a.1) or (c.1) of NI 81-102. The CSA will consider applications on a case-by-case basis for exemptive relief on behalf of such non-redeemable investment funds to permit them to continue investing in foreign underlying funds.

In addition to the new requirements applicable to non-redeemable investment funds, we have amended subsection 2.5(2) of NI 81-102 to codify the CSA's view that a mutual fund may not invest in a non-redeemable investment fund. For those mutual funds which currently invest in non-redeemable investment funds, the CSA will consider applications on a case-by-case basis for exemptive relief to permit them to continue investing in such underlying funds.

While new investment funds must comply with section 2.5 of NI 81-102 as of September 22, 2014, for existing investment funds that are reporting issuers, the Amendments relating to section 2.5 come into force on March 21, 2016. See "Transition Periods and Grandfathering".

### ***Securities Lending, Repurchases and Reverse Repurchases***

The Amendments extend the framework for securities lending, repurchase and reverse repurchase transactions in sections 2.12 to 2.17 of NI 81-102 to non-redeemable investment funds.

The Amendments further amend paragraphs 2.12(1)12 and 2.13(1)11 of NI 81-102 to specify that the aggregate market value of securities loaned under securities lending transactions or sold in repurchase transactions by an investment fund must not exceed an amount equal to 50% of the investment fund's net asset value (NAV).<sup>1</sup> This amendment is intended to offset the effect of leverage employed by non-redeemable investment funds, whereby a non-redeemable investment fund's total assets may be substantially greater than its NAV. The CSA do not expect this amendment to have a material effect on mutual funds, as mutual funds are generally not permitted to employ leverage and their liabilities are generally not significant relative to their total assets.

While new non-redeemable investment funds must comply with sections 2.12 to 2.17 of NI 81-102 as of September 22, 2014 for existing non-redeemable investment funds that are reporting issuers, the Amendments relating to these sections come into force on September 21, 2015. See "Transition Periods and Grandfathering".

### **(ii) Conflicts of Interest**

The Amendments extend the conflicts of interest provisions of Part 4 of NI 81-102 to non-redeemable investment funds. The introduction of these provisions extends key protections to securityholders of non-redeemable investment funds.

### **(iii) Fundamental Changes**

The Amendments extend the application of the securityholder and regulatory approval requirements of Part 5 of NI 81-102 to non-redeemable investment funds. The introduction of these provisions extends key protections to securityholders of non-redeemable investment funds.

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<sup>1</sup> Prior to the coming into force of the Amendments, the requirement is that the aggregate market value of securities loaned or sold not exceed an amount equal to 50% of the fund's *total assets*.

### ***New Securityholder Approval Requirements***

In addition to the existing securityholder approval requirements in section 5.1 of NI 81-102, the Amendments introduce paragraph 5.1(1)(h) of NI 81-102, which requires that prior securityholder approval be obtained to implement a specified change to the nature or structure of an investment fund; specifically, any change that would convert a mutual fund into a non-redeemable investment fund, convert a non-redeemable investment fund into a mutual fund, or convert an investment fund into an issuer that is not an investment fund. The Amendments further introduce subsection 5.1(2) of NI 81-102 which specifies that an investment fund must not bear the costs and expenses to implement a change contemplated by paragraph 5.1(1)(h) of NI 81-102. These provisions reflect the CSA's view that changing the nature or structure of an investment fund is a fundamental change, and investors should be given the same securityholder approval rights as when an investment fund in which they invest is reorganized by way of merger.

### ***Exemption from Securityholder Approval Requirement for Flow-Through Funds***

The Amendments introduce paragraph 5.3(2)(b) and subsection 5.6(1.1) of NI 81-102, which provide exemptions from the securityholder and regulatory approval requirements, respectively, for fund mergers involving specialized non-redeemable investment funds that have a limited term and that do not list or trade their securities on a secondary market. These non-redeemable investment funds are typically organized as limited partnerships and have the investment objective of providing returns through tax-assisted investments in "flow-through" shares issued by resource companies. In order to avail itself of the exemptions in paragraph 5.3(2)(b) and subsection 5.6(1.1) of NI 81-102, a non-redeemable investment fund must satisfy certain requirements, including tailored prospectus disclosure.

### ***New Conditions for Pre-Approved Fund Mergers***

In addition to the current conditions in subsection 5.6(1) of NI 81-102, the Amendments introduce, as a condition to effect a merger of a non-redeemable investment fund with another investment fund without securityholder or regulatory approval, a requirement that the non-redeemable investment fund permit securityholders to redeem securities of the fund at a price equal to the NAV of those securities at a date that is before the effective date of the merger. See paragraph 5.6(1)(j) of NI 81-102. The CSA consider the ability to exit the fund at NAV to mitigate the need for securityholder approval.

The Amendments also introduce paragraph 5.6(1)(k) of NI 81-102, which requires that a merger involving an investment fund be effected at NAV as a condition of the merger proceeding without securityholder or regulatory approval. This condition helps to lessen potential conflicts of interest where investment funds under common management are merged.<sup>2</sup>

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<sup>2</sup> The TSX Company Manual contains a similar condition for fund mergers to be implemented without securityholder approval.

### ***Termination of Non-Redeemable Investment Funds***

The Amendments introduce section 5.8.1 of NI 81-102, which requires a non-redeemable investment fund to terminate no earlier than 15 days and no later than 90 days after filing a press release disclosing the intended termination. This provision is intended to give investors sufficient time to consider the consequences of the termination, while also requiring that money be repaid promptly to investors if a non-redeemable investment fund is terminating, as any secondary market liquidity can be expected to decline significantly after the termination of the fund is disclosed.

#### **(iv) Custodianship Requirements**

The Amendments update the drafting in Part 6 of NI 81-102 and extend the NI 81-102 requirements to non-redeemable investment funds.<sup>3</sup> There are no substantive changes to the custodianship requirements for investment funds, other than requiring all non-redeemable investment funds which are reporting issuers, rather than only those that have filed a prospectus under NI 41-101, to comply with the custodianship requirements. Part 14 of NI 41-101 will remain in order to maintain the custodianship requirements for scholarship plans.

#### **(v) Sale of Securities**

The Amendments introduce subsection 9.3(2) of NI 81-102, which requires that issuances of securities of an exchange-traded mutual fund that is not in continuous distribution, or of a non-redeemable investment fund, not cause dilution to existing securityholders. This subsection parallels the requirement in NI 81-102 that mutual funds issue their securities at NAV.

In addition, section 10.6 of 81-102CP has been added to provide guidance on how the CSA will interpret the requirement in subsection 9.3(2) of NI 81-102.

#### **(vi) Warrant Offerings**

The Amendments introduce Part 9.1 of NI 81-102, which restricts an investment fund from issuing warrants or rights, or from entering into a position in a specified derivative the underlying interest of which is a security of the investment fund. The CSA are of the view that the potential harm to non-redeemable investment fund securityholders from the dilution caused by warrant or rights offerings generally outweighs any benefit of such offerings.

#### **(vii) Redemptions**

The Amendments extend many of the requirements in Part 10 of NI 81-102 to non-redeemable investment funds. These requirements include:

- sending investors an annual reminder of the procedures for exercising redemptions to better inform investors of their liquidity options (subsection 10.1(3) of NI 81-102);

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<sup>3</sup> Non-redeemable investment funds that are reporting issuers and have filed a prospectus under NI 41-101 are currently subject to the custodian requirements in Part 14 of NI 41-101.

- not redeeming securities at a price that is greater than the NAV of the securities on the redemption date, to avoid dilution to remaining securityholders (subsection 10.3(4) of NI 81-102);
- having to pay redemption proceeds no more than 15 business days after the redemption is effected, to ensure that investors promptly receive their redemption proceeds (subsection 10.4(1.2) of NI 81-102); and
- only permitting suspensions of redemptions if the requirements in section 10.6 of NI 81-102 are met.

Non-redeemable investment funds will also be required to include certain disclosure regarding their redemption procedure in their prospectus, such as the amounts that may be deducted from the NAV per security in connection with the payment of redemption proceeds to redeeming securityholders. See Item 15.1(2) of Form 41-101F2.

#### **(viii) Commingling of Cash**

The Amendments extend the application of Part 11 of NI 81-102 so that the provisions relating to the holding of monies from sales and redemptions of securities will apply to non-redeemable investment funds. However, the Amendments contain an exemption in subsection 11.4(1.3) of NI 81-102 from certain of these requirements for CDS Clearing and Depository Services Inc., similar to the exemption currently provided to members of the Investment Industry Regulatory Organization of Canada.

#### **(ix) Sales Communications**

The Amendments extend the provisions in Part 15 of NI 81-102 to sales communications of non-redeemable investment funds, with modifications that recognize differences between mutual funds and non-redeemable investment funds. These new requirements for non-redeemable investment funds ensure that sales communications to retail investors provide relevant information and are not misleading. The provisions of Part 15 of NI 81-102 applicable to non-redeemable investment funds do not impact or negate the restrictions applicable during the waiting period and the period between the issuance of the receipt for the final prospectus and the closing of the prospectus offering.

Section 15.6 of NI 81-102 has also been amended such that a mutual fund that was converted from a non-redeemable investment fund must, if it wishes to present performance data, present past performance data for the period when it existed as a non-redeemable investment fund. This requirement is intended to ensure that the performance data presented is objective and consistent for mutual funds and non-redeemable investment funds, and is consistent with the continuous disclosure requirements in NI 81-106.

Notwithstanding the Amendments relating to Part 15 of NI 81-102, existing non-redeemable investment funds may use sales communications which were printed before September 22, 2014 until March 23, 2015. See “Transition Periods and Grandfathering”.

## **(x) Securities Lending Disclosure Requirements**

The Amendments introduce new disclosure requirements for both mutual funds and non-redeemable investment funds in respect of their securities lending activities.<sup>4</sup> The Securities Lending Disclosure Requirements comprise amendments to NI 81-106, NI 41-101 and NI 81-101 and have been drafted in response to the comments received on the 2013 Proposal.

### ***Financial Statement Disclosure***

The Securities Lending Disclosure Requirements introduce subsections 3.8(4) and (5) of NI 81-106, which require disclosure, in the notes to the financial statements, of a reconciliation of the gross amount generated from the securities lending transactions of the investment fund to the revenue from securities lending disclosed under item 4 of section 3.2 of NI 81-106. This disclosure must include, among other things, the identity 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 and the amount each such recipient was entitled to receive.

The purpose of this disclosure requirement is to better highlight the costs and returns of an investment fund's securities lending activities. Currently, the disclosure generally provided in the financial statements of an investment fund with respect to its securities lending activities does not provide information regarding the revenue sharing arrangement between the fund and its securities lending agent. Accordingly, it is not determinable, from the disclosure currently provided, what amounts are received by the securities lending agent out of the amount generated from an investment fund's securities lending activities. The CSA are of the view that such information is important and should be available to investment fund securityholders, particularly where the securities lending agent is an affiliate of the manager or where it provides other services to the investment fund (e.g., custodial services), as the fees otherwise charged to the fund by the manager or the service provider may be reduced as a result of receiving a portion of the amount generated from the securities lending activities. In this way, the true cost of owning securities of the investment fund would be hidden from securityholders.

### ***Prospectus and Annual Information Form Disclosure***

In addition to the disclosure in the notes to the financial statements, the Securities Lending Disclosure Requirements introduce requirements to disclose the name of the securities lending agent of an investment fund in the investment fund's prospectus, as well as the relationship of the securities lending agent to the investment fund's manager. Moreover, an investment fund will be required to disclose, in its prospectus or annual information form, as applicable, a description of the essential terms of any agreement with the securities lending agent. See new Item 19.11 of Form 41-101F2 and Item 10.9.1 of Form 81-101F2.

The CSA are of the view that this disclosure will highlight any potential conflicts of interest where the securities lending agent is related to the manager of the investment fund, particularly

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<sup>4</sup> In the CSA jurisdictions other than Alberta, British Columbia, Manitoba and Newfoundland and Labrador, NI 81-106 also applies to certain mutual funds that are not reporting issuers (see subsections 1.2(1) and (2) of NI 81-106). Therefore, the amendments to NI 81-106 which relate to the Securities Lending Disclosure Requirements will also apply to such mutual funds.

with respect to any revenue sharing arrangement between the investment fund and the securities lending agent.

#### **(xi) Amendments that Impact Mutual Funds**

While the Amendments focus on introducing operational requirements for non-redeemable investment funds, there are provisions in the Amendments that impact mutual funds. In addition to the Securities Lending Disclosure Requirements, these provisions include:

- amended subsection 2.5(2) of NI 81-102, which restricts a mutual fund from investing in a non-redeemable investment fund (see “(i) Investment Restrictions – Fund-of-Fund Structures” above);
- amended sections 2.11 and 2.17 of NI 81-102, which require an exchange-traded mutual fund that is not in continuous distribution to issue a news release if the fund intends to begin using specified derivatives, short selling and entering into securities lending, repurchases and reverse repurchases transactions (see “(i) Investment Restrictions – Securities Lending, Repurchases and Reverse Repurchases” above);
- amended paragraphs 2.12(1)12 and 2.13(1)11 of NI 81-102, which limit the amount of securities loaned or sold in repurchase transactions by a mutual fund to 50% of NAV, rather than 50% of total assets, excluding the collateral delivered to the fund (see “(i) Investment Restrictions – Securities Lending, Repurchases and Reverse Repurchases” above);
- amended paragraph 5.1(1)(g) of NI 81-102, which broadens the securityholder approval requirements to require securityholder approval for a merger of a mutual fund with any issuer, rather than a merger with another mutual fund;
- new paragraph 5.1(1)(h) of NI 81-102, which requires that a mutual fund that wishes to implement a change, which restructures the fund into a non-redeemable investment fund or an issuer that is not an investment fund, to obtain prior securityholder approval (see “(iii) Fundamental Changes – New Securityholder Approval Requirements” above);
- new paragraph 5.6(1)(k) of NI 81-102, which adds a new condition that, for a fund merger to be effected without prior securityholder or regulatory approval, the consideration offered to securityholders of the investment fund must have a value that is equal to the NAV of the fund (see “(iii) Fundamental Changes – New Conditions for Pre-Approved Fund Mergers” above);
- new subsection 9.3(2) of NI 81-102, which prevents an exchange-traded mutual fund that is not in continuous distribution from dilutive issuances of securities (see “(v) Sale of Securities” above);
- new section 9.1.1 of NI 81-102, which restricts the issuance of warrants and similar instruments by all investment funds (see “(vi) Warrant Offerings” above);

- new subsections 10.4(1.1) and 10.6(2) of NI 81-102, which require an exchange-traded mutual fund that is not in continuous distribution to pay redemption proceeds no more than 15 business days after the redemption is effected, unless the redemptions of the fund have been suspended in accordance with the requirements in section 10.6; and
- amended section 15.6 of NI 81-102, which requires a mutual fund that was converted from a non-redeemable investment fund, if it wishes to present performance data, to present past performance data for the period when it existed as a non-redeemable investment fund (see “(ix) Sales Communications” above).

## **(xii) Other**

The Amendments and Related Changes include a number of minor drafting changes generally intended to clarify and update NI 81-102 and 81-102CP.

The key changes made to the 2013 Proposal since its publication for comment are discussed in detail in the Summary of Changes in Annex A to this Notice.

## **Summary of Written Comments Received by the CSA**

We received submissions from 49 commenters on the 2013 Proposal. We have considered all comments received and thank all commenters for their input. A summary of their comments, together with our responses, is contained in Annex B to this Notice.

As discussed in CSA Staff Notice 11-324, the CSA are not addressing the Alternative Funds Proposals and the Interrelated Investment Restrictions in the Amendments. Accordingly, Annex B does not include a summary of comments received on the Alternative Funds Proposals or on the Interrelated Investment Restrictions. A summary of those comments and the CSA’s responses to those comments will be published at a later date concurrently with any proposed amendments to NI 81-104 and NI 81-102.

## **Summary of Changes to the 2013 Proposal**

After considering the comments received, we have made some revisions to the materials that were published for comment under the 2013 Proposal. Those revisions are reflected in the amending instruments we are publishing as Annexes C to K to this Notice. As these changes are not material, we are not republishing the Amendments for a further comment period. See Annex A to this Notice for a summary of the key changes made to the 2013 Proposal.

## **Transition Periods and Grandfathering**

The CSA are providing transition periods for existing investment funds to comply with certain provisions of the Amendments.

### ***Control Restriction***

Existing non-redeemable investment funds that are reporting issuers will not be required to comply with section 2.2 of NI 81-102 until March 21, 2016. See paragraph 101(1)(b) of Schedule C-1 to this Notice.

### ***Investments in Real Property and Loan Syndications***

Existing non-redeemable investment funds that are reporting issuers will not be required to comply with paragraphs 2.3(2)(a) and (c) of NI 81-102 until March 21, 2016. See paragraph 101(1)(b) of Schedule C-1 to this Notice.

### ***Non-guaranteed Mortgage Investments***

After reviewing the comments received, the CSA are introducing subsection 20.4(2) of NI 81-102, which grandfathers existing non-redeemable investment funds that are reporting issuers and have adopted fundamental investment objectives to permit them to invest in mortgages, from the requirement of paragraph 2.3(2)(b) of NI 81-102.

Notwithstanding this grandfathering provision, the CSA will continue to focus on investments in non-guaranteed mortgages in the prospectus reviews of any subsequent issuances of securities by non-redeemable investment funds relying on the grandfathering provided by subsection 20.4(2) of NI 81-102.

### ***Fund-of-Fund Structures***

Existing non-redeemable investment funds that are reporting issuers will not be required to comply with section 2.5 of NI 81-102 until March 21, 2016. Existing mutual funds will not be required to comply with section 2.5, as amended by the Amendments, until March 21, 2016. See paragraph 101(1)(b) and subsection 101(2) of Schedule C-1 to this Notice.

### ***Securities Lending, Repurchases and Reverse Repurchases***

Existing non-redeemable investment funds that are reporting issuers will not be required to comply with sections 2.12 to 2.17 of NI 81-102 until September 21, 2015. See paragraph 101(1)(a) of Schedule C-1 to this Notice.

The CSA are introducing section 18.5.2 of NI 81-106, which states that investment funds will not be required to comply with the amendments to NI 81-106, which relate to the Securities Lending Disclosure Requirements, for financial years beginning before January 1, 2016. The purpose of this transition period is to give investment funds adequate time to begin tracking the information required to be disclosed by new subsections 3.8(4) and (5) of NI 81-106 on a comparative basis.

### ***Sales Communications***

The CSA are also providing a six-month transition period for existing non-redeemable investment funds to continue to use sales communications (other than advertisements) prepared

prior to the coming-into-force date of the Amendments. See subsection 101(3) of Schedule C-1 to this Notice.

## **Materials Published**

The following annexes are attached to this notice:

- Annex A: Summary of Changes to the 2013 Proposal
- Annex B: Summary of Public Comments and CSA Responses
- Annex C: Amendments to National Instrument 81-102 *Mutual Funds* and Changes to Companion Policy 81-102CP to National Instrument 81-102 *Mutual Funds*
  - Schedule C-1: Amendments to National Instrument 81-102 *Mutual Funds*
  - Schedule C-2: Blackline Showing Changes to Companion Policy 81-102CP to National Instrument 81-102 *Mutual Funds*
- Annex D: Amendments to National Instrument 81-106 *Investment Fund Continuous Disclosure* and Changes to Companion Policy 81-106CP to National Instrument 81-106 *Investment Fund Continuous Disclosure*
  - Schedule D-1: Amendments to National Instrument 81-106 *Investment Fund Continuous Disclosure*
  - Schedule D-2: Changes to Companion Policy 81-106CP to National Instrument 81-106 *Investment Fund Continuous Disclosure*
- Annex E: Amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure*
- Annex F: Amendments to National Instrument 41-101 *General Prospectus Requirements*
- Annex G: Amendments to National Instrument 81-107 *Independent Review Committee for Investment Funds* and Changes to Commentary in National Instrument 81-107 *Independent Review Committee for Investment Funds*
  - Schedule G-1: Amendments to National Instrument 81-107 *Independent Review Committee for Investment Funds*
  - Schedule G-2: Changes to Commentary in National Instrument 81-107 *Independent Review Committee for Investment Funds*
- Annex H: Amendments to Specified Instruments (Change in Name of National Instrument 81-102 *Mutual Funds*)
- Annex I: Changes to Companion Policy 81-104CP to National Instrument 81-104 *Commodity Pools*

Annex J: Changes to Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations*

Annex K: Changes to National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions*

Annex L: Local Matters

## Questions

Please refer your questions to any of the following:

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