

**APPENDIX A****SUMMARY OF CHANGES TO NATIONAL INSTRUMENT 81-106 *Mutual Fund  
Continuous Disclosure******The Rule******Part 1 Definitions and Applications***

- We revised the definition of “current value” to refer more generally to the value calculated in accordance with Canadian GAAP, rather than specific references to market value and fair value.
- We changed the term “group scholarship plan” to “scholarship plan” and have modified the definition to make it consistent with other defined terms. The substance of the definition has not changed.
- We modified the definition of “independent valuation” to allow it to be a valuation of either the net asset value or the venture investments of a labour sponsored or venture capital fund.
- We added the definition of “management expense ratio” from NI 81-102.
- We clarified the definition of “management fees” to indicate that these do not include operating expenses of the investment fund.
- We removed the definition of “manager” as this term is already defined in NI 81-102.
- The Rule contains only one definition of “non-redeemable investment fund” applicable in every jurisdiction. This definition is consistent with the definition currently used in Ontario.
- We removed the definition of “related party”. We decided the definition was unnecessary as “related party” and “related party transactions” are explained in the Handbook.

***Part 2 Financial Statements***

- The filing deadline for interim financial statements was changed from 45 to 60 days. This filing deadline also applies to the interim MRFPs. We removed the additional ten days for mailing so that securityholders will not receive CD documents later than they currently do.
- We specified that financial statements must be prepared in accordance with Canadian GAAP as applicable to public enterprises so as to be consistent with NI 52-107.

- The Rule now states that the change in year end provisions only apply to investment funds that are reporting issuers. We also clarified the comparative periods for each type of financial statement in the transition year.

### *Part 3 Financial Disclosure Requirements*

- We specified that investment funds must present certain line items in the financial statements per class or series if applicable.
- We deleted the separate requirements for commodity pools in subsection 3.2(2) as these items are already captured in the statement of operations.
- The requirement to disclose short term debt instruments by currency was modified to require separate disclosure by currency only if the amount represents more than 5% of the total short term debt.
- We removed the requirements to disclose details of related party transactions and to disclose a breakdown of management fees in the notes to the financial statements. This disclosure should be provided in the notes when required by Canadian GAAP. The MRFP will contain a discussion of related party transactions and a breakdown of management fees.
- We removed the requirement to disclose details of amounts waived or paid by the manager in the notes to the financial statements. This disclosure is already required in the statement of operations.
- We clarified the requirement to disclose soft dollars by indicating that this disclosure is to be provided if the amount is ascertainable and by indicating that the soft-dollar portion is the amount paid to dealers for goods and services other than order execution.
- We moved the requirement to disclose the total cost of distribution of the investment fund's securities from the CP to the Rule. This disclosure must be provided in the notes to the financial statements.
- We moved the requirements with respect to incentive arrangements into the statement of net assets and statement of operations, as applicable. Consequently, we deleted section 3.11.
- We changed the specific requirements for scholarship plans to indicate that they must provide the disclosure by year of eligibility, rather than year of maturity. We also exempted scholarship plans from disclosing certain "per security" line items.

### *Part 5 Delivery of Financial Statements and Management Reports of Fund Performance*

- To improve readability, we defined the term "securityholder" for the purposes of Part 5 to mean registered holder and beneficial owner.

- We added a prohibition against using annual instructions after standing instructions have been obtained. This prohibition was previously contained in the CP.
- We clarified that investment funds must apply the procedures in National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* for the purposes of Part 5 of the Rule, but are exempted from these procedures if they have the necessary beneficial owner information.
- We removed the time limits for obtaining either standing or annual instructions. Investment funds can seek these instructions at a convenient time, remembering that the Rule requires delivery of financial statements and MRFPs to all securityholders unless the investment fund has solicited specific delivery instructions.
- The Rule now permits investment funds under common management to solicit one set of delivery instructions from a securityholder that owns more than one fund in the same fund family.
- The Rule now permits more than one MRFP to be bound together for the purposes of delivery to a securityholder that owns each of the investment funds to which the MRFPs relate.
- We changed the delivery deadline to be the later of the filing deadline or ten days following a securityholder request. This change is consistent with the delivery deadline for reporting issuers other than investment funds.

#### *Part 6 Quarterly Portfolio Disclosure*

- We extended the deadline for providing quarterly portfolio disclosure from 45 days to 60 days to address the comments received and to coincide with the interim filing deadline.

#### *Part 7 Financial Disclosure – General [Now Part 7 Binding and Presentation]*

- We removed the requirement to send financial statements and MRFPs to people who request them other than securityholders. There is no corresponding requirement in NI 51-102 and we are of the view that it is not necessary to prescribe how investment funds communicate with individuals who are not securityholders.
- We modified section 7.5 [now 7.2] to require multi-class funds (where all classes are referable to the same portfolio of assets) to prepare one set of financial statements. This change was made in response to comments that raised concerns with allowing a separate set of financial statements per class, which is not supported by accounting literature and may not be consistent with Canadian GAAP.

#### *Part 8 Independent Valuations for Labour Sponsored or Venture Capital Funds*

- We added a requirement to disclose the qualifications of the independent valuator in the statement of investment portfolio or in the notes to the annual financial statements.
- We deleted the requirement to disclose the compensation paid to the independent valuator as this disclosure would likely not assist with evaluating independence.

*Part 9 Annual Information Form*

- Every investment fund that does not have a current prospectus must prepare and file an AIF. The Rule previously exempted investment funds that hold an annual meeting from filing an AIF. However, we determined that the information required in an AIF and in an information circular was not substantially similar, so it is preferable that all investment funds without a current prospectus continue to file an AIF.

*Part 10 Proxy Voting Disclosure for Securities Held*

- We added a requirement for investment funds that have a website to post their proxy voting record.

*Part 15 Calculation of Management Expense Ratio (MER)*

- We deleted the requirement (in former subsection 15.1(3)) to disclose an estimate of the non-optional fees paid directly by investors as these fees are no longer included in MER. It may also be difficult for investment funds to estimate these fees as they are negotiated between the investor and their dealer.

*Part 16 Additional Filing Requirements*

- We modified section 16.2 to require investment funds to file any additional disclosure documents they may send to their securityholders.

*Part 18 Effective Date and Transitional*

- We specified when the AIF, proxy voting disclosure and proxy solicitation and information circular requirements apply.
- We removed the transition provision applicable to interim financial statements and interim MRFPs as the filing deadline for these is being maintained at 60 days.
- We modified section 18.6. Investment funds that have previously obtained an exemption from continuous disclosure obligations are exempted from any substantially similar provision of the Instrument. This section is now consistent with NI 51-102.

**The Form**

*Part B Content Requirements for Annual Management Report of Fund Performance*

### *Item 2 – Management Discussion of Fund Performance*

- We clarified that there is no requirement to provide forward-looking information in the MRFP.
- We added instructions setting out certain requirements applicable to the disclosure of related party transactions.

### *Item 3 – Financial Highlights*

- We added “management expense ratio before waivers or absorptions” as a line in the Ratios and Supplemental Data table, rather than having this disclosure in a note to the table.
- We added a new “trading expense ratio” which represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets.
- We removed the requirement to disclose the number of investments held by the investment fund.
- Labour sponsored or venture capital funds must also disclose the “pricing NAV” if different than the net asset value for accounting purposes.
- We added a new section 3.3 requiring disclosure of the basis for calculating management fees and a breakdown of the services received in consideration of the management fees. This requirement was previously contained in the Rule (see the changes to Part 3 of the Rule noted above).

### *Item 4 – Past Performance*

- We removed the requirement for exchange-traded investment funds not to assume that all distributions they made during the relevant period were reinvested in securities of the fund in order to make the performance of these funds more comparable to the performance of investment funds that are not exchange-traded.
- We removed the requirement to disclose the best and worst total return for any six month period as we are not of the view that this disclosure would be meaningful.

### *Item 5 – Summary of Investment Portfolio*

- In response to the comments received, we amended the summary of investment portfolio so that investment funds must only disclose their top 25 positions in total, either long or short, instead of their top 25 long positions and their top 25 short positions.

### *Part C – Content Requirements for Interim Management Report of Fund Performance*

- We changed the Form requirements for interim MRFPs to correspond with the changes made for annual MRFPs.

### **The Companion Policy**

- We amended the CP to reflect the changes to the Rule described above. For example,
  - we added guidance on the soft dollar disclosure required in the notes to the financial statements.
  - we removed section 3.4 dealing with auditor’s reports for multi-class funds as investment funds are not permitted to prepare separate financial statements per class.
  - we clarified the choices an investment fund has with respect to delivering CD documents to its securityholders and to soliciting delivery instructions from securityholders.
  - we specified that a labour sponsored or venture capital fund can obtain an independent valuation of either its net asset value or of the value of its venture investments.
- We expanded the discussion in the Application section to elaborate more fully on what types of issuers are considered to be investment funds.
- We removed section 3.2 “Canadian Auditors”, but added a reminder that investment funds should refer to National Instrument 52-108 *Auditor Oversight*.
- We updated the references to Handbook Section 7500 *Auditor’s Association with Annual Reports, Interim Reports and Other Public Documents*.
- We expanded our discussion of auditor involvement with interim financial statements to make it more consistent with NI 51-102.

### **Consequential Amendments**

#### *Amendments to National Instrument 81-101 Mutual Fund Prospectus Disclosure*

- We revised the amendments to NI 81-101 to require top ten holdings, past performance and financial highlights to remain in a mutual fund’s simplified prospectus until the mutual fund has filed its first annual management report of fund performance.