

Notice of Rule

National Instrument 81-106 *Investment Fund Continuous Disclosure*, Form 81-106F1 *Contents of Annual and Interim Management Report of Fund Performance*, and Companion Policy 81-106CP *Investment Fund Continuous Disclosure* And Related Amendments

Introduction

We, the Canadian Securities Administrators (CSA), have developed a nationally harmonized set of continuous disclosure (CD) requirements for investment funds. These requirements are set out in National Instrument 81-106 *Investment Fund Continuous Disclosure* (the Rule), Form 81-106F1 *Contents of Annual and Interim Management Report of Fund Performance* (the Form) and Companion Policy 81-106CP *Investment Fund Continuous Disclosure* (the CP). The Rule and the Form are together referred to as the Instrument.

We have also made consequential amendments to the following Instruments:

- National Instrument 81-101 *Mutual Fund Prospectus Disclosure*, Form 81-101F1 *Contents of Simplified Prospectus*, Form 81-101F2 *Contents of Annual Information Form*, and Companion Policy 81-101CP *Mutual Fund Prospectus Disclosure*;
- National Instrument 81-102 *Mutual Funds* and Companion Policy 81-102CP *Mutual Funds*;
- National Instrument 13-101 *System For Electronic Document Analysis and Retrieval (SEDAR)*;
- National Instrument 81-104 *Commodity Pools*;
- National Instrument 51-102 *Continuous Disclosure Obligations*;
- National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*;
- National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*;
- revocation of National Instrument 54-102 *Interim Financial Statement & Report Exemption*;
- rescission of National Policy 27 *Canadian Generally Accepted Accounting Principles*, National Policy 31 *Change of Auditor of a Reporting Issuer*, National Policy 50 *Reservations in an Auditor's Report*, and National Policy 51 *Changes in the Ending Date of a Financial Year and in Reporting Status*; and
- in some jurisdictions, certain local amendments.

The Instrument has been made or is expected to be made by each member of the CSA, and will be implemented as a rule in each of British Columbia, Alberta, Manitoba, Ontario, Nova Scotia and New Brunswick, as a commission regulation in Saskatchewan, as a regulation in Québec, and as a policy in all other jurisdictions. We also expect all jurisdictions to adopt the CP.

If the required government approval is obtained in British Columbia, the British Columbia Securities Commission intends to make the Instrument and adopt the CP. The BCSC will publish the Instrument and CP at that time.

In Saskatchewan, Commission regulations adopting Instrument and the consequential amendments will be delivered to the Minister of Justice for approval. The Minister may approve or reject the Instrument or return it for further consideration. If the Minister approves the Instrument or does not take any further action, the Instrument and consequential amendments will come into force on June 1, 2005.

Provided all necessary approvals are obtained, we expect to implement the Instrument and consequential amendments on June 1, 2005. The CP will also come into effect at that time.

Application

The requirements in the Instrument concerning

- annual financial statements, annual management reports of fund performance, and annual information forms will apply for financial years ending on or after June 30, 2005;
- interim financial statements and interim management reports of fund performance will apply for financial periods ending after the investment fund's first year end following June 30, 2005;
- quarterly portfolio disclosure will apply for periods that end on or after June 1, 2005;
- proxy voting records will apply for the annual period beginning July 1, 2005; and
- proxy solicitation and information circulars will apply as of July 1, 2005.

All other requirements will apply as of June 1, 2005.

In some jurisdictions the Instrument addresses certain non-reporting investment fund obligations such as financial statement requirements. Non-reporting investment funds do not have these requirements in other jurisdictions such as British Columbia, Alberta and Manitoba. The Instrument also does not address CD obligations for reporting issuers that are not investment funds. These reporting issuers are regulated by National Instrument 51-102 *Continuous Disclosure Obligations* which came into force on March 30, 2004.

Substance and Purpose

The Instrument harmonizes CD requirements for investment funds among Canadian jurisdictions and replaces most existing local CD requirements. It sets out the obligations of investment funds with respect to financial statements, management reports of fund performance (MRFPs), delivery obligations, proxy voting disclosure, annual information forms (AIFs) for investment funds that do not have a current prospectus, material change reporting, information circulars, proxies and proxy solicitation, and certain other CD-related matters.

The Instrument prescribes the Form which sets out the contents of the MRFPs. The purpose of the CP is to assist users in understanding and applying the Instrument and to state our views on the interpretation of certain provisions.

Background

We first published the Instrument and CP for comment on September 20, 2002. After considering the comments, we revised the Instrument and CP and published them for comment a second time on May 28, 2004 (the 2004 Proposal). The comment period expired in August 2004. For additional background and the summary of comments received during the first publication period, please refer to the notice we published on May 28, 2004.

Summary of Written Comments Received by the CSA

During the comment period, we received 36 submissions on the 2004 Proposal. We have considered these comments and thank all the commenters. A list of the 36 commenters and a summary of the comments, together with our responses, are contained in Appendix B to this notice.

After considering the comments received, we revised the Instrument and CP. However, as these changes are not material, we are not republishing the Instrument or CP for a further comment period.

Summary of Changes to the Proposed Instrument and Companion Policy

See Appendix A for a description of the noteworthy changes made to the 2004 Proposal.

Consequential Amendments

National Amendments

Amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (NI 81-101), including amendments to Form 81-101F1 and Form 81-101F2, are set out in Appendix C to this Notice.

Amendments to National Instrument 81-102 *Mutual Funds* (NI 81-102) are set out in Appendix D to this Notice.

Amendments to National Instrument 13-101 *System For Electronic Document Analysis and Retrieval (SEDAR)* (NI 13-101) are set out in Appendix E to this Notice.

Amendments to National Instrument 81-104 *Commodity Pools* (NI 81-104) are set out in Appendix F to this Notice.

Amendments to National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102) are set out in Appendix G to this Notice.

Amendments to National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* (NI 52-107) are set out in Appendix H to this Notice.

Amendments to National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (NI 71-102) are set out in Appendix I to this Notice.

National Instrument 54-102 *Interim Financial Statement & Report Exemption* (NI 54-102) will be revoked when the Instrument comes into force.

National Policy 27 *Canadian Generally Accepted Accounting Principles* (NP 27), National Policy 31 *Change of Auditor of a Reporting Issuer* (NP 31), National Policy 50 *Reservations in an Auditor's Report* (NP 50), and National Policy 51 *Changes in the Ending Date of a Financial Year and in Reporting Status* (NP 51) will be rescinded when the Instrument comes into force.

Local Amendments

We are amending or repealing elements of local securities legislation and securities directions, in conjunction with the implementation of the Instrument. The provincial and territorial securities regulatory authorities may publish, or may have published, these local changes or proposed changes separately in their local jurisdictions. Any consequential amendments to rules or regulations in a particular jurisdiction may be published in Appendix J to this Notice.

Some jurisdictions will implement the Instrument using a local implementing rule. These jurisdictions will separately publish the implementing rule.

Questions

Please refer your questions to any of:

Raymond Chan
Accountant, Investment Funds
Ontario Securities Commission
Tel: (416) 593-8128
rchan@osc.gov.on.ca

Vera Nunes
Legal Counsel, Investment Funds

Ontario Securities Commission
Tel: (416) 593-2311
vnunes@osc.gov.on.ca

Irene Tsatsos
Senior Accountant, Investment Funds
Ontario Securities Commission
Tel: (416) 593-8223
itsatsos@osc.gov.on.ca

Noreen Bent
Manager and Senior Legal Counsel
British Columbia Securities Commission
Tel: (604) 899-6741
or 1-800-373-6393 (in B.C. and Alberta)
nbent@bcsc.bc.ca

Christopher Birchall
Senior Securities Analyst
British Columbia Securities Commission
Tel: (604) 899-6722
or 1-800-373-6393 (in B.C. and Alberta)
cbirchall@bcsc.bc.ca

Melinda Ando
Legal Counsel
Alberta Securities Commission
Tel: (403) 297-2079
melinda.ando@seccom.ab.ca

Bob Bouchard
Director, Corporate Finance and Chief Administrative Officer
Manitoba Securities Commission
Tel: (204) 945-2555
bbouchard@gov.mb.ca

Wayne Bridgeman
Senior Analyst, Corporate Finance
Manitoba Securities Commission
Tel: (204) 945-4905
wbridgeman@gov.mb.ca

Sylvie Anctil-Bavas
Responsable de l'expertise comptable
Direction des marchés des capitaux
Autorité des marchés financiers

Tel: (514) 395-0558, poste 4373
sylvie.ancil-bavas@lautorite.qc.ca

The text of the Instrument and CP follows or can be found on a CSA member website.

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