

**NATIONAL INSTRUMENT 81-101
MUTUAL FUND PROSPECTUS DISCLOSURE
AMENDMENTS TO
NATIONAL INSTRUMENT 81-101
MUTUAL FUND PROSPECTUS DISCLOSURE
FORM 81-101F1
CONTENTS OF SIMPLIFIED PROSPECTUS
AND
FORM 81-101F2
CONTENTS OF ANNUAL INFORMATION FORM**

PART 1 AMENDMENTS TO NATIONAL INSTRUMENT 81-101

1.1 Amendments to National Instrument 81-101

- (1) National Instrument 81-101 is amended by
 - (a) the deletion of the definition of "commodity pool" in section 1.1 and the substitution of the following:

"commodity pool" has the meaning ascribed to that term in National Instrument 81-104 Commodity Pools;" and
 - (b) the deletion of the definition of "material contract" in section 1.1 and the substitution of the following:

"material contract" means, for a mutual fund, a contract listed in the annual information form of the mutual fund in response to Item 16 of Form 81-101F2 Contents of Annual Information Form;"
- (2) National Instrument 81-101 is amended by the deletion of the words "made by" and the substitution of the word "of" in subparagraphs 2.3(1)(b)(i), 2.3(2)(a)(i), 2.3(3)(a)(i), 2.3(4)(a)(i) and 2.3(5)(a)(i).
- (3) National Instrument 81-101 is amended by the addition of the following as subsection 2.3(6):
 - "(6) Despite any other provision of this section, a mutual fund may delete commercial or financial information from the version of an agreement of the mutual fund, its manager or trustee with a portfolio adviser or portfolio advisers of the mutual

fund filed as contemplated by this section if the disclosure of that information could reasonably be expected to

- (a) prejudice significantly the competitive position of a party to the agreement; or
- (b) interfere significantly with negotiations in which parties to the agreement are involved."

PART 2 AMENDMENTS TO FORM 81-101F1

2.1 Amendments to Form 81-101F1

- (1) The "General Instructions" of Form 81-101F1 are amended by the addition of the following sentence at the end of subsection (2):

"However, subsection 1.3(3) of National Instrument 81-102 does not apply to this Form."

- (2) The "General Instructions" of Form 81-101F1 are amended by the addition of the following immediately after subsection (20):

"Multi-Class Mutual Funds

(21) A mutual fund that has more than one class or series may treat each class or series as a separate mutual fund, for 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."

- (3) Item 1 of Part A of Form 81-101F1 is amended by

- (a) the deletion of subsection 1.1(2) and the substitution of the following:

"(2) Indicate on the front cover the name of the mutual fund to which the simplified prospectus 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."; and

- (b) the deletion of subsection 1.2(2) and the substitution of the following:

"(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."

- (4) Item 6 of Part B of Form 81-101F1 is amended by the addition of the following as subsection (5):

"(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,

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

(c) for the 12 month period immediately preceding the date of the simplified prospectus,

(i) indicate whether one or more securities represented more than 10 percent of that permitted index or those permitted indices,

(ii) identify that security or securities, and

(iii) disclose the maximum percentage of the permitted index or permitted indices that that security or those securities represented in the 12 month period, and

(d) disclose the percentage that the security or securities referred to in paragraph (c) represented at the most recent date for which that information is available."

- (5) Item 9 of Part B of Form 81-101F1 is amended by the addition of the following as subsections (5) and (6):

"(5) 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 assets 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.

(6) If at any time during the 12 month period immediately preceding the date of the simplified prospectus, more than 10 percent of the net assets of a mutual fund were invested in the securities of an issuer, disclose this fact and disclose the risks associated with that fact, 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."¹

- (6) Item 11.1 of Part B of Form 81-101F1 is amended by

(a) the addition of the following as subsection (8):

"(8) A reference to "the inception of a mutual fund" in Item 11 refers to the time at which the mutual fund first began distributing its securities under a simplified prospectus."; and

(b) the deletion of subparagraph 11.3(3)(b)(iii).

¹ Subsection (6) has been added to require a mutual fund to provide disclosure if at any time in the 12 months immediately preceding the date of the simplified prospectus more than 10 percent of its net assets were invested in the securities of an issuer. The CSA note that this provision may apply to mutual funds that are availing themselves of discretionary relief that permits them to exceed the normal 10 percent limit, to index mutual funds that are relying on subsection 2.1(5) of National Instrument 81-102, and to any other mutual fund whose portfolio, as the result of market movements, has had a security represent more than 10 percent of the net assets of the mutual fund.

- (7) Item 13.2 of Part B of Form 81-101F1 is amended by
- (a) the deletion of the words "and operating expenses" in paragraph 13.2(2)(c); and
 - (b) the addition of the following as paragraph 13.2(4):

If the management expense ratio of the mutual fund is composed, in part, of fees charged directly to investors, include disclosure of that fact. The management expense ratio used in calculating the disclosure to be provided under this Item should be the management expense ratio that includes these fees directly charged to investors; that is, the management expense ratio calculated in accordance with the general rules of Part 16 of National Instrument 81-102; and
 - (c) the renumbering of subsection 13.2(4) as subsection 13.2(5), and the addition of the words "which are not included in the calculation of management expense ratio" at the end of that subsection.

PART 3 AMENDMENTS TO FORM 81-101F2

3.1 Amendments to Form 81-101F2

- (1) The "General Instructions" of Form 81-101F2 are amended by the addition of the following sentence at the end of subsection (2):
- "However, subsection 1.3(3) of National Instrument 81-102 does not apply to this Form."*
- (2) The "General Instructions" of Form 81-101F2 are amended by the addition of the following immediately after subsection (13):

"Multi-Class Mutual Funds

(14) *A mutual fund that has more than one class or series may treat each class or series as a separate mutual fund, for purposes of this Form, or may combine disclosure of one or more of the classes or series in one annual information form."*

(3) Item 1 of Form 81-101F2 is amended by

(a) the deletion of subsection 1.1(2) and the substitution of the following:

"(2) Indicate on the front cover the name of the mutual fund to which the annual information form 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 annual information form."; and

(b) the deletion of subsection 1.2(2) and the substitution of the following:

"(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 document."

(4) Item 15 of Form 81-101F2 is amended by the addition of the following as subsection (3):

"(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."

PART 4 EFFECTIVE DATE

4.1 Effective Date - This Amendment comes into force on ! , 2000.