

CSA Staff Notice 11-324**Extension of Comment Period*****Draft Regulation to Amend
Regulation 81-102 respecting Mutual Funds and******Draft Amendments to Policy Statement to Regulation 81-102
respecting Mutual Funds and*****Related Consequential Amendments*****And Other Matters Concerning
Regulation 81-104 respecting Commodity Pools and
Securities Lending, Repurchases and Reverse Repurchases
by Investment Funds***

June 25, 2013

On March 27, 2013, the Canadian Securities Administrators (the CSA or we) published for comment draft *Regulation to Amend Regulation 81-102 respecting Mutual Funds* (Regulation 81-102), draft amendments to *Policy Statement to Regulation 81-102 respecting Mutual Funds* and proposals related to *Regulation 81-104 respecting Commodity Pools* (Regulation 81-104) and securities lending, repurchases and reverse repurchases by investment funds, as part of the CSA's implementation of the Modernization of Investment Fund Product Regulation Project (the Modernization Proposals).

The comment period is scheduled to close on June 25, 2013. We have received feedback from a number of affected stakeholders indicating that the Modernization Proposals represent fundamental changes to the regulatory framework for non-redeemable investment funds. Accordingly, they have asked for additional time to formulate a constructive response. In light of this request, the CSA are taking the exceptional step of extending the comment period until August 23, 2013.

As stated in the CSA Notice and Request for Comment dated March 27, 2013 (the Request for Comments), we anticipate finalizing certain aspects of the Modernization Proposals in advance of others. In particular, we indicated that the proposals related to Regulation 81-104 (the Alternative Funds Proposals), which would involve the redesign of Regulation 81-104 to create a more comprehensive framework for alternative funds, would be considered in conjunction with certain investment restrictions proposed in Regulation 81-102 and would come into force at a later date. Therefore, while the comment period is being extended on all aspects of the

Modernization Proposals, we specifically invite stakeholders to provide comments on the draft amendments to Regulation 81-102 which relate to:

- investment restrictions and parameters (Part 2 of Regulation 81-102), other than those relating to (i) investments in physical commodities,¹ (ii) borrowing cash,² (iii) short selling,³ and (iv) the use of derivatives,⁴ all of which are interrelated with the Alternative Funds Proposals and will require more time to consider and evaluate in conjunction with any related amendments to Regulation 81-104;
- organizational costs for new non-redeemable investment funds (section 3.3 of Regulation 81-102);
- conflicts of interest provisions (Part 4 of Regulation 81-102);
- securityholder and regulatory approval requirements for fundamental changes to non-redeemable investment funds and their management (Part 5 of Regulation 81-102);
- custodianship requirements (Part 6 of Regulation 81-102);
- sales and redemptions of securities of non-redeemable investment funds, including the proposed prohibition on warrant offerings by investment funds (Parts 9 and 10 and proposed Part 9.1 of Regulation 81-102);
- commingling of cash relating to sales and redemptions of non-redeemable investment fund securities (Part 11 of Regulation 81-102);
- record date requirements (Part 14 of Regulation 81-102);
- sales communications parameters (Part 15 of Regulation 81-102); and
- securityholder record requirements (Part 18 of Regulation 81-102).

Concurrently with the amendments relating to the above-listed provisions, the CSA also anticipate finalizing the proposals relating to securities lending, repurchases and reverse repurchases by investment funds contained in Annex C to the Request for Comments. We also invite stakeholders to focus on providing comments on these proposals.

The CSA intend to move expeditiously to finalize the Modernization Proposals outlined above.

Questions

Please refer your questions to any of the following people:

¹ As set out in proposed paragraphs 2.3(2)(c) and (d) and proposed subsection 2.3(3) of Regulation 81-102.

² As set out in the draft amendments to paragraphs 2.6(a) and (b) of Regulation 81-102.

³ As set out in the draft amendments to paragraph 2.6(c) and section 2.6.1 of Regulation 81-102.

⁴ As set out in proposed paragraph 2.3(2)(e) and the draft amendments to sections 2.7 and 2.8 of Regulation 81-102.

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