

Notice

Draft Regulation to amend Regulation 81-101 respecting Mutual Fund Prospectus Disclosure

Draft Regulation to amend Regulation 41-101 respecting General Prospectus Requirements

Substance and Purpose of the Proposed Amendments

The CSA, with this Notice, are publishing for a 90-day comment period amendments to the following investment fund prospectus disclosure forms (the Forms):

(a) *Form 81-101F2 Contents of Annual Information Form under Regulation 81-101 respecting Mutual Fund Prospectus Disclosure*, and

(b) *Form 41-101F2 Information Required in an Investment Fund Prospectus under Regulation 41-101 respecting General Prospectus Requirements*.

These proposed amendments are consequential to, and are being published concurrently with, the final publication of *Regulation 23-102 respecting Use of Client Brokerage Commissions* (Regulation 23-102).

The substance and purpose of these amendments is to ensure consistency between the disclosure requirements under Regulation 23-102 relating to client brokerage commissions and similar disclosure prescribed for investment funds in the Forms.

Summary of the Proposed Amendments to the Forms

The amendments proposed in Form 81-101F2 consist of a change to an existing disclosure requirement relating to brokerage arrangements involving client brokerage commissions, while the amendments proposed to Form 41-101F2 consist of the addition of a new disclosure item concerning such matters. These amendments are intended to ensure consistency with similar disclosure requirements in Regulation 23-102.

The disclosure is intended to provide investment fund investors with relevant qualitative information concerning goods and services other than order execution obtained in connection with client brokerage commissions.

This qualitative disclosure is further intended to complement the related quantitative disclosure requirement concerning client brokerage commissions that currently applies to investment funds under *Regulation 81-106 respecting Investment Fund Continuous Disclosure* (Regulation 81-106).

Authority for Proposed Amendments

In those jurisdictions in which the proposed amendments to the Forms are to be adopted or made as rules or regulations, the securities legislation in each of those jurisdictions provides the securities regulatory authority with rule-making or regulation-making authority.

Alternatives Considered and Anticipated Costs and Benefits

The CSA have not considered any alternatives to the proposed amendments as they consider it essential that the amendments be made to ensure consistency between the disclosure requirements pertaining to client brokerage commissions under Regulation 23-102 and similar disclosure requirements under the Forms.

The revised disclosure requirement will provide investment fund investors with enhanced transparency on how order execution goods and services and research goods and services are obtained in connection with client brokerage commissions paid on the investment fund's portfolio transactions.

Investment funds that use Form 81-101F2 should not incur additional costs in complying with the proposed disclosure requirements given that they are already subject to, and have been complying with, a similar existing disclosure requirement in Form 81-101F2 pertaining to brokerage arrangements and client brokerage commissions.

Investment funds that use Form 41-101F2 may incur additional costs in complying with the proposed disclosure requirements given that these disclosure requirements are new for investment funds that offer securities under the long form prospectus. The CSA are of the view that investment funds using a long form prospectus should be subject to the same qualitative disclosure requirements pertaining to client brokerage commissions as open-end investment funds using a simplified prospectus (Form 81-101F2), particularly when we consider that the current quantitative disclosure requirement under Regulation 81-106 is applicable to all types of investment funds.

The CSA expect that the costs entailed in complying with the new disclosure requirements will consist mainly of legal costs associated with the preparation of disclosure documents. For greater detail on the costs that portfolio advisers of investment funds may incur to comply with the requirements of Regulation 23-102, please refer to the cost-benefit analysis at Appendix B to the Notice of Draft *Regulation 23-102 respecting Use of Client Brokerage Commissions as Payment for Order Execution Services or Research Services* published on January 11, 2008 at (2008) 31 OSCB 489.

Unpublished Materials

In proposing the amendments to the Forms, the CSA have not relied on any significant unpublished study, report, or other material.

Request for Comments

We invite interested parties to make written submissions concerning the proposed consequential amendments.

Please submit your comments in writing before **January 7, 2010**. If you are not sending your comments by fax, mail or hand delivery, please forward an electronic file containing your submission in Word, Windows format.

We cannot keep submissions confidential because securities legislation in certain provinces requires publication of a summary of the written comments received during the comment period.

Where to Send Your Comments

Please address your comments to all of the CSA member commissions, as follows:

Autorité des marchés financiers
 British Columbia Securities Commission
 Alberta Securities Commission
 Saskatchewan Financial Services Commission
 Manitoba Securities Commission
 Ontario Securities Commission
 New Brunswick Securities Commission
 Office of the Attorney General, Prince Edward Island
 Nova Scotia Securities Commission
 Financial Services Regulation Division, Consumer and Commercial Affairs Branch,
 Department of Government Services, Newfoundland and Labrador

Registrar of Securities, Government of Yukon
 Registrar of Securities, Department of Justice, Government of the Northwest Territories
 Superintendent, Securities Office, Government of Nunavut

Please send your comments **only** to the addresses below. Your comments will be forwarded to the remaining CSA member jurisdictions.

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Questions

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The text of the proposed amendments can be found on a CSA member website.