

REGULATION TO AMEND REGULATION 81-101 RESPECTING MUTUAL FUND PROSPECTUS DISCLOSURE

Securities Act

(R.S.Q., c. V-1.1, s. 331.1, par. (1), (6) and (8))

1. Section 3.2 of Regulation 81-101 respecting Mutual Fund Prospectus Disclosure is amended by replacing paragraphs 1 and 2 of the French text with the following:

“1) La transmission d’un prospectus simplifié provisoire déposé en vertu du présent règlement et établi conformément au Formulaire 81-101F1 pour un OPC, avec ou sans les documents intégrés par renvoi, permet de satisfaire à l’obligation prévue dans la législation en valeurs mobilières de transmettre ou d’envoyer un prospectus provisoire à une personne.

“2) La transmission d’un prospectus simplifié déposé en vertu du présent règlement et établi conformément au Formulaire 81-101F1 pour un OPC, avec ou sans les documents intégrés par renvoi, permet de satisfaire à l’obligation prévue dans la législation en valeurs mobilières de transmettre ou d’envoyer un prospectus à une personne.”.

2. The titles of Part 4 and section 4.1 of the Regulation are replaced, in the French text, with the following:

“PARTIE 4 LANGAGE SIMPLE ET PRÉSENTATION

“4.1. Langage simple et présentation”.

3. Form 81-101F1 of the Regulation is amended, in Part A of the French text, by replacing the words “organisme d’assurance-dépôts gouvernemental” with the words “organisme public d’assurance-dépôts” in the last paragraph of paragraph (3) of Item 4.

4. Form 81-101F1 of the Regulation is amended, in Part B:

(1) by deleting, in Item 5, paragraph (e);

(2) by replacing Item 7 with the following:

“Item 7 Investment Strategies

(1) Describe under the heading “What Does The Fund Invest In?” and under the sub-heading “Investment Strategies”

(a) the principal investment strategies that the mutual fund intends to use in achieving its investment objectives; and

(b) the process by which the mutual fund’s portfolio adviser selects securities for the fund’s portfolio, including any investment approach, philosophy, practices or techniques used by the portfolio adviser or any particular style of portfolio management that the portfolio adviser intends to follow.

(c) if the mutual fund may hold securities of other mutual funds,

(i) whether the mutual fund intends to purchase securities of, or enter into specified derivative transactions for which the underlying interest is based on the securities of, other mutual funds;

(ii) whether or not the other mutual funds may be managed by the manager or an affiliate or associate of the manager of the mutual fund;

(iii) what percentage of the net asset value of the mutual fund is dedicated to the investment in the securities of, or the entering into of specified derivative transactions for which the underlying interest is based on the securities of, other mutual funds; and

(iv) the process or criteria used to select the other mutual funds.

(2) Indicate what types of securities, other than those held by the mutual fund in accordance with its fundamental investment objectives, may form part of the mutual fund's portfolio assets under normal market conditions.

(3) If the mutual fund intends to use derivatives

(a) for hedging purposes only, state that the mutual fund may use derivatives for hedging purposes only;

(b) for non-hedging purposes, or for hedging and non-hedging purposes, briefly describe

(i) how derivatives are or will be used in conjunction with other securities to achieve the mutual fund's investment objectives,

(ii) the types of derivatives expected to be used and give a brief description of the nature of each type, and

(iii) the limits of the mutual fund's use of derivatives.

(4) State whether any, and if so what proportion, of the assets of the mutual fund may or will be invested in foreign securities.

(5) If the mutual fund is not a money market fund, and intends to engage in active and frequent trading of portfolio securities as a principal investment strategy to achieve its investment objectives such that the portfolio turnover rate of the mutual fund is expected to be more than 70 percent, describe

(a) the tax consequences to securityholders of an active portfolio turnover, and

(b) how the tax consequences of, or trading costs associated with, the mutual fund's portfolio turnover may affect the mutual fund's performance.

(6) If the mutual fund may depart temporarily from its fundamental investment objectives as a result of adverse market, economic, political or other considerations, disclose any temporary defensive tactics the mutual fund's portfolio adviser may use or intends to use in response to such conditions.

(7) Describe any restrictions on investments adopted by the mutual fund, beyond what is required under securities legislation, that do not pertain to the fundamental nature of the mutual fund.

(8) If the mutual fund intends to enter into securities lending, repurchase or reverse repurchase transactions under sections 2.12, 2.13 or 2.14 of Regulation 81-102 Mutual Funds

(a) state that the mutual fund may enter into securities lending, repurchase or reverse repurchase transactions; and

(b) briefly describe

(i) how those transactions are or will be entered into in conjunction with other strategies and investments of the mutual fund to achieve the mutual fund's investment objectives;

(ii) the types of those transactions to be entered into and give a brief description of the nature of each type, and

(iii) the limits of the mutual fund's entering into of those transactions.

(9) For an index mutual fund,

(a) 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 the permitted index or permitted indices;

(ii) identify that security or those securities; and

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

(b) disclose the maximum percentage of the permitted index or permitted indices that the security or securities referred to in paragraph (a) represented at the most recent date for which that information is available.

(10) If the mutual fund intends to sell securities short under section 2.6.1 of Regulation 81-102 respecting Mutual Funds

(a) state that the mutual fund may sell securities short; and

(b) briefly describe

(i) the short selling process, and

(ii) how short sales of securities are or will be entered into in conjunction with other strategies and investments of the mutual fund to achieve the mutual fund's investment objectives.”;

(3) in Item 9:

(a) by replacing paragraph (1.1) with the following:

“(1.1) If securities of a mutual fund representing more than 10% of the net asset value of the mutual fund are held by a securityholder including another mutual fund, the mutual fund must disclose

(a) the percentage of the net asset value of the mutual fund that those securities represent at a date within 30 days of the date of the simplified prospectus of the mutual fund; and

(b) the risks associated with a possible redemption requested by the securityholder.”;

(b) by replacing, in paragraph (5), the words “net assets” with the word “net asset value”;

(c) by replacing paragraphs (6) and (7) with the following:

“(6) If, at any time during the 12 month period immediately preceding the date of the simplified prospectus, more than 10% of the net asset value of a mutual fund was invested in the securities of an issuer, other than a government security or a security issued by a clearing corporation, disclose

(a) the name of the issuer and the securities;

(b) the maximum percentage of the net asset value of the mutual fund that securities of that issuer represented during the 12 month period; and

(c) disclose the risks associated with these matters, 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.

“(7) As applicable, describe the risks associated with the mutual fund entering into

(a) derivative transactions for non-hedging purposes;

(b) securities lending, repurchase or reverse repurchase transactions; and

(c) short sale transactions.”;

(d) by replacing, in the French text of instruction (3), the words “les devises étrangères” with the words “le change”;

(e) by deleting instruction (5).

5. Form 81-101F2 of the Regulation is amended:

(1) in Item 4:

(a) by deleting paragraph (3);

(b) in paragraph (5):

(i) by adding, at the end of subparagraph (a), the word “or”;

(ii) by deleting paragraph (c) and making the necessary changes;

(2) by inserting, after paragraph (2) of Item 7, the following:

“(2.1) Describe the manner in which the net asset value and the net asset value per security of the mutual fund will be made available to the public and state the information will be available at no cost to the public.”;

(3) by replacing, in the French text, the title of item 10.10 with the following:

“**10.10. Autres fournisseurs de services**”;

(4) in Item 12:

(a) by replacing, in the French text, the title with the following:

“Rubrique 12 Gouvernance de l’OPC”;

(b) by replacing paragraphs (2) and (3) with the following:

“(2) If the mutual fund intends to use derivatives or sell securities short, describe the policies and practices of the mutual fund to manage the risks associated with engaging in those types of transactions.

“(3) In the disclosure provided under subsection (2), include disclosure of

(a) whether there are written policies and procedures in place that set out the objectives and goals for derivatives trading and short selling and the risk management procedures applicable to those transactions;

(b) who is responsible for setting and reviewing the policies and procedures referred to in paragraph (a), how often are the policies and procedures reviewed, and the extent and nature of the involvement of the board of directors or trustee in the risk management process;

(c) whether there are trading limits or other controls on derivative trading or short selling in place and who is responsible for authorizing the trading and placing limits or other controls on the trading;

(d) whether there are individuals or groups that monitor the risks independent of those who trade; and

(e) whether risk measurement procedures or simulations are used to test the portfolio under stress conditions.”;

(c) by replacing, in the French text of instruction (1), the words “produits dérivés” with the word “dérivés”.

6. The Regulation is amended by replacing, wherever they occur in the French text, the words “instruments dérivés” and “d’instruments dérivés” with, respectively, the words “dérivés” and “de dérivés”.

7. This Regulation comes into force on April 30, 2012.