REGULATION TO AMEND REGULATION 81-102 RESPECTING INVESTMENT FUNDS

Securities Act
(chapter V-1.1, s. 331.1, par. (1), (2), (3), (11), (16) and (34))

1. Section 1.1 of Regulation 81-102 respecting Investment Funds (chapter V-1.1, r. 39) is amended by replacing the definition of the expression "designated rating" with the following:

""designated rating": a credit rating from a designated rating organization listed below, from a DRO affiliate of an organization listed below, from a designated rating organization that is a successor credit rating organization of an organization listed below or from a DRO affiliate of such successor credit rating organization, that is at or above one of the following corresponding rating categories, or that is at or above a category that replaces one of the following corresponding rating categories, if

(i) there has been no announcement from the designated rating organization, from a DRO affiliate of the organization, from a designated rating organization that is a successor credit rating organization or from a DRO affiliate of such successor credit rating organization, of which the investment fund or its manager is or reasonably should be aware that the credit rating of the security or instrument to which the designated rating was given may be down-graded to a rating category that would not be a designated rating, and

(ii) no designated rating organization listed below, no DRO affiliate of an organization listed below, no designated rating organization that is a successor credit rating organization of an organization listed below and no DRO affiliate of such successor credit rating organization, has rated the security or instrument in a rating category that is not a designated rating:

Designated Rating Organization	**Commercial Paper/ Short Term Debt**	**Long Term Debt**
DBRS Limited	R-1 (low)	A
Fitch Ratings, Inc.	F1	A
Moody's Canada Inc.	P-1	A2
S&P Global Ratings Canada	A-1 (Low)	A

".

2. Section 1.2 of the Regulation is amended by inserting, after paragraph (2), the following:

"(2.1) Despite subsection (1), all of the following sections apply in respect of investment funds that are not reporting issuers:

(a) section 2.5;

(b) section 9.4;

(c) section 10.4.".

3. The Regulation is amended by inserting, after section 2.5, the following:

"**2.5.1. Investments in Other Investment Funds by Funds Not Reporting Issuers**

(1) In subsection (2), "substantial security holder" and "significant interest" have the meanings assigned within the investment fund conflict of interest investment restrictions.

(2) The investment fund conflict of interest investment restrictions and the investment fund conflict of interest reporting requirements do not apply to an investment fund which purchases or holds securities of another investment fund if

(a) the investment fund's securities are distributed solely pursuant to exemptions from the prospectus requirement,

(b) if the other fund is a reporting issuer, the purchase or holding is made in accordance with section 2.5,

(b.1) if the other investment fund is not a reporting issuer, the purchase or holding would be made in accordance with section 2.5 if paragraphs 2.5(2)(a), (a.1) and (c) were disregarded,

(c) the other fund complies with section 2.4,

(d) the other fund is subject to and complies with Regulation 81-106 respecting Investment Fund Continuous Disclosure (chapter V 1.1, r. 42),

(e) the other fund has the same redemption and valuation dates,

(f) the investment in the other fund is effected at an objective price, calculated in accordance with section 14.2 of Regulation 81-106 respecting Investment Fund Continuous Disclosure,

(g) a disclosure document is provided to each investor in the investment fund prior to the time of the investor's investment, which discloses

(i) that the fund may purchase securities of other related funds from time to time,

(ii) that the investment fund manager of the fund is the manager or portfolio adviser to each of the other funds,

(iii) the approximate or maximum percentage of net assets of the fund that is intended to be invested in securities of the other fund,

(iv) the fees, expenses and any performance or special incentive distributions payable by the other fund,

(v) the process or criteria used to select the other fund,

(vi) for each officer, director or substantial security holder of the fund's investment fund manager, or of the fund, that has a significant interest in the other fund, and for the officers and directors and substantial security holders who together in aggregate hold a significant interest in the other fund, the approximate amount of the significant interest they hold, on an aggregate basis, expressed as a percentage of the applicable other fund's net asset value, and the potential conflicts of interest which may arise, and

(vii) that investors are entitled to receive, on request and free of charge

(A) a copy of the offering memorandum or other similar disclosure document of each other fund, if available, and

(B) the annual audited financial statements and interim financial reports (if any) relating to each other fund, and

(h) investors are informed annually of their right to receive, on request and free of charge, a copy of the documents referred to in subparagraph (g)(vii).".

4. Section 4.1 of the Regulation is amended, in paragraph (4):

(1) by replacing, in the text preceding subparagraph (a), the words "an issuer" with the words "a reporting issuer";

(2) by deleting subparagraph (b);

(3) by inserting, after subparagraph (b), the following:

"(b.1) the distribution of securities is made by prospectus filed with one or more securities regulatory authorities or regulators in Canada or under an exemption from the prospectus requirement;";

(4) by deleting subparagraph (c);

(5) by inserting, after subparagraph (c), the following:

"(c.1) during the 60 days after the period referred to in subsection (1) any of the following apply:

(i) the investment is made on an exchange on which the securities of the reporting issuer are listed and traded;

(ii) if the security is a debt security that does not trade on an exchange, the ask price is readily available and the price paid is not higher than the available ask price of the debt security; and".

5. Section 9.4 of the Regulation is amended by adding, at the end of paragraph (6), the following:

"(7) The investment fund conflict of interest investment restrictions do not apply in connection with a payment made on behalf of a mutual fund by making good delivery of securities to another mutual fund under paragraph (2)(b), if all of the following apply:

(a) where the mutual fund is a reporting issuer,

(i) the independent review committee of the investment fund has approved the payment in accordance with the terms of subsection 5.2(2) of Regulation 81-107 respecting Independent Review Committee for Investment Funds (chapter V-1.1, r. 43), and

(ii) the investment fund manager and the independent review committee of the mutual fund comply with section 5.4 of Regulation 81-107 respecting Independent Review Committee for Investment Funds in respect of any standing instructions the applicable independent review committee provides in connection with the payment;

(b) the mutual fund and the other mutual fund each comply with section 2.4;

(c) each illiquid asset included in the payment,

(i) is transferred on a pro-rata basis that fairly represents the portfolio of the mutual fund, and

(ii) is subject to at least one quote for the asset obtained by the portfolio manager from an independent arm's length purchaser or seller;

(d) each investment fund keeps written records of each payment in a financial year of the fund, reflecting details of the securities delivered to the fund and the value assigned to such portfolio securities, for 5 years after the end of the financial year, the most recent 2 years in a reasonably accessible place;

(e) the portfolio adviser does not receive any compensation in respect of any payment and the only charges paid by the applicable fund is the commission charged by the dealer executing the trade (if any) and/or any administrative charges levied by the custodian.

(8) The investment fund conflict of interest investment restrictions do not apply in connection with a payment made on behalf of a managed account, as defined in section 6.1 of Regulation 81-107 respecting Independent Review Committee for Investment Funds, by making good delivery of securities under subparagraph (2)(b) to a mutual fund if all of the following apply:

(a) where the mutual fund is a reporting issuer,

(i) the independent review committee of the mutual fund has approved the payment in accordance with the terms of subsection 5.2(2) of Regulation 81-107 respecting Independent Review Committee for Investment Funds, and

(ii) the investment fund manager and the applicable independent review committee comply with section 5.4 of Regulation 81-107 respecting Independent Review Committee for Investment Funds in respect of any standing instructions the applicable independent review committee provides in connection with the payment;

(b) the portfolio adviser obtains the prior written consent of the client of the managed account before it makes the payment;

(c) the mutual fund complies with section 2.4;

(d) each illiquid asset included in the payment

(i) is transferred on a pro-rata basis that fairly represents the portfolio of the mutual fund, and

(ii) is subject to at least one quote for the asset obtained by the portfolio manager from an independent arm's length purchaser or seller;

(e) the account statement next prepared for the managed account describes the portfolio securities delivered to the mutual fund and the value assigned to the portfolio securities;

(f) the mutual fund keeps written records of each payment in a financial year of the mutual fund, reflecting details of the portfolio securities delivered to the mutual fund and the value assigned to the portfolio securities

(i) in a reasonably accessible place, for 2 years after the end of the financial year, and

(ii) for a further 3 years after the end of financial year;

(g) the portfolio adviser does not receive any compensation in respect of any payment and any charge paid by the fund or managed account is the commission charged by the dealer executing the trade or any administrative charges levied by the custodian.".

6. Section 10.4 of the Regulation is amended by inserting, after paragraph (5), the following:

"(6) The investment fund conflict of interest investment restrictions do not apply in connection with a payment made to a mutual fund, by making good delivery of portfolio assets to the mutual fund with prior consent in accordance with paragraph (3)(b), if all of the following apply:

(a) where the transaction involves the redemption of securities of or by the mutual fund and the mutual fund is a reporting issuer

(i) the independent review committee of the mutual fund has approved the payment on behalf of the mutual fund in accordance with the terms of subsection 5.2(2) of Regulation 81-107 respecting Independent Review Committee for Investment Funds (chapter V-1.1, r. 43), and

(ii) the investment fund manager and the applicable independent review committee comply with section 5.4 of Regulation 81-107 respecting Independent Review Committee for Investment Funds in respect of any standing instructions the applicable independent review committee provides in connection with the payment;

(b) the portfolio securities are acceptable to the portfolio adviser for the receiving fund and are consistent with its investment objectives;

(c) the mutual fund and the other mutual fund each complies with section 2.4;

(d) each illiquid asset included in the payment

(i) is transferred on a pro-rata basis that fairly represents the portfolio of the mutual fund, and

(ii) is subject to at least one quote for the asset from an independent arm's length purchaser or seller obtained by the portfolio adviser;

(e) the mutual fund and the other mutual fund each keeps written records of each payment in a financial year of the mutual fund, reflecting details of the portfolio securities delivered by the mutual fund and the value assigned to such securities

(i) in a reasonably accessible place, for 2 years after the end of the financial year, and

(ii) for a further 3 years after the end of the financial year;

(f) the portfolio adviser does not receive any compensation in respect of any payment and any charge paid by the applicable fund is the commission charged by the dealer executing the trade or any administrative charges levied by the custodian.

"(7) The investment fund conflicts of interest investment restrictions do not apply in connection with a payment made to a managed account, as defined under section 6.1 of Regulation 81-107 respecting Independent Review Committee for Investment Funds, by making good delivery of portfolio assets to the managed account with prior consent in accordance with paragraph (3)(b) provided that all of the following apply:

(a) where the mutual fund is a reporting issuer

(i) the independent review committee of the mutual fund has approved the payment on behalf of the mutual fund in accordance with the terms of subsection 5.2(2) of Regulation 81-107 respecting Independent Review Committee for Investment Funds, and

(ii) the investment fund manager and the applicable independent review committee complies with section 5.4 of Regulation 81-107 respecting Independent Review Committee for Investment Funds in respect of any standing instructions the applicable independent review committee provides in connection with the payment;

(b) the portfolio securities meet the investment criteria of the managed account acquiring the portfolio securities and are acceptable to the portfolio adviser;

(c) the mutual fund complies with section 2.4;

(d) each illiquid asset included in the payment

(i) is transferred on a pro-rata basis that fairly represents the portfolio of the mutual fund, and

(ii) is subject to at least one quote for the asset from an independent arm's length purchaser or seller obtained by the portfolio adviser;

(e) the account statement next prepared for the managed account describes the portfolio securities received from the mutual fund and the value assigned to the portfolio securities;

(f) the mutual fund keeps written records of each payment in a financial year of the fund, reflecting details of the securities delivered by the mutual fund and the value assigned to such securities

(i) in a reasonably accessible place, for 2 years after the end of the financial year, and

(ii) for a further 3 years after the end of the financial year;

(g) the portfolio adviser does not receive any compensation in respect of any payment and any charge paid by the fund or managed account is the commission charged by the dealer executing the trade or any administrative charges levied by the custodian.”.

7. Appendix D of the Regulation is amended by replacing the second row of the table with the following:

“

All Jurisdictions	ss. 13.5(2)(a) and (b) of Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations (chapter V-1.1, r. 10) and subsection 4.1(2) of Regulation 81-102 respecting Investment Funds

”.

8. This Regulation comes into force on (*insert here the date of coming into force of this Regulation*).

AMENDMENTS TO *POLICY STATEMENT TO REGULATION 81-102 RESPECTING INVESTMENT FUNDS*

1. Section 3.4 of *Policy Statement to Regulation 81-102 respecting Investment Funds* is amended by adding, after paragraph (2), the following:

"(3) Section 2.5.1 of the Regulation provides that certain investment restrictions and reporting requirements do not apply to investments by investment funds that are not reporting issuers, including investments in other investment funds that are not reporting issuers, made in accordance with the conditions in section 2.5.1 of the Regulation."

2. Section 3.8 of the Policy Statement is amended by inserting, at the end of paragraph (1), the following sentence:

"For purchases of debt securities made during the 60-day period after distribution, commentary 7 to section 6.1 of *Regulation 81-107 respecting Independent Review Committee for Investment Funds* provides guidance to assist in determining if the ask price for a debt security is readily available.".

3. The Policy Statement is amended by adding, after section 10.6, the following:

"**10.7. *In specie* Subscriptions and Redemptions**

Sections 9.4 and 10.4 of the Regulation permit subscription and redemption payments to be made by making good delivery of securities or portfolio assets. Subsections 9.4(7), 9.4(8), 10.4(6) and 10.4(7) provide exemptions from the conflict of interest investment restrictions and reporting requirements to facilitate these payments between related mutual funds, including mutual funds that are not reporting issuers and related managed accounts that are managed by the same portfolio adviser. IRC approval is a condition in instances involving payments with mutual funds that are reporting issuers. For mutual funds that are not reporting issuers, it is up to the fund's manager to decide if an IRC should be appointed to approve these transactions or, if it has an IRC already, to tailor the IRC's mandate to include approval of these transactions. For transactions involving managed accounts, the portfolio adviser must obtain the written consent of the client.".

REGULATION TO AMEND REGULATION 81-107 RESPECTING INDEPENDENT REVIEW COMMITTEE FOR INVESTMENT FUNDS

Securities Act
(chapter V-1.1, s. 331.1, par. (3), (11), (16) and (34))

1. Section 1.1 of Regulation 81-107 respecting Independent Review Committee for Investment Funds (chapter V-1.1, r. 43) is amended by replacing, in paragraph (1), the word "This" with the words "Except as provided in Part 6, this".

2. Section 1.6 of the Regulation is amended by replacing, in the French text, the words "l'activité, les opérations" with the words "l'entreprise, les activités".

3. Section 6.1 of the Regulation is amended:

(1) in paragraph (1):

(a) in subparagraph (i) of subparagraph (a):

(i) by replacing, in clause (C), "is quoted; or" with "is quoted, or";

(ii) by inserting, after clause (C), the following:

"(D) the "last sale price" as defined under the Universal Market Integrity Rules of the Investment Industry Regulatory Organization of Canada, as amended from time to time; or,";

(b) by adding, after subparagraph (b), the following, and making the necessary changes:

"(c) "managed account" means an account, or an investment portfolio, that is not an account of a responsible person, as defined under Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations (chapter V-1.1, r. 10), or an account of an investment fund, that is managed by a portfolio manager or portfolio adviser on behalf of a client under an investment management agreement.";

(2) in paragraph (2):

(a) by replacing the text preceding subparagraph (a) with the following:

"(2) The portfolio manager of a managed account or an investment fund, including an investment fund that is not a reporting issuer, may purchase a security of any issuer from, or sell a security of any issuer to, another investment fund, including an investment fund that is not a reporting issuer, managed by the same manager or an affiliate of the manager, if, at the time of the transaction";

(b) by replacing subparagraph (a) with the following:

"(a) the investment fund or managed account is purchasing from, or selling to, another investment fund that is a reporting issuer or, if the investment fund is not a reporting issuer, the manager has appointed an independent review committee that complies with sections 3.7 and 3.9 of this Regulation for the purpose of approving the transaction;";

(c) by inserting, after subparagraph (b), the following:

"(b.1) the investment management agreement for the managed account authorizes the purchase or sale of the security;";

(d) by inserting, in subparagraph (g) and after the words "investment fund", ", or portfolio manager on behalf of the managed account,";

(3) by inserting, in paragraph (3) and after the words “of an investment fund”, the words “including a managed account and an investment fund that is not a reporting issuer,”;

(4) by inserting, in paragraph (4) and after the words “of an investment fund”, the words “including a managed account and an investment fund that is not a reporting issuer,”.

4. Section 6.2 of the Regulation is amended:

(1) in paragraph (1):

(a) by inserting, in the text preceding subparagraph (a) and after the words “investment fund”, “, including an investment fund that is not a reporting issuer,”;

(b) by inserting, before subparagraph (i) of subparagraph (a), the following, and making the necessary changes:

“(0.i) the investment fund is not a reporting issuer, the manager has appointed an independent review committee that complies with sections 3.7 and 3.9 of this Regulation for the purpose of approving the transaction;”;

(2) by inserting, in paragraph (2) and after the words “do not apply to an investment fund”, “, including an investment fund that is not a reporting issuer,”.

5. The Regulation is amended by adding, after section 6.2, the following:

“**6.3. Transactions in securities of related issuers – Secondary market non-exchange traded debt securities**

(1) An investment fund, including an investment fund that is not a reporting issuer, may make or hold an investment in a non-exchange traded debt security of an issuer related to it, its manager, or an entity related to the manager, in the secondary market if all of the following apply:

(a) where the investment fund is not a reporting issuer, the manager has appointed an independent review committee that complies with sections 3.7 and 3.9 of this Regulation for the purpose of approving the transaction;

(b) the independent review committee has approved the investment under subsection 5.2(2);

(c) the debt security has been given, and continues to have, at the time of purchase, a “designated rating”, as defined under Regulation 44-101 respecting Short Form Prospectus Distributions (chapter V-1.1, r. 16);

(d) the price for the debt security is not more than

(i) where the purchase occurs on a marketplace, the price for the non-exchange traded debt security, determined in accordance with the requirements of that marketplace, and

(ii) where the purchase does not occur on a marketplace, either of the following:

(I) the price at which an arm’s length seller is willing to sell the security;

(II) the price quoted publicly by an independent marketplace or the price quoted, immediately before the purchase, by an arm’s length purchaser or seller;

(e) the transaction complies with any applicable “market integrity requirements” as defined in section 6.1;

(f) no later than the time the investment fund files its annual financial statements, the manager of the investment fund files with the regulator, except in Québec, or the securities regulatory authority, the particulars of the investment.

(2) The investment fund conflict of interest investment restrictions do not apply to an investment fund, including an investment fund that is not a reporting issuer, with respect to an investment referred to in subsection (1) if the investment is made in accordance with that subsection.

(3) In subsection (2), "investment fund conflict of interest investment restrictions" has the meaning ascribed to that term in Regulation 81-102 respecting Investment Funds (chapter V-1.1, r. 39).

"**6.4. Transactions in securities of related issuers – Primary market distributions of long-term debt securities**

(1) An investment fund, including an investment fund that is not a reporting issuer, may make or hold an investment in a long-term debt security of an issuer related to it, its manager, or an entity related to the manager, under a distribution of the long-term debt security of that issuer if all of the following apply:

(a) where the investment fund is not a reporting issuer, the manager has appointed an independent review committee that complies with sections 3.7 and 3.9 of this Regulation for the purpose of approving the transaction;

(b) the independent review committee has approved the investment under subsection 5.2(2);

(c) the debt security has a term to maturity greater than 365 days and is not asset-backed commercial paper and has been given, and continues to have, at the time of purchase a designated rating by a designated rating organization as defined under Regulation 44-101 respecting Short Form Prospectus Distributions (chapter V-1.1, r. 16);

(d) the size of the distribution is at least $100 million;

(e) at least 2 purchasers who are independent, arm's length purchasers, which may include "independent underwriters" within the meaning of Regulation 33-105 respecting Underwriting Conflicts (chapter V-1.1, r. 11), collectively purchase at least 20% of the distribution;

(f) following its purchase, the investment fund would not have more than 5% of its net assets invested in long-term debt securities of that issuer;

(g) following the purchase, the investment fund, together with other investment funds managed by the manager, hold no more than 20% of the long-term debt securities issued in the distribution;

(h) the price paid for the long-term debt security is no higher than the lowest price paid by any of the arm's length purchasers who participate in the distribution;

(i) no later than the time the investment fund files its annual financial statements, the manager of the investment fund files with the regulator, except in Québec, or the securities regulatory authority, the particulars of the investment.

(2) The investment fund conflict of interest investment restrictions do not apply to an investment fund, including an investment fund that is not a reporting issuer, with respect to an investment referred to in subsection (1) if the investment is made in accordance with that subsection.

(3) In subsection (2), "investment fund conflict of interest investment restrictions" has the meaning ascribed to that term in Regulation 81-102 respecting Investment Funds (chapter V-1.1, r. 39).

"**6.5. Transactions in debt securities with a related dealer – principal trades in debt securities**

(1) The portfolio manager or portfolio adviser, acting on behalf of an investment fund, including an investment fund that is not a reporting issuer, or acting on behalf of a managed account as defined in section 6.1, may cause the investment fund or managed account to purchase a debt security of any issuer from, or sell a debt security of any issuer to, a dealer related to the portfolio manager, acting for its own account, if at the time of the transaction all of the following apply:

(a) where the investment fund is not a reporting issuer, the manager has appointed an independent review committee that complies with sections 3.7 and 3.9 of this Regulation for the purpose of approving the transaction;

(b) the independent review committee has approved the transaction under subsection 5.2(2);

(c) the investment management agreement for the managed account authorizes the purchase or sale of the debt security;

(d) the bid and ask price of the security transacted is readily available;

(e) a purchase is not executed at a price which is higher than the available ask price and a sale is not executed at a price which is lower than the available bid price;

(f) the purchase or sale complies with any applicable "market integrity requirements" as defined in section 6.1;

(g) the investment fund, or portfolio manager on behalf of the managed account, keeps written records, including a record of each purchase and sale of securities, the parties to the trade, and the terms of the purchase or sale

(i) in a reasonably accessible place, for 2 years after the end of the fiscal year in which the trade occurred, and,

(ii) for a further 3 years after the end of that fiscal year.

(2) The inter-fund self-dealing investment prohibitions do not apply to a portfolio manager or portfolio adviser of an investment fund, or an investment fund, with respect to a purchase or sale of a security referred to in subsection (1) if the purchase or sale is made in accordance with that subsection.".

6. Appendix B of the Regulation is amended by inserting, at the end of the text in each row of the column entitled "**SECURITIES LEGISLATION REFERENCE**", "and section 4.2 of Regulation 81-102 respecting Investment Funds".

7. This Regulation comes into force on (*insert here the date of coming into force of this Regulation*).

AMENDMENTS TO *POLICY STATEMENT TO REGULATION 81-107 RESPECTING INDEPENDENT REVIEW COMMITTEE FOR INVESTMENT FUNDS*

1. Section 1.1 of *Policy Statement to Regulation 81-107 respecting Independent Review Committee for Investment Funds* is amended by adding, at the end of paragraph 2, the following sentence:

"Part 6, however, provides exemptions that may be relied on in connection with certain trades involving managed accounts and investment funds that are not reporting issuers.".

2. Section 6.1 of the Policy Statement is amended by replacing paragraph 2 with the following:

"2. Section 6.1 of the Regulation is intended to exempt investment funds, including investment funds that are not reporting issuers and managed accounts, from the prohibitions in the securities legislation and certain regulations that preclude inter-fund trades. It is not intended to apply to securities issued by an investment fund that are purchased by another fund within the same fund family. The CSA are of the view that this section applies to inter-fund trades between fund families of the same manager provided the purchase or sale is made in accordance with subsection (2).

Funds that are not reporting issuers must appoint an IRC for the purpose of approving inter-fund trades in order to be eligible to rely upon the exemption. At a minimum, the IRC for the funds that are not reporting issuers must comply with sections 3.7 and 3.9 of the Regulation. It is up to the IRC and the manager to tailor the IRC's responsibilities for investment funds that are not reporting issuers beyond that.

The portfolio manager or portfolio adviser of a managed account must obtain the authorization of its client to conduct inter-fund trades in the investment management agreement in order to be eligible to rely upon the exemption.".

3. Section 6.2 of the Policy Statement is amended:

(1) by replacing, in paragraph 1, the words "mutual funds elsewhere in Canada" with the words "investment funds elsewhere in Canada, including investment funds that are not reporting issuers,";

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

"Funds that are not reporting issuers must appoint an IRC for the purpose of approving inter-fund trades in order to be eligible to rely upon the exemption. At a minimum, the IRC for the funds that are not reporting issuers must comply with sections 3.7 and 3.9 of the Regulation. It is up to the IRC and the manager to tailor the IRC's responsibilities for investment funds that are not reporting issuers beyond that.".

4. The Policy Statement is amended by adding, after section 6.2, the following:

"**6.3. Transactions in securities of related issuers – Secondary market non-exchange traded debt securities**

Commentary to section 6.3 of the Regulation

1. This section is intended to relieve investment funds, including investment funds that are not reporting issuers, from the prohibitions in the securities legislation of each securities regulatory authority that preclude investments in debt securities of related issuers that do not trade on an exchange. Because these securities do not trade on an exchange, paragraph (d) imposes alternative criteria to help ensure the investments occur at a fair and objective price.

2. This section sets out the minimum conditions for purchases to proceed without regulatory exemptive relief. An IRC may consider including in any approval any terms or conditions in prior exemptive relief orders, waivers or approvals obtained from the securities

regulatory authorities. The CSA expect that the IRC may give its approval in the form of a standing instruction as described in section 5.4 to allow the manager greater flexibility in its decisions.

Funds that are not reporting issuers must appoint an IRC for the purpose of approving inter-fund trades in order to be eligible to rely upon the exemption. At a minimum, for the funds that are not reporting issuers, the IRC must comply with sections 3.7 and 3.9 of the Regulation. It is up to the IRC and the manager to tailor the IRC's responsibilities for investment funds that are not reporting issuers beyond that.

3. This section contemplates that the manager will comply with the applicable reporting requirements under securities legislation for each purchase. The filing referred to in paragraph (1)(f) should be filed on the SEDAR group profile number of the investment fund, as a continuous disclosure document.

4. If an IRC gives its approval for the investment fund to purchase securities of an issuer described in this section, and then subsequently withdraws its approval for additional purchases, the CSA will not consider the continued holding of the securities to be subject to subsection 1.2(b) of the Regulation. However, we will expect the manager to consider whether continuing to hold those securities is a conflict of interest matter that subsection 1.2(a) of the Regulation would require the manager to refer to the IRC.

"**6.4. Transactions in securities of related issuers – Primary market distributions of long-term debt securities**

Commentary to section 6.4 of the Regulation

1. This section is intended to relieve investment funds, including investment funds that are not reporting issuers, from the prohibitions in the securities legislation of each securities regulatory authority that preclude investments in debt securities of related issuers under primary treasury offerings or distributions by those issuers. The additional conditions in this section to IRC approval are designed to mitigate the risk of the related issuer using the investment funds as captive financing vehicles and impose alternative criteria to help ensure the investments occur at a fair and objective price.

2. This section sets out the minimum conditions for purchases to proceed without regulatory exemptive relief. An IRC may consider including in any approval any terms or conditions in prior exemptive relief orders, waivers or approvals obtained from the securities regulatory authorities. The CSA expect that the IRC may give its approval in the form of a standing instruction as described in section 5.4 to allow the manager greater flexibility in its decisions.

Funds that are not reporting issuers must appoint an IRC for the purpose of approving inter-fund trades in order to be eligible to rely upon the exemption. At a minimum, for the funds that are not reporting issuers, the IRC must comply with sections 3.7 and 3.9 of the Regulation. It is up to the IRC and the manager to tailor the IRC's responsibilities for investment funds that are not reporting issuers beyond that.

3. This section contemplates that the manager will comply with the applicable reporting requirements under securities legislation for each purchase. The filing referred to in paragraph 6.4(1)(i) should be filed on the SEDAR group profile number of the investment fund, as a continuous disclosure document.

4. If an IRC gives its approval for the investment fund to purchase securities of an issuer described in this section, and then subsequently withdraws its approval for additional purchases, the CSA will not consider the continued holding of the securities to be subject to subsection 1.2(b) of the Regulation. However, we will expect the manager to consider whether continuing to hold those securities is a conflict of interest matter that subsection 1.2(a) of the Regulation would require the manager to refer to the IRC.

“**6.5. Transactions in debt securities with a related dealer – principal trades in debt securities**

Commentary to section 6.5 of the Regulation

1. The term “inter-fund self-dealing investment prohibitions” is defined in section 1.5 of this Regulation. For the purposes of this section, it is intended to capture the prohibitions in the securities legislation and certain regulations of each securities regulatory authority regarding trades in securities between an investment fund or a managed account and a related dealer acting as principal for its own account.

This section is intended to relieve investment funds, including managed accounts and investment funds that are not reporting issuers, from the inter-fund self-dealing prohibitions in connection with principal trades in debt securities. Because debt securities do not generally trade on an exchange, the additional conditions in this section to IRC approval impose alternative criteria to help ensure the investments occur at a fair and objective price.

2. This section sets out the minimum conditions for purchases to proceed without regulatory exemptive relief. An IRC may consider including in any approval any terms or conditions in prior exemptive relief orders, waivers or approvals obtained from the securities regulatory authorities. The CSA expect that the IRC may give its approval in the form of a standing instruction as described in section 5.4 to allow the manager greater flexibility in its decisions.

Funds that are not reporting issuers must appoint an IRC for the purpose of approving principal trades in debt securities in order to be eligible to rely upon the exemption. At a minimum, the IRC for the funds that are not reporting issuers must comply with sections 3.7 and 3.9 of the Regulation. It is up to the IRC and the manager to tailor the IRC’s responsibilities for investment funds that are not reporting issuers beyond that. The portfolio manager or portfolio adviser of a managed account must obtain the authorization of its client to conduct principal trades with a related dealer in the investment management agreement in order to be eligible to rely upon the exemption.

3. Paragraph (1)(g) sets out the minimum expectations regarding the records an investment fund must keep of its trades made in reliance on this section. The records should be detailed, and sufficient to establish a proper audit trail of the transactions.”.