

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

Securities Act

(chapter V-1.1, s. 331.1, par. (1), (6), (8), (11), (19) and (34))

1. Section 3.1 of Regulation 81-101 respecting Mutual Fund Prospectus Disclosure (chapter V-1.1, r. 38) is amended:

(1) by replacing all occurrences of “management report of fund performance” in paragraph (1.4) by “fund report”;

(2) by replacing “management report of fund performance” in paragraph (4) by “fund report”;

(3) by replacing all occurrences of “management report of fund performance” in paragraph (5) by “fund report”.

2. Form 81-101 F1 of the Regulation is amended:

(1) in part A:

(a) by replacing “until receipts for this document are obtained by the mutual fund” in the statement provided in paragraph (4) of item 1.1 by “until [a receipt/receipts] for this document [is/are] obtained by the mutual fund”;

(b) by striking out “a list of the mutual funds to which the simplified prospectus pertains and” in paragraph (3) of item 2.2;

(c) in item 3:

(i) by replacing “annual management report of fund performance” in the fourth bullet of the third paragraph of the statement by “annual fund report”;

(ii) by replacing, in the fifth bullet of the third paragraph of the statement, “interim management report of fund performance” by “interim fund report” and “annual management report of fund performance” by “annual fund report”;

(d) by inserting, after item 18, the following:

“Item 19 Part B Introduction

(1) For a multiple SP in which the Part B sections are bound separately from the Part A section and any Part B section is bound separately from any other Part B section, at the option of the mutual fund, disclose under the heading “What Is a Mutual Fund and What Are the Risks of Investing in a Mutual Fund?” all of the following:

(a) a brief general description of the nature of a mutual fund;

(b) the risk factors and other investment considerations that an investor should take into account that are associated with investing in mutual funds generally.

(2) At a minimum, in response to the requirements of subsection (1), include disclosure in substantially the following words:

“Mutual funds own different types of investments, depending upon the fund’s investment objectives. The value of these investments will change from day to day, reflecting changes in interest rates, economic conditions and market and company news. As a result, the value of a mutual fund’s [units/shares] may go up and down, and the value of your investment in a mutual fund may be more or less when you redeem it than when you purchased it.

[If applicable], The full amount of your investment in any [name of mutual fund family] mutual fund is not guaranteed.

Unlike bank accounts or GICs, mutual fund [units/shares] are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.”.

(3) For a multiple SP in which the Part B sections are bound separately from the Part A section and any Part B section is bound separately from any other Part B section, at the option of the mutual fund, include any information that is applicable to more than one of the mutual funds, including for greater certainty, all of the following:

- (a) explanatory information;
- (b) risk factors;
- (c) investment considerations;
- (d) investment restrictions;
- (e) descriptions of the securities offered under the simplified prospectus;
- (f) details regarding the name, formation and history of the mutual fund.

(4) Any information included in an introductory section under subsection (3) may be omitted elsewhere in the Part B section of the document.

INSTRUCTIONS

(1) *In providing disclosure under subsection (1), follow the instructions under Item 9 of Part B of this Form, as appropriate.*

(2) *Subsection (3) may be used to avoid the need for repetition of standard information in each Part B section of a multiple SP.*

(3) *Examples of explanatory information that may be disclosed under subsection (3) at the option of the mutual fund are:*

(a) *definitions or explanations of terms used in each Part B section, such as “portfolio turnover rate” and “management expense ratio”, and*

(b) *a discussion or explanation of the tables or charts that are required in each Part B section of the document.*

(4) *Examples of the risks that may be disclosed under subsection (3) at the option of the mutual fund are stock market risk, interest rate risk, foreign security risk, foreign currency risk, specialization risk and risk associated with the use of derivatives. If risk disclosure is provided under that subsection, the fund-specific disclosure about each mutual fund described in the document must contain a reference to the appropriate parts of this risk disclosure.*

(5) *A similar Item is contained in Item 2 of Part B of this Form. For a multiple SP in which the Part B sections are bound separately from the Part A section and any Part B section is bound separately from any other Part B section, a mutual fund organization may include this Item either at the end of the Part A section of the multiple SP, or at the beginning of the Part B section, at its option. In all other cases, this Item must be included at the beginning of the Part B section.”;*

(2) in part B:

(a) by adding, after instruction (4) of item 2, the following:

“(5) A similar Item is contained in Item 19 of Part A of this Form. For a multiple SP in which the Part B sections are bound separately from the Part A section and any Part B section is bound separately from any other Part B section, a mutual fund organization may include this Item either at the end of the Part A section of the multiple SP, or at the beginning of the Part B section, at its option. In all other cases, this Item must be included at the beginning of the Part B section.”;

(b) by replacing paragraph (2) of item 8 by the following:

“(2) State the laws under which the mutual fund was formed, the date and manner of its formation and the date on which it started.”;

(c) by replacing “management reports of fund performance” in the first paragraph of the statement provided in item 12 by “fund reports”.

3. Form 81-101F2 of the Regulation is amended, in the statement provided in paragraph (2) of item 24:

(1) by replacing “the Fund[s] is available in the Fund[’s/s’] Fund Facts, management reports of fund performance” in the first paragraph by “the fund[s] is available in the fund[’s/s’] Fund Facts, fund reports”;

(2) by replacing, in the third paragraph, “Fund[s]” by “fund[s]”.

5. Form 81-101F3 of the Regulation is amended:

(1) in part I:

(a) in item 2:

(i) by replacing “**Management expense ratio (MER):**” in the table by “**Fund expense ratio (FER):**”;

(ii) by replacing instruction (3) by the following:

“(3) Use the sum of the management expense ratio (MER) and the trading expense ratio. Use the MER disclosed in the most recently filed fund report for the mutual fund. The MER must be net of fee waivers or absorptions and, despite subsection 15.1(2) of Regulation 81-106 respecting Investment Fund Continuous Disclosure, need not include any additional disclosure about the waivers or absorptions. For a newly established mutual fund that has not yet filed a fund report, state that the MER is not available because it is a new mutual fund. Use the trading expense ratio from the most recently filed fund report for the mutual fund.”;

(b) in item 3:

(i) by replacing “*filed management report of fund performance*” in instruction (9) by “*prepared quarterly portfolio disclosure*”;

(ii) by replacing “*MRFP*” in instruction (11) by “*quarterly portfolio disclosure*”;

(2) in item 1.3 of part II:

(a) by replacing, in paragraph (2), “management report of fund performance” by “fund report” and “**Fund expenses**” in the left-hand side column of the table by “**Fund expense ratio (FER)**”;

(b) by replacing, in paragraph (3), “management report of fund performance” by “fund report” and “fund’s expenses were” by “fund’s FER was”;

(c) by replacing “management report of fund performance” in paragraph (4) by “fund report”;

(d) by replacing instruction (2) by the following:

“(2) Use the expense management ratio (MER) disclosed in the most recently filed fund report for the mutual fund. The MER must be net of fee waivers or absorptions and, despite subsection 15.1(2) of Regulation 81-106 respecting Investment Fund Continuous Disclosure, need not include any additional disclosure about the waivers or absorptions. For a newly established mutual fund that has not yet filed a fund report, state that the MER is not available because it is a new mutual fund.”;

(e) by replacing instruction (3) by the following:

“(3) Use the trading expense ratio (TER) from the most recently filed fund report for the mutual fund.”;

(f) by replacing instruction (4) by the following:

“(4) Use the FER disclosed in Item 2 of Part I of this Form. Use a bold font or other formatting to indicate that the FER represents the total of all ongoing expenses set out in the chart and does not represent a separate expense charged to the mutual fund.”;

(g) by replacing “management report of fund performance” in instruction (5) by “fund report”.

5. The Regulation is amended by replacing all occurrences of “management report of fund performance” in section 3.1.3 and Appendix A by “fund report”.

Transition

6. Before (*indicate here the date of coming into force of this Regulation + 1 year and 9 months*), if a mutual fund has not filed an annual fund report, all of the following apply:

(1) a reference to “annual fund report” in paragraph (1.4) of section 3.1 of the Regulation must be read as a reference to “annual management report of fund performance” and a reference to “interim fund report” must be read as a reference to “interim fund report or interim management report of fund performance”;

(2) a reference to “annual fund report” in paragraph (4) of section 3.1 of the Regulation must be read as a reference to “annual management report of fund performance”;

(3) a reference to “most recently filed annual fund report” in item 3 of part A of Form 81-101F1 of the Regulation must be read as a reference to “most recently filed annual management report of fund performance”.

7. Before (*indicate here the date of coming into force of this Regulation + 1 year and 9 months*), if a mutual fund has not filed an interim fund report and has not filed an annual fund report, a reference to “interim fund report” in item 3 of part A of Form 81-101F1 must be read as a reference to “interim management report of fund performance” and a reference to “annual fund report” must be read as a reference to “annual management report of fund performance”.

8. Before (*indicate here the date of coming into force of this Regulation + 1 year and 3 months*), if a mutual fund has not filed a fund report, all of the following apply:

(1) a reference to “fund report” in subparagraph and subparagraph (iii) of paragraph (o) of Appendix A of the Regulation must be read as a reference to “management report of fund performance”;

(2) a reference to “fund reports” in paragraph (2) of item 12 of part B of Form 81-101F1 of the Regulation must be read as a reference to “management reports of fund performance”;

(3) a reference to “fund reports” in paragraph (2) of item 24 of Form 81-101F2 of the Regulation must be read as a reference to “management reports of fund performance”;

(4) the first reference to “fund report” in instruction (3) under item 2 of part I of Form 81-101F3 of the Regulation must be read as a reference to “management report of fund performance”;

(5) the second reference to “fund report” in instruction (3) under item 2 of part I of Form 81-101F3 of the Regulation must be read as a reference to “fund report or a management report of fund performance”;

(6) the third reference to “fund report” in instruction (3) under item 2 of part I of Form 81-101F3 of the Regulation must be read as a reference to “management report of fund performance”;

(7) a reference to “fund report” in paragraphs (2) to (4) of item 1.3 of part II of Form 81-101F3 of the Regulation must be read as a reference to “management report of fund performance”;

(8) a reference to “fund report” in instruction (3) under item 1.3 of part II of Form 81-101F3 of the Regulation must be read as a reference to “management report of fund performance”;

(9) a reference to “fund report” in instruction (5) under item 1.3 of part II of Form 81-101F3 of the Regulation must be read as a reference to “management report of fund performance”.

9. Before (*indicate here the date of coming into force of this Regulation + 1 year and 3 months*), if a mutual fund has filed an interim management report of fund performance after the period to which an annual management report of fund performance incorporated by reference in the simplified prospectus pertains, a reference to “interim fund report” in item 5 of section 3.1 of the Regulation must be read as a reference to “interim management report of fund performance”.

10. Before (*indicate here the date of coming into force of this Regulation + 1 year and 3 months*), if a mutual fund has incorporated a management report of fund performance by reference in the simplified prospectus, a reference to “fund report” in section 3.1.3 of the Regulation must be read as a reference to “fund report and management report of fund performance, as applicable”.

11. Before (*indicate here the date of coming into force of this Regulation + 1 year and 2 months*), if a mutual fund invests substantially all of its assets directly or indirectly, through the use of derivatives, in securities of one other mutual fund, the other mutual fund has not prepared a fund report, and the other mutual fund's most recently filed management report of fund performance was filed after the fund's most recent quarterly portfolio disclosure was prepared, the reference to "prepared quarterly portfolio disclosure" in instruction (9) under item 3 of part I of Form 81-101F3 of the Regulation must be read as a reference to "filed management report of fund performance".

12. Before (*indicate here the date of coming into force of this Regulation + 1 year and 2 months*), if the disclosure relating to the investment portfolio subgroup breakdown of a mutual fund contained in the fund's management report of fund performance is more recent than the disclosure relating to the investment portfolio subgroup breakdown of the mutual fund contained in its quarterly portfolio disclosure, the reference to "quarterly portfolio disclosure" in instruction (11) under item 3 of part I of Form 81-101F3 of the Regulation must be read as a reference to "management report of fund performance".

13. Before (*indicate here the date of coming into force of this Regulation + 1 year and 3 months*), if an investment fund complies with parts 4 to 7 of Regulation 81-106 respecting Investment Fund Continuous Disclosure as they were in force on (*indicate here the date preceding the date of coming into force of this Regulation*), the following provisions of Form 81-101F3 as amended by this Regulation do not apply to the investment fund:

- (1) item 2 of part I;
- (2) instruction (3) under item 2 of part I;
- (3) paragraphs (2) and (3) of item 1.3 of Part II;
- (4) instructions (2) to (4) under item 1.3 of part II.

Effective Date

14. (1) This Regulation comes into force on (*indicate here the date of coming into force of this Regulation*).

(2) In Saskatchewan, despite paragraph (1), if this Regulation is filed with the Registrar of Regulations after (*indicate here the date of coming into force of this Regulation*), this Regulation comes into force on the day on which it is filed with the Registrar of Regulations.