

**AMENDMENT TO POLICY STATEMENT TO
REGULATION 81-102 RESPECTING MUTUAL FUNDS**

1. Policy Statement to *Regulation 81-102 respecting Mutual Funds* is amended as follows.

2. Part 3 is amended

(a) by adding the following paragraph under section 3.4:

“Subsection 2.5(7) of the Regulation provides that certain investment restrictions in securities legislation, as defined in the Regulation, do not apply to investments in other mutual funds made in accordance with section 2.5. For greater certainty, the CSA note that the exemptions provided for in this section apply only with respect to a mutual fund’s investments in other mutual funds, and not for any other investment or transaction.”; and

(b) by adding the following after section 3.7:

“3.8 Prohibited Investments

(1) Subsection 4.1(4) permits a dealer managed mutual fund to make an investment otherwise prohibited by subsection 4.1(1) provided the independent review committee of the dealer managed mutual fund has approved the transaction under subsection 5.2(1) of Regulation 81-107. The CSA expects the independent review committee may contemplate giving its approval as a standing instruction, as contemplated in section 5.4 of Regulation 81-107.

(2) Subsection 4.2(3) permits a dealer managed mutual fund to purchase a class of debt securities of an issuer from, or sell a class of debt securities of an issuer to, the persons or companies referred to in paragraphs 1 to 4 of subsection 4.2(1) where the price payable for the security is not publicly available, provided the independent review committee has approved the transaction under subsection 5.2(1) of Regulation 81-107. The CSA expects the independent review committee may contemplate giving its approval as a standing instruction, as contemplated in section 5.4 of Regulation 81-107.

In providing its approval under paragraph 4.2(3)(a), the CSA expects the independent review committee to have satisfied itself that the price of the security is fair. This may be achieved by the independent review committee by considering the price of the security if listed by CanPx or TRACE, for example. Or, the independent review committee may satisfy itself by obtaining at least one quote from an independent, arm’s-length purchaser or seller, immediately before the purchase or sale.

3. Part 7 is amended by adding the following after section 7.4:

“7.5 Circumstances in Which Approval of Securityholders Not Required

(1) Subsection 5.3(2) of the Regulation provides that the mutual fund’s reorganization with, or transfer of assets to another mutual fund to which this Regulation and Regulation 81-107 applies and is managed by the manager or an affiliate of the manager of the mutual fund, may be carried out on the conditions described in the subsection without prior approval of the securityholders of the mutual fund.

- (2) If the manager refers the change contemplated in subsection 5.3(2) to the mutual fund's independent review committee, and subsequently seeks the approval of the securityholders of the mutual fund, the CSA are of the view that the manager should include a description of the independent review committee's determination in the written notice to securityholders referred to in section 5.4 of this Regulation.

7.6 Change of Auditor

Section 5.3.1 of the Regulation requires that the independent review committee of the mutual fund give its prior approval to the manager before the auditor of the mutual fund may be changed.

7.7 Connection to Regulation 81-107

There may be matters under section 5.1 that may also involve a conflict of interest matter under Regulation 81-107. The CSA are of the view that any matter under section 5.1 subject to review by the independent review committee should be referred by the manager to the independent review committee before seeking the approval of securityholders of the mutual fund. The CSA expects the manager to include in the written notice to securityholders referred to in subsection 5.4(2) of this Regulation a description of the independent review committee's determination.”.

4. This Amendment comes into force on [].