

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

1. Section 1.1 of the Policy Statement to *Regulation 81-102 respecting Mutual Funds* is amended by replacing the words “National Instrument 81-102 *Mutual Funds* (the “Instrument”)” with the words “*Regulation 81-102 Mutual Funds* (the “Regulation”)”.

2. Section 3.4 of the Policy Statement is amended by adding the following subsection after subsection (1):

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

3. The Policy Statement is amended by adding the following section after section 3.7:

“3.8 Prohibited Investments

(1) Subsection 4.1(4) of the Regulation permits a dealer managed mutual fund to make an investment otherwise prohibited by subsection 4.1(1) of the Regulation and the corresponding provisions in securities legislation referred to in Appendix C to the Regulation if the independent review committee of the dealer managed mutual fund has approved the transaction under subsection 5.2(2) of *Regulation 81-107 respecting Independent Review Committee for Investment Funds* (“Regulation 81-107”). The CSA expect 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 4.3(2) of the Regulation permits a mutual fund to purchase a class of debt securities from, or sell a class of debt securities to, another mutual fund managed by the same manager or an affiliate of the manager where the price payable for the security is not publicly available, if the independent review committee of the mutual fund has approved the transaction under subsection 5.2(2) of Regulation 81-107 and the requirements in section 6.1 of Regulation 81-107 have been met. The CSA expect the independent review committee may contemplate giving its approval as a standing instruction, as contemplated in section 5.4 of Regulation 81-107.

(3) In providing its approval under paragraph 4.3(2) of the Regulation, the CSA expect the independent review committee to have satisfied itself that the price of the security is fair. It may do this by considering the price quoted on a marketplace (e.g., CanPx or TRACE), or by obtaining a quote from an independent, arm’s-length purchaser or seller, immediately before the purchase or sale.”.

4. Part 7 of the Policy Statement is amended by adding the following sections after section 7.4:

“7.5 Circumstances in Which Approval of Securityholders Not Required

(1) Subsection 5.3(2) of the Regulation provides that a mutual fund’s reorganization with, or transfer of assets to, another mutual fund may be carried out on the conditions described in the subsection without the prior approval of the securityholders of the mutual fund.

(2) If the manager refers the change contemplated in subsection 5.3(2) of the Regulation to the mutual fund’s independent review committee, and subsequently seeks the approval of the securityholders of the mutual fund, the CSA expect the manager to include a description of the independent review committee’s determination in the written notice to securityholders referred to in section 5.4 of the 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 of the Regulation that may also be a conflict of interest matter as defined in Regulation 81-107. The CSA expect any matter under section 5.1 subject to review by the independent review committee to be referred by the manager to the independent review committee before seeking the approval of securityholders of the mutual fund. The CSA further expect the manager to include a description of the independent review committee's determination in the written notice to securityholders referred to in subsection 5.4(2) of the Regulation.”.

4. Subsection (5) of section 13.1 is amended by replacing the words “National Instrument 81-101” with the words “*Regulation 81-101 Mutual Fund Prospectus Disclosure*”.

5. Subsection 16.3(1) is amended by replacing the words “CSA policy or rule” with the words “CSA policy or regulation”.

6. The Policy Statement is amended by replacing the words “gérant”, “le gérant”, “du gérant”, “au gérant”, “un gérant” and “son gérant”, wherever they appear in the French text, with the words “société de gestion”, “la société de gestion”, “de la société de gestion”, “à la société de gestion”, “une société de gestion” and “sa société de gestion”, respectively, and making the necessary changes.

7. The Policy Statement is amended by replacing the word “Instrument”, wherever it appears, with the word “Regulation”.

8. This amendment comes into force on November 1, 2006.