

REGULATION TO AMEND REGULATION 81-106 RESPECTING INVESTMENT FUND CONTINUOUS DISCLOSURE

Securities Act

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

1. Section 1.3 of Regulation 81-106 respecting Investment Fund Continuous Disclosure (chapter V-1.1, r. 42) is amended by deleting, in paragraph (3), “Regulation 81-104 respecting Commodity Pools (chapter V-1.1, r. 40) or” and by replacing “those regulations” with “that regulation”.

2. The Regulation is amended by adding, after section 3.11, the following:

“3.12. Disclosure of Use of Leverage

(1) An investment fund that uses leverage must disclose the following information in its financial statements:

(a) a brief explanation of the sources of leverage including cash borrowing, short selling or use of specified derivatives, used during the reporting period covered by the financial statements,

(b) the lowest and highest level of the aggregate exposure to those sources of leverage in the period, and

(c) a brief explanation of the significance to the investment fund of the lowest and highest levels of the aggregate exposure to those sources of leverage.

(2) For the purposes of subsection (1), an investment fund must calculate its aggregate exposure to those sources of leverage in accordance with section 2.9.1 of Regulation 81-102 respecting Investment Funds (chapter V-1.1, r. 39).”.

3. Form 81-106F1 of the Regulation is amended, in item 2.3 of part B:

(1) by inserting, after paragraph (2), the following:

“(3) An investment fund that uses leverage must disclose,

(a) a brief explanation on the sources of leverage including cash borrowing, short selling or use of specified derivatives, used during the reporting period,

(b) the lowest and highest level of aggregate exposure to those sources of leverage in the period, and

(c) a brief explanation of the significance of the lowest and highest levels of aggregate exposure to those sources of leverage to the investment fund including the impact of the use of specified derivatives for hedging purposes.”;

(2) by replacing, after paragraph (2), the instructions with the following:

“INSTRUCTIONS:

(1) *Explain the nature of and reasons for changes in the investment fund’s performance. Do not only disclose the amount of change in a financial statement item from period to period. Avoid the use of boilerplate wording. Your discussion must be prepared in a manner that will assist a reasonable reader to understand the significant factors that have affected the investment fund’s performance.*

(2) *For the purposes of the disclosure required in Item 2.3(3)(b), an investment fund must calculate its aggregate exposure to sources of leverage in accordance with section 2.9.1 of Regulation 81-102 respecting Investment Funds (chapter V-1.1, r. 39).*

(3) *In discussing the impact of the use of specified derivatives for hedging purposes on the investment fund's calculation of its aggregate exposure to sources of leverage, the fund must discuss by how much the aggregate exposure was reduced by subtracting the notional value of the fund's specified derivatives positions that are hedging transactions as is contemplated in paragraph 2.9.1(2)(c) of Regulation 81-102 respecting Investment Funds."*

4. This Regulation comes into force on January 3, 2019.