

Annex A

Proposed Amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure*

1. *National Instrument 81-101 Mutual Fund Prospectus Disclosure is amended by this Instrument.*
2. *Section 1.1 is amended by adding the following definitions:*

“statutory right of action” means,

- (a) in Alberta, paragraph 206(a) of the *Securities Act* (Alberta),
- (b) in British Columbia, section 135 of the *Securities Act* (British Columbia), and
- (c) in New Brunswick, section 155 of the *Securities Act* (New Brunswick); **and**

“statutory right of withdrawal” means,

- (a) in Alberta, subsection 130(1) of the *Securities Act* (Alberta),
- (b) in British Columbia, subsections 83(3) and (5) of the *Securities Act* (British Columbia),
and
- (c) in New Brunswick, subsection 88(2) of the *Securities Act* (New Brunswick)..

3. *Section 3.2 is amended by replacing subsection (2) with the following:*

(2) If a prospectus is required under securities legislation to be sent or delivered to a person or company, the fund facts document most recently filed under this Instrument for the applicable class or series of securities must be sent or delivered to the person or company at the same time and in the same manner as otherwise required for the prospectus.

(2.1) The requirement in securities legislation to send or deliver a prospectus does not apply if a fund facts document is sent or delivered under subsection (2).

(2.2) In Ontario, a fund facts document is a disclosure document prescribed under subsection 71(1.1) of the *Securities Act* (Ontario)..

4. *The following sections are added after section 3.2:*

3.2.1 Fund facts document – purchaser’s right of withdrawal

(1) A purchaser has a right of withdrawal in respect of a fund facts document that was sent or delivered under subsection 3.2(2), as the purchaser would otherwise have when a prospectus is required to be sent or delivered under securities legislation and, for that purpose, a fund facts document is a prescribed document under the statutory right of withdrawal.

(2) In Ontario, instead of subsection (1), subsection 71(2) of the *Securities Act* (Ontario) applies.

(3) In Québec, instead of subsection (1), section 30 of the *Securities Act* (Québec) applies..

3.2.2 Fund facts document – purchaser’s right of action for failure to send or deliver

(1) A purchaser has a right of action if a fund facts document is not sent or delivered as required by subsection 3.2(2), as the purchaser would otherwise have when a prospectus is not sent or delivered as required under securities legislation and, for that purpose, a fund facts document is a prescribed document under the statutory right of action.

(2) In Ontario, instead of subsection (1), section 133 of the *Securities Act* (Ontario) applies.

(3) In Québec, instead of subsection (1), section 214 of the *Securities Act* (Québec) applies..

5. *Section 3.5 is amended by replacing “must” with “may”.*

6. *Subsection 4.1(1) is amended by replacing “in a format” with “be in a format”.*

7. *Subsection 5.1(3) is repealed.*

8. *Section 5.2 is replaced with the following:*

5.2 Combinations of Fund Facts Documents for Delivery Purposes

(1) A fund facts document sent or delivered under section 3.2 must not be attached to or bound with any other materials or documents except one or more of the following:

1. A general front cover pertaining to the package of attached or bound materials and documents.
2. A transaction confirmation which discloses the purchase of securities of the mutual fund.
3. A fund facts document of another mutual fund if that fund facts document is being sent or delivered under section 3.2.
4. A simplified prospectus or a multiple SP of the mutual fund.
5. Any document incorporated by reference into the simplified prospectus or the multiple SP.
6. Account application documents.
7. Registered tax plan applications and documents.

(2) If a transaction confirmation referred to in subsection (1) is attached to or bound with a fund facts document, any other disclosure document required to be sent or delivered to satisfy a regulatory requirement for purchases listed in the transaction confirmation may be attached to or bound with the fund facts document..

- (3) If a fund facts document is attached to or bound with any of the materials or documents referred to in subsection (1), a table of contents specifying all documents must be attached to or bound with the fund facts document, except when the only other document attached to or bound with the fund facts document is the cover page.
- (4) If one or more fund facts document are attached to or bound with any of the materials or documents referred to in subsection (1), only the general front cover, the table of contents and the transaction confirmation may be placed in front of those fund facts documents.

9. Form 81-101F1 Contents of Simplified Prospectus is amended:

a. by adding the following after Item 1.1(6) of Part A:

INSTRUCTION

Complete the bracketed information in paragraph (3) above by

- (a) inserting the names of each jurisdiction in which the mutual fund intends to offer securities under the prospectus;
- (b) stating that the filing has been made in each of the provinces of Canada or each of the provinces and territories of Canada; or
- (c) identifying the filing jurisdictions by exception (i.e. every province of Canada or every province and territory of Canada, except [excluded jurisdictions]);

b. by adding the following after Item 1.2(6) of Part A:

INSTRUCTION

Complete the bracketed information in paragraph (3) above by

- (a) inserting the names of each jurisdiction in which the mutual fund intends to offer securities under the prospectus;
- (b) stating that the filing has been made in each of the provinces of Canada or each of the provinces and territories of Canada; or
- (c) identifying the filing jurisdictions by exception (i.e. every province of Canada or every province and territory of Canada, except [excluded jurisdictions]); **and**

c. by replacing the text following the introduction in Item 11 of Part A with the following:

Securities legislation in some provinces and territories gives you the right to withdraw from an agreement to buy mutual funds within two business days of receiving the Simplified Prospectus or Fund Facts, or to cancel your purchase within 48 hours of receiving confirmation of your order.

Securities legislation in some provinces and territories also allows you to cancel an agreement to buy mutual fund [units/shares] and get your money back, or to make a claim for damages, if the Simplified Prospectus, Annual Information Form, Fund Facts or financial statements misrepresent any facts about the Fund. These rights must usually be exercised within certain time limits.

For more information, refer to the securities legislation of your province or territory or consult your lawyer..

10. Form 81-101F2 Contents of Annual Information Form is amended

a. by adding the following after Item 1.1(6):

INSTRUCTION

Complete the bracketed information in paragraph (3) above by

- (a) inserting the names of each jurisdiction in which the mutual fund intends to offer securities under the prospectus;
- (b) stating that the filing has been made in each of the provinces of Canada or each of the provinces and territories of Canada; or
- (c) identifying the filing jurisdictions by exception (i.e. every province of Canada or every province and territory of Canada, except [excluded jurisdictions]); **and**

b. by adding the following after Item 1.2(6):

INSTRUCTION

Complete the bracketed information in paragraph (3) above by

- (a) inserting the names of each jurisdiction in which the mutual fund intends to offer securities under the prospectus;
- (b) stating that the filing has been made in each of the provinces of Canada or each of the provinces and territories of Canada; or
- (c) identifying the filing jurisdictions by exception (i.e. every province of Canada or every province and territory of Canada, except [excluded jurisdictions]).

11. Form 81-101F3 Contents of Fund Facts Document is amended:

a. by adding the following sentence at the end of subsection (8) of the General Instructions:

If information required to be disclosed in the fund facts document is not applicable or is not available, please state so and provide an explanation.;

b. by adding subsection (8.1) to the General Instructions which states:

(8.1) A fund facts document may disclose a material change and proposed fundamental change, such as a proposed merger. The most relevant section of the fund facts document should be revised to describe the material change or proposed fundamental change.;

c. by replacing the reference to “section 5.4” with “Part 5” in subsection (15) of the General Instructions;

d. by replacing the last sentence of subsection (16) of the General Instructions with the

following:

Each fund facts document must start on a new page, and may not share a page with another fund facts document.;

e. by replacing paragraph (c) of Item 1 of Part I with the following:

(c) the name of the mutual fund to which the fund facts document pertains;;

f. by adding the following after paragraph (c) of Item 1 of Part I:

(c.1) if the mutual fund has more than one class or series of securities, the name of the class or series described in the fund facts document and, at the option of the mutual fund, all recognized and publicly available identification codes for the class or series of the mutual fund;;

g. by replacing the text which follows the introduction to paragraph (e) of Item 1 of Part I with the following:

This document contains key information you should know about [insert name of the mutual fund]. You can find more details in the fund’s simplified prospectus. Ask your dealer representative for a copy, contact [insert name of the manager of the mutual fund] at [insert if applicable the toll-free number and email address of the manager of the mutual fund] or visit [insert the website of the mutual fund, the mutual fund’s family or the manager of the mutual fund] [as applicable].;

h. by replacing the table under Item 2 of Part I with the following:

Date [class/series] started: (see instruction 1)	Fund manager: (see instruction 3.1)
Date fund started: (see instruction 1.1)	Portfolio manager: (see instruction 4)
Total value of [class/series] on [date]: (see instruction 2.1)	Distributions: (see instruction 5)
Total fund value on [date]: (see instruction 2)	Minimum investment: (see instruction 6)
Management expense ratio (MER): (see instruction 3)	

i. by adding subsection (1.1) to the Instructions under Item 2 of Part I which states:

(1.1) If the date that the mutual fund first became available to the public differs from the date that the class or series of the mutual fund became available to the public, include the date that the mutual fund first became available to the public.;

j. by replacing “30 days” with “45 days” in subsection (2) of the Instructions under Item 2 of Part I;

k. by adding subsection (2.1) to the Instructions under Item 2 of Part I which states:

(2.1) Specify the net asset value of the class or series of the mutual fund as at a date within 45 days before the date of the fund facts document. For a newly established class or series of a mutual fund, simply state that this information is not available because it is a new class or series.;

l. by adding subsection (3.1) to the Instructions under Item 2 of Part I which states:

(3.1) Specify the name of the manager of the mutual fund.;

m. by replacing subsection (4) of the Instructions under Item 2 of Part I with the following:

(4) Specify the mutual fund's portfolio manager. The mutual fund may also include the name of the specific individual(s) responsible for portfolio selection and if applicable, the name of the sub-advisor(s).;

n. by replacing Item 3(4) of Part I with the following:

(4) Include under the sub-heading "Top 10 investments [date]" a table disclosing:


- (a) the top 10 positions held by the mutual fund, each expressed as a percentage of net asset value of the mutual fund;
- (b) the percentage of net asset value of the mutual fund represented by the top 10 positions; and
- (c) the total number of positions held by the mutual fund.;

o. by replacing "30 days" with "45 days" in subsection (4) of the Instructions to Item 3 of Part I;

p. by replacing "30 days" with "45 days" in subsection (9) of the Instructions to Item 3 of Part I;

q. by replacing Item 4 and Item 5 with the following:

Item 4: Risks

(1) Under the heading "What are the risks of this fund?" state in wording substantially similar to the following:

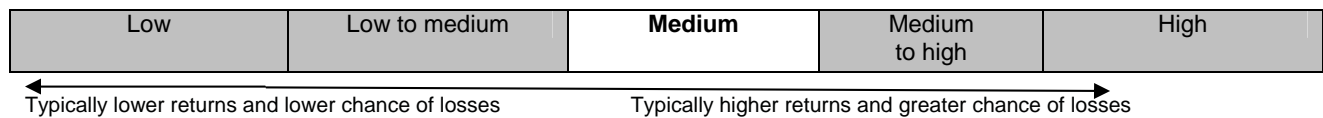
All investments involve risks. Understanding those risks can help you choose the right fund for you.

(2) Under the subheading "Investment risk" state in wording substantially similar to the following:

When you invest in a fund, the value of your investment can go down as well as up. In some cases, you may see large changes in value. These changes can happen quickly.

[Insert fund manager name] is required to rate the level of risk of its funds. The scale ranges from Low to High based on how the fund is invested and the level of risk and return involved. In most cases, a lower rating means lower risk and lower returns, with a lower chance of losses. A higher rating generally means higher risk and higher returns, with a greater chance of losing money.

- (3) Using the investment risk classification methodology adopted by the manager, identify the mutual fund’s investment risk level on the following scale:



- (4) State in bold font in wording substantially similar to the following:

The risk category shown is not fixed and may change over time. The lowest category does not mean there is no risk. A fund that is rated on the low end of the risk scale can still lose money.

- (5) Under the subheading “Other specific risks” state in wording substantially similar to the following:

To understand risk better, you may also want to look at the specific risks for this fund and how they could affect its value. [Insert fund manager name] has identified these top risk factors for the fund: [insert risk factors].

For a full list of this fund’s risk factors and details about them, see the Risk section of the fund’s simplified prospectus.

INSTRUCTIONS:

- (1) *Based upon the investment risk classification methodology adopted by the manager of the mutual fund, identify where the mutual fund fits on the continuum of investment risk levels by showing the full investment risk scale set out in Item 4(3) and highlighting the applicable category on the scale.*
- (2) *Where the mutual fund is a newly established mutual fund and it is not possible for the manager of the mutual fund to apply its investment risk classification methodology to the mutual fund, include a statement explaining that it is a new mutual fund and use the scale to indicate the investment risk level that the manager of the mutual fund would expect for the mutual fund.*

- (3) *In response to Item 4(5), insert no more than 4 main risks of the mutual fund. Disclosure in this section is limited to a listing of the applicable risk factors and must not include a general description of each risk factor.*

Item 5: Past Performance

- (1) Under the heading “How has the fund performed?” include an introduction using wording substantially similar to the following:

This chart shows you:

- how the fund has performed over the past 10 years
- how the fund’s return compares to the return of a one-year Guaranteed Investment Certificate (GIC). GIC data is from the Bank of Canada.

- (2) Provide a bar chart that shows

- (a) the annual total return of the mutual fund, in chronological order with the most recent year on the right of the bar chart, for the lesser of

(i) each of the 10 most recently completed calendar years, and

(ii) each of the completed calendar years in which the mutual fund has been in existence and which the mutual fund was a reporting issuer; and

- (b) the average of the monthly series of the one-year GIC rates for each calendar year as disclosed on the Bank of Canada website, in chronological order with the most recent year on the right of the bar chart, for the lesser of

(i) each of the 10 most recently completed calendar years, and

(ii) each of the completed calendar years in which the mutual fund has been in existence and which the mutual fund was a reporting issuer.

- (3) Under the bar chart state in wording substantially similar to the following:

Notes:

- This chart does not tell you how the fund or GIC will perform in the future.
- Since the fund holds investments that are riskier than a GIC, it may have a higher return in some years and lose money in others.
- The fund’s returns are after expenses have been deducted.
- Your actual after-tax return will depend on your personal tax situation.

- (4) Include the sub-heading “Things you should know:”.

- (5) Under the sub-heading “a) Worst return” provide:

- (a) for the particular years shown in the bar chart above, the number of years in which the value of the mutual fund dropped.
 - (b) since the inception of the mutual fund, the worst rolling 3-month return as at the end of the period that ends within 45 days before the date of the fund facts document, and
 - (c) the final value that would equate with a hypothetical \$1000 investment during the worst 3-month period.
- (6) Under the sub-heading “b) Average return” show
- (a) the final value of a hypothetical \$1000 investment in the mutual fund as at the end of the period that ends within 45 days before the date of the fund facts document and consists of the lesser of
 - (i) 10 years, or
 - (ii) the time since inception of the mutual fund;
 - (b) the annual compounded rate of return that would equate the hypothetical \$1000 investment to the final value; and
 - (c) the final value of a hypothetical \$1000 investment in a one-year GIC rate as at the end of the period that ends within 45 days before the date of the fund facts document and consists of the lesser of
 - (i) a continual reinvestment of the maturity amount in a one-year GIC for each of the past 10 years, or
 - (ii) a continual reinvestment of the maturity amount in a one-year GIC since inception of the mutual fund.

INSTRUCTIONS

- (1) *In responding to the requirements of this Item, a mutual fund must comply with the relevant sections of Part 15 of National Instrument 81-102 Mutual Funds as if those sections applied to a fund facts document.*
- (2) *Use a linear scale for each axis of the bar chart required by this Item.*
- (3) *The x-axis and y-axis for the bar chart required by this Item must intersect at 0.*
- (4) *A mutual fund that distributes different classes or series of securities that are referable to the same portfolio of assets must only show performance data related to the specific class or series of securities being described in the fund facts*

document.

(5) *If the information required to be disclosed under this Item is not reasonably available, include the required sub-headings, provide a brief statement explaining why the required information is not available. Information relating to year-by-year returns in the bar chart will generally not be available for a mutual fund that has been distributing securities under a simplified prospectus for less than one calendar year. Information under “a) Worst return” and “b) Average return” will generally not be available for a mutual fund that has been distributing securities under a simplified prospectus for less than 12 consecutive months.*

(6) *The dollar amounts shown under this Item may be rounded up to the nearest dollar.*

(7) *The percentage amounts shown under this Item may be rounded up to the nearest decimal place.;*

r. except in British Columbia, by adding “and” at the end of paragraph (a) of Item 6(1) in Part I;

s. except in British Columbia, in Item 1.3(5) in Part II by replacing “where” with “in which”;

t. by replacing Item 1.3(6) of Part II with the following:

(6) Under the sub-heading “Trailing commission”, state whether the manager of the mutual fund or another member of the mutual fund’s organization pays trailing commissions, and include a brief description of these commissions.;

u. by replacing Item 1.3(7) of Part II with the following:

(7) The description of trailing commissions must include a statement in substantially the following words:

[insert name of fund manager] pays your dealer a trailing commission for as long as you own the fund. The trailing commission is paid out of the management fee. It is for the services and advice that your dealer provides to you. The rate depends on the sales charge option you choose [if applicable, insert sales charge options].

These trailing commission payments may create a conflict of interest by influencing the dealer or its representatives to recommend the fund over another investment. Ask your dealer representative for more information.;

v. by adding subsection (2.1) to the Instructions under Item 1.3 of Part II which states:

(2.1) Disclose any fixed administration fees payable in the Fund expenses.;

w. **by replacing subsection (8) to the Instructions under Item 1.3 of Part II with the following:**

- (8) The description of the trailing commission must briefly and concisely explain the purpose of the commission, how the commissions are paid and the maximum rate of the commission for each of the sales charge options. In addition to the percentage amount of the commission, this description must also set out the equivalent dollar amount for each \$1000 investment.;

x. **by replacing Item 1.4(1) of Part II with the following:**

- (1) Under the sub-heading “Other fees” provide an introduction using wording similar to the following:

You may have to pay other fees when you buy, hold, sell or switch [units/shares] of the fund.;

y. **by adding “buy, hold,” before “sell or switch” to Item 1.4(2) of Part II;**

z. **by replacing subsections (1) and (2) to the Instructions under Item 1.4 of Part II with the following:**

- (1) *Under this Item, it is necessary to include only those fees that apply to the particular series or class of the mutual fund. Examples include management fees and administration fees payable directly by investors, short-term trading fees, switch fees and change fees. This would also include any requirement for an investor to participate in a fee-based arrangement with their dealer in order to be eligible to purchase the particular class or series of the mutual fund. If there are no other fees associated with buying, holding, selling or switching units or shares of the mutual fund, replace the table with a statement to that effect.;*
- (2) *Provide a brief description of each fee disclosing the amount to be paid as a percentage (or, if applicable, a fixed dollar amount) and state who charges the fee. If the amount of the fee varies so that specific disclosure of the amount of the fee cannot be disclosed, where possible, include the highest possible rate or range for that fee.;*

aa. **by replacing Item 2 in Part II with the following:**

Item 2: Statement of Rights

Under the heading “What if I change my mind?” state in substantially the following words:

Under securities law in some provinces and territories, you have the right to:

- *withdraw from an agreement to buy mutual funds within two business days after you receive a fund facts document, or*
- *cancel your purchase within 48 hours after you receive confirmation of the purchase.*

In some provinces and territories, you also have the right to cancel a purchase, or in some jurisdictions, claim damages, if the simplified prospectus, annual information form, fund facts document or financial statements contain a misrepresentation. You must act within the time limit set by the securities law in your province or territory.

For more information, see the securities law of the province or territory or ask a lawyer.; **and**

bb. by replacing Item 3(1) of Part II with the following:

- (1) Under the heading “For more information” state in substantially the following words:

Contact [insert name of the manager of the mutual fund] or your dealer representative for a copy of the fund’s simplified prospectus and other disclosure documents. These documents and the Fund Facts make up the fund’s legal documents.; **and**

cc. by adding Item 3(3) of Part II which states:

- (3) State in substantially the following words:

To learn more about investing in mutual funds please see the brochure **Understanding mutual funds** which is available on the website of the Canadian Securities Administrators at www.securities-administrators.ca.

12. Transition – expiration of exemptions and waivers

Any exemption from or waiver of a provision of National Instrument 81-101 Mutual Fund Prospectus Disclosure in relation to the prospectus delivery requirements for mutual funds, or an approval in relation to those requirements, expires on the date that this Instrument comes into force.

13. Effective date

(1) This Instrument comes into force on •.

(2) Despite subsection (1) this Instrument does not apply to a mutual fund until the date that is six months after this Instrument comes into force.