

PROVINCE OF BRITISH COLUMBIA

RULE OF THE BRITISH COLUMBIA SECURITIES COMMISSION

Securities Act

The British Columbia Securities Commission orders that, effective January 1, 2014,

- (a) *National Instrument 41-101 General Prospectus Requirements, B.C. Reg. 59/2008, is amended as set out in the attached Schedule A,*
- (b) *National Instrument 81-101 Mutual Fund Prospectus Disclosure, B.C. Reg. 1/2000, is amended as set out in the attached Schedule B,*
- (c) *National Instrument 81-102 Mutual Funds, B.C. Reg. 2/2000, is amended as set out in the attached Schedule C,*
- (d) *National Instrument 81-104 Commodity Pools, B.C. Reg. 283/2002, is amended in section 8.5 (1) by striking out "interim financial statements" and substituting "interim financial reports", and*
- (e) *National Instrument 81-106 Investment Fund Continuous Disclosure, B.C. Reg. 218/2005, is amended as set out in the attached Schedule D.*

DEPOSITED

December 19, 2013

B.C. REG. 265/2013

5/12/13

Date



British Columbia Securities Commission

(This part is for administrative purposes only and is not part of the Order.)

Authority under which Order is made:

Act and section: Securities Act, R.S.B.C. 1996, c. 418, s. 184

Other: _____

November 26, 2013

SCHEDULE A

- 1 **National Instrument 41-101 General Prospectus Requirements, B.C. Reg. 59/2008, is amended as set out in this Schedule.**
- 2 **The general instructions of Form 41-101F2 Information Required in an Investment Fund Prospectus are amended in subsection (3) by striking out “This concept of materiality is consistent with the financial reporting notion of materiality contained in the Handbook.”**
- 3 **Section 1.5 of Form 41-101F2 is amended by striking out “reporting”.**
- 4 **Section 1.15 of Form 41-101F2 is amended by striking out “interim financial statements” and substituting “interim financial report”.**
- 5 **Section 3.6 (4) of Form 41-101F2 is amended by**
 - (a) **striking out ‘ “MER” means management expense ratio based on total expenses, excluding commissions and other portfolio transaction costs and expressed as an annualized percentage of daily average net asset value.’ and substituting ‘ “MER” means management expense ratio based on management fees and operating expenses (excluding commissions and other portfolio transaction costs) expressed as an annualized percentage of daily average net asset value.’, and**
 - (b) **striking out ‘ “TER” means trading expense ratio and represents total commissions and portfolio transaction costs expressed as an annualized percentage of daily average net asset value.’ and substituting ‘ “TER” means trading expense ratio and represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value.’.**
- 6 **Section 11.1 of Form 41-101F2 is amended by**
 - (a) **striking out ‘ “MER” means management expense ratio based on total expenses, excluding commissions and other portfolio transaction costs and expressed as an annualized percentage of daily average net asset value.’ and substituting ‘ “MER” means management expense ratio based on management fees and operating expenses (excluding commissions and other portfolio transaction costs) expressed as an annualized percentage of daily average net asset value.’, and**
 - (b) **striking out ‘ “TER” means trading expense ratio and represents total commissions and portfolio transaction costs expressed as an annualized percentage of daily average net asset value.’ and substituting ‘ “TER” means trading expense ratio and represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value.’.**
- 7 **Section 37.1 of Form 41-101F2 is amended in item 2 by striking out “interim financial statements” and substituting “interim financial report”.**
- 8 **Section 38.1 (4) of Form 41-101F2 is amended by striking out “opening balance sheet” and substituting “opening statement of financial position”.**

- 9 **Section 38.2 of Form 41-101F2 is amended by striking out “Interim Financial Statements” and substituting “Interim Financial Reports” in the marginal note.**

SCHEDULE B

- 1 **National Instrument 81-101 Mutual Fund Prospectus Disclosure, B.C. Reg. 1/2000, is amended as set out in this Schedule.**

- 2 **Section 1.1 is amended by adding the following definition:**

“financial statements” includes interim financial reports;

- 3 **Section 2.3 (1) (b) (i) (A) is amended by striking out “draft opening balance sheet” and substituting “draft opening statement of financial position”.**

- 4 **Section 2.3 (3) (a) (ii) is amended by striking out “audited balance sheet” and substituting “audited statement of financial position”.**

- 5 **Section 3.1 is amended by**

(a) **striking out “interim financial statements” wherever it occurs and substituting “interim financial report”, and**

(b) **striking out “audited balance sheet” in item 1.3 and substituting “audited statement of financial position”.**

- 6 **Section 3.1.1 is amended by striking out “interim financial statements” and substituting “interim financial reports”.**

- 7 **Section 3.1 of Part A of Form 81-101F1 Contents of Simplified Prospectus is amended by striking out “interim financial statements” and substituting “interim financial report”.**

- 8 **Section 3.2 of Part A of Form 81-101F1 is amended by striking out “interim financial statements” and substituting “interim financial report”.**

SCHEDULE C

- 1 **National Instrument 81-102 Mutual Funds, B.C. Reg. 2/2000, is amended as set out in this Schedule.**

- 2 **Section 1.1 is amended**

(a) **by repealing the definition of “net asset value” and substituting the following:**

“net asset value” means the value of the total assets of the investment fund less the value of the total liabilities, other than net assets attributable to securityholders, of the investment fund, as at a specific date, determined in accordance with Part 14 of National Instrument 81-106 Investment Fund Continuous Disclosure; , and

- (b) *in the definition of “report to securityholders”, by striking out “annual or interim financial statements” and substituting “annual financial statements or interim financial reports”.*
- 3 *Section 5.6 (1) (f) (iii) is amended by striking out “annual and interim financial statements” and substituting “annual financial statements and interim financial reports”.*
- 4 *Section 5.6 (2) is amended by striking out “contains a reservation” and substituting “contains a modified opinion”.*
- 5 *Section 6.2 is amended by striking out “shareholders’ equity” in items 2 and 3 (a) and substituting “equity”.*
- 6 *Section 6.3 is amended by striking out “shareholders’ equity” in items 2 (c) and 3 (a) and substituting “equity”.*
- 7 *Section 15.8 (3) (b) is amended by striking out “balance sheet” and substituting “statement of financial position”.*
- 8 *Appendix B-1 – Audit Report is amended by*
- (a) *striking out “We conducted our audit in accordance with the standards for assurance engagements established by The Canadian Institute of Chartered Accountants.” and substituting “We conducted our audit in accordance with standards for assurance engagements set out in the CICA Handbook – Assurance.”, and*
- (b) *striking out “In our opinion, the Fund’s report presents fairly, in all material respects, the Fund’s compliance for the year ended [insert date]” and substituting “In our opinion, the Fund’s statement of compliance for the year ended [insert date] complies, in all material respects,”.*
- 9 *Appendix B-2 – Audit Report is amended by*
- (a) *striking out “We conducted our audit in accordance with the standards for assurance engagements established by The Canadian Institute of Chartered Accountants.” and substituting “We conducted our audit in accordance with standards for assurance engagements set out in the CICA Handbook – Assurance.”, and*
- (b) *striking out “In our opinion, the Company’s report presents fairly, in all material respects, the Company’s compliance for the year ended [insert date]” and substituting “In our opinion, the Company’s statement of compliance for the year ended [insert date] complies, in all material respects,”.*
- 10 *Appendix B-3 – Audit Report is amended by*
- (a) *striking out “We conducted our audit in accordance with the standards for assurance engagements established by The Canadian Institute of Chartered Accountants.” and substituting “We conducted our audit in accordance with standards for assurance engagements set out in the CICA Handbook – Assurance.”, and*

- (b) *striking out* “In our opinion, the Company’s report presents fairly, in all material respects, the Company’s compliance for the year ended [insert date]” *and substituting* “In our opinion, the Company’s statement of compliance for the year ended [insert date] complies, in all material respects,”.

SCHEDULE D

- 1 *National Instrument 81-106 Investment Fund Continuous Disclosure, B.C. Reg. 218/2005, is amended as set out in this Schedule.*
- 2 *Section 1.1 is amended by*
- (a) *adding the following definition:*
- “financial statements” includes interim financial reports; ,
- (b) *repealing the definition of “net asset value” and substituting the following:*
- “net asset value” means the value of the total assets of the investment fund less the value of the total liabilities, other than net assets attributable to securityholders, of the investment fund, as at a specific date, determined in accordance with Part 14; ,
- (c) *adding the following definition:*
- “publicly accountable enterprise” means a publicly accountable enterprise as defined in the Handbook; , *and*
- (d) *adding the following definition:*
- “statement of changes in financial position” means a statement of changes in equity or a statement of changes in net assets attributable to securityholders; .
- 3 *Section 2.1 is amended by*
- (a) *striking out* “statement of net assets” *in subsection (1) (a) in both places and substituting* “statement of financial position”,
- (b) *striking out* “statement of operations” *in subsection (1) (b) in both places and substituting* “statement of comprehensive income”,
- (c) *striking out* “statement of changes in net assets” *in subsection (1) (c) in both places and substituting* “statement of changes in financial position”,
- (d) *repealing subsection (1) (d) and substituting the following:*
- (d) for financial years beginning on or after January 1, 2014, a statement of cash flows for that financial year and a statement of cash flows for the immediately preceding financial year; , *and*

(e) ***striking out “and” at the end of subsection (1) (e) and by repealing subsection (1) (f) and substituting the following:***

- (f) a statement of financial position as at the beginning of the immediately preceding financial year if the investment fund discloses in its annual financial statements an unreserved statement of compliance with IFRS and the investment fund:
 - (i) applies an accounting policy retrospectively in its annual financial statements,
 - (ii) makes a retrospective restatement of items in its annual financial statements, or
 - (iii) reclassifies items in its annual financial statements; and
- (g) notes to the annual financial statements.

4 Section 2.3 is repealed and the following substituted:

2.3 Interim Financial Report — An investment fund must file an interim financial report for the investment fund’s most recently completed interim period that includes

- (a) a statement of financial position as at the end of that interim period and a statement of financial position as at the end of the immediately preceding financial year;
- (b) a statement of comprehensive income for that interim period and a statement of comprehensive income for the corresponding period in the immediately preceding financial year;
- (c) a statement of changes in financial position for that interim period and a statement of changes in financial position for the corresponding period in the immediately preceding financial year;
- (d) for financial years beginning on or after January 1, 2014, a statement of cash flows for that interim period and a statement of cash flows for the corresponding period in the immediately preceding financial year;
- (e) a statement of investment portfolio as at the end of that interim period;
- (f) a statement of financial position as at the beginning of the immediately preceding financial year if the investment fund discloses in its interim financial report an unreserved statement of compliance with International Accounting Standard 34 *Interim Financial Reporting* and the investment fund
 - (i) applies an accounting policy retrospectively in its interim financial report,
 - (ii) makes a retrospective restatement of items in its interim financial report, or
 - (iii) reclassifies items in its interim financial report; and

(g) notes to the interim financial report.

5 *Section 2.4 is amended by striking out “interim financial statements” and substituting “interim financial report”.*

6 *Section 2.6 is repealed and the following substituted:*

2.6 Acceptable Accounting Principles

- (1) For financial years beginning before January 1, 2014, the financial statements of an investment fund must be prepared in accordance with Canadian GAAP applicable to public enterprises.
- (2) For financial years beginning on or after January 1, 2014, the financial statements of an investment fund must be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises.
- (3) Financial statements must be prepared in accordance with the same accounting principles for all periods presented in the financial statements.

7 *Section 2.7 (2) is repealed and the following substituted:*

- (2) For financial years beginning before January 1, 2014, audited financial statements must be accompanied by an auditor’s report prepared in accordance with Canadian GAAS and the following requirements:
 1. The auditor’s report must not contain a reservation or express a modified opinion.
 2. The auditor’s report must identify all financial periods presented for which the auditor has issued an auditor’s report.
 3. If the investment fund has changed its auditor and a comparative period presented in the financial statements was audited by a different auditor, the auditor’s report must refer to the former auditor’s report on the comparative period.
 4. The auditor’s report must identify the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements.
- (3) For financial years beginning on or after January 1, 2014, audited financial statements must be accompanied by an auditor’s report prepared in accordance with Canadian GAAS and the following requirements:
 1. The auditor’s report expresses an unmodified opinion.
 2. The auditor’s report identifies all financial periods presented for which the auditor has issued an auditor’s report.
 3. The auditor’s report is in the form specified by Canadian GAAS for an audit of financial statements prepared in accordance with a fair presentation framework.

4. The auditor's report refers to IFRS as the applicable fair presentation framework.
5. If the investment fund has changed its auditor and a comparative period presented in the financial statements was audited by a predecessor auditor, the financial statements are accompanied by the predecessor auditor's report on the comparative period or the auditor's report refers to the predecessor auditor's report on the comparative period.

8 Section 2.9 is amended

- (a) *by striking out "interim financial statements" in subsections (3) and (4) (a) and (b) and substituting "an interim financial report",*
- (b) *by striking out "statement of net assets" in subsection (4) (a) (i) and (b) (i) and substituting "statement of financial position",*
- (c) *by striking out "statement of operations" in subsection (4)(a) (ii) and (b) (ii) and substituting "statement of comprehensive income",*
- (d) *by striking out "statement of changes in net assets" in subsection (4) (a) (ii) and (b) (ii) and substituting "statement of changes in financial position",*
- (e) *by striking out "statement of cashflows" in subsection (4) (a) (ii) and (b) (ii) and substituting "statement of cash flows",*
- (f) *in subsection (4), by striking out "subsections 4.8 (7) and (8)" and substituting "paragraphs 4.8 (7) (a) and (b) and (8) (a) and (b)", and*
- (g) *by striking out ", if applicable," in subsection (4) (a) (ii) and (b) (ii).*

9 Section 2.10 is amended in paragraph (j) by striking out "interim and annual financial statements" and substituting "interim financial report and annual financial statements".

10 Section 2.12 is amended

- (a) *by striking out "interim financial statements" wherever it occurs and substituting "interim financial report", and*
- (b) *in subsection (2) by striking out "have" and substituting "has".*

11 Section 3.1 is amended by

- (a) *striking out "statement of net assets" and substituting "statement of financial position",*
- (b) *repealing item 14 and substituting the following:*
 14. total equity or net assets attributable to securityholders and, if applicable, for each class or series. , *and*
- (c) *repealing item 15 and substituting the following:*

15. total equity per security or net assets attributable to securityholders per security, or, if applicable, per security of each class or series.

12 Section of 3.2 is amended by

(a) **striking out** “statement of operations” **and substituting** “statement of comprehensive income”,

(b) **repealing item 12,**

(c) **striking out** “provision for” **in item 14,**

(d) **repealing item 15,**

(e) **adding the following item:**

- 17.1 if recognized as an expense, distributions, showing separately the amount distributed out of net investment income and out of realized gains on portfolio assets sold. ,

(f) **repealing item 18 and substituting the following:**

18. increase or decrease in total equity from operations, or in net assets attributable to securityholders from operations, excluding distributions, and, if applicable, for each class or series. , **and**

(g) **repealing item 19 and substituting the following:**

19. increase or decrease in total equity from operations per security, or in net assets attributable to securityholders from operations, excluding distributions, per security or, if applicable, per security of each class or series.

13 Section 3.3 is amended by

(a) **striking out** “statement of changes in net assets” **and substituting** “statement of changes in financial position”,

(b) **repealing item 1 and substituting the following:**

1. total equity or net assets attributable to securityholders at the beginning of the period. ,

(c) **repealing item 2,**

(d) **repealing item 6 and substituting the following:**

6. if not recognized as an expense, distributions, showing separately the amount distributed out of net investment income and out of realized gains on portfolio assets sold.

6.1 return of capital. , *and*

(e) *repealing item 7 and substituting the following:*

7. total equity or net assets attributable to securityholders at the end of the period.

14 Section 3.4 is amended by

(a) *striking out “statement of cashflows” and substituting “statement of cash flows”,*

(b) *repealing item 1, and*

(c) *repealing item 3 and substituting the following:*

3. payments for the purchase of portfolio assets.

15 Section 3.6 is amended

(a) *in subsection (1) by adding the following item:*

1.1 for financial years beginning on or after January 1, 2014, the basis for classifying the investment fund’s outstanding securities, or each class or series of outstanding securities, as either equity instruments or financial liabilities. ,

(b) *in subsection (1) by striking out “statement of changes in net assets” in item 4 and substituting “statement of changes in financial position”,*

(c) *in subsection (1) by repealing item 5 and substituting the following:*

5. the net asset value per security as at the date of the financial statements compared to the total equity per security or net assets attributable to securityholders per security as shown on the statement of financial position, and an explanation of each of the differences between these amounts. , *and*

(d) *by adding the following subsection:*

(3) For financial years beginning on or after January 1, 2014, the notes to the financial statements must disclose

(a) in the case of annual financial statements, an unreserved statement of compliance with IFRS; and

(b) in the case of interim financial reports, an unreserved statement of compliance with International Accounting Standard 34 *Interim Financial Reporting*.

16 Section 3.8 is amended by

(a) *striking out “statement of net assets” in subsection (2) and substituting “statement of financial position”, and*

- (b) **striking out** “statement of operations” **in subsection (3) and substituting** “statement of comprehensive income”.
- 17 **Section 3.9 is amended by**
- (a) **striking out** “statement of net assets” **in both places in subsection (2) and substituting** “statement of financial position”, **and**
- (b) **striking out** “statement of operations” **in subsection (3) and substituting** “statement of comprehensive income”.
- 18 **Section 3.10 is amended by**
- (a) **striking out** “statement of net assets” **in subsection (2) and substituting** “statement of financial position”, **and**
- (b) **striking out** “statement of operations” **in subsection (3) and substituting** “statement of comprehensive income”.
- 19 **Section 3.11 is amended by**
- (a) **striking out** “statement of net assets” **in subsection (1) (a) (iii) and substituting** “statement of financial position”,
- (b) **striking out** “statement of operations” **in subsection (1) (c) and substituting** “statement of comprehensive income”, **and**
- (c) **repealing subsection (2) and substituting the following:**
- (2) Despite sections 3.1 and 3.2, an investment fund that is a scholarship plan may omit the “total equity per security or net assets attributable to securityholders per security” and “increase or decrease in total equity from operations per security, or in net assets attributable to securityholders from operations, excluding distributions, per security” line items from its financial statements.
- 20 **Section 4.2 is amended by striking out** “interim financial statements” **and substituting** “interim financial report”.
- 21 **Section 5.1 (2) (b) is amended by striking out** “interim financial statements” **and substituting** “the interim financial report”.
- 22 **Section 8.2 (d) is amended by striking out** “interim financial statements” **and substituting** “an interim financial report”.
- 23 **Section 8.4 is amended by striking out** “the net assets” **and substituting** “of the total equity or net assets attributable to securityholders”.
- 24 **Section 8.5 (b) is amended by striking out** “[net assets/venture investments]” **and substituting** “[total equity/net assets attributable to securityholders/venture investments]”.
- 25 **Section 15.1 (1) (a) (i) (A) is repealed and the following substituted:**

- (A) total expenses of the investment fund, excluding distributions if recognized as an expense, commissions and other portfolio transaction costs, before income taxes, for the financial year or interim period, as shown on its statement of comprehensive income; and .

26 Section 15.2 is amended by

(a) repealing subsection (1) (a) (i) and substituting the following:

- (i) multiplying the total expenses of each underlying investment fund, excluding distributions if recognized as an expense, commissions and other portfolio transaction costs, before income taxes, for the financial year or interim period, by , *and*

(b) repealing subsection (1) (b) and substituting the following:

- (b) the total expenses of the investment fund, excluding distributions if recognized as an expense, commissions and other portfolio transaction costs, before income taxes, for the period.

27 Part 18 is amended by adding the following:

18.5.1 Transition to IFRS

- (1) For the first interim period in the financial year beginning on or after January 1, 2014, an investment fund must file, with its interim financial report for that interim period, an opening statement of financial position as at the date of transition to IFRS.
- (2) For the first financial year beginning on or after January 1, 2014, an investment fund must file, with its annual financial statements for that financial year, an audited opening statement of financial position as at the date of transition to IFRS.
- (3) Despite sections 3.1, 3.2, 3.3, 3.4 and 3.6, for financial years beginning before January 1, 2014, an investment fund may present line items and use terminology in its financial statements consistent with the immediately preceding financial year.

28 Part A, item 1 of Form 81-106F1 Contents of Annual and Interim Management Report of Fund Performance is amended by

- (a) *striking out* “This concept of materiality is consistent with the financial reporting notion of materiality contained in the Handbook.” *in paragraph (e), and*
- (b) *striking out the first sentence in paragraph (f) and substituting the following:*

All references to “net assets” or “net assets per security” in this Form are references to total equity or net assets attributable to securityholders determined in accordance with Canadian GAAP as presented in the financial statements of the investment fund.

29 *Part B, item 1 of Form 81-106F1 is amended by repealing the third paragraph and substituting the following:*

Securityholders may also contact us using one of these methods to request a copy of the investment fund's interim financial report, proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

30 *Part B, item 3, section 3.1 of Form 81-106F1 is amended*

- (a) in subsection (1) by striking out "total expenses" in The Fund's Net Assets per [Unit/Share] table and substituting "total expenses [excluding distributions]",*
- (b) in subsection (1) by striking out "From income (excluding dividends)" in The Fund's Net Assets per [Unit/Share] table and substituting "From net investment income (excluding dividends)",*
- (c) in subsection (1) by striking out "(excluding commissions and other portfolio transaction costs)" in footnote (2) to the Ratios and Supplemental Data table and substituting "(excluding [distributions], commissions and other portfolio transaction costs)", and*
- (d) by adding the following subsection:*

- (7.1) (a) For financial years beginning before January 1, 2014, the financial highlights may be derived from the investment fund's financial statements prepared in accordance with subsection 2.6 (1) of the Instrument.*
- (b) For financial periods beginning on or after January 1, 2014, derive the financial highlights from the investment fund's financial statements prepared in accordance with subsection 2.6 (2) of the Instrument.*
- (c) Despite paragraph (a), in an annual MRFP for a financial year beginning on or after January 1, 2014, derive the financial highlights for the immediately preceding financial year from financial statements prepared in accordance with subsection 2.6 (2) of the Instrument.*
- (d) If the financial highlights relate to financial periods beginning both before and on or after January 1, 2014, disclose, in a note to the table, the accounting principles applicable to each period.*

31 *Part B, item 3, section 3.2 of Form 81-106F1 is amended by*

- (a) striking out "Balance Sheet" in the Financial & Operating Highlights (with comparative figures) table and substituting "Statement of Financial Position", and*
- (b) striking out "Statement of Operations" in the Financial & Operating Highlights (with comparative figures) table and substituting "Statement of Comprehensive Income".*

32 *Part C, item 1 of Form 81-106F1 is amended by repealing the second paragraph and substituting the following:*

This interim management report of fund performance contains financial highlights but does not contain either the interim financial report or annual financial statements of the investment fund. You can get a copy of the interim financial report or annual financial statements at your request, and at no cost, by calling [toll-free/collect call telephone number], by writing to us at [insert address] or by visiting our website at [insert address] or SEDAR at www.sedar.com.

