

## **CSA Notice of Amendments to National Instrument 81-106 *Investment Fund Continuous Disclosure*, Companion Policy 81-106CP *Investment Fund Continuous Disclosure* and Related Amendments**

**October 3, 2013**

### **Introduction**

The Canadian Securities Administrators (the CSA or we) are making amendments to:

- National Instrument 81-106 *Investment Fund Continuous Disclosure*, including Form 81-106F1 *Contents of Annual and Interim Management Report of Fund Performance* (the Instrument) and
- Companion Policy 81-106CP *Investment Fund Continuous Disclosure* (the Policy).

We are also making consequential amendments to:

- Form 41-101F2 *Information Required in an Investment Fund Prospectus*,
- National Instrument 81-101 *Mutual Fund Prospectus Disclosure*,
- Companion Policy 81-101CP *Mutual Fund Prospectus Disclosure*,
- National Instrument 81-102 *Mutual Funds*, and
- National Instrument 81-104 *Commodity Pools*.

The amendments and consequential amendments (together, the Amendments) accommodate the transition of financial reporting for investment funds to International Financial Reporting Standards (IFRS). The Amendments have been adopted, or are expected to be adopted, by each member of the CSA.

Provided all necessary ministerial approvals are obtained, the Amendments will come into force on January 1, 2014.

### **Substance and Purpose**

The Amendments require investment funds, for financial years beginning on or after January 1, 2014, to prepare financial statements in accordance with Canadian GAAP applicable to publicly accountable enterprises and to report compliance with IFRS. We have also updated the accounting terms and phrases in the Instrument to reflect IFRS as incorporated into the Handbook of the Canadian Institute of Chartered Accountants (the Handbook).

### **Background**

The Instrument is a nationally harmonized set of continuous disclosure requirements for investment funds. The Instrument currently requires investment funds to prepare financial statements in accordance with Canadian generally accepted accounting principles (GAAP) which

are established by the Canadian Accounting Standards Board (AcSB) and published in the Handbook. Following a period of consultation, the AcSB adopted a strategic plan in 2006 to move financial reporting for Canadian publicly accountable enterprises to IFRS as issued by the International Accounting Standards Board (IASB).

We published proposed amendments to the Instrument for comment on October 16, 2009 (the 2009 Proposal)<sup>1</sup> as part of a series of notices that proposed changes to securities legislation relating to the changeover to IFRS. The final changes for reporting issuers, other than investment funds, and registrants were published in 2010 to coincide with the transition of most publicly accountable enterprises to IFRS for financial years beginning on or after January 1, 2011.

However, the AcSB provided investment companies, as defined in and applying Accounting Guideline 18 *Investment Companies* (AcG-18), with a deferral of the mandatory changeover date for three years until January 1, 2014. This deferral applied to “investment funds” as defined in securities legislation. The deferral was intended to allow the IASB’s exception from consolidation for investment entities to be in place prior to the adoption of IFRS by investment companies in Canada.

The CSA provided notice of this deferral in CSA Staff Notice 81-320 *Update on International Financial Reporting Standards for Investment Funds*, originally published in October 2010, and updated in March 2011 and March 2012.

#### *Exception from Consolidation for Investment Funds*

IFRS 10 *Consolidated Financial Statements* requires an entity to consolidate investments that it controls. This requirement would have required investment funds to produce potentially confusing disclosure as historically, all investment fund portfolio positions were shown at fair value. In 2010, the IASB announced that it would propose that investment companies be exempt from consolidation and instead measure an investment in a subsidiary at fair value through profit and loss.

The consolidation issue for investment funds was largely resolved when the IASB issued *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)* on October 31, 2012. These revisions provide investment entities with an exception from consolidating entities that they control. The term “investment entities” is defined in IFRS 10, and in our view, will capture the majority of “investment funds” as defined in securities legislation. However, while we have not yet identified an investment fund that will not qualify as an “investment entity”, we acknowledge that this may be a possibility.

Subsequent to the publication of this exception, we reviewed and revised the 2009 Proposal, after considering the developments at the IASB, together with the submissions received by the CSA during the comment period and in additional consultations with preparers and auditors of investment fund financial statements.

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<sup>1</sup> These proposals were published in French on March 12, 2010 by the Autorité des marchés financiers and the New Brunswick Securities Commission (now the Financial and Consumer Services Commission (New Brunswick)).

## **Summary of Written Comments Received by the CSA**

During the comment period on the 2009 Proposal, we received submissions from 11 commenters. We have considered the comments received and thank all of the commenters for their input. The names of the commenters and a summary of their comments, together with our responses, are contained in Appendix B to this Notice.

## **Summary of Changes to the Proposed Instrument/Policy**

After considering the comments received and engaging in additional consultations, we have made some revisions to the 2009 Proposal published for comment. Those revisions are reflected in the amending instruments that we are publishing concurrently with this Notice. As these changes are not material, we are not republishing the Amendments for a further comment period. Appendix A to this Notice contains a summary of the key changes made to the 2009 Proposal.

## **Local Matters**

Appendix J is being published in any local jurisdiction that is making related changes to local securities laws, including local notices or other policy instruments in that jurisdiction. It also includes any additional information that is relevant to that jurisdiction only.

## **Materials Published**

Appendix A – Summary of Changes to the 2009 Proposal  
Appendix B – Summary of Public Comments Received by the CSA  
Appendix C – Amendments to the Instrument  
Appendix D – Amendments to the Policy  
Appendix E – Amendments to Form 41-101F2  
Appendix F – Amendments to NI 81-101  
Appendix G – Amendments to Companion Policy 81-101CP  
Appendix H – Amendments to NI 81-102  
Appendix I – Amendments to NI 81-104  
Appendix J – Local Matters

## **Questions**

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