

Appendix A

Summary of Changes to the 2009 Proposal

This Appendix sets out the key changes that we made to the 2009 Proposal. We have provided our rationale for the changes in the Summary of Public Comments contained in Appendix B to this Notice.

General

- We changed the IFRS changeover date to January 1, 2014. The Instrument now distinguishes between requirements for financial years beginning on or after January 1, 2014 and financial years that began before the changeover date.
- For sections that are in common with National Instrument 51-102 *Continuous Disclosure Obligations*, Companion Policy 51-102CP *Continuous Disclosure Obligations* and National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (together, the Corporate Instruments), we made modifications to mirror the final IFRS amendments to the Corporate Instruments published on December 10, 2010.

NI 81-106 *Investment Fund Continuous Disclosure*

Part 2 Financial Statements

Section 2.7 – Acceptable Auditing Standards

- Section 2.7 of National Instrument 81-106 *Investment Fund Continuous Disclosure* lists required elements in an auditor's report. The Auditing and Assurance Standards Board adopted International Standards on Auditing as Canadian Auditing Standards (CAS) for audits of financial statements for periods ending on or after December 14, 2010. As we did not amend the terminology for an auditor's report at the time that CAS was introduced, we are not making amendments now for financial years beginning before January 1, 2014 so as not to create any retroactive reporting obligations by auditors. New subsection 2.7(3), relating to financial years beginning on or after January 1, 2014, reflects the CAS auditor's report.

Section 2.7 continues to require that an auditor's report be prepared in accordance with Canadian GAAS, which is defined in National Instrument 14-101 *Definitions* as generally accepted auditing standards determined with reference to the Handbook.

Part 3 Financial Disclosure Requirements

Section 3.2 – Statement of Comprehensive Income

- In response to comments, we removed line item 15 “net investment income or loss for the period” because IFRS already requires an entity to present subtotals in the statement of

comprehensive income when such presentation is relevant to an understanding of the entity's financial performance.

- In response to comments, we modified line item 17.1 because return of capital is not a financing cost, when the investment fund's own securities are classified as financial liabilities. (Refer to section 3.3 below.)

Section 3.3 – Statement of Changes in Financial Position

- In response to comments, we moved “return of capital” to line item 6.1 to distinguish it from the types of distributions that may represent financing costs, if the investment fund's own securities are classified as financial liabilities.

Section 3.5 – Statement of Investment Portfolio

- We did not proceed with the proposal to present a non-consolidated statement of investment portfolio because, based on our analysis and feedback from stakeholders, it appears that most investment funds as defined in securities legislation will qualify as investment entities as defined in the amendments to IFRS 10 *Consolidated Financial Statements*, issued on October 31, 2012. Accordingly, these investment funds will not be required to consolidate entities that they control and, instead, will measure an investment in a subsidiary at fair value through profit or loss.

Form 81-106F1 *Contents of Annual and Interim Management Report of Fund Performance*

Part B Content Requirements for Annual Management Report of Fund Performance

Item 3 – Financial Highlights

- We did not proceed with the proposal to show financial highlights on a non-consolidated basis as it appears that most investment funds will not be required to consolidate entities that they control. (Refer to section 3.5 above.)

Companion Policy 81-106CP

We modified the amendments to the Policy to reflect the changes to the Instrument and explain the CSA's approach to the transition from Canadian GAAP currently used by investment funds to IFRS.

Part 2 Financial Statements

Section 2.5.1 – Disclosure of Investment Portfolio

- We clarified that the statement of investment portfolio may be referred to as a schedule, but that it must still be audited.

Section 2.7 – Disclosure of Securities Lending Transactions

- We removed the discussion of accounting principles pertaining to securities lending transactions as the requirements for recognition and measurement of these transactions are set out in IFRS.

Part 9 Net Asset Value

Section 9.2 – Fair Value Guidance

- We clarified the difference between “fair value” as defined in the Instrument and the requirement to determine “current value” for financial statement purposes.

Section 9.3 – Meaning of Fair Value

- We removed the reference to the Handbook definition of fair value as repeating this definition in the Companion Policy is unnecessary. The Companion Policy continues to indicate that investment funds may look to the principles in the Handbook for guidance on the measurement of fair value when calculating net asset value.

Consequential Amendments

Form 41-101F2 Information Required in an Investment Fund Prospectus, subsection 3.6(4) and section 11.1

- We modified the description of MER to be consistent with the Instrument.

National Instrument 81-102 Mutual Funds, Appendix B-1, Appendix B-2 and Appendix B-3

- We modified the compliance reports to reflect CAS auditor’s reports in a compliance framework.