

**Appendix B**  
**Proposed Amendments and Proposed Changes**

**Schedule 1-C**  
**Proposed Amendments to National Instrument 81-102 *Investment Funds***

1. *National Instrument 81-102 Investment Funds is amended by this Instrument.*
2. *Paragraph (b)2 of the definition of “sales communication” in section 1.1 is repealed.*
3. *Subsection 3.3(1) is replaced with the following:*

**3.3 Prohibition Against Reimbursement of Organization Costs** (1) The costs of incorporation, formation or initial organization of a mutual fund, or of the preparation and filing of any of the preliminary prospectus, preliminary fund facts document, initial prospectus, or fund facts document of the mutual fund must not be borne by the mutual fund or its securityholders..

4. *Subparagraph 5.6(1)(f)(ii) is amended by adding “or ETF facts document” after “fund facts document”.*
5. *Subclause 5.6(1)(f)(iii)(A)(II) is repealed.*
6. *Section 10.3 is amended by deleting “or annual information form” in subsections (2) and (4).*
7. *Paragraph 15.2(1)(b) is amended by deleting “, the preliminary annual information form” and “, the annual information form”.*
8. This Instrument comes into force on [●].

**APPENDIX B**  
**Proposed Amendments and Proposed Changes**

**Schedule 2-F**  
**Proposed Amendments to National Instrument 81-102 *Investment Funds***

1. *National Instrument 81-102 Investment Funds is amended by this Instrument.*
2. *Clause 5.6(1)(f)(iii)(B) is replaced with the following:*  

(B) access those documents at the designated website address;.
3. This Instrument comes into force on [●].

**APPENDIX B**  
**Proposed Amendments and Proposed Changes**

**Schedule 5-A**  
**Proposed Amendments to National Instrument 81-102 *Investment Funds***

1. *National Instrument 81-102 Investment Funds is amended by this Instrument.*
2. *Section 1.1 is amended by replacing the definition of “designated rating” with the following:*

a credit rating from a designated rating organization listed below, from a DRO affiliate of an organization listed below, from a designated rating organization that is a successor credit rating organization of an organization listed below or from a DRO affiliate of such successor credit rating organization, that is at or above one of the following corresponding rating categories, or that is at or above a category that replaces one of the following corresponding rating categories, if

- (i) there has been no announcement from the designated rating organization, from a DRO affiliate of the organization, from a designated rating organization that is a successor credit rating organization or from a DRO affiliate of such successor credit rating organization, of which the investment fund or its manager is or reasonably should be aware that the credit rating of the security or instrument to which the designated rating was given may be down-graded to a rating category that would not be a designated rating, and
- (ii) no designated rating organization listed below, no DRO affiliate of an organization listed below, no designated rating organization that is a successor credit rating organization of an organization listed below and no DRO affiliate of such successor credit rating organization, has rated the security or instrument in a rating category that is not a designated rating:

<b>Designated Rating Organization</b>	<b>Commercial Paper/Short Term Debt</b>	<b>Long Term Debt</b>
DBRS Limited	R-1 (low)	A
Fitch Ratings, Inc.	F1	A
Moody’s Canada Inc.	P-1	A2
S&P Global Ratings Canada	A-1 (Low)	A

**3. Section 1.2 is amended by adding the following subsection:**

- (2.1) Despite subsection (1), all of the following sections apply in respect of investment funds that are not reporting issuers:
- (a) section 2.5;
  - (b) section 9.4;
  - (c) section 10.4..

**4. The Instrument is amended by adding the following section:**

**2.5.1 Investments in Other Investment Funds by Funds Not Reporting Issuers** - (1) In subsection (2), “substantial security holder” and “significant interest” have the meanings assigned within the investment fund conflict of interest investment restrictions,

(2) The investment fund conflict of interest investment restrictions and the investment fund conflict of interest reporting requirements do not apply to an investment fund which purchases or holds securities of another investment fund if

- (a) the investment fund’s securities are distributed solely pursuant to exemptions from the prospectus requirement,
- (b) if the other fund is a reporting issuer, the purchase or holding is made in accordance with section 2.5,
- (b.1) if the other investment fund is not a reporting issuer, the purchase or holding would be made in accordance with section 2.5 if paragraphs 2.5(2)(a), (a.1) and (c) were disregarded,
- (c) the other fund complies with section 2.4,
- (d) the other fund is subject to and complies with National Instrument 81-106 *Investment Fund Continuous Disclosure*,
- (e) the other fund has the same redemption and valuation dates,
- (f) the investment in the other fund is effected at an objective price, calculated in accordance with section 14.2 of National Instrument 81-106 *Investment Fund Continuous Disclosure*,
- (g) a disclosure document is provided to each investor in the investment fund prior to the time of the investor’s investment, which discloses

- (i) that the fund may purchase securities of other related funds from time to time,
- (ii) that the investment fund manager of the fund is the manager or portfolio adviser to each of the other funds,
- (iii) the approximate or maximum percentage of net assets of the fund that is intended to be invested in securities of the other fund,
- (iv) the fees, expenses and any performance or special incentive distributions payable by the other fund,
- (v) the process or criteria used to select the other fund,
- (vi) for each officer, director or substantial security holder of the fund's investment fund manager, or of the fund, that has a significant interest in the other fund, and for the officers and directors and substantial security holders who together in aggregate hold a significant interest in the other fund, the approximate amount of the significant interest they hold, on an aggregate basis, expressed as a percentage of the applicable other fund's net asset value, and the potential conflicts of interest which may arise, and
- (vii) that investors are entitled to receive, on request and free of charge
  - (A) a copy of the offering memorandum or other similar disclosure document of each other fund, if available, and
  - (B) the annual audited financial statements and interim financial reports (if any) relating to each other fund, and
- (h) investors are informed annually of their right to receive, on request and free of charge, a copy of the documents referred to in subparagraph (g)(vii)..

**5. Subsection 4.1(4) is amended**

**(a) by replacing the first reference to “an issuer” with “a reporting issuer”,**

**(b) by repealing paragraph (b),**

**(c) by adding the following paragraph:**

- (b.1) the distribution of securities is made by prospectus filed with one or more securities regulatory authorities or regulators in Canada or under an exemption from the prospectus requirement;

***(d) by repealing paragraph (c), and***

***(e) by adding the following paragraph:***

- (c.1) during the 60 days after the period referred to in subsection (1) any of the following apply:
  - (i) the investment is made on an exchange on which the securities of the reporting issuer are listed and traded;
  - (ii) if the security is a debt security that does not trade on an exchange, the ask price is readily available and the price paid is not higher than the available ask price of the debt security; and.

***6. The following is added after subsection 9.4(6):***

- (7) The investment fund conflict of interest investment restrictions do not apply in connection with a payment made on behalf of a mutual fund by making good delivery of securities to another mutual fund under paragraph (2)(b), if all of the following apply:
  - (a) where the mutual fund is a reporting issuer,
    - (i) the independent review committee of the investment fund has approved the payment in accordance with the terms of subsection 5.2(2) of NI 81-107, and
    - (ii) the investment fund manager and the independent review committee of the mutual fund comply with section 5.4 of NI 81-107 in respect of any standing instructions the applicable independent review committee provides in connection with the payment;
  - (b) the mutual fund and the other mutual fund each comply with section 2.4;
  - (c) each illiquid asset included in the payment,
    - (i) is transferred on a pro-rata basis that fairly represents the portfolio of the mutual fund, and
    - (ii) is subject to at least one quote for the asset obtained by the portfolio manager from an independent arm's length purchaser or seller;

- (d) each investment fund keeps written records of each payment in a financial year of the fund, reflecting details of the securities delivered to the fund and the value assigned to such portfolio securities, for five years after the end of the financial year, the most recent two years in a reasonably accessible place;
  - (e) the portfolio adviser does not receive any compensation in respect of any payment and the only charges paid by the applicable fund is the commission charged by the dealer executing the trade (if any) and/or any administrative charges levied by the custodian.
- (8) The investment fund conflict of interest investment restrictions do not apply in connection with a payment made on behalf of a managed account, as defined in section 6.1 of National Instrument 81-107 (NI 81-107), by making good delivery of securities under subparagraph (2)(b) to a mutual fund if all of the following apply:
- (a) where the mutual fund is a reporting issuer,
    - (i) the independent review committee of the mutual fund has approved the payment in accordance with the terms of subsection 5.2(2) of NI 81-107, and
    - (ii) the investment fund manager and the applicable independent review committee comply with section 5.4 of NI 81-107 in respect of any standing instructions the applicable independent review committee provides in connection with the payment;
  - (b) the portfolio adviser obtains the prior written consent of the client of the managed account before it makes the payment;
  - (c) the mutual fund complies with section 2.4;
  - (d) each illiquid asset included in the payment
    - (i) is transferred on a pro-rata basis that fairly represents the portfolio of the mutual fund, and
    - (ii) is subject to at least one quote for the asset obtained by the portfolio manager from an independent arm's length purchaser or seller;
  - (e) the account statement next prepared for the managed account describes the portfolio securities delivered to the mutual fund and the value assigned to the portfolio securities;

- (f) the mutual fund keeps written records of each payment in a financial year of the mutual fund, reflecting details of the portfolio securities delivered to the mutual fund and the value assigned to the portfolio securities
  - (i) in a reasonably accessible place, for two years after the end of the financial year, and
  - (ii) for a further three years after the end of financial year;
- (g) the portfolio adviser does not receive any compensation in respect of any payment and any charge paid by the fund or managed account is the commission charged by the dealer executing the trade or any administrative charges levied by the custodian..

**7. The following is added after subsection 10.4(5):**

- (6) The investment fund conflict of interest investment restrictions do not apply in connection with a payment made to a mutual fund, by making good delivery of portfolio assets to the mutual fund with prior consent in accordance with paragraph (3)(b), if all of the following apply:
  - (a) where the transaction involves the redemption of securities of or by the mutual fund and the mutual fund is a reporting issuer
    - (i) the independent review committee of the mutual fund has approved the payment on behalf of the mutual fund in accordance with the terms of subsection 5.2(2) of NI 81-107, and
    - (ii) the investment fund manager and the applicable independent review committee comply with section 5.4 of NI 81-107 in respect of any standing instructions the applicable independent review committee provides in connection with the payment;
  - (b) the portfolio securities are acceptable to the portfolio adviser for the receiving fund and are consistent with its investment objectives;
  - (c) the mutual fund and the other mutual fund each complies with section 2.4;
  - (d) each illiquid asset included in the payment
    - (i) is transferred on a pro-rata basis that fairly represents the portfolio of the mutual fund, and
    - (ii) is subject to at least one quote for the asset from an independent arm's length purchaser or seller obtained by the portfolio adviser;



- (e) the mutual fund and the other mutual fund each keeps written records of each payment in a financial year of the mutual fund, reflecting details of the portfolio securities delivered by the mutual fund and the value assigned to such securities
    - (i) in a reasonably accessible place, for two years after the end of the financial year, and
    - (ii) for a further three years after the end of the financial year;
  - (f) the portfolio adviser does not receive any compensation in respect of any payment and any charge paid by the applicable fund is the commission charged by the dealer executing the trade or any administrative charges levied by the custodian..
- (7) The investment fund conflicts of interest investment restrictions do not apply in connection with a payment made to a managed account, as defined under section 6.1 of NI 81-107, by making good delivery of portfolio assets to the managed account with prior consent in accordance with paragraph (3)(b) provided that all of the following apply:
- (a) where the mutual fund is a reporting issuer
    - (i) the independent review committee of the mutual fund has approved the payment on behalf of the mutual fund in accordance with the terms of subsection 5.2(2) of NI 81-107, and
    - (ii) the investment fund manager and the applicable independent review committee complies with section 5.4 of NI 81-107 in respect of any standing instructions the applicable independent review committee provides in connection with the payment;
  - (b) the portfolio securities meet the investment criteria of the managed account acquiring the portfolio securities and are acceptable to the portfolio adviser;
  - (c) the mutual fund complies with section 2.4;
  - (d) each illiquid asset included in the payment
    - (i) is transferred on a pro-rata basis that fairly represents the portfolio of the mutual fund, and
    - (ii) is subject to at least one quote for the asset from an independent arm's length purchaser or seller obtained by the portfolio adviser;

- (e) the account statement next prepared for the managed account describes the portfolio securities received from the mutual fund and the value assigned to the portfolio securities;
- (f) the mutual fund keeps written records of each payment in a financial year of the fund, reflecting details of the securities delivered by the mutual fund and the value assigned to such securities
  - (i) in a reasonably accessible place, for two years after the end of the financial year, and
  - (ii) for a further three years after the end of the financial year;
- (g) the portfolio adviser does not receive any compensation in respect of any payment and any charge paid by the fund or managed account is the commission charged by the dealer executing the trade or any administrative charges levied by the custodian..

**8. The second row of Appendix D is replaced by the following row:**

All Jurisdictions	ss. 13.5(2)(a) and (b) of National Instrument 31-103 <i>Registration Requirements, Exemptions and Ongoing Registrant Obligations</i> and subsection 4.1(2) of National Instrument 81-102 <i>Investment Funds</i>
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9. This Instrument comes into force on [●].

**APPENDIX B**  
**Proposed Amendments and Proposed Changes**

**Schedule 6**  
**Proposed Amendments to National Instrument 81-102 *Investment Funds***

1. *National Instrument 81-102 Investment Funds is amended by this Instrument.*
2. *Subsection 5.4(2) is amended by adding “in an information circular” after “by a statement”.*
3. *Subparagraph 5.6(1)(a)(ii) is replaced with the following:*
  - (ii) either of the following apply:
    - (A) a reasonable person would consider to have substantially similar fundamental investment objectives, valuation procedures and fee structure as the investment fund;
    - (B) has differences in fundamental investment objectives, valuation procedures, or fee structure, but the meeting materials required by paragraph (f) include disclosure of these differences and explain the investment fund manager’s belief that the transaction is in the best interests of security holders despite the differences.
4. *Paragraph 5.6(1)(b) is replaced with the following:*
  - (b) either of the following apply:
    - (i) the transaction is a "qualifying exchange" within the meaning of section 132.2 of the ITA or is a tax-deferred transaction under subsection 85(1), 85.1(1), 86(1) of 87(1) of the ITA;
    - (ii) meeting materials required by paragraph (f)
      - (A) disclose that the transaction is neither a "qualifying exchange" within the meaning of section 132.2 of the ITA nor a tax-deferred transaction under subsection 85(1), 85.1(1), 86(1) of 87(1) of the ITA,
      - (B) disclose why the transaction is not structured so that subparagraph (i) applies, and
      - (C) explain the investment fund manager’s belief that the transaction is in the best interests of security holders despite the tax treatment of the transaction;

5. This Instrument comes into force on [●].

**APPENDIX B**  
**Proposed Amendments and Proposed Changes**

**Schedule 7**  
**Proposed Amendments to National Instrument 81-102 *Investment Funds***

**1. *National Instrument 81-102 Investment Funds is amended by this Instrument.***

**2. *Paragraph 5.4(2)(a) is replaced by the following:***

- (a) a description of the change or transaction proposed to be made or entered into;
- (a.1) if the matter is one referred to in paragraph 5.1(1)(a) or (a.1), the effect that the change would have had on the management expense ratio of the investment fund had the change been in force throughout the investment fund's last completed financial year;
- (a.2) if the matter is one referred to in paragraph 5.1(1)(b),
  - (i) information regarding the business, management and operations of the new investment fund manager, including details of the history and background of its officers and directors,
  - (ii) how the change of manager will affect the business, operations or affairs of the investment fund and its securityholders, and
  - (iii) information on any material contract regarding the administration of the investment fund that will be either amended or restated;.

**3. *Subsection 5.5(1) is amended***

- (a) *by repealing paragraphs (a), (a.1) and (c), and*
- (b) *by adding "or" at the end of paragraph (b).*

**4. *Paragraphs 5.7(1)(a) and (c) are repealed.***

**5. This Instrument comes into force on [●].**