

**1.1.3 CSA Staff Notice 11-324 – Extension of Comment Period – Proposed Amendments to National Instrument 81-102 Mutual Funds, Companion Policy 81-102CP Mutual Funds and Related Consequential Amendments and Other Matters Concerning National Instrument 81-104 Commodity Pools and Securities Lending, Repurchases and Reverse Repurchases by Investment Funds**



**CSA Staff Notice 11-324**

**Extension of Comment Period  
Proposed Amendments to National Instrument 81-102 *Mutual Funds*,  
Companion Policy 81-102CP *Mutual Funds* and  
Related Consequential Amendments**

**and**

**Other Matters Concerning  
National Instrument 81-104 *Commodity Pools* and  
Securities Lending, Repurchases and Reverse Repurchases by Investment Funds**

June 25, 2013

On March 27, 2013, the Canadian Securities Administrators (the CSA or we) published for comment proposed amendments to National Instrument 81-102 *Mutual Funds* (NI 81-102), proposed changes to National Instrument 81-102CP and proposals related to National Instrument 81-104 *Commodity Pools* (NI 81-104) and securities lending, repurchases and reverse repurchases by investment funds, as part of the CSA's implementation of the Modernization of Investment Fund Product Regulation Project (the Modernization Proposals).

The comment period is scheduled to close on June 25, 2013. We have received feedback from a number of affected stakeholders indicating that the Modernization Proposals represent fundamental changes to the regulatory framework for non-redeemable investment funds. Accordingly, they have asked for additional time to formulate a constructive response. In light of this request, the CSA are taking the exceptional step of extending the comment period until August 23, 2013.

As stated in the CSA Notice and Request for Comment dated March 27, 2013 (the Request for Comments), we anticipate finalizing certain aspects of the Modernization Proposals in advance of others. In particular, we indicated that the proposals related to NI 81-104 (the Alternative Funds Proposals), which would involve the redesign of NI 81-104 to create a more comprehensive framework for alternative funds, would be considered in conjunction with certain investment restrictions proposed in NI 81-102 and would come into force at a later date. Therefore, while the comment period is being extended on all aspects of the Modernization Proposals, we specifically invite stakeholders to provide comments on the proposed amendments to NI 81-102 which relate to:

- investment restrictions and parameters (Part 2 of NI 81-102), other than those relating to (i) investments in physical commodities,<sup>1</sup> (ii) borrowing cash,<sup>2</sup> (iii) short selling,<sup>3</sup> and (iv) the use of derivatives,<sup>4</sup> all of which are interrelated with the Alternative Funds Proposals and will require more time to consider and evaluate in conjunction with any related amendments to NI 81-104;
- organizational costs for new non-redeemable investment funds (section 3.3 of NI 81-102);
- conflicts of interest provisions (Part 4 of NI 81-102);
- securityholder and regulatory approval requirements for fundamental changes to non-redeemable investment funds and their management (Part 5 of NI 81-102);

<sup>1</sup> As set out in proposed paragraphs 2.3(2)(c) and (d) and proposed subsection 2.3(3) of NI 81-102.

<sup>2</sup> As set out in the proposed amendments to paragraphs 2.6(a) and (b) of NI 81-102.

<sup>3</sup> As set out in the proposed amendments to paragraph 2.6(c) and section 2.6.1 of NI 81-102.

<sup>4</sup> As set out in proposed paragraph 2.3(2)(e) and the proposed amendments to sections 2.7 and 2.8 of NI 81-102.

- custodianship requirements (Part 6 of NI 81-102);
- sales and redemptions of securities of non-redeemable investment funds, including the proposed prohibition on warrant offerings by investment funds (Parts 9 and 10 and proposed Part 9.1 of NI 81-102);
- commingling of cash relating to sales and redemptions of non-redeemable investment fund securities (Part 11 of NI 81-102);
- record date requirements (Part 14 of NI 81-102);
- sales communications parameters (Part 15 of NI 81-102); and
- securityholder record requirements (Part 18 of NI 81-102).

Concurrently with the amendments relating to the above-listed provisions, the CSA also anticipate finalizing the proposals relating to securities lending, repurchases and reverse repurchases by investment funds contained in Annex C to the Request for Comments. We also invite stakeholders to focus on providing comments on these proposals.

The CSA intend to move expeditiously to finalize the Modernization Proposals outlined above.

### **Questions**

Please refer your questions to any of the following people:

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