

6.1.3 Amendment to NI 81-101 Mutual Funds Prospectus Disclosure, Form 81-101F1 Contents of Simplified Prospectus and Form 81-101F2 Contents of Annual Information Form

**NATIONAL INSTRUMENT 81-101
MUTUAL FUNDS PROSPECTUS DISCLOSURE
AMENDMENT TO
FORM 81-101F1 CONTENTS OF SIMPLIFIED PROSPECTUS AND
FORM 81-101F2 CONTENTS OF ANNUAL INFORMATION FORM**

PART 1 AMENDMENTS TO FORM 81-101F1 CONTENTS OF SIMPLIFIED PROSPECTUS

1.1 Amendments to Form 81-101F1 Contents of Simplified Prospectus

- (1) Form 81-101F1 Contents of Simplified Prospectus is amended by this Part of this Instrument.
- (2) Item 5 of Part A is amended by the addition of the following as subsection (4.1):
- “(4.1) When a top fund may invest in accordance with section 2.5 of National Instrument 81-102 in another mutual fund that is managed by the manager or an affiliate of the manager of the top fund, disclose that the securities of the other mutual fund held by the top fund shall not be voted.”
- (3) Item 8 of Part A is amended by the addition of the following as subsection (1.1):
- “(1.1) If the mutual fund is a top fund, disclose:
- (a) that there are fees and expenses payable by the other mutual fund in addition to the fees and expenses payable by the top fund,
 - (b) that there is no duplication of management fees, including incentive fees, between the top fund and the other mutual fund and how this duplication is avoided,
 - (c) that no sales charges are payable by the top fund in relation to its purchases of the securities of the other mutual fund,
 - (d) that no redemption fees or other charges are payable by the top fund in respect of the redemption by the top fund of the securities owned by the top fund in the other mutual fund,
 - (e) that no fees or charges of any sort are paid by the top fund, the other mutual fund, by their respective managers or principal distributors, or by any affiliate or associate of any of the foregoing entities, to anyone in connection with the top fund's purchase, holding or redemption of the securities of the other mutual fund, and
 - (f) that any mutual fund fees and expenses rebated by the other mutual fund or its manager are paid or granted to the top fund.”
- (4) Item 4 of Part B is amended by the addition of the following as subsection (4.1):
- “(4.1) When a top fund may invest in accordance with section 2.5 of National Instrument 81-102 in another mutual fund that is managed by the manager or an affiliate of the manager of the top fund, disclose that the securities of the other mutual fund held by the top fund shall not be voted.”
- (5) Item 6 of Part B is amended by
- (a) the deletion of paragraphs (c) and (d) of subsection (5);
 - (b) the addition of the following as subsection (6):
- “(6) For a top fund disclose,
- (a) that it may purchase securities of, or enter into specified derivative transactions for which the underlying interest is based on securities of, other mutual funds; and

- (b) whether or not the other mutual funds may be managed by the manager or an affiliate of the manager of the top fund.”; and
- (c) the deletion of subsection (1) of the instructions to Item 6 of Part B and the substitution of the following:
 - “(1) State the type or types of securities, such as money market instruments, bonds, equity securities or securities of another mutual fund, in which the mutual fund will primarily invest under normal market conditions.”
- (6) Item 7 of Part B is amended by
 - (a) the addition of the following as subsection 1(c):
 - “(c) if the mutual fund is a top fund:
 - (i) whether the top fund intends to purchase securities of, or enter into specified derivative transactions for which the underlying interest is based on securities of, one or more other mutual funds,
 - (ii) what percentage of net assets of the top fund is dedicated to the investment in the securities of, or the entering into of specified derivative transactions for which the underlying interest is based on the securities of, the other mutual funds, and
 - (iii) the process or criteria used to select the other mutual funds.”; and
 - (b) the addition of the following as subsection (9):
 - “(9) For an index mutual fund,
 - (a) for the 12 month period immediately preceding the date of the simplified prospectus,
 - (i) indicate whether one or more securities represented more than 10 percent of the permitted index or permitted indices,
 - (ii) identify that security or securities, and
 - (iii) disclose the maximum percentage of the permitted index or permitted indices that that security or those securities represented in the 12 month period, and
 - (b) disclose the maximum percentage of the permitted index that the security or securities referred to in paragraph (a) represented at the most recent date for which that information is available.”.
- (7) Item 8 of Part B is amended by
 - (a) the designation of the existing paragraph as subsection “(1)”; and
 - (b) the addition of the following as subsections (2) and (3):
 - “(2) If a top fund invests substantially all of its assets directly or indirectly (through the use of specified derivatives) in one bottom fund or one RSP clone fund, only list the ten largest holdings of the bottom fund by percentage of net assets of the bottom fund, as disclosed as at a date within 30 days of the date of the simplified prospectus of the top fund, and state the percentage of the net assets of the bottom fund that are invested in each of those holdings. Such listing shall be accompanied by a warning to the effect that the information contained in the list may change due to the ongoing portfolio transactions of the bottom fund and a statement on how more current information may be obtained by investors, if available.
 - (3) If the mutual fund is a top fund that invests in other mutual funds, a statement must be made to the effect that the simplified prospectus and other information about the other mutual funds are available on the internet at www.sedar.com.”
- (8) Item 9 of Part B is amended by

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(a) the addition of the following as subsection (1.1):

“(1.1) If more than 10% of the securities of a bottom fund or RSP clone fund are held by a top fund, the bottom fund or RSP clone fund must disclose the percentage of securities held by the top fund as at a date within 30 days of the date of the simplified prospectus of the top fund. The bottom fund or RSP clone fund must also disclose the risks associated with a possible redemption requested by the top fund.”; and

(b) the addition of the following as subsection (1.2):

“(1.2) If the top fund may invest in a foreign mutual fund in accordance with subsection 2.5(3) of National Instrument 81-102, it must disclose the risks associated with that investment.”.

(9) Item 13.1 of Part B is amended by the addition of the following as subsection (9):

“(9) If the fund has merged with another fund, include in the table only the financial information of the continuing fund.”.

PART 2 AMENDMENTS TO FORM 81-101F2 CONTENTS OF ANNUAL INFORMATION FORM

2.1 Amendments to Form 81-101F2 Contents of Annual Information Form

(1) Form 81-101F2 Contents of Annual Information Form is amended by this Part of this Instrument.

(2) Item 12 is amended by the addition of the following as subsection (6):

“(6) If the mutual fund invested in other mutual funds during the year, provide details on how the manager of the top fund exercised its discretion with regard to the voting rights attached to the securities of the other mutual funds when the securityholders of the other mutual funds were called upon to vote.”.

PART 3 EFFECTIVE DATE

3.1 Effective Date

The Instrument comes into force on ●, 2002.