

**M.O., 2004-01****Order number V-1.1-2004-01 of the Minister of Finance dated 19 February 2004**

Securities Act  
(R.S.Q., c. V-1.1)

CONCERNING the Regulation amending National Instrument 81-101 Mutual Fund Prospectus Disclosure

WHEREAS paragraphs 1° and 6° of section 331.1 of the Securities Act stipulate that the Agence nationale d'encadrement du secteur financier may, by regulation, determine the form and content of documents, declarations, statements and attestations required under this Act or its regulations, and impose conditions or an undertaking for the issue by the Agency of a receipt in respect of a prospectus and fix the conditions on which a security may be distributed by way of various types of prospectus;

WHEREAS the third and fourth sub-paragraphs of section 331.2 of the said Act, amended by section 696 of chapter 45 of the statutes of 2002, stipulate that a draft regulation shall be published in the Bulletin of the Agency, accompanied by the notice required under section 10 of the Regulations Act (R.S.Q., c. R-18.1) and may not be submitted for approval or be made before 30 days have elapsed since its publication;

WHEREAS the first and fifth sub-paragraphs of the said section stipulate that every regulation made under section 331.1 must be approved, with or without amendment, by the Minister of Finance and comes into force on the date of its publication in the *Gazette officielle du Québec* or any later date specified in the regulation;

WHEREAS the draft Regulation amending National Instrument 81-101 Mutual Fund Prospectus Disclosure was published in the Supplement to the weekly Bulletin of the Commission, volume 34, No. 23 of June 13, 2003;

WHEREAS on January 23, 2004, the Commission passed the Regulation amending National Instrument 81-101 Mutual Fund Prospectus Disclosure;

WHEREAS there is cause to approve this regulation without amendment;

CONSEQUENTLY, the Minister of Finance approves, without amendment, the Regulation amending National Instrument 81-101 Mutual Fund Prospectus Disclosure, appended hereto.

Québec, 19 February 2004

YVES SÉGUIN,  
*Minister of Finance*

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## **National Instrument 81-101 Mutual Fund Prospectus Disclosure amendment Regulation**

Securities Act  
(R.S.Q., c. V-1.1, s. 331.1, par. 1 and 6)

**1.** The title of National Instrument 81-101 Mutual Fund Prospectus Disclosure is replaced with the following:

“Regulation 81-101 Mutual Fund Prospectus Disclosure”.

**2.** Form 81-101F1 Contents of Simplified Prospectus of the National Instrument is amended

(1) by inserting the following after subsection (4) of Item 5 of Part A:

“(4.1) If a mutual fund holds, in accordance with section 2.5 of Regulation 81-102 Mutual Funds, securities of another mutual fund that is managed by the same manager or an affiliate or associate of the manager, disclose

(a) that the securities of the other mutual fund held by the mutual fund will not be voted; and

(b) if applicable, that the manager may arrange for the securities of the other mutual fund to be voted by the beneficial holders of the securities of the mutual fund.”;

(2) by inserting the following after subsection 8.1(1) of Item 8 of Part A:

“(1.1) If the mutual fund holds securities of other mutual funds, disclose that with respect to securities of another mutual fund

(a) there are fees and expenses payable by the other mutual fund in addition to the fees and expenses payable by the mutual fund;

(b) no management fees or incentive fees are payable by the mutual fund that, to a reasonable person, would duplicate a fee payable by the other mutual fund for the same service;

(c) no sales fees or redemption fees are payable by the mutual fund in relation to its purchases or redemptions of the securities of the other mutual fund if the other mutual fund is managed by the manager or an affiliate or associate of the manager of the mutual fund; and

(d) no sales fees or redemption fees are payable by the mutual fund in relation to its purchases or redemptions of securities of the other mutual fund that, to a reasonable person, would duplicate a fee payable by an investor in the mutual fund.”;

(3) by inserting the following after subsection (4) of Item 4 of Part B :

“(4.1) If a mutual fund holds in accordance with section 2.5 of Regulation 81-102 Mutual Funds securities of another mutual fund that is managed by the same manager or an affiliate or associate of the manager, disclose :

(a) that the securities of the other mutual fund held by the mutual fund will not be voted; and

(b) if applicable, that the manager may arrange for the securities of the other mutual fund to be voted by the beneficial holders of the securities of the mutual fund.”;

(4) by deleting paragraphs (5)c and d of Item 6 of Part B and by replacing the words “or equity securities” with the words “, equity securities or securities of another mutual fund” in subsection (1) of the instructions in Item 6;

(5) by adding the following paragraph after paragraph (1)b of Item 7 of Part B :

“(c) if the mutual fund may hold other mutual funds,

i. whether the mutual fund intends to purchase securities of, or enter into specified derivative transactions for which the underlying interest is based on the securities of, other mutual funds;

ii. whether or not the other mutual funds may be managed by the manager or an affiliate or associate of the manager of the mutual fund;

iii. what percentage of net assets of the mutual 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, other mutual funds; and

iv. the process or criteria used to select the other mutual funds.”;

(6) by adding the following after subsection (8) of Item 7 of Part B :

“(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 those securities; and

iii. disclose the maximum percentage of the permitted index or permitted indices that the security or securities represented in the 12 month period,” and

(b) disclose the maximum percentage of the permitted index or permitted indices that the security or securities referred to in paragraph a represented at the most recent date for which that information is available.”;

(7) by inserting “(1)” at the beginning of the paragraph in Item 8 of Part B and by adding the following subsections after that paragraph :

“(2) If a mutual fund holds substantially all of its assets directly or indirectly, and in the latter case through the use of specified derivatives, in securities of another mutual fund,

(a) list only the ten largest holdings of the other mutual fund by percentage of net assets of the other mutual fund, as disclosed as at a date within 30 days of the date of the simplified prospectus of the mutual fund;

(b) provide a statement to the effect that the information contained in the list may change due to the ongoing portfolio transactions of the other mutual fund; and

(c) state whether or not it is possible to obtain current information and, if so, how the information may be obtained.

(3) If the mutual fund holds securities of 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) by inserting the following subsections after subsection (1) of Item 9 of Part B:

“(1.1) If more than 10% of the securities of a mutual fund are held by a securityholder including another mutual fund, the mutual fund must disclose

(a) the percentage of securities held by the securityholder at a date within 30 days of the date of the simplified prospectus of the mutual fund; and

(b) the risks associated with a possible redemption requested by the securityholder.

(1.2) If the mutual fund may hold securities of a foreign mutual fund in accordance with subsection 2.5(3)b of Regulation 81-102 Mutual Funds, disclose the risks associated with that investment.”; and

(9) by adding the following after subsection 13.1(8) of Item 13 of Part B:

“(9) If the mutual fund is the result of the reorganization with, or the acquisition of assets from, one or more mutual funds, include in the table only the financial information of the mutual fund resulting from the reorganization or acquisition.”.

**3.** Form 81-101F2 Contents of Annual Information Form of the National Instrument is amended by adding the following after subsection (5) of Item 12:

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

**4.** This Regulation comes into force at the date of its publication in the *Gazette officielle du Québec*, Part 2.

**M.O., 2004-02**

**Order number V-1.1-2004-02 of the Minister of Finance dated 19 February 2004**

Securities Act  
(R.S.Q., c. V-1.1)

CONCERNING the Regulation amending National Instrument 81-102 Mutual Funds

WHEREAS paragraphs 6° and 16° of section 331.1 of the Securities Act stipulate that the Agence nationale d’encadrement du secteur financier may, by regulation, impose conditions or an undertaking for the issue by the Agency of a receipt in respect of a prospectus and fix the conditions on which a security may be distributed by way of various types of prospectus, and establish operating rules for the management, stewardship, safekeeping and composition of the assets of mutual funds and unincorporated mutual funds and prohibit certain transactions for the protection of the holders of securities;

WHEREAS the third and fourth sub-paragraphs of section 331.2 of the said Act, amended by section 696 of chapter 45 of the statutes of 2002, stipulate that a draft regulation shall be published in the Bulletin of the Agency, accompanied by the notice required under section 10 of the Regulations Act (R.S.Q., c. R-18.1) and may not be submitted for approval or be made before 30 days have elapsed since its publication;

WHEREAS the first and fifth sub-paragraphs of section 331.2 of the said section stipulate that every regulation made under section 331.1 must be approved, with or without amendment, by the Minister of Finance and comes into force on the date of its publication in the *Gazette officielle du Québec* or any later date specified in the regulation;

WHEREAS the draft Regulation amending National Instrument 81-102 Mutual Funds was published in the Supplement to the weekly Bulletin of the Commission, volume 34, No. 23 of June 13, 2003;

WHEREAS on January 23, 2004, the Commission passed the Regulation amending National Instrument 81-102 Mutual Funds;