NOTICE OF RULE 81-101, FORMS 81-101F1 AND 81-101F2,
AND COMPANION POLICY 81-101CP
MUTUAL FUND PROSPECTUS DISCLOSURE

Notice of Rule and Companion Policy

The Commission has made National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (the "National Instrument"), Form 81-101F1 (the "SP Form"), Form 81-101F2 (the "AIF Form"; the SP Form and AIF Form, collectively, the "Forms") rules under section 196.1 of the *Securities Act* (the "Act"), and has adopted Companion Policy 81-101CP *Mutual Fund Prospectus Disclosure* (the "Companion Policy") as a policy under the Act. It is anticipated that the new mutual fund regime created by these instruments will become effective on February 1, 2000. The Companion Policy will come into force on the day that the National Instrument comes into force. The Forms will be approved and their use implemented through consequential amendments to the rules made under the Act. These and other consequential changes that will be required to implement the National Instrument will be the subject of later Notices and will be effective on the date the National Instrument comes into force.

Substance and Purpose of National Instrument, the SP Form, the AIF Form and Companion Policy

The National Instrument and Forms are designed to implement a new regulatory regime governing the disclosure provided by mutual funds in satisfaction of the prospectus requirements of securities legislation. The National Instrument will implement and provide the framework for the system by requiring the preparation and filing of a simplified prospectus and annual information form by all mutual funds. Under the National Instrument, these disclosure documents be prepared in compliance with the Forms.

The SP Form provides detailed disclosure requirements for a simplified prospectus of a mutual fund, and the AIF Form provides detailed disclosure requirements for an annual information form of a mutual fund.

The Companion Policy describes the central philosophy of the CSA in implementing the mutual fund prospectus disclosure regime; in particular, it describes the purpose of a simplified prospectus and an annual information form. The Companion Policy also provides further explanations of certain of the rules contained in the National Instrument and certain disclosure items of the Forms.

The regime created by the National Instrument and Forms is designed for conventional mutual funds, and certain mutual funds are specifically excluded from the regime by the proposed National Instrument. The excluded mutual funds consist of labour-sponsored venture capital corporations, commodity pools, and mutual funds listed and posted for trading on a stock exchange or quoted on an over-the-counter market.

Written Comments Received by the Commission

The CSA published drafts of the National Instrument (the "1999 Draft Instrument"), the SP Form (the "1999 Draft SP Form"), the AIF Form (the "1999 Draft AIF Form") and Companion Policy (the "1999 Draft Policy") in April 1999.[1] The instruments had been previously published for comment in July 1998.[2]

During the comment period on the 1999 Draft Instrument, the 1999 Draft SP Form, the 1999 Draft AIF Form and the 1999 Draft Policy, which ended on July 5, 1999, the CSA received a number of submissions. The comments provided in these submissions have been considered by the CSA and the final versions of the National Instrument, the SP Form, the AIF Form and Companion Policy being published with this Notice reflect the decisions of the CSA in this regard.

Appendix A of this Notice lists the commenters on the 1999 Draft Instrument, the 1999 Draft SP Form, the 1999 Draft AIF Form and the 1999 Draft Policy and Appendix B provides a summary of the comments received and the response of the CSA.

This Notice summarizes in a general manner the changes made in the National Instrument, the Forms and Companion Policy from the corresponding materials published in 1999 for comment.

Transition

As described above, it is anticipated that upon the National Instrument and the related instruments receiving all necessary approvals, the new mutual fund regime created by these instruments will become effective on February 1, 2000.

In order to ease the transition for market participants, the CSA note two matters.

First, the CSA advises market participants that *pro forma* or preliminary prospectuses, prepared in accordance with the National Instrument and Forms, will be accepted for filing and review after January 1, 2000. No receipts for such prospectuses can be issued until after the National Instrument comes into force.

Second, the CSA reminds market participants of section 7.2 of the National Instrument. This section allows a prospectus receipted under National Policy Statement No. 36 ("NP36") before the National Instrument comes into force to be used until its expiry. The section also permits the

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1 In Alberta, at (1999) 8 ASCS 1048.

2 In Alberta, at (1998) 7 ASCS 2660.

CSA to receipt a simplified prospectus prepared in accordance with NP36 to be receipted after the National Instrument comes into force, if the corresponding *pro forma* or preliminary prospectus was filed before the National Instrument comes into force.

Summary of Changes to the 1999 Draft Instrument, the 1999 Draft SP Form, the 1999 Draft AIF Form, and the 1999 Draft Companion Policy

This section describes changes made in the National Instrument, the SP Form, the AIF Form and the Companion Policy from the versions published for comment in 1999, except that changes of a minor nature, or those made only for purposes of clarification or drafting reasons, are generally not discussed. For a detailed summary of the contents of the versions published for comment in 1999, reference should be made to the Notice published with those instruments. As the changes to the National Instrument, the Companion Policy, the SP Form and the AIF Form are not material, those instruments are not subject to a further comment period.

National Instrument

Section 1.1

Definitions of "commodity pool" and "precious metals fund" have been added. These definitions are identical to those contained in proposed National Instrument 81-104 *Commodity Pools*, and have been included in connection with the deletion of a reference to mutual funds "subject to National Instrument 81-104" in section 1.3 of the 1999 Draft Instrument. That deletion was necessary because National Instrument 81-104 will not be in force at the time that the National Instrument comes into force. Section 1.3 now provides that the National Instrument does not apply to "commodity pools".

The definition of "*educational material*" has been amended by the deletion of the requirement that such material not refer to a particular mutual fund, mutual fund family or to the products or services offered by a particular mutual fund or mutual fund family. The CSA are of the view that a reference to a particular mutual fund, a mutual fund family or such products or services, is not of itself enough to necessarily make the document in which the reference is made promotional. In conjunction with this change, subsection 5.4(3) of the Companion Policy has been amended to include a statement that a mutual fund, mutual fund family or such products or services may be referred to in educational material so long as the reference does not result in the promotion of such entities or products or services.

A definition of "*material contract*" has been added to the National Instrument. The definition defines a material contract to be a contract listed in an annual information form in response to Item 16 of the AIF Form. The definition has been added to clarify that the requirement to file material contracts contained in the National Instrument pertains to the documents listed in the relevant annual information form.

Section 2.2

Section 2.2 is new, and has been added to specify how amendments to a simplified prospectus or to an annual information form are to be identified.

Section 5.2

Subsection 5.2(2) has been added to specify the contents of a general front cover of a document that includes both a simplified prospectus and other materials permitted to be bound with a simplified prospectus under section 5.1. The CSA have added this provision to ensure that a bound package of documents is properly labeled and easily identifiable by an investor.

Part 7

Section 7.1 has been amended to provide that the National Instrument comes into force on February 1, 2000.

SP Form

Part A

Item 8.2. Item 8.2 has been amended by the addition of a requirement that the table required by this Item, which contains sale charge information, assume a five percent annual return in cases in which the mutual fund has a deferred sales charge option in which the amount paid by an investor at the time of a redemption of securities is based upon the net asset value of those securities at that time.

Item 9.2. Item 9.2 has replaced Item 13.2 of Part B of the 1999 Draft SP Form. This Item requires disclosure of the percentage of management fees used to pay commissions and for other dealer-incentive purposes. Item 9.2 now provides that this disclosure be made on a fund family basis, rather than on an individual fund basis as in the 1999 Draft SP Form. The CSA have also changed the requirement to disclose the dollar amount of management fees so paid in favour of a parentage calculation.

Item 10. An instruction to item 10 has been added, emphasizing the importance of disclosure of the tax consequences associated with direct payment of management fees by investors holding funds in RRSPs.

Item 12. This Item has been amended by the addition of a reference to disclosure permitted or required to be contained in a simplified prospectus by an order or ruling of a securities regulatory authority pertaining to the mutual fund. This addition has been made to ensure that such

information is not technically prohibited from being included in a simplified prospectus by paragraph 4.1(2)(e) of the National Instrument, which provides that only educational material or the information that is specifically mandated or permitted by the SP Form to be included in a simplified prospectus may be so included.

Part B

Item 1. Item 1 has been amended by the addition of a requirement for an additional sentence to the footer required by that item in cases in which a Part B section has been amended and restated.

Item 6. Item 6 has been amended by the addition of a requirement that the simplified prospectus of a mutual fund describe the nature of any security holder or other approval that may be required in order to change the fundamental investment objectives of the mutual fund and any of the material investment strategies to be used to achieve those investment objectives. The CSA consider it important that investors be aware of their rights given to them under National Instrument 81-102 Mutual Funds in this regard. This disclosure was previously required to be made in the annual information form of a mutual fund. As well, a requirement in the 1999 Draft SP Form to state whether the mutual fund will be managed so that its securities will constitute foreign property under the *Income Tax Act* (Canada) (the "ITA"), was deleted and replaced with the provision described immediately below.

Item 7. Item 7 has been amended by the addition of subsection (4), which requires a mutual fund whose securities are not foreign property under the ITA to state what proportion of its assets may or will be invested in foreign securities.

Item 8. Item 8 has been amended in two ways.

First, the Item specifically states that the requirement to disclose the top ten holdings of the mutual fund does not apply to money market funds.

Second, the Item now requires that the top ten holdings be disclosed as of a date within 30 days of the date of the simplified prospectus, and that a warning accompany the list, stating that the information contained in the list will change due to the ongoing portfolio transactions of the mutual fund. The item also requires a statement on how more current information may be obtained, if available.

Item 13.2 of 1999 Draft SP Form. This item has been moved to Item 9.2 of Part A of the SP Form, as discussed above.

Item 13.3. Subsection (2) of this Item provides that certain assumptions be made in the calculations required by that subsection. One of those assumptions is that the management expense ratio and operating expense of the mutual fund be assumed to be the same for the past 10

years as they were in the last completed financial year. Subsection (2) has been amended to provide that any performance fees paid in a year that would not have been paid had the mutual fund earned a total return of five percent in the last completed financial year shall be excluded from the assumptions concerning management expense ratio and operating expense.

AIF Form

General Instructions. Subsection (10) of the General Instruments has been amended by the addition of a discussion concerning the consolidation of annual information forms into a multiple AIF. This discussion also appears in section 6.3 of the Companion Policy.

Item 3. Subsection (4) of this Item now requires that a mutual fund state any former name or names if its name has changed in the last 10 years, rather than since its formation as in the 1999 Draft AIF Form.

Item 10.2. The language in this Item, respecting disclosure of information concerning the manager of a mutual fund, has been conformed more closely with the disclosure requirements concerning directors of corporations required by proposed Ontario Rule 41-501 *Information Required in a Prospectus*.

Item 12. The requirements for disclosure of the governance arrangements of a mutual fund have been amended to require identification of the body or group that has responsibility for fund governance and the extent to which its members are independent of the manager of the mutual fund. These requirements are substantially similar to those contained in the 1999 Draft AIF Form, but have been reworded to be of more general application than in the previous draft, in order to contemplate a wider variety of governance structures.

Item 16. Item 16(3) has been amended to require disclosure of the termination provisions of material contracts in an annual information form. The Item has also been amended to clarify that disclosure only of the consideration paid by a mutual fund under those contacts is required to be made.

Companion Policy

Section 2.7. Section 2.7 has been added to discuss and clarify the various aspects of the filing and document preparation requirements concerning amendments to simplified prospectuses and annual information forms. The section also reminds market participants that an amendment to a prospectus does not change its lapse date under Canadian securities legislation.

Section 4.1. Subsection (6) has been added to include the statement that the National Instrument contains no restrictions on how many simplified prospectuses can be consolidated into a multiple SP.

Section 4.2. Subsection (2) has been added to discuss the procedure by which a new mutual fund can be added to a multiple SP that contains final simplified prospectuses.

Section 5.3. Section 5.3 has been amended by the addition of subsection (3), which contains a discussion of the items in the SP Form that permit certain mandated or permitted information to be included in a simplified prospectus.

Section 5.4. Subsection (3) has been amended by the inclusion of a statement that a mutual fund, mutual fund family, or products or services offered by those entities may be referred to in educational material so long as the reference does not result in the promotion of those entities, products or services. This change has been made in conjunction with the change to the definition of "educational material" in section 1.1 of the National Instrument to remove the prohibition against such references in educational material.

Section 8.2. Section 8.2 is new and has been added to remind market participants of the need to consider the necessity of amending a simplified prospectus in connection with a change in the personnel of a portfolio adviser.

Text of Revocation of CSA Notice

The text of the revocation of the CSA Notice described in this Notice is as follows:

> "CSA Notice 81-301 Mutual Fund Prospectus Disclosure System - Concept Proposal - Request for Comments is revoked effective the date that National Instrument 81-101 Mutual Fund Prospectus Disclosure comes into force."

DATED: October 29, 1999.

APPENDIX A
LIST OF COMMENTERS ON
NATIONAL INSTRUMENT 81-101,
FORM 81-101F1, FORM 81-101F2 AND
COMPANION POLICY 81-101CP

1 Fidelity Investments Canada Limited
2 The Investment Funds Institute of Canada
3 Investors Group
4 Mackenzie Financial Corporation
5 Rice Financial Group Inc.
6 Templeton Management Limited
7 Trimark Investment Management Inc.

APPENDIX B
SUMMARY OF COMMENTS RECEIVED ON
NATIONAL INSTRUMENT 81-101,
FORM 81-101F1, FORM 81-101F2 AND
COMPANION POLICY 81-101CP AND
RESPONSE OF THE CANADIAN SECURITIES ADMINISTRATORS

1 INTRODUCTION

The CSA published drafts of the National Instrument (the "1999 Draft Instrument"), Form 81-101F1 (the "1999 Draft SP Form"), Form 81-101F2 (the "1999 Draft AIF Form") and Companion Policy (the "1999 Draft Policy") in April 1999[3]. The instruments had been previously published for comment in July 1998.[4]

During the comment period on the 1999 Draft Instrument, the 1999 Draft SP Form, the 1999 Draft AIF Form and the 1999 Draft Policy, which ended on July 5, 1999, the CSA received 7 submissions. The commenters can be grouped as follows:

Mutual Fund Management Companies	6
Trade Associations	1
TOTAL	**7**

The comments provided in these submissions have been considered by the CSA and the final versions of the National Instrument, the SP Form, the AIF Form and Companion Policy being published with this Notice reflect the decisions of the CSA in this regard.

Copies of the comment letters may be viewed at the office of Micromedia, 20 Victoria Street, Toronto, Ontario (416) 312-5211 or (800) 387-2689; the office of the British Columbia Securities Commission, 1100-865 Hornby Street, Vancouver, British Columbia (604) 899-6500; the office of the Alberta Securities Commission, 10025 Jasper Avenue, Edmonton, Alberta (403) 427-5201; and the office of the Commission des valeurs mobilières du Québec, Stock Exchange Tower, 800 Victoria Square, 17th Floor, Montréal, Québec.

The CSA thank all commenters for providing their comments. The nature of the comments received indicates the care and thought given by industry participants to the issues addressed by the

[3] In Alberta, at (1999) 8 ASCS 1048.

[4] In Alberta, at (1998) 7 ASCS 2660.

instruments published for comment in April 1999 and the comments have been very helpful to the CSA in their consideration and preparation of the final versions of these materials.

The following is a summary of the comments received, together with the CSA's responses and, where applicable, the changes adopted by the CSA. As the changes to the 1999 Draft Instrument, the 1999 Draft SP Form, the 1999 Draft AIF Form and the 1999 Draft Policy not material, those materials are not subject to a further comment period.

2 GENERAL COMMENTS

Commenters on the whole provided detailed comments on specific sections of the 1999 Draft Forms. However, general comments were also received in support of the changes made in the 1999 Draft Forms.

It was acknowledged that the changes made generally reflect the recommendations of the industry. It was noted that considerable effort has taken place to provide flexibility to the use of Part A and B packaging and the ability of fund companies to provide educational information presenting the required disclosure. Commenters supported the fact that the changes proposed will reduce the repetition inherent in the fund summary proposed and will shorten the simplified prospectus documents. Support was expressed, generally, for the change in focus of the annual information form to a document that supplements the information provided in the simplified prospectus as this will avoid redundancy.

IFIC noted that it expects to recommend the use of a point of sale fee disclosure document to be delivered by dealers to investors, which may reduce the disclosure needed in the simplified prospectus, and will be in further contact with the CSA in this regard. The CSA will await those submissions and will review them once received.

A commenter suggested that the CSA adopt a >continuous disclosure= type system, which would permit funds to file updates to the disclosure required in Part B of the simplified prospectus (e.g. the fund=s top ten holdings) on a quarterly basis. It was suggested that this would permit more frequent updating of the fund-specific disclosure. The CSA note that at this time this comment is beyond the mandate of this rule-making project.

3. SUBSTANTIVE COMMENTS ON SPECIFIC PROVISIONS

Note: In these Tables, “NI” means National Instrument 81-101 *Mutual Fund Prospectus Disclosure*; “CP” means Companion Policy 81-101CP *Mutual Fund Prospectus Disclosure*; and references to a “1999 Draft” means the version of the referenced instrument published for comment in April 1999. “NP 36” means National Policy Statement No. 36; and “CSA” means the Canadian Securities Administrators.

SUMMARY OF COMMENTS

ON PROPOSED NATIONAL INSTRUMENT 81-101
MUTUAL FUND PROSPECTUS DISCLOSURE
PUBLISHED FOR COMMENT APRIL 30, 1999

	April, 1999 Draft Reference	*Revised Final Reference*	*Comment*	*CSA Response*
1.	Part 1 -- Section 1.1 --Definition of Educational material		Definition should not prohibit the mention of specific mutual funds or a fund family, provided that any mention is for educational purposes. Providing specific examples that include such names helps make abstract information about mutual fund investing more accessible to investors.	Change made to definition to permit a non-promotional reference to a mutual fund. Change made to CP at subsection 5.4(3) to clarify that educational, and not promotional, references to specific mutual funds are permitted, for example, as part of a general discussion of the risks of mutual funds.
2.	Part 2, Section 2.2(1)(b)(i)- Disclosure Documents	Section 2.2(1) and (2); Section 1.1; CP Section 2.7	The requirement to file all material contracts (or drafts) with the preliminary SP and AIF causes concern as at that time, these documents are usually in the process of being developed for submission with the final SP/AIF. Public disclosure of these documents at such an early stage raises competitive concerns. All material documents should be required to be filed prior to the submission of the final SP/AIF. Clarify that material contract should not include any contracts to which the mutual fund is not a party, e.g. a portfolio management contract between the fund manager and sub-adviser. Clarify what documentation is to be filed when there is only a change to a SP and not the AIF, and add a further subsection 2.1(1)(d)(iii) to contemplate changes only to a SP.	The CSA acknowledge that this requirement represents a change to current practise, and notes that the material contracts filed on SEDAR with preliminary prospectuses are not made >public= at that time but rather are marked as >private= on the system. Please see the explanation of the words >file=, >deliver= and >send= in section 2.5 of the CP. Only final versions of the SP, AIF and material contracts will be made public. Filers should file SP documents only when they are also ready to file the material contracts. Change made. Definition of Amaterial contract@ added to Section 1.1, which definition refers to the list of material contracts in Item 16, Form 81-101F2. Change made. Section 2.2 of NI clarified, and Section 2.7 added to CP to clarify that filing an amendment to a SP may be synonymous with updating the certificate, and for further

	April, 1999 Draft Reference	*Revised Final Reference*	*Comment*	*CSA Response*
				clarification and discussion of amendments.
3.	Part 3, Section 3.2 - Documents Incorporated by Reference		Add a further subsection to section 3.2 to clarify that reliance on the disclosure provided in the SP is also deemed to include reliance on the AIF, most recently filed financial statements and accompanying auditors reports as well as the most recently filed interim financial statements which are included by reference in the SP under section 3.1.	No changes made. None necessary since law operates in the manner discussed.
4.	Part 4 - Plain Language and Presentation		Several sections of mandated language could be replaced with more simple words or phrases. Permit the inclusion of educational material in a SP under subsection 4.1(2)(e) without restricting the location of such disclosure.	No changes made. The CSA consider that the mandated language is in plain language and that the section operates as the commenter suggested. The NI and the Forms further provide that language Asubstantially in the form of@ the suggested language, may be used.
5.	Part 5 - Packaging		Permit marketing materials to be attached to, or bound with, the SP under Item 5.1(3). Allow more latitude in the ordering of documents under section 5.2 in order to allow fund companies to customize their products.	No changes made. The inclusion of marketing materials may detract from the required disclosure, lengthen the document and potentially confuse investors. The required ordering of documents is important in allowing potential investors to compare prospectus disclosure between funds, making the prospectus a more useful document.
6.	Part 7 - Transition		Clarify whether a fund company that files a preliminary SP before NI81-101 comes into force can file its final SP using the new form where it knows that the receipt will not be issued until after NI81-101 comes into force. Permit a phase-in period of 12 months, during which time funds would have the option of using the current disclosure regime or taking advantage of the new format.	No change made. Please see Notice which discusses the fact that as an administrative practice, the CSA are prepared to accept a preliminary or *pro forma* prospectus using the format contemplated by the Instrument thirty days prior to the implementation date of the Instrument. The prospectus would not be receipted until NI81-101 comes into force.

SUMMARY OF COMMENTS
ON PROPOSED COMPANION POLICY 81-101CP
PUBLISHED FOR COMMENT APRIL 30, 1999

	April, 1999 Draft Reference	*Revised Final Reference*	*Comment*	*CSA Response*
1.	Part 2 - Purpose and General Approach of the Instrument		Although additional information should not be included in the SP that would make it unduly lengthy, concern that the reference to limiting the size of the SP may inadvertently limit the length of the educational material included, which would prejudice larger fund families.	No changes made. The CSA have not included any size limitations. The size and length of a multiple SP will be dictated by the fund family=s compliance with the NI and the Forms.
2.	Part 7 - Delivery		Although subsection 7.1(1) states that the Instrument requires delivery to all investors of a SP, there is no such requirement under NI81-101. Section 3.2 of the Instrument does not actually require such delivery.	Change made. Section 7.1(1) amended to clarify that the Instrument *contemplates* delivery to all investors of a simplified prospectus, *as required by securities legislation.*

SUMMARY OF COMMENTS
ON PROPOSED FORM 81-101F1
CONTENTS OF SIMPLIFIED PROSPECTUS
PUBLISHED FOR COMMENT APRIL 30, 1999

	April, 1999 Draft Reference	*Revised Final Reference*	*Comment*	*CSA Response*
	Part A, Item 1 B Front Cover Disclosure		Permit the SP to be wrapped with covers that would permit the use of a logo, certain fund-identifying names and marks, an investor introductory overview and mutual fund educational information prior to the formal Afront cover@ of	The Instrument permits the use of a logo. Change made to subsection 5.2(2) of the NI to clarify that front covers may contain artwork, logos or fund-identifying marks.
	Part A, Item 8.2 B Illustration of Different Purchase Options		Commenters supported the reduction in the number of required tables under this heading. Reinsert the assumed 5% annual rate of return, to ensure that industry participants prepare their calculations based on the same assumptions. An assumed rate of return is necessary for any fund company that charges redemption fees on current market value, rather than on original cost. Include a footnote for those companies that calculate the fees at current market value, indicating an assumed 5% rate of return and a warning that actual fees may fluctuate. Where a fund has a higher maximum allowable sales charge, though typically a lower maximum is charged, an explanatory footnote should be used below the table.	Comment noted. Change made. See Item 8.2(2)(b). No changes made.
	Part A, Item 10(4) B Income Tax Considerations for Investors		The instructions should include guidance as to when this type of disclosure would be considered Amaterial@. APotential impact@ and Aanticipated portfolio turnover rate@ also require further instruction. The requirement of additional disclosure beyond that required by Item 10(1), Aif material@ describing the potential impact of a fund=s anticipated portfolio turnover rate on a taxable investor, is repetitious of the disclosure required by Part B, Item 7(4). The portfolio turnover rate may not be relevant to a taxable investor, as there	No changes made. The CSA consider those terms to be sufficiently clear. No changes made, although comment noted.

	April, 1999 Draft Reference	*Revised Final Reference*	*Comment*	*CSA Response*
			is no agreement that a high portfolio turnover rate translates into higher taxes for investors especially if investor gains are offset by losses. It may not be possible to gauge a fund=s Aanticipated@ or Apotential@ turnover in times of market uncertainty. The detailed disclosure of distributions in a fund=s financial statements is sufficient disclosure for taxable investors.	
	Part A, Item 10(6)-Income Tax Consideration Investors		Remove item 10(6) and replace it with general warning language that investors should consult their advisers on their personal tax positions if management fees are paid by them directly.	Change made. Instruction added to Item 10 to require that tax considerations for investments held through registered plans to be explicitly described.
	Part A, Item 12 B Additional Information		Provide more guidance regarding what should or should not be included in this area or delete this section.	Change made. Item amended to specify that this item may refer to an order or ruling of a securities regulatory authority and an additional example given in the Instructions.
	Part A, Item 14 B Back Cover		Move the disclosure to the back cover of each separately bound SP, as the information in this Item is essentially the same as in Part A, Item 3.1 B Introductory Disclosure.	No changes made as the CSA are of the view that the disclosure is sufficiently important to warrant being printed in both places.
	Part B, Item 1 - General		Disclaimer in footer of each page of Part B about Part A should only be required at the bottom of the first page of each separately bound Part B.	No changes made as the CSA are of the view that this disclosure is sufficiently important to be printed on each page.
	Part B, Item 5 B Fund Details Instruction 3		The industry should be encouraged or mandated to use the fund type designations recently developed by the Investment Funds Standards Committee which stipulated fund categories and the criteria for each. The industry should assign the correct fund category to its funds when describing them in the fund prospectus, to avoid consumer confusion when searching out performance information published by the financial media.	At present, the CSA neither encourage nor discourage the use of the fund type designations. Funds are not prohibited from using these designations if so desired.
9.	Part B, Item 6		The requirement under section 5.1(c) of NI 81-	No changes made. The CSA

	April, 1999 Draft Reference	*Revised Final Reference*	*Comment*	*CSA Response*
	Fundamental Investment Objectives		102 of unitholder approval of changes to fundamental investment objectives may cause funds to restrict their disclosure under Item 6(1) to minimize the need for unitholder approval of even minor changes in disclosure.	consider disclosure under this item of utmost importance to investors and expect compliance. 1999 Draft F2 item 4(3)=s requirements added to new 1999 Draft F1 item 6(2).
			Item 6(1)(b) -- A change in the portfolio management of a fund that results in a change to the income tax classification of the fund=s units should not require unitholder consent, especially where the change is from Aforeign property@ to Canadian property. Investors cannot be negatively impacted by such a change and so should not have to bear the cost of a unitholder meeting.	Item 6(1)(b) deleted. New item 7(4) added which clarifies that if a Canadian fund intends to invest in foreign property, this must be disclosed. A change from Canadian to Aforeign@ property would generally require unitholder approval since it likely would result from a change in the fund=s fundamental investment objectives.
			Item 6(1)(b)=s requirement repeats the same requirement as in item 5(e) (Fund Details), and is not a fundamental investment objective. This disclosure would be more appropriate under Part A, Item 10 BIncome Tax Considerations for Investors. The requirement to disclose the type of securities in which the fund may invest other than under normal market conditions in item 7 could be confusing given that the instructions for item 6 require disclosure of the Atype or types of securities, such as money market instruments, bonds or equity securities in which the fund will primarily invest.@	Comment addressed by the deletion of item 6(1)(b). Change made. Instruction 1 to Item 6 amended to add the words Aunder normal market conditions@.
			Combine items 6 and 7 so that funds may indicate expressly those aspects of their investment objectives and strategies for which changes require unitholder approval. Instead of the general language used in item 6(1)(a), the Instrument should state which types of changes will require unitholder approval.	Changes made to Item 6(2) to clarify that a prospectus must disclose the nature of any securityholder or other approval required to change a fund=s fundamental investment objective, *and* any of the material investment strategies to be used to achieve those investment objectives.

	April, 1999 Draft Reference	*Revised Final Reference*	*Comment*	*CSA Response*
10.	Part B, Item 8 - Top Ten Holdings		Delete the requirement to disclose top ten holdings as at financial year end in SP as it will quickly become outdated and potentially mislead unitholders. The information will not be comparable fund to fund as it is based on the fund=s financial year. One alternative is to state under Item 6 or 7 that current quarterly or monthly holdings information is available from financial advisors or the fund manager. The most recent financial statements will provide investors with more complete and current information. Another option is to include the top ten holdings of the fund based on the most recent quarterly data. If this Item is retained, money market funds should be explicitly exempted because the problems of irrelevance and timeliness are exacerbated with this type of fund. Item 8, instruction 4's requirement should apply only when the underlying interest or proportionate share (respectively) comprises more than 10% of the value of the derivative or index participation unit.	Change made to specify that the disclosure of top ten holdings should be within 30 days of the date of the final prospectus. Requirement added to Item 8 to require statements to the effect that the information contained in the list may change due to the ongoing portfolio transactions of the fund, and concerning how more recent information, if available, may be obtained. Change made. Money market funds excluded from this item. No change made, as none necessary.
11.	Part B, Item 10 B Suitability		As fund managers do not possess the relevant Aknow your client@ information, a statement of suitability should only comment on the type of portfolio and not the type of investor for which the fund is suitable.	No changes made, as none needed. The Item allows for a statement of the suitability of the fund for certain types of portfolios, rather than types of investors.
12.	Part B, Item 11.3 - Line Graph		Delete Item 11.3(2)(b)=s requirement to dramatize the information on a quarterly basis. The year-by-year performance disclosure and ten-year duration of the information sufficiently demonstrates performance volatility. Delete Item 11.3(7)=s requirement to disclose a change in the comparative index, and item 11.4(5)=s requirement of an explanation of any change of index (Annual Compound Returns). 11.3(6) -- The Investment Funds Standards classification of mutual funds should be adopted for the line graph comparison. The standard	No changes made. The CSA are of the view that quarterly performance information is of value to investors, and that the disclosure of changes of indices is necessary clarification from past prospectus disclosure. The CSA have considered this comment and determined that it is beyond the mandate of this rule-making project.

	April, 1999 Draft Reference	*Revised Final Reference*	*Comment*	*CSA Response*
			against which funds compare their performance should be the applicable industry category index which indicates the average performance of all funds in a specific category, rather than a broad based securities market index.	
13.	Part B, Item 13.1 - Financial Highlights		Commenters supported the CSA=s attempt to simplify the detailed disclosure in these tables. Some commented that it should be further simplified by deletion of the number of units outstanding. Aside from the annual distribution figure in the first table, the detailed distribution information should be deleted from the prospectus. Instead, a cross reference should be made to a fund=s financial statements. The charts under this Item should reflect circumstances where management fees are paid outside the fund. Item 13.1(6)=s provision that the MER shall not be shown for any period under a full financial year of the fund is inconsistent with NI 81-102, paragraph 17.2(2)(a) which stipulates that the MER must be annualized for periods shorter than one year.	No change made as the CSA are of the view that the number of outstanding units and the required distribution information are sufficiently important to investors to be disclosed in prospectuses. Change made. Item 13.1(6) amended to require the MER to be annualized for periods shorter than one year.
14.	Part B, Item 13.2 B Sales Incentives Paid from Management Fees	Part A, Item 9.2 - Dealer Compensa-tion from Manage-ment Fees	One commenter supported the objective of the section, Ato be clear for consumers to understand what they are paying for and what they should expect when investing in a fund@. Other commenters felt this item should be deleted as it requires excessive disclosure that does not provide investors with any meaningful information that will assist in making informed investment decisions.	The CSA are of the view supported by at least one commenter that there is investor value to knowing on a fund family basis, the fund distribution costs, and that any difficulty with the disclosure is with respect to the vertical organization structure of some companies.
14.			As the Item requires disclosure of the approximate amount of the management fees received by the manager that were A*paid*@ to registered dealers, the provision may only apply to organizations that actually pay distributors of their funds and thus would not apply to companies that allocate	The CSA acknowledge this comment and will be seeking further elaboration on how this comment could be addressed, having regard to the structures in place in the industry,

	April, 1999 Draft Reference	*Revised Final Reference*	*Comment*	*CSA Response*
			income internally. To require disclosure from some industry participants based on the distribution channels creates an unlevel playing field. Commenters also noted their concerns about this disclosure related to the following: Distortions between funds of the same family are possible as a new fund with a small asset base that is heavily promoted may have a higher marketing cost relative to an older, larger fund, leading investors to erroneous conclusions about the funds. NI 81-105 and the existing disclosure requirements about fees paid from the fund and sales charges levied, are sufficient and make the disclosure related to educational and promotional conferences under item 13. 2(b) unnecessary. This disclosure may prejudice larger fund companies that generally incur higher costs in holding such conferences. Fund companies lack the ability to accurately track the marketing and conference expenses on a specific fund by fund basis.	particularly for mutual fund groups associated with large financial institutions and whose mutual funds are largely distributed by dually employed sales persons through branches of the financial institution. The CSA note that the Aunlevel playing field@ referred to in this comment exists due to industry relationships and structures and not due to any action or inaction by the CSA. Notwithstanding this comment, the CSA continue of the view that the disclosure required by Part A, Item 9.2 will assist investors in better understanding the extent to which the fees they indirectly bear are used not for management and investor services, but for payment of distribution costs incurred by the managers of the mutual funds. Change made. Item moved to Part A, Item 9.2 so that the required disclosure may be made on a fund-family basis. Also requirement amended so that disclosure of a specified percentage necessary.
15.	Part B, Item 13.3(2) B Illustration of	Part B, Item 13.2(2)	The illustration table may not capture the scenario of the manager being entitled to a performance fee bonus. If the manager earns the bonus in the prior	Change made. Item 13.2(2)(iii) (formerly item 13.2(2)(ii)) amended to

	April, 1999 Draft Reference	*Revised Final Reference*	*Comment*	*CSA Response*
	Fund Expenses Indirectly Borne by Investors		year, the fund=s MER would be very high (and the investors would have realized a large increase in the value of their holdings). By forcing an assumed total return of 5% and the prior year=s MER, that fund will, unfairly, appear to be very expensive to own over the 10 year period. Suggested approach for funds that have performance fees is to apply a hypothetical MER based on a 5% total return in the prior year, plus a footnote explaining that MERs will vary based on the performance fee earned by the manager in future years.	exclude any performance fees paid in the last completed financial year which would not have been paid had the mutual fund earned a total of five percent in that last completed financial year.

SUMMARY OF COMMENTS
ON PROPOSED FORM 81-101F2
CONTENTS OF ANNUAL INFORMATION FORM
PUBLISHED FOR COMMENT APRIL 30, 1999

	April, 1999 Draft Reference	*Revised Final Reference*	*Comment*	*CSA Response*
	Item 3 B Name, Formation and History		Delete altogether, or narrow item 3(4)=s requirement to provide all former names of the fund, to the names of the fund during the preceding 10 years (for which period performance data is provided). Aside from changes in the fund=s fundamental objectives, items 3(3) and 3(5) are of questionable relevance to an investor=s decision to purchase the fund now. Reduce the latter time period to a five year period. Much of the disclosure outlined in items 3(5)(a) through (e) should be contained in the fund=s permanent information record, rather than in a disclosure document.	Change made. Item 3(4)=s requirement refined to provide former names during the preceding 10 years. Change made. Item 3(3) amended to refer to the last 10 year period. No change made. The CSA are of the view that the required disclosure is relevant to certain investors.
	Item 6(2) B Valuation of Portfolio Securities		Fair value pricing, the ability to Afair value@ a fund=s portfolio in the event that some or all of the securities cannot be valued as they ordinarily would, should not be considered a deviation of pricing to be reported in Item 6(2). Delete requirement to disclose all deviations from normal valuation practices over the previous 3 years as it raises tracking difficulties, and is irrelevant unless such deviations (on a case-by-case basis or in the aggregate) would have resulted in a change in the fund=s net asset value per unit.	Change made. Item changed to require that an example of the exercise of this discretion within the past three years be disclosed. If such discretion has not been exercised in the last three years, this should be stated. Fair value pricing that is in the course of ordinary day to day valuation procedures as established by the declaration of trust of the fund, are not required to be disclosed. The item requires disclosure of instances where senior management is involved in the valuation of a security, as a deviation from typical valuation practices.

	April, 1999 Draft Reference	*Revised Final Reference*	*Comment*	*CSA Response*
	Item 10.2(3) – Manager		Item 10.2(2) should require the listing of only the "senior" or "executive" partners, directors and officers of the manager of the fund with their addresses and occupations over the preceding five years. Delete the requirement at item 10.2(3) to disclose the first position held by each partner, officer and director of the manager. Disclosure of the principal occupation or job title during the previous 5 years is sufficient. Number of years with the organization may be more meaningful.	Change made. Item 10.2(3) changed to refer only to "offices" held. The CSA note that the revised language is consistent with the general prospectus rules for all corporate issuers, and confirms that funds are only required to disclose the names of those considered by the fund or the manager to be an "officer".
	Item 10.3 – Portfolio Adviser		Delete the requirement to disclose the name of the person or persons providing portfolio management services, unless their identity is being used as a selling feature. The identities of personnel employed by (or associated with) the fund=s portfolio advisers may not even be known by the fund. The focus on individuals rather than the investment adviser also places the focus on individual managers rather than on the team approach used by many investment advisers. The identity of such individuals could be made available on request. The costs of filing prospectus amendments to comply with the disclosure required by item 10.3(3)(b) could be quite high as the movement of portfolio managers is common. Permit funds to "sticker" the AIF (using the American approach) with such changes as an interim measure until the annual renewal filing of the prospectus and AIF, or waive the fee. Fund companies would be required to advise investors through their regular news bulletins, investor statements, marketing material or web sites.	Change made. Section 8.2 of CP, added to clarify that while the names of individuals providing portfolio management services must be disclosed in the prospectus, an amendment to the prospectus need only be filed if the fund company has been promoting the fund based on the work of an individual who ceases to provide such services. The CSA refer commenters to the discussion in NI 81-102 CP, s. 7.4 regarding significant changes. Comment noted. No change made to item 10.3(3)(b) at this time. The CSA refer commenters to the discussion in the CP, section 2.7 regarding amendments.
	Item 10.4- Brokerage Arrangements		The requirement to disclose the brokerage arrangements and >soft dollar= arrangements entered into by a fund=s various portfolio advisers may not be known to the fund and, even if known, would not be relevant unless the manager itself directly benefits from these arrangements.	No changes made.

	April, 1999 Draft Reference	*Revised Final Reference*	*Comment*	*CSA Response*
	Item 10.6 B Directors, Officers and Trustees		Item 10.6(5)=s requirement for disclosure of the first position held by officers and directors of an incorporated fund is unnecessary and should be deleted. This requirement should only apply to senior or executive directors and officers.	Comment addressed above.
	Item 10.10 B Other Service Providers		The specific type of information to be disclosed in contractual arrangements between the fund and the person or company providing material services, requires clarification. Delete the words Aand describe the contractual arrangements between the mutual fund and the person or company@.	Change made. Item amended to state AYdescribe the *material features of the* contractual arrangements.@ Note the intentional deletion of the words Abetween the mutual fund and@ the person or company.
	Item 11.1 B Principal Holders of Securities		The disclosure required under Item 11.1(5) regarding the 10% aggregate ownership level should be applicable to each of the subsections under 11.1(5)(a) and (b) as disclosure below the 10% level would not provide meaningful information for investors upon which to base their investment decisions.	No changes made.
	Item 12 B Fund Governance		The required disclosure, while useful, does not contemplate various forms of fund governance bodies. Item 12(1)(a) should be restated to read Athe body or group which has responsibility for fund governance, the extent to which its members are independent of the fund manager and, if so, their names and addresses....@	Change made. Item 12(1)(a) amended to read Athe body or group that has responsibility for fund governance, the extent to which its members are independent of the fund managerY@. The rest of the provision has been amended slightly for greater clarity.
	Item 13.1 B Management Fee Rebate or Distribution Programs		While commenters agreed that a general description of any management fee rebate program is justified, they felt that disclosure of the different management fees paid by different investors should not be required as such information is not relevant to investors= investment decisions.	No changes made. The CSA consider that this information may well be relevant to an investor=s investment decision.
11.	Item 16- Material Contracts		Delete the requirement under Item 16(3) to disclose particulars of contracts, as disclosing the consideration given for contracts is not relevant to	Change made. Item amended to require disclosure of termination provisions. Item clarified to state

	April, 1999 Draft Reference	*Revised Final Reference*	*Comment*	*CSA Response*
			unitholders and raises serious competitive concerns.	that consideration paid by the mutual fund under such contracts must be disclosed, as the CSA are of the view that such disclosure is relevant to investors.
12.	Item 17.4 – Legal and Administrative Proceedings		Delete the requirement to disclose settlement agreements made between a mutual fund manager and a securities regulator. Settlement agreements are the result of many factors unrelated to the merits of any claim, and do not represent a final judicial arbitration on the issues. Requiring such disclosure could act as a disincentive for fund managers to settle such disputes, resulting in more costly hearings before the securities commissions. Any required disclosure of settlement agreements should be only of those entered into after the instrument comes into force and not be based on a 10-year history.	Change made. Item amended to require only the disclosure of settlement agreements entered into after the Instrument comes into force.
13.	Item 23 – Exemptions and Approvals		Delete item as other issuers are not required to make such disclosure before identification of the breach and mutual funds should operate on a level playing field with other issuers. It is unlikely that a fund or manager will confess any "material breaches of securities legislation" in an AIF, without first having dealt with the issue with the appropriate regulator. If it has resulted in a court or regulatory determination, it would be disclosed in Item 17.	Change made. Item deleted for greater consistency with existing and proposed securities regulations.