

*Note: [01 Nov 2006] – Changes to 81-102CP arising from NI 81-107. Refer to Appendix D of CSA Notice announcing NI 81-107 dated 28 Jul 2006.*

**Changes to Companion Policy 81-102CP**  
***Mutual Funds***

1. Section 3.4 of Companion Policy 81-102CP Mutual Funds is amended by adding the following paragraph after subsection (1):

“(2) Subsection 2.5(7) of the Instrument provides that certain investment restrictions do not apply to investments in other mutual funds made in accordance with section 2.5. For greater certainty, the CSA note that subsection 2.5(7) applies only with respect to a mutual fund’s investments in other mutual funds, and not for any other investment or transaction.”; and

2. Part 3 of Companion Policy 81-102 CP Mutual Funds is amended by adding the following after section 3.7:

“3.8 Prohibited Investments – (1) Subsection 4.1(4) permits a dealer managed mutual fund to make an investment otherwise prohibited by subsection 4.1(1) and the corresponding provisions in securities legislation referred to in Appendix C to NI 81-102 if the independent review committee of the dealer managed mutual fund has approved the transaction under subsection 5.2(1) of NI 81-107. The CSA expect the independent review committee may contemplate giving its approval as a standing instruction, as contemplated in section 5.4 of NI 81-107.

(2) Subsection 4.3(2) permits a mutual fund to purchase a class of debt securities from, or sell a class of debt securities of an issuer to, another mutual fund managed by the same manager or an affiliated of the manager where the price payable for the security is not publicly available, if the independent review committee of the mutual fund has approved the transaction under subsection 5.2(2) of NI 81-107 and the requirements in section 6.1 of NI 81-107 have been met. The CSA expect the independent review committee may contemplate giving its approval as a standing instruction, as contemplated in section 5.4 of NI 81-107.

(3) In providing its approval under paragraph 4.3(2), the CSA expect the independent review committee to have satisfied itself that the price of the security is fair. It may do this by considering the price quoted on a marketplace (e.g., CanPx or TRACE), or by obtaining a quote from an independent, arm’s-length purchaser or seller, immediately before the purchase or sale”.

3. Part 7 of Companion Policy 81-102CP Mutual Funds is amended by adding the following:

“7.5 Circumstances in Which Approval of Securityholders Not Required – (1)

Subsection 5.3(2) of the Instrument provides that a mutual fund's reorganization with, or transfer of assets to, another mutual fund may be carried out on the conditions described in the subsection without the prior approval of the securityholders of the mutual fund.

(2) If the manager refers the change contemplated in subsection 5.3(2) to the mutual fund's independent review committee, and subsequently seeks the approval of the securityholders of the mutual fund, the CSA expect the manager to include a description of the independent review committee's determination in the written notice to securityholders referred to in section 5.4 of this Instrument.

7.6 Change of Auditor – Section 5.3.1 of the Instrument requires that the independent review committee of the mutual fund give its prior approval to the manager before the auditor of the mutual fund may be changed.

7.7 Connection to NI 81-107 – There may be matters under section 5.1 that may also be a conflict of interest matter as defined in NI 81-107. The CSA expect any matter under section 5.1 subject to review by the independent review committee to be referred by the manager to the independent review committee before seeking the approval of securityholders of the mutual fund. The CSA further expect the manager to include a description of the independent review committee's determination in the written notice to securityholders referred to in subsection 5.4(2) of this Instrument.”.

4. This Instrument comes into force on November 1, 2006.