

Note: [16 Oct 2009] – Proposed amendments to NI 81-106. Refer to Appendix B of CSA Notice announcing proposed amendments to NI 81-106 dated 16 Oct 2009.

**Proposed Amendment Instrument for
NATIONAL INSTRUMENT 81-106
INVESTMENT FUND CONTINUOUS DISCLOSURE**

Although this amendment instrument amends section headers in National Instrument 81-106, section headers do not form part of the instrument and are inserted for ease of reference only.

1. ***National Instrument 81-106 Investment Fund Continuous Disclosure is amended by this instrument.***
2. ***Section 1.1 of National Instrument 81-106 is amended by:***
 - (a) ***adding the following after the definition of “EVCC”:***

“financial statements” includes interim financial reports;;
 - (b) ***repealing the definition of “net asset value” and substituting the following:***

“net asset value” means the value of the total assets of the investment fund less the value of the total liabilities, other than net assets attributable to securityholders, of the investment fund, as at a specific date, determined in accordance with Part 14;;
 - (c) ***adding the following after the definition of “non-redeemable investment fund”:***

“publicly accountable enterprise” means a publicly accountable enterprise determined in accordance with the Handbook;; ***and***
 - (d) ***adding the following after the definition of “scholarship plan”:***

“statement of changes in financial position” means a statement of changes in equity or in net assets attributable to securityholders, as applicable to the investment fund;.
3. ***Section 2.1 of National Instrument 81-106 is amended by***
 - (a) ***striking out “statement of net assets” in paragraph (1)(a) wherever it occurs and substituting “statement of financial position”;***
 - (b) ***striking out “statement of operations” in paragraph (1)(b) wherever it occurs and substituting “statement of comprehensive income”;***

- (c) **striking out** “statement of changes in net assets” **in paragraph (1)(c) wherever it occurs and substituting** “statement of changes in financial position”;
- (d) **repealing paragraph (1)(d) and substituting the following:**
 - (d) for financial years beginning on or after January 1, 2011, a statement of cash flows for that financial year and a statement of cash flows for the immediately preceding financial year;; **and**
- (e) **repealing paragraph (1)(f) and substituting the following:**
 - (f) a statement of financial position as at the beginning of the immediately preceding financial year if the investment fund discloses in its annual financial statements an explicit and unreserved statement of compliance with IFRS and if the investment fund:
 - (i) applies an accounting policy retrospectively in its annual financial statements,
 - (ii) makes a retrospective restatement of items in its annual financial statements, or
 - (iii) reclassifies items in its annual financial statements; and
 - (g) notes to the annual financial statements.

4. Section 2.3 of National Instrument 81-106 is repealed and substituted by

- (a) **in the title, striking out** “Interim Financial Statements” **and substituting** “Interim Financial Report”;
- (b) **striking out** “interim financial statements” **and substituting** “an interim financial report”;
- (c) **striking out** “include” **and substituting** “includes”;
- (d) **striking out** “statement of net assets” **in paragraph (a) wherever it occurs and substituting** “statement of financial position”;
- (e) **striking out** “statement of operations” **in paragraph (b) wherever it occurs and substituting** “statement of comprehensive income”;
- (f) **striking out** “statement of changes in net assets” **in paragraph (c) wherever it occurs and substituting** “statement of changes in financial position”;
- (g) **repealing paragraph (d) and substituting the following:**

- (d) for financial years beginning on or after January 1, 2011, a statement of cash flows for that interim period and a statement of cash flows for the corresponding period in the immediately preceding financial year;; **and**

(h) *repealing paragraph (f) and substituting the following:*

- (f) a statement of financial position as at the beginning of the immediately preceding financial year if the investment fund discloses in its interim financial report compliance with International Accounting Standard 34 *Interim Financial Reporting* and if the investment fund:
 - (i) applies an accounting policy retrospectively in its interim financial report,
 - (ii) makes a retrospective restatement of items in its interim financial report, or
 - (iii) reclassifies items in its interim financial report; and
- (g) notes to the interim financial report.

5. *Section 2.4 of National Instrument 81-106 is amended by*

- (a) *in the title, striking out “Interim Financial Statements” and substituting “Interim Financial Report”; and***
- (b) *striking out “interim financial statements” and substituting “interim financial report”.***

6. *Section 2.6 of National Instrument 81-106 is repealed and substituted by the following:*

2.6 *Acceptable Accounting Principles*

- (1) For financial years beginning before January 1, 2011, the financial statements of an investment fund must be prepared in accordance with Canadian GAAP determined in accordance with Part IV of the Handbook applicable to public enterprises.
- (2) For financial years beginning on or after January 1, 2011, the financial statements of an investment fund must be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises.
- (3) Financial statements must be prepared in accordance with the same accounting principles for all periods presented in the financial statements.

7. *Section 2.7 of National Instrument 81-106 is amended by repealing subsection (2) and substituting the following:*

- (2) For financial years beginning before January 1, 2011, audited financial statements must be accompanied by an auditor's report prepared in accordance with Canadian GAAS and the following requirements:
 1. The auditor's report must not contain a reservation.
 2. The auditor's report must identify all financial periods presented for which the auditor has issued an auditor's report.
 3. If the investment fund has changed its auditor and a comparative period presented in the financial statements was audited by a different auditor, the auditor's report must refer to the former auditor's report on the comparative period.
 4. The auditor's report must identify the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements.

 - (3) For financial years beginning on or after January 1, 2011, audited financial statements must be accompanied by an auditor's report prepared in accordance with Canadian GAAS and the following requirements:
 1. The auditor's report does not contain a modification of opinion.
 2. The auditor's report identifies all financial periods presented for which the auditor has issued an auditor's report.
 3. The auditor's report is in the form specified by Canadian GAAS for an audit of financial statements prepared in accordance with a fair presentation framework.
 4. The auditor's report refers to IFRS as the applicable fair presentation framework.
 5. If the investment fund has changed its auditor and a comparative period presented in the financial statements was audited by a different auditor, the auditor's report is accompanied by the predecessor auditor's report on the comparative period or refers to the predecessor auditor's report on the comparative period.
8. ***Section 2.9 of National Instrument 81-106 is amended by***
- (a) ***striking out*** "interim financial statements" ***wherever it occurs and substituting*** "an interim financial report";

- (b) ***striking out*** “statement of net assets” ***wherever it occurs and substituting*** “statement of financial position”;
 - (c) ***striking out*** “statement of operations” ***wherever it occurs and substituting*** “statement of comprehensive income”;
 - (d) ***striking out*** “statement of changes in net assets” ***wherever it occurs and substituting*** “statement of changes in financial position”;
 - (e) ***in subsection (4), striking out*** “subsections 4.8(7) and (8)” ***and substituting*** “paragraphs 4.8(7)(a), (7)(b), (8)(a) and (8)(b)”;
 - (f) ***striking out*** “, if applicable,” ***in subparagraph (4)(a)(ii) and subparagraph (4)(b)(ii); and***
 - (g) ***striking out*** “statement of cashflows” ***and substituting*** “statement of cash flows” ***in subparagraph (4)(a)(ii) and subparagraph (4)(b)(ii).***
9. ***Section 2.10 of National Instrument 81-106 is amended in paragraph (j) by striking out*** “interim and annual financial statements” ***and substituting*** “interim financial report and annual financial statements”.
10. ***Section 2.12 of National Instrument 81-106 is amended by***
- (a) ***in the title, striking out*** “Interim Financial Statements” ***and substituting*** “Interim Financial Report”;
 - (b) ***striking out*** “interim financial statements” ***wherever it occurs and substituting*** “interim financial report”; ***and***
 - (c) ***in subsection (2), striking out*** “have” ***and substituting*** “has”.
11. ***Section 3.1 of National Instrument 81-106 is amended by***
- (a) ***in the title, striking out*** “Statement of Net Assets” ***and substituting*** “Statement of Financial Position”;
 - (b) ***striking out*** “statement of net assets” ***and substituting*** “statement of financial position”;
 - (c) ***repealing paragraph 14 and substituting the following:***
 - 14. total equity or net assets attributable to securityholders and, if applicable, for each class or series.; ***and***
 - (d) ***repealing paragraph 15 and substituting the following:***

15. total equity per security or net assets attributable to securityholders per security, or if applicable, per security of each class or series.

12. Section of 3.2 of National Instrument 81-106 is amended by

- (a) **in the title, striking out** “Statement of Operations” **and substituting** “Statement of Comprehensive Income”;
- (b) **striking out** “statement of operations” **and substituting** “statement of comprehensive income”;
- (c) **repealing paragraph 12;**
- (d) **striking out** “provision for” **in paragraph 14;**
- (e) **adding the following after paragraph 17:**
 - 17.1 if recognized as an expense, distributions, showing separately the amount distributed out of net investment income, out of realized gains on portfolio assets sold, and return of capital.;
- (f) **repealing paragraph 18 and substituting the following:**
 18. increase or decrease in total equity from operations, or in net assets attributable to securityholders (excluding distributions) from operations, and, if applicable, for each class or series.; **and**
- (g) **repealing paragraph 19 and substituting the following:**
 19. increase or decrease in total equity from operations per security, or in net assets attributable to securityholders (excluding distributions) from operations per security, or, if applicable, per security of each class or series.

13. Section 3.3 of National Instrument 81-106 is amended by

- (a) **in the title, striking out** “Statement of Changes in Net Assets” **and substituting** “Statement of Changes in Financial Position”;
- (b) **striking out** “statement of changes in net assets” **and substituting** “statement of changes in financial position”;
- (c) **repealing paragraph 1 and substituting the following:**

1. total equity or net assets attributable to securityholders at the beginning of the period.;

(d) *repealing paragraph 2;*

(e) *repealing paragraph 6 and substituting the following:*

6. if not recognized as an expense, distributions, showing separately the amount distributed out of net investment income, out of realized gains on portfolio assets sold, and return of capital.; ***and***

(f) *repealing paragraph 7 and substituting the following:*

7. total equity or net assets attributable to securityholders at the end of the period.

14. *Section 3.4 of National Instrument 81-106 is amended by*

(a) *in the title, striking out “Statement of Cashflows” and substituting “Statement of Cash Flows”;*

(b) *striking out “statement of cashflows” and substituting “statement of cash flows”;*

(c) *repealing paragraph 1; and*

(d) *repealing paragraph 3 and substituting the following:*

3. payments for the purchase of portfolio assets.

15. *Section 3.5 of National Instrument 81-106 is amended by adding the following after subsection 8:*

(8.1) *Despite any requirement in Canadian GAAP for an investment fund to prepare consolidated financial statements, the statement of investment portfolio must:*

- (a) *be presented on a non-consolidated basis;***
- (b) *identify any portfolio assets which represent investments that have been consolidated in the statement of financial position; and***
- (c) *include an explanation of any differences relating to the basis of accounting for investments between the statement of investment portfolio and the statement of financial position.***

16. Section 3.6 of National Instrument 81-106 is amended by

(a) adding the following after paragraph (1)1:

1.1 for financial years beginning on or after January 1, 2011, the basis for classifying the investment fund's outstanding securities, or each class or series of outstanding securities, as either equity instruments or financial liabilities.;

(b) striking out "statement of changes in net assets" in paragraph (1)4 and substituting "statement of changes in financial position";

(c) repealing paragraph (1)5 and substituting the following:

5. the net asset value per security as at the date of the financial statements compared to the total equity per security or net assets attributable to securityholders per security as shown on the statement of financial position, and an explanation of each of the differences between these amounts.;

(d) adding the following after subsection (2):

(3) For financial years beginning on or after January 1, 2011, the notes to the financial statements must disclose:

(a) in the case of annual financial statements, an explicit and unreserved statement of compliance with IFRS; and

(b) in the case of interim financial reports, compliance with International Accounting Standard 34 *Interim Financial Reporting*.

17. Section 3.8 of National Instrument 81-106 is amended by

(a) striking out "statement of net assets" in subsection (2) and substituting "statement of financial position"; and

(b) striking out "statement of operations" in subsection (3) and substituting "statement of comprehensive income".

18. Section 3.9 of National Instrument 81-106 is amended by

(a) striking out "statement of net assets" wherever it occurs in subsection (2) and substituting "statement of financial position"; and

(b) striking out "statement of operations" in subsection (3) and substituting "statement of comprehensive income".

19. Section 3.10 of National Instrument 81-106 is amended by

- (a) striking out “statement of net assets” in subsection (2) and substituting “statement of financial position”; and**
- (b) striking out “statement of operations” in subsection (3) and substituting “statement of comprehensive income”.**

20. Section 3.11 of National Instrument 81-106 is amended by

- (a) striking out “statement of net assets” in subparagraph (1)(a)(iii) and substituting “statement of financial position”;**
- (b) striking out “statement of operations” in paragraph (1)(c) and substituting “statement of comprehensive income”; and**
- (c) repealing subsection (2) and substituting the following:**
 - (2) Despite the requirements of sections 3.1 and 3.2, an investment fund that is a scholarship plan may omit the “total equity per security or net assets attributable to securityholders per security” and “increase or decrease in total equity from operations per security, or in net assets attributable to securityholders (excluding distributions) from operations per security” line items from its financial statements.**

21. Section 4.2 of National Instrument 81-106 is amended by striking out “interim financial statements” and substituting “interim financial report”.

22. Section 5.1 of National Instrument 81-106 is amended in paragraph (2)(b) by striking out “interim financial statements” and substituting “the interim financial report”.

23. Section 8.2 of National Instrument 81-106 is amended in paragraph (d) by striking out “interim financial statements” and substituting “an interim financial report”.

24. Section 8.4 of National Instrument 81-106 is amended by striking out “the net assets” and substituting “of the total equity or net assets attributable to securityholders”.

25. Section 8.5 of National Instrument 81-106 is amended in paragraph (b) by striking out “[net assets/venture investments]” and substituting “[total equity/net assets attributable to securityholders/venture investments]”.

26. Section 15.1 of National Instrument 81-106 is amended by repealing clause (1)(a)(i)(A) and substituting the following:

- (A) total expenses of the investment fund, excluding distributions if recognized as an expense, commissions and other portfolio transaction costs, before income taxes, for the financial year or interim period, as shown on its statement of comprehensive income; and .

27. Section 15.2 of National Instrument 81-106 is amended by

(a) repealing subparagraph (1)(a)(i) and substituting the following:

- (i) multiplying the total expenses of each underlying investment fund, excluding distributions if recognized as an expense, commissions and other portfolio transaction costs, before income taxes, for the financial year or interim period, by ; **and**

(b) repealing paragraph (1)(b) and substituting the following:

- (b) the total expenses of the investment fund, excluding distributions if recognized as an expense, commissions and other portfolio transaction costs, before income taxes, for the period.

28. Part 18 of National Instrument 81-106 is amended by adding the following before section 18.6:

18.5.1 Transition to IFRS

- (1) For the first interim period in the financial year beginning on or after January 1, 2011, an investment fund must file, with its interim financial report for that interim period, an opening statement of financial position as at the date of transition to IFRS.
- (2) For the first financial year beginning on or after January 1, 2011, an investment fund must file, with its annual financial statements for that financial year, an audited opening statement of financial position as at the date of transition to IFRS.
- (3) Despite sections 3.1, 3.2, 3.3 and 3.4, for financial years beginning before January 1, 2011, an investment fund may present line items and use terminology in its financial statements consistent with the immediately preceding financial year.

29. Part A, Item 1 of Form 81-106F1 Contents of Annual and Interim Management Report of Fund Performance is amended by

- (a) **striking out** “This concept of materiality is consistent with the financial reporting notion of materiality contained in the Handbook.” **in paragraph (e); and**

(b) striking out the first sentence in paragraph (f) and substituting the following:

All references to “net assets” or “net assets per security” in this Form are references to total equity or net assets attributable to securityholders determined in accordance with Canadian GAAP as presented in the financial statements of the investment fund.

30. Part B, Item 1 of Form 81-106F1 is amended by repealing the third paragraph and substituting the following:

Securityholders may also contact us using one of these methods to request a copy of the investment fund’s interim financial report, proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

31. Part B, Item 3, section 3.1 of Form 81-106F1 is amended by

(a) in subsection (1), striking out “total expenses” in *The Fund’s Net Assets Per [Unit/Share] table and substituting “total expenses [excluding distributions]”;*

(b) in subsection (1), striking out “From income (excluding dividends)” in *The Fund’s Net Assets Per [Unit/Share] table and substituting “From net investment income (excluding dividends)”;*

(c) in subsection (1), striking out “(excluding commissions and other portfolio transaction costs)” in footnote (2) to the *Ratios and Supplemental Data table and substituting “(excluding [distributions], commissions and other portfolio transaction costs)”;*

(d) adding the following after subsection (3):

(3.1) Show the financial highlights on a non-consolidated basis. ; **and**

(e) adding the following after subsection (7):

(7.1) (a) For financial years beginning before January 1, 2011, the financial highlights may be derived from the investment fund’s financial statements prepared in accordance with subsection 2.6(1) of the Instrument.

(b) For financial periods beginning on or after January 1, 2011, derive the financial highlights from the investment fund’s financial statements prepared in accordance with subsection 2.6(2) of the Instrument.

(c) Despite (a), an annual MRFP for a financial year beginning on or after January 1, 2011 must disclose financial highlights for the

immediately preceding financial year which are derived from financial statements prepared in accordance with subsection 2.6(2) of the Instrument.

- (d) If the financial highlights relate to financial periods beginning both before and on or after January 1, 2011, disclose, in a note to the table, the accounting principles applicable to each period.

32. Part B, Item 3, section 3.2 of Form 81-106F1 is amended by

- (a) ***striking out*** “Balance Sheet” ***in the Financial & Operating Highlights (with comparative figures) table and substituting*** “Statement of Financial Position”; ***and***
- (b) ***striking out*** “Statement of Operations” ***in the Financial & Operating Highlights (with comparative figures) table and substituting*** “Statement of Comprehensive Income”.

33. Part C, Item 1 of Form 81-106F1 is amended by repealing the second paragraph and substituting the following:

This interim management report of fund performance contains financial highlights, but does not contain either the interim financial report or annual financial statements of the investment fund. You can get a copy of the interim financial report or annual financial statements at your request, and at no cost, by calling [toll-free/collect call telephone number], by writing to us at [insert address] or by visiting our website at [insert address] or SEDAR at www.sedar.com.

34. This Instrument comes into force on January 1, 2011.