

Schedule 5-A of the CSA Notice announcing amendments to NI 81-102 dated 07 Oct 2021

**AMENDMENTS TO
NATIONAL INSTRUMENT 81-102 INVESTMENT FUNDS**

- 1. National Instrument 81-102 Investment Funds is amended by this Instrument.**
- 2. Section 1.1 is amended by replacing the definition of “designated rating” with the following:**

“designated rating” means a credit rating from a designated rating organization listed below, from a DRO affiliate of an organization listed below, from a designated rating organization that is a successor credit rating organization of an organization listed below or from a DRO affiliate of the successor credit rating organization, that is at or above one of the following corresponding rating categories, or that is at or above a category that replaces one of the following corresponding rating categories, if

- (a) there has been no announcement from the designated rating organization, from a DRO affiliate of the organization, from a designated rating organization that is a successor credit rating organization or from a DRO affiliate of the successor credit rating organization, of which the investment fund or its manager is or reasonably should be aware that the credit rating of the security or instrument to which the designated rating was given may be down-graded to a rating category that is not referred to in this definition, and
- (b) no designated rating organization listed below, no DRO affiliate of an organization listed below, no designated rating organization that is a successor credit rating organization of an organization listed below and no DRO affiliate of such successor credit rating organization, has rated the security or instrument in a rating category that is not referred to in this definition:

Designated Organization	Rating	Commercial Paper/Short Debt	Term	Long Term Debt
DBRS Limited		R-1 (low)		A
Fitch Ratings, Inc.		F1		A
Moody’s Canada Inc.		P-1		A2
S&P Global Ratings Canada		A-1 (Low)		A

- 3. Section 1.1. is amended**
 - (a) **by deleting “and” after the definition of “underlying interest”,**
 - (b) **by replacing “.” with “;” after the definition of “underlying market exposure”, and**
 - (c) **by adding the following definitions:**

“U.S. GAAP” has the same meaning as in section 1.1. of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

“U.S. AICPA GAAS” has the same meaning as in section 1.1 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

“U.S. PCAOB GAAS” has the same meaning as in section 1.1. of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*..

- 4. Section 1.2 is amended by adding the following subsection:**

(2.1) Despite subsection (1), section 2.5.1 also applies to an investment fund that is not a reporting issuer..

- 5. The Instrument is amended by adding the following section:**

2.5.1 Investments in Other Investment Funds by Funds Not Reporting Issuers –

(1) In this section, “significant interest” and “substantial security holder” have the meaning,

- (a) except in British Columbia, ascribed to those terms in the investment fund conflict of interest investment restrictions, and
- (b) in British Columbia, ascribed to those terms in section 2 of BC Instrument 81-513 *Self-Dealing*.

(2) The investment fund conflict of interest investment restrictions and the investment fund conflict of interest reporting requirements do not apply to an investment fund that is not a reporting issuer and that purchases or holds securities of another investment fund that is not a reporting issuer if

- (a) the investment fund's securities are distributed solely under an exemption from the prospectus requirement,
- (b) the purchase or holding is in accordance with paragraphs 2.5(2)(b), (d), (e) and (f),
- (c) the other investment fund prepares annual financial statements for its most recently completed financial year, and obtains an auditor's report with respect to those statements, within 90 days after the end of that financial year,
- (d) the other investment fund prepares interim financial statements for its most recently completed interim period within 60 days after the end of that interim period,
- (e) the audited annual financial statements referred to in paragraph (c) and the interim financial statements referred to in paragraph (d) are prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises, IFRS or U.S. GAAP,
- (f) the audited annual financial statements referred to in paragraph (c) are audited in accordance with Canadian GAAS, International Standards on Auditing, U.S. AICPA GAAS or U.S. PCAOB GAAS and the auditor's report referred to in paragraph (c) expresses an unmodified or unqualified opinion, as applicable,
- (g) the other investment fund complies with section 2.4,
- (h) the other investment fund has the same redemption and valuation dates as the investment fund,
- (i) any purchase of the other fund's securities is made at a price that equals the net asset value per security of the other fund calculated in accordance with section 14.2 of National Instrument 81-106 *Investment Fund Continuous Disclosure*,
- (j) before an investor purchases securities of the investment fund, the investor is provided a document that discloses
 - (i) that the fund may purchase securities of other related funds from time to time,
 - (ii) that the manager of the fund is any of the following, as applicable:
 - (A) the manager of each of the other funds;
 - (B) the portfolio adviser of each of the other funds;
 - (C) an affiliate of the manager of each of the other funds;
 - (D) an affiliate of the portfolio adviser of each of the other funds,
 - (iii) the approximate or maximum percentage of net assets of the fund that is intended to be invested in securities of the other fund,
 - (iv) the fees, expenses and any performance or special incentive distributions payable by the other fund,

- (v) the process or criteria used to select the other fund,
 - (vi) for each officer, director or substantial security holder of the fund's manager, or of the fund, that has a significant interest in the other fund, the approximate amount of the significant interest that each officer, director or substantial securityholder holds in the other fund expressed as a percentage of the other fund's net asset value, and any conflicts of interest or potential conflicts of interest,
 - (vii) if the officers, directors and substantial securityholders of the fund's manager or of the fund, in aggregate, hold a significant interest in the other fund,
 - (A) the actual or approximate amount of the significant interest they hold, on an aggregate basis, expressed as a percentage of the other fund's net asset value, and
 - (B) any conflicts of interest or potential conflicts of interest, and
 - (viii) that investors are entitled to receive, on request and free of charge,
 - (A) a copy of the offering memorandum or other similar disclosure document of each other fund, if available, and
 - (B) the audited annual financial statements, accompanied by an auditor's report, and interim financial statements, if any, relating to each other fund, and
 - (k) investors are informed annually of their right to receive, on request and free of charge, a copy of the documents referred to in subparagraph (j)(viii).
- (3) The investment fund conflict of interest investment restrictions and the investment fund conflict of interest reporting requirements do not apply to an investment fund that is not a reporting issuer and that purchases or holds securities of another investment fund if the other investment fund is a reporting issuer and the purchase or holding is in accordance with section 2.5..

6. Subsection 4.1(4) is replaced with the following:

- (4) Subsection (1) does not apply to an investment in a class of securities of a reporting issuer if,
- (a) at the time of the investment,
 - (i) the independent review committee of the dealer managed investment fund has approved the transaction in accordance with subsection 5.2(2) of NI 81-107, and
 - (ii) the distribution of securities of the reporting issuer is made by prospectus or under an exemption from the prospectus requirement;
 - (b) during the 60 days after the period referred to in subsection (1), any of the following apply:
 - (i) the investment is made on an exchange on which the securities of the reporting issuer are listed and traded;
 - (ii) if the security is a debt security that does not trade on an exchange, the ask price is readily available and the price paid is not higher than the available ask price of the debt security at the time of the investment, and
 - (c) no later than the time the dealer managed investment fund files its annual financial statements, the manager of the dealer managed investment fund files the particulars of each investment made by the dealer managed investment fund during its most recently completed financial year..

7. The second row of Appendix D is replaced by the following row:

All Jurisdictions	Paragraphs 13.5(2)(a) and (b) of National Instrument 31-103 <i>Registration Requirements, Exemptions and Ongoing Registrant Obligations</i> and subsection 4.1(2) of this Instrument
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8. The table in Appendix E is deleted and replaced by the following:

Jurisdiction	Securities Legislation Reference
Alberta	Paragraph 191(1)(a) of the <i>Securities Act</i> (Alberta)
British Columbia	Paragraph 9(a) of BC Instrument 81-513 <i>Self-Dealing</i>
New Brunswick	Paragraph 143(1)(a) of the <i>Securities Act</i> (New Brunswick)
Newfoundland and Labrador	Paragraph 118(1)(a) of the <i>Securities Act</i> (Newfoundland and Labrador)
Nova Scotia	Paragraph 125(1)(a) of the <i>Securities Act</i> (Nova Scotia)
Ontario	Item 117(1)1 of the <i>Securities Act</i> (Ontario)
Saskatchewan	Paragraph 126(1)(a) of the <i>Securities Act, 1988</i> (Saskatchewan)

Effective Date

9. (1) This Instrument comes into force on January 5, 2022.
- (2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after January 5, 2022, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.