

CMRA Regulation 81-501
Investment Funds

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PART 1 SELF-DEALING

1. Definitions

In this Part,

“investment” means a purchase of a security, or a loan or advance to a person, but does not include a loan or advance that

- (a) is made by an investment fund, its investment fund manager or its principal distributor; and
- (b) is merely ancillary to the main business of the investment fund, its investment fund manager or its principal distributor;

“investment fund” means an investment fund that is

- (a) a reporting issuer; or
 - (b) a mutual fund that is organized under the laws of a CMR Jurisdiction,
- but does not include a private mutual fund;

“principal distributor” has the same meaning as in section 1.1 of National Instrument 81-102 *Investment Funds*;

“related investment funds” includes more than one investment fund under common management; and

“related person” means, in relation to an investment fund, a person in whom the investment fund, its investment fund manager or its investment fund distributor are not permitted under section 6 to make an investment.

2. Related person, significant interest, substantial security holder

For the purposes of this Part,

- (a) an issuer in which
 - (i) an investment fund holds voting securities carrying more than 10 per cent of the voting rights attached to all outstanding voting securities of the issuer, or
 - (ii) an investment fund and related investment funds hold voting securities carrying more than 20 per cent of the voting rights attached to all outstanding voting securities of the issuer,

is a related person of that investment fund or of each of those investment funds;

- (b) a person or a group of persons has a significant interest in an issuer if, in the case of
 - (i) one person, the person owns beneficially, directly or indirectly, more than 10 per cent, or
 - (ii) a group of persons, the group owns beneficially, directly or indirectly, individually or collectively, more than 50 per cent,of the outstanding securities of the issuer; and
- (c) a person or a group of persons is a substantial security holder of an issuer if that person or group of persons owns beneficially, directly or indirectly, individually or collectively, voting securities carrying more than 20 per cent of the voting rights attached to all outstanding voting securities of the issuer.

3. Beneficial ownership

For the purposes of this Part, if a person or a group of persons owns beneficially voting securities of an issuer, that person or group of persons is deemed to own beneficially a proportion of voting securities of any other issuer that are owned beneficially by the first mentioned issuer, which proportion is equal to the proportion of the voting securities of the first mentioned issuer that are owned beneficially by that person or group of persons.

4. Underwriter's securities exclusion

For the purposes of paragraph 2(c), when computing the percentage of voting rights attached to voting securities owned by an underwriter, there must be excluded any voting securities acquired by the underwriter in a distribution of the securities, but the exclusion ceases to have effect on completion or cessation of the distribution by the underwriter.

5. Section 3 exemption

Despite section 3, a registered investment fund manager or registered adviser, acting on behalf of an investment fund, and the investment fund are not prevented by sections 6 or 7 from making an investment in an issuer only because a person or a group of persons, who owns beneficially voting securities of the investment fund, its investment fund manager or its principal distributor, is by reason of that ownership deemed under section 3 to own beneficially voting securities of the issuer.

6. Investments of investment funds

A registered investment fund manager or registered adviser, acting on behalf of an investment fund, must not cause the investment fund to make or hold an investment and an investment fund must not knowingly make or hold an investment

- (a) by way of loan to
 - (i) any officer or director of the investment fund, its investment fund manager or its principal distributor or an associate of any of them,
 - (ii) an individual if the individual or an associate of the individual is a substantial security holder of the investment fund, its investment fund manager or its principal distributor;
- (b) in a person who is a substantial security holder of the investment fund, its investment fund manager or its principal distributor;
- (c) in a person in which the investment fund, alone or together with one or more related investment funds, is a substantial security holder; or
- (d) in an issuer in which
 - (i) an officer or director of the investment fund, its investment fund manager or its principal distributor or an associate of any of them, or
 - (ii) a person who is a substantial security holder of the investment fund, its investment fund manager or its principal distributor,has a significant interest.

7. Indirect investment

A registered investment fund manager, registered adviser or principal distributor, acting on behalf of an investment fund, must not knowingly cause the investment fund to enter into a contract or other arrangement and the investment fund must not enter into any contract or other arrangement that results in the investment fund being directly or indirectly liable or contingently liable in respect of an investment in or to a person to whom it is not permitted to make an investment under section 6.

8. Fees on investment for investment fund

An investment fund that is a reporting issuer must not make an investment in consequence of which a related person of the investment fund will receive a fee or other compensation unless the fee is paid under a contract that is disclosed in a preliminary prospectus or prospectus filed by the investment fund and accepted by the Chief Regulator.

[9. Transition – exemptions under the Passport System granted before the effective date of this Regulation

- (1) If a person was granted an exemption from a provision of securities legislation listed in Appendix A, and the exemption was granted by the person's principal regulator as defined in Multilateral Instrument 11-102 *Passport System*, the equivalent provision of this Regulation listed in Appendix A opposite that provision does not apply to the person if
 - (a) the exemption in the principal jurisdiction, as defined in Multilateral Instrument 11-102 *Passport System*, is in effect;
 - (b) the person that made the application for the exemption gave notice to the commission or executive director that section 4.7 of Multilateral Instrument 11-102 *Passport System* is intended to be relied upon with respect to this Regulation;
 - (c) the person relying on the exemption complies with any terms, conditions, restrictions or requirements imposed by the principal regulator as if they were imposed in the local jurisdiction; and
 - (d) the exemption was granted before the effective date of this Regulation.
- (2) For the purpose of paragraph (1) (b), the person may give the notice referred to in that paragraph by giving it to the principal regulator.]

[NOTE: This provision will be considered when determining the interface to be established between CMR Jurisdictions and other jurisdictions.]

PART 2 FILING

10. Filing of material filed in other jurisdictions

- (1) An investment fund that is a reporting issuer must file a copy of any record that it files with a government of a jurisdiction other than a CMR Jurisdiction, or an agency of that government, or with an exchange wherever situate, under the securities or corporate law of that jurisdiction or under the bylaws, rules, other regulatory instruments or policies of that exchange, if the record contains information that is
 - (a) not already filed with the Chief Regulator, whether in the same or a different form; and
 - (b) material to investors.
- (2) An investment fund that is a reporting issuer must file the records under subsection (1) within 7 days after the issuer files the records referred to in subsection (1) with the comparable body or exchange.

Appendix A
Table of Equivalent Self-Dealing Provisions

Provision	CMRA Regulation 81-501	Alberta	Manitoba	Quebec	Nova Scotia	Newfoundland and Labrador	Northwest Territories	Nunavut
Investments of mutual funds	s.6	s. 185	n/a	n/a	s. 119	s. 112	n/a	n/a
Indirect investment	s.7	s. 186	n/a	n/a	s. 120	s. 113	n/a	n/a
Fees on investment for mutual fund	s.8	s. 189	n/a	n/a	s. 123	s. 116	n/a	n/a
Report of mutual fund manager	n/a	s. 191	n/a	n/a	s. 125	s. 118	n/a	n/a