



BC Notice 2003/53

**Revocation of Fund of Fund Exemptions, Waivers and Approvals under  
National Policy Statement No. 39 *Mutual Funds* and  
National Instrument 81-102 *Mutual Funds***

**Background**

National Instrument 81-102 *Mutual Funds* (NI 81-102) prohibits a mutual fund from investing more than 10 per cent of its net assets in another mutual fund. The predecessor instrument, National Policy No. 39 *Mutual Funds* (NP 39), imposed the same restriction. Many fund managers have obtained exemptions or waivers from, or approval under, NP 39 or NI 81-102 to allow specific mutual funds to invest in other mutual funds (fund of fund relief).

After many years of development and consultation, we have amended NI 81-102 (the amendment instrument) effective December 31, 2003, to provide more flexibility for mutual funds that invest in other mutual funds. We intend these new rules for fund of fund structures to replace all of the specific relief we previously provided, so that all will be operating under the same rules. In order to provide a reasonable transition period for mutual funds that are currently relying on fund of fund relief, the amendment instrument provides that a mutual fund that has obtained fund of fund relief prior to December 31, 2003 will no longer be able to rely on that relief starting December 31, 2004. Because of differing legislative requirements, however, this provision does not apply in British Columbia.

**Revocation of fund of fund relief in British Columbia**

In order to treat mutual funds that invest in other mutual funds the same in British Columbia as in the rest of Canada, and to address our different legislative requirements, the Commission has made BC Instrument 81-508 Revocation of Fund of Fund Exemptions, Waivers and Approvals under National Policy Statement No. 39 *Mutual Funds* and National Instrument 81-102 *Mutual Funds*.

This BCI revokes all fund of fund relief effective December 31, 2004. From then on, all mutual funds that have previously obtained this relief will have to comply with the new fund of fund rules.

December 12, 2003

Douglas M. Hyndman  
Chair

Ref: *Securities Act* s. 171  
NI 81-102 *Mutual Funds*  
NI 81-102 Amendment Instrument, in force on December 31, 2003  
NP 39 *Mutual Funds*

*This Notice may refer to other documents. These documents can be found at the B.C. Securities Commission public website at [www.bcsc.bc.ca](http://www.bcsc.bc.ca) in the Commission Documents database or the Historical Documents database.*