

NATIONAL POLICY No. 28
MUTUAL FUNDS: INVESTMENT RESTRICTIONS - OPTIONS

National Policy No. 28 is further amended by the deletion of all references to rights and warrants. The limit on the amount of the portfolio on which the fund can write covered clearing corporation call options is also deleted. The ten percent of market value limitation therefore now applies only to clearing corporation put and call options. These amendments and consolidation of policy have resulted in the paragraph numbering changes.

AMENDED EXITING POLICY

1. Where not inconsistent with its expressed investment objective a mutual fund may purchase options issued by a clearing corporation recognized by the Administrators, hereinafter called “clearing corporation options”. Similarly, a mutual fund will be permitted to write covered clearing corporation call options.
2. A mutual fund shall not write put options purchase or uncovered call options.
3. Except for purchases made to close out options written under Section 1, the market value of clearing corporation options purchased shall be limited to ten percent of the market value of the net assets of the fund at the time of purchase.
4. Clearing corporation options purchased shall be valued at current market value.
5. Upon writing a covered clearing corporation option:
 - a) The premium received shall immediately be offset by a deferred credit. Thereafter, so long as an open position is maintained, such deferred credit shall be valued at an amount equal to the current market value of an option which would have the effect of closing the writer’s position. Any difference resulting from revaluation should be treated as an unrealized gain or loss on investment. Such deferred credit shall be deducted in arriving at the net assets of the fund.
 - b) The securities which are the subject of a clearing corporation option shall continue to be valued at current market value.
6. The Schedule of Investments (Statement of Investment Portfolio) included in a prospectus shall disclose, with respect to clearing corporation options in an “open” position, at least the following:
 - a) For options purchased -
 - i. the number, the underlying security, the exercise price, the expiration months, the cost and market value.

- b) For options written -
 - i. the underlying security shall be identified, by asterisk or otherwise, as being the subject of an option written:
 - ii. analysis of the deferred credit account indicating the number of options, the underlying security, the exercise price, the expiration month, the premium received and the market value.