CFA Societies Canada

Canadian Advocacy Council

120 Adelaide Street West, Suite 2205
Toronto, ON M5H 1T1

+1 (416) 366 3658 tel
www.cfacanada.org

December 11, 2019

BY EMAIL

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumers Services Commission, New Brunswick
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Superintendent of Securities, Nunavut

The Secretary
Ontario Securities Commission
20 Queen Street West 22nd Floor Toronto, Ontario
M5H 3S8
Email: comments@osc.gov.on.ca

and

Me Philippe Lebel Corporate Secretary and Executive Director, Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1
Email: consultation-en-cours@lautorite.qc.ca

Dear Sirs/Mesdames:

Re: CSA Notice and Request for Comment Reducing Regulatory Burden for Investment Fund Issuers – Phase 2, Stage 1 (the "Proposed Amendments")

The Canadian Advocacy Council of CFA Societies Canada [1] (the CAC) appreciates the opportunity to provide the following general comments on the Proposed Amendments and respond to the specific questions below.

[1] The CAC is an advocacy council for CFA Societies Canada, representing the 12 CFA Institute Member Societies across Canada and over 18,000 Canadian CFA charterholders. The council includes investment professionals across Canada who review regulatory, legislative, and standard setting developments affecting investors, investment professionals, and the capital markets in Canada. Visit www.cfacanada.org to access the advocacy work of the CAC.
CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion of ethical behavior in investment markets and a respected source of

We are very supportive of the CSA's efforts to reduce the regulatory burden for investment fund issuers and the registrants that support them without negatively impacting investor protection. We are also in favour of the harmonized approach the CSA has taken with respect to this consultation.

Workstream One: Consolidate the Simplified Prospectus and the Annual Information Form

The proposal to consolidate the annual information form ("AIF") into the simplified prospectus for mutual funds in continuous distribution is a good solution to the issue of duplicative disclosure. As suggested in the notice describing the Proposed Amendments, some elements of disclosure required in an AIF do not provide incremental benefit to investors. Given the simplified language and standardized format of the fund facts document ("Fund Facts"), investors may find greater utility in relying on such documents.

With respect to the removal of certain specific requirements from the existing Form 81-101F1 and Form 81-101F2, we note that subsection 4.14(2) of Part A of the consolidated simplified prospectus retains the obligation to disclose the holding of more than 10% of any class or series of the mutual fund by any person or company. We do not believe that in the context of mutual funds this information is meaningful to investors. It is unlikely that significant equity ownership would have an impact on the control or direction of the fund, which would be managed by its registered portfolio manager (with oversight by the IFM and any trustee of the fund in the case of a third party trustee).

In response to Question #7, we believe it is necessary to maintain flexibility with respect to amendments to the simplified prospectus. While advances in electronic delivery and print-on-demand technology have eased the amendment process somewhat, it would be difficult and costly for investment funds to prepare an amended and restated prospectus for any material change, some of which can be described in only a few lines (such as in the case of a name change).

We understand that some commentators have recommended that the CSA considering going even further in Stage 2 of its proposals and consider whether annual renewal of a simplified prospectus is still required, given the time and cost it involves for both regulators and issuers. Absent a concrete plan to ensure that the disclosure in the prospectus otherwise meets regulatory and investor expectations, we would prefer that the regulators consider alternatives to less frequent renewals. If annual renewals are retained, however, we believe that any material comments on disclosure should be provided by the reviewer as soon as possible in the process and be based on existing published regulatory positions. Given the material change disclosure regime, the requirements for Fund Facts disclosure, and the other continuous disclosure documents required to be publicly filed under National Instrument 81-106 *Investment Fund*

---

knowledge in the global financial community. Our aim is to create an environment where investors' interests come first, markets function at their best, and economies grow. There are more than 165,000 CFA charterholders worldwide in 164 markets. CFA Institute has nine offices worldwide and there are 156 local member societies. For more information, visit www.cfainstitute.org.

Continuous Disclosure, it should be possible to renew a simplified prospectus in a more efficient fashion.

In addition, the CSA could consider whether continuous disclosure documents such as the interim Management Report of Fund Performance are still as beneficial to investors and their advisors, especially given the individualized reporting to investors provided in the annual investment performance report required by CRM2.

Workstream Two: Investment Fund Designated Website

We understand the Proposed Amendments would require reporting investment funds to designate a qualifying website to post regulatory disclosure in part to improve the accessibility of disclosure for investors. Issuers should make disclosure documents more accessible to investors and website postings should further this goal. We note, however, that the introduction of this requirement does not, by itself, reduce burden unless regulatory disclosure otherwise mandated to be in printed form could instead be moved to the website, thus reducing printing costs. Additional clarity could be helpful with respect to regulators' expectations on how a change or update to the posted disclosure should be communicated to investors.

Given the constant updates and breakthroughs in technology, it is important not to be too granular with respect to format or delivery requirements for disclosure documents, as it is important to adopt rules that are technologically neutral.

A potential consideration for Stage 2 of the regulatory burden reduction project would be to categorize or clarify which disclosure found on the website must be pushed to investors or potential investors and which information can be available only on demand from the designated website.

Workstream Three: Codify Exemptive Relief Granted in Respect of Notice-and-Access Applications

This workstream would introduce a notice-and-access system to solicit proxies, similar to what currently exists for other reporting issuers. We are supportive of this harmonization amongst public issuers, as well as of initiatives that help reduce paper disclosure. It may be helpful for funds wishing to use such procedures to be reminded of other relevant obligations for electronic delivery of documents under other relevant statutes (e.g. corporate legislation), similar to what is found in OSC Staff Notice 54-702 *Notice-and-access: Interaction with National Policy 11-201 Electronic Delivery of Documents and the Ontario Business Corporations Act.*

Workstream Four: Minimize Filings of Personal Information Forms

We support the proposal to eliminate the duplicative PIF requirements for the specified individuals who are already registrants or permitted individuals and therefore have more than equivalent personal information filing requirements via the National Registration Database ("NRD") system.

Workstream Five: Codify Exemptive Relief Granted in Respect of Conflicts Applications

We believe that it will be beneficial to codify common exemptive relief, and we would support additional work to level the playing field and save the time, cost and effort involved in obtaining relatively routine discretionary relief. For example, relief is frequently granted with respect to the investment restrictions applicable to alternative mutual funds under National Instrument 81-102 *Investment Funds* ("NI 81-102"). In this light, we were pleased to see that the Ontario government has recently announced its support to an amendment to Ontario's *Securities Act* to grant the Ontario Securities Commission authority to issue blanket orders.

With respect to discretionary relief already granted, some of the orders or decisions may have sunset clauses, but it may not be clear whether those pre-existing orders can still be relied upon. In those limited circumstances where discretionary relief is still required, it would be helpful if the CSA created a process where requests for relief similar to those codified but for one or two conditions not being met could be reviewed on an expedited basis.

Workstream Six: Broaden Pre-Approval Criteria for Investment Fund Mergers

We agree with the proposal to change the pre-approval criteria for investment fund mergers to align with frequently granted discretionary approvals.

Workstream Seven: Repeal Regulatory Approval Requirements for Change of Manager, Change of Control of a Manager, and Change of Custodian that Occurs in Connection with a Change of Manager

We support the proposal to repeal regulatory approval requirements in the enumerated circumstances. A requirement to obtain regulatory approval before the information circular is sent to security holders is unnecessarily burdensome and requires the investment fund manager to build in additional time to obtain approvals, particularly given the need to coordinate the approval with the timing requirement set out in National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*.

Workstream Eight: Codify Exemptive Relief Granted in Respect of Fund Facts Delivery Applications

We are particularly supportive of the initiative to conform the Fund Facts to certain disclosure required by the ETF Facts document. These changes and others in future could reduce the need to have multiple versions of a document when substantially the same product is distributed through different vehicles.

We also support the proposal to exempt conventional mutual funds from the Fund Facts delivery requirement for purchases made in managed accounts or by permitted clients that are not individuals, as the delivery of such pre-sale disclosure generally is not required by the portfolio manager or permitted client making the investment decision.

120 Adelaide Street West, Suite 2205
Toronto, ON M5H 1T1
+1 (416) 366 3658 tel
www.cfacanada.org

The amendments would also exempt certain auto-switch programs from required pre-sale delivery of the Fund Facts document, for purchases of a series as a result of meeting the minimum investment amount of a class due to additional purchases, redemptions or positive market movement. We agree with this exemption, and further agree that it should not apply to purchases of a series as a result of the purchase no longer meeting the minimum amount, presumably because that would result in a higher fee in the resulting newly-invested series. The proposed amendments regarding Fund Facts delivery requirements represent a balanced approach to the issues under consideration.

Concluding Remarks

We thank you for the opportunity to provide these comments. We would be happy to address any questions you may have and appreciate the time you are taking to consider our points of view. Please feel free to contact us at cac@cfacanada.org on this or any other issue in future.

(Signed) *The Canadian Advocacy Council of CFA Societies Canada*

The Canadian Advocacy Council of CFA Societies Canada