



VIA EMAIL

December 11, 2019

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 Consumer 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

Attention:

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, ON M5H 3S8

M^e Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
Autorité des marchés financiers
Place de la Citétour Cominar
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1

Dear Sirs/Mesdames:

**Re: Canadian Securities Administrators Notice and Request for Comment:
*Reducing the Regulatory Burden for Investment Fund Issuers - Phase 2, Stage 1***

Franklin Templeton Investments Corp. (“**Franklin Templeton Canada**”) welcomes the opportunity to make a submission with respect to the Canadian Securities Administrators’ (“**CSA**”) Proposed Amendments and Proposed Changes¹ (together, the “**Proposals**”), which form part of the CSA’s efforts to reduce the regulatory burden for investment fund issuers.

¹ “Proposed Amendments” and “Proposed Changes” have the same meaning as in the CSA Notice and Request for Comment: *Reducing the Regulatory Burden for Investment Fund Issuers - Phase 2, Stage 1*.

Franklin Templeton Canada is registered as an investment fund manager with the securities regulatory authorities in Alberta, British Columbia, Manitoba, Newfoundland and Labrador, Nova Scotia, Ontario and Quebec, a portfolio manager, mutual fund dealer and exempt market dealer with the securities regulatory authorities in all Canadian provinces and one territory, and as a commodity trading manager with the Ontario Securities Commission (the “OSC”). Franklin Templeton Canada is an indirect, wholly owned subsidiary of Franklin Resources, Inc., a global investment organization operating as Franklin Templeton. Franklin Templeton’s goal is to deliver better outcomes by providing global and domestic investment management to retail, institutional and sovereign wealth clients in over 170 countries. Through specialized teams, Franklin Templeton has expertise across all asset classes, including equity, fixed income, alternatives and custom multi-asset solutions. Franklin Templeton’s more than 600 investment professionals are supported by its integrated, worldwide team of risk management professionals and global trading desk network. With employees in over 30 countries, Franklin Templeton has more than 70 years of investment experience and over CDN \$918 billion in assets under management as of November 30, 2019. Franklin Templeton Canada has almost 450 employees providing services to over 325,000 unitholder accounts and over 100 pension funds, foundations and other institutional investors.

Introductory Comments

Franklin Templeton Canada supports the CSA in its efforts to reduce the regulatory burden on investment fund issuers. The CSA’s efforts will help the industry as it continues to serve the interests of investors, and we encourage the CSA to continue this important work. Regulatory requirements that no longer serve their intended purpose(s) or are no longer necessary impose undue compliance costs on firms, waste resources and ultimately impact investors.

Franklin Templeton Canada is a member of the Investment Funds Institute of Canada (“IFIC”). We have reviewed and generally support the comments made by IFIC in its letter dated December 9, 2019 (the “IFIC Response”). In addition, Franklin Templeton Canada wishes to provide its own comments on the Proposals in areas it believes warrant additional emphasis. The areas identified in our response coincide with the applicable workstreams that form part of the Proposals, and certain questions that were posed under those workstreams.

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

Franklin Templeton Canada supports the consolidation of the simplified prospectus (the “SP”) and the annual information form (the “AIF”). Although consolidating these documents will increase compliance costs in the short-term, the long-term effect of a consolidated document will yield a more efficient and streamlined process that will reduce the overall regulatory burden.

We urge the CSA to strongly consider changing the annual renewal requirement for the SP and AIF to a two- or three-year renewal requirement. This supports the production of a more “evergreen” disclosure document and recognizes the increased reliance on the fund

facts document (the “**Fund Facts**”) as the main disclosure document delivered to investors.² Franklin Templeton Canada also believes that the CSA’s regulatory burden reduction focus should include a thorough reassessment of the content requirements of the current SP and AIF, in terms of necessity, materiality, and relevance to the investor. Where information may only be relevant to a regulator, for instance, it should be provided through different means. Where relevant information is point-in-time focused, a more suitable place for such disclosure may, for instance, be the proposed designated website.

We believe that the proposed preparation of an “amended and restated SP” each time an amendment to the SP is required, as is currently the approach taken when amending a Fund Facts, is not an approach that is consistent with the CSA’s regulatory burden reduction mandate. For a firm to expend the costs and resources associated with producing an amended and restated SP each time an amendment is required, no matter how minimal the changes may be, imposes undue regulatory costs on the firm, in particular costs for third party service providers and translators. It is more cost effective to prepare an amendment, taking into consideration the amount of disclosure required to be amended, and the fact that currently SP amendment costs are based on the number of affected fund(s) and not all funds in the SP, which would presumably be the case for an amended and restated SP. A Fund Facts document is a maximum of four pages with a concise amount of disclosure. The effort and costs expended to create an amended and restated Fund Facts with each amendment cannot be compared to the effort and costs required to create an amended and restated SP.

We encourage the CSA to reassess the continuous disclosure regime and review, at a minimum, the possible elimination of the preparation and filing requirements relating to semi-annual Management Reports on Fund Performance (“**MRFP**”). The current opt-in rate for MRFPs and financial statements of less than 2% reported by IFIC is indicative of the need to reassess this requirement.

We also support the elimination of the obligation to file a material change report and believe an issued press release should suffice for notice to existing investors of a material change, since the disclosure contained in material change reports and press releases is similar in nature.

As a final point for consideration under this workstream, we believe investment fund issuers should be provided with more flexibility to customize the timeline between preliminary and final prospectus filings, instead of the current 90-day filing requirement. Based on our firm’s experience, for investment funds investing in international markets, foreign countries often require submission of a preliminary prospectus that has been accepted as part of the application process to trade in those markets. In some instances, long lead times are required to gain access to those markets, which requires that we file the preliminary prospectus, and obtain a receipt, well in advance of the final prospectus filing.

² We note that the OSC released its *Reducing the Regulatory Burden in Ontario’s Capital Markets Report* on November 19, 2019. One of the proposals is for the OSC to publish a consultation paper on how to reduce the frequency of investment fund prospectus filings and plans to implement changes to reduce the frequency of these filings. We welcome this development and hope that the other CSA members will support this initiative.

For this reason, we support the elimination of the mandated filing period, or its extension to 180 days, as proposed by the CSA.

2. Workstream Two: Investment Fund Designated Website

Franklin Templeton Canada, like most if not all firms in the Canadian investment funds industry, has a public website where we disclose information about the investment funds we offer to the public. Although the Proposals formalize an existing commercial practice, we believe that introducing a mandatory website in and of itself will not reduce the regulatory burden. However, we hope that the introduction of this requirement will be followed with new rules permitting firms to provide certain regulatory disclosures through the mandated website in full satisfaction of extant delivery requirements for those disclosures. We believe that this is where the goal of regulatory burden reduction will be purposefully met.

Furthermore, we believe firms, in designing and operationalizing a designated website, should be allowed to approach the design and build in the most flexible manner, and retain the ability to outsource the maintenance of such a website to a third party.

3. Workstream Four: Minimize Filings of Personal Information Forms

We support the CSA's elimination of Personal Information Form ("PIF") requirements for certain individuals as identified in the Proposals. We further support the streamlining of PIF-related information being shared, for instance, between regulators like the OSC and the Toronto Stock Exchange ("TSX"). Firms like Franklin Templeton Canada, with exchange-traded fund ("ETF") product offerings, would not have to file multiple PIF forms providing the same information to multiple regulators. This would reduce the administrative burden on firms.

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

We support the CSA's decision to codify frequently granted exemptive relief in respect of conflict of interest prohibitions under securities regulations. We do believe, however, that a fair and reasonable approach would be to allow firms to rely on previously granted conflicts of interest relief that specifically addresses the firm's conflict issues at the time the relief was requested. Firms like Franklin Templeton Canada have structured business and investment process and policies around conflicts of interest relief previously obtained.

For business continuity reasons, we would expect previous conflict of interest relief granted to a firm to be honoured and not nullified, superseded, or replaced by the Proposals. If, however the CSA Proposals do not align with, or honour previously granted conflict of interest relief in this regard, we would hope that the CSA would create industry guidance as to reobtaining IRC approval for previously granted relief.

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

We support the CSA's decision to codify exemptive relief which has been routinely granted to broaden the pre-approval criteria for fund mergers. We believe it is duplicative to obtain regulatory approval, securityholder approval and an IRC recommendation under the current regime, barring exemptive relief, and support the proposed changes which will reduce the administrative burden involved in common industry practice.

We believe that in order to remain consistent with the previous exemptive relief granted, a fund manager's assessment of a merger, as described in the applicable information circular, should be the current and established standard of whether the contemplated merger transaction is "beneficial to securityholders" and not the proposed "best interests of the securityholders" standard proposed by the CSA in the Proposals.

6. Workstream Eight: Codify Exemptive Relief Granted in respect of Fund Facts Delivery Applications

We support the CSA's codification of exemptive relief granted in respect of Fund Facts delivery for managed accounts, portfolio rebalancing plans, and automatic switch programs.

We believe that the CSA should also consider, and permit, the preparation and filing of a consolidated Fund Facts document for all series even in the absence of an automatic switch program. Most of the investment funds offered by our firm with multiple series differ only in fees, account minimums, dealer compensation and distributions. A consolidated Fund Facts would be the most efficient and meaningful way for an investor to draw comparisons between series of a fund.

Conclusion

Thank you for your consideration of this submission. Please feel free to contact me at [REDACTED] should you have any questions or wish to discuss our submission.

Yours truly,

FRANKLIN TEMPLETON INVESTMENTS CORP.

[REDACTED]

Brad Beutenmiller
Senior Associate General Counsel