

July 27, 2022

VIA EMAIL ONLY

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

Care of;

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RE: Total Cost Reporting for Investment Funds and Segregated Funds

The Federation of Mutual Fund Dealers (“Federation”) has been, since 1996, Canada’s only dedicated voice of mutual fund dealers. We currently represent dealer firms with over \$124 billion of assets under administration and greater than 24 thousand licensed advisors that provide financial services to over 3.8 million Canadians and their families. As such we have a keen interest in all that impacts the dealer community, its advisors, and their clients.

The Federation is pleased to provide comments on the proposed amendments to NI 31-103 and 31-103 CP.

General comments

The Federation supports providing additional clarity to investors on the costs of providing them with professionally managed products and advice. Our association and industry more broadly have diligently worked hand in hand with regulators to successfully implement many changes and enhancements for more than two decades, and we are pleased to continue to do so.

We have no comments upon the Proposed Insurance Guidance, other than to note the requirements should be harmonized both between all insurers, and between segregated and mutual fund guidance to the extent practicable.

We have found with changes throughout the years that some are procedural, and some are technical; while others can require extensive project management and outsourced programming, presenting extensive cost and standardization challenges. This is one of the latter, and we appreciate your thoughtful interaction and patience as we all work through the details of how the benefits of these proposals can be realized successfully.

We briefly note for parties casting aspersions at industry that it would reflect positively to instead contribute towards the enormous collaborative effort involved in bringing new regulatory requests to fruition.

SPECIFIC QUESTIONS REGARDING THE PROPOSED SECURITIES AMENDMENTS

1. Do you anticipate implementation issues related to the inclusion of any of the following in the Proposed Securities Amendments, (a) exchange-traded funds, (b) prospectus-exempt investment funds, (c) scholarship plans, (d) labour-sponsored funds, (e) foreign investment funds?

Regarding the listed product types, there will be additional issues insofar as they don't transact with Fundserv. There is currently no mechanism to support ETF and the transactions of other product categories, or to provide their Fund Expense Ratio data to dealers via the Fundserv network.

Non-Fundserv products may be challenged in providing data, necessitating a 'many-to-many' approach from manufacturers to dealers resulting in a significant data consolidation requirement. Dealers may need to decide between purchasing 3rd party data (if it exists, or becomes available) and removing products. We expect some non-Fundco products to be deleted from product shelves, particularly non-Canadian products.

Products that do enjoy the advantages of using Fundserv will be subject to its timeline to modify the platform, as will dealerships. We understand Fundserv may not currently have the ability to accommodate the necessary changes, and will need to undertake development according to their tried and tested process that prevents failures on this critical platform. Integrating with these development changes will be needed for all mutual and segregated fund providers.

The new values also need to successfully cascade step by step throughout service and statement providers, dealer systems, online portals, print providers, etc. Many will need to be modified, all at some cost.

We are optimistic that major fund companies will be able to develop software solutions to provide compliant data for their mutual funds, and presuppose they could leverage those learnings to work towards solutions for their ETFs, assuming it becomes possible to do so, given that ETF manufacturers are not necessarily in possession of unitholder information.

2. Would you consider it acceptable if, instead of information about each investment fund's fund expense ratio (MER + TER), the MER alone was disclosed in account statements and additional statements and used in the calculation of the fund expenses for the purposes of the annual report on charges and other compensation?

We would consider this acceptable, although not preferable, as it may create a need for dealer and advisor support to explain the differences to clients.

3. For the purpose of subsection 14.14.1(2), is the use of net asset value appropriate, or would it be more appropriate to use market value or another input? Would it be better to use different inputs for different types of funds?

We don't have a preference, and defer to manufacturers as to what is most accurate and reasonable to implement for this requirement. We do wish to see a harmonized value used for equivalent products to reduce the possibility of errors in assessing, describing and evaluating them.

4. Do you anticipate any other implementation issues related to the Proposed Securities Amendments?

We have no additional remarks on implementation issues at this time.

5. Do you anticipate any issues specifically related to the proposed transition period?

There are simultaneous significant regulatory requirements coming due in 2024. While we agree that fee disclosure is an important initiative, we request the flexibility to allow our collective staffs to focus on T+1 until the expected implementation in (or before) September 2024, and have some additional time to stagger this project's completion date. This may align more closely with Fundserv's development processes and allow industry to fully dedicate the capital and staffing required for the disclosure enhancement to launch as flawlessly as possible.

In conclusion, during a time of fast paced and extensive regulatory change across all facets of the securities industry, from product and conflicts, CE, Titles, Privacy, Cybersecurity, SRO consolidation, and T+1 planning, testing and implementation - the last thing the industry wants

in its ongoing relationship with regulators is to under-estimate the challenge of implementing this initiative. It would be worthwhile for all parties to take the necessary time to probe and fully evaluate the depth of changes and costs required for a robust and reliable rollout.

We trust that we can all continue to work together between the regulators and industry to successfully implement this regulatory change. We are only requesting a timeline that is practical from a project management, testing, and cost perspective.

Respectfully,

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