

January 31, 2025

**SUBMITTED VIA EMAIL**

Alberta Securities Commission  
British Columbia 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  
Office of the Superintendent of Securities, Newfoundland, and Labrador  
Office of the Superintendent of Securities, Northwest Territories  
Office of the Superintendent of Securities, Yukon  
Superintendent of Securities, Nunavut

**Attention:**

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Dear Sirs / Mesdames:

**Re: CSA Notice and Request for Comment re: Proposed Amendments to National Instrument 81-101 Mutual Fund Prospectus Disclosure, National Instrument 81-102 Investment Funds, National Instrument 81-106 Investment Fund Continuous Disclosure, National Instrument 81-107 – Independent Review Committee for Investment Funds and related proposed consequential amendments and changes**

We are pleased to provide the members of the Canadian Securities Administrators (the **CSA**) with comments on the above-noted proposed Amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure*, National Instrument 81-102 *Investment Funds*, National Instrument 81-106 *Investment Fund Continuous Disclosure*, National Instrument 81-107 *Independent Review Committee for Investment Funds* and related proposed consequential amendments and changes (**Proposed Changes**) relating to the modernization of the continuous disclosure regime for investment funds.

The following viewpoints are those of the individual lawyers of Borden Ladner Gervais LLP (**BLG**) listed below. Our comments cannot be taken as the views of other lawyers at BLG or our clients.

We would like to thank the CSA for their efforts to deliver smart and responsive regulation that enhances the utility of investment fund continuous disclosure for investors while reducing regulatory burden. We encourage consultative efforts such as these and welcome the opportunity to provide our comments in furtherance of these important goals. Subject to our specific comments below, we are generally of the view that the Proposed Changes will introduce positive change for both investors and industry.

We provide the following comments with the intention of assisting the CSA with considering certain gaps in, and making the necessary updates to, the Proposed Amendments. Additionally, we have provided comments on certain related matters that are not addressed in the Proposed Amendments.

## General

- 1. Other Areas for Modernization.** Are there any other areas of the continuous disclosure regime for investment funds that should be modernized, and which have not been addressed as part of this project? Please provide detailed rationale for each suggestion.

We support the CSA's efforts to examine which areas of the continuous disclosure regime merit modernization. In light of the reported data that only 15% of surveyed investors<sup>1</sup> in the behavioural report consult MRFPs for investment decisions, and a significant portion of that small number of investors either significantly misunderstand or are unaware of the purpose of the MRFP, we question whether this rewriting of the MRFP into the Fund Report will address the issue of low investor uptake and understanding.

If investors will continue to not engage – or not engage in ways that increase their understanding of their investments – the CSA should consider whether the MRFP should be eliminated entirely, rather than rewritten into the Fund Report. We see opportunities to enhance the disclosure contained in other documents that investors consult more frequently. Such an approach could provide more robust and impactful disclosure in fewer documents.

Producing the Fund Report will be time consuming and costly – and this burden is likely to be disproportionately felt by smaller funds. Switching to the Fund Report would involve the time-and-resource-intensive process of negotiating systems changes with third-party service providers, designing a new layout, implementing a process to collect new data, and translating a new document. The regulator should not mandate these changes without a high degree of confidence that investors will meaningfully benefit.

We note with approval that the CSA has taken an “access equals delivery” approach with certain investment fund disclosure (such as quarterly portfolio disclosure and proxy voting disclosure) and urge the CSA to adopt this approach with other disclosure documents (such as financial statements and, if applicable, the Fund Report).

- 2. Effective Dates and Exemptions.** As described in the Notice, the CSA is proposing that the final amendments and final changes have an effective date of three months following final publication. However, the CSA is also proposing time-limited exemptions from compliance with the final amendments and final changes. In particular, we are proposing to provide an exemption from compliance in respect of each Workstream and the FER Revisions, for approximately a 9- month

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<sup>1</sup> The Behavioural Insights Team and Canadian Securities Administrators. (2024). *Investment Fund Continuous Disclosure Modernization – Final Report*.

period following the effective date. (See also the transition provisions at the end of each amending instrument, which have been drafted with the intention to give effect to these arrangements.)

- a. In respect of each Workstream and the FER Revisions, please comment on whether the proposed effective date is appropriate and whether the proposed length of the exemption from compliance is sufficient to enable investment funds to prepare for the new requirements. If not, provide alternative timelines and an explanation of how any additional time would be used.
- b. In respect of Workstream One – Fund Report, please comment on whether an investment fund that prepared an interim MRFP using the requirements set out in the Current Form 81-106F1 should be able to file its subsequent annual MRFP also using the requirements set out in the Current Form 81-106F1, even where the currently envisioned exemption period has ended. If yes, please explain why.

We understand from discussions with industry that the timeline is insufficient for investment funds to properly implement the entirety of the Proposed Changes. Accordingly, we encourage the CSA to take a flexible approach in determining whether different effective dates are suitable for the various Workstreams. We understand that, for the reasons outlined below, Workstream 1 is likely to require a longer implementation period compared to Workstreams 2 and 3, to allow sufficient time to negotiate third-party systems updates, which cannot begin until the CSA has substantially finalized the Proposed Changes and the final form of the Fund Report.

In our view, a three-year exemption period (or equivalent transition period) is more appropriate for Workstream 1, as it involves the removal and repurposing of various sections of the MRFP, along with completely new reporting requirements, icons, and charts. As noted in our response to Question 1, creating the Fund Report requires several resource and time-intensive steps for each fund. Similar past initiatives with respect to Total Cost Reporting (TCR), Fund Facts, and ETF Facts involved longer transitional periods than those currently suggested under the Proposed Changes. A January 2027 implementation would result in the first interim Fund Report reflecting June 30, 2027 data, and the first annual Fund Report reflecting December 31, 2027 data. The timeline proposed above for Workstream 1 would also be in line with the effective date of IFRS 18 in early January 2027.

We believe that the implementation date for Workstream 3 should align with the effective date of IFRS 18 in early January 2027, as IFRS 18 introduces changes to the presentation and disclosure of financial statements. Aligning the dates would make implementation more seamless for funds and their related service providers, ensuring that all format changes to financial statements occur simultaneously, avoiding the need for subsequent revisions after IFRS 18 comes into effect.

Notwithstanding our position that the CSA should allow for a longer transition period, we support the option of early adoption of the Proposed Changes for those investment fund managers that wish to do so.

### **Workstream One – Fund Report**

- 3. Frequency of Preparation.** Currently, an investment fund that is a reporting issuer must file an annual MRFP and an interim MRFP (see section 4.2 of NI 81-106) and an investment fund that is a reporting issuer and a scholarship plan must file an annual MRFP but is not required to file an interim MRFP (see section 4.3 of NI 81-106). We are proposing that these filing requirements would remain unchanged for the Fund Report. Please comment on whether this proposed approach meets investor needs for remaining current as to the status of their reporting issuer investment fund holdings.

Data indicating actual investor usage of MRFPs would be useful in determining the appropriate frequency of preparation of the Fund Report. Given findings of low investor uptake, annual Fund Report filings should

be sufficient for investment funds that are reporting issuers to meet investors' needs. We are concerned that more frequent disclosures would impose additional burden and costs without providing commensurate incremental value to investors.

4. [Intentionally omitted]

5. [Intentionally omitted]

6. [Intentionally omitted]

7. **MER Without Waivers or Absorptions.** The Proposed Form 81-106A requires the presentation of MER in the Costs section. No space has been included within the Costs section to disclose MER without waivers or absorptions, where expenses have been waived or absorbed. Instead, instructions have been provided to disclose MER without waivers or absorptions in the Other Material Information section, along with a cross-reference, in the Costs section, to that information (see proposed Item 6 of Part A). This approach to presenting MER without waivers or absorptions is being proposed because we are of the view that it assists in making the Fund Report easier to read and understand. Please comment on whether the proposed disclosure is effective in achieving this aim. If not, please propose an alternative approach (e.g. presenting MER without waivers or absorptions as a new column within the table in the Costs section) and explain why it would represent an improvement.

In our view, the CSA's proposed approach to disclosing MER without waivers or absorptions is reasonable as it makes the Fund Report easy to understand by presenting information about the actual amount of MER the investor pays. We do not believe cross-referencing is necessary.

8. **ESG-Specific Disclosure.** The Proposed Form 81-106A includes a requirement that an investment fund provide a brief summary of the IFM's assessment of the investment fund's success in achieving its investment objectives and using its investment strategies to achieve those investment objectives, during the period covered by the Fund Report (see proposed Item 4 of Part A). Detailed instructions are also provided regarding how the disclosure should be completed in the case of an investment fund that has ESG-related aspects to its investment objectives or investment strategies. These instructions are not intended to create any additional burden for such investment funds. Rather, they are intended to clarify how those investment funds can appropriately satisfy the requirements that apply to all investment funds in that section. Please comment on whether these detailed instructions would make it challenging to provide concise disclosure in the Investment Objectives and Investment Strategies section of the Fund Report. If a challenge is identified, please provide details and suggest an alternative approach.

*Disclosure of a fund's success in achieving its investment objectives and using its investment strategies to achieve its investment objectives*

We believe that the chart in the Sample Fund Report that reads "*Fund's satisfaction of its investment objectives and use of investment strategies during the last 12 months*" and "*Factors that may impact the fund's satisfaction of its investment objectives and use of investment strategies going forward*" should be deleted, on the basis that they are both confusing to investors and could raise liability issues for investment fund managers (IFMs). Our concerns about investor understanding are set out below. Please see our response to Question 16 below for further discussion of our concerns about IFM liability.

We are concerned that the chart conflates strategies and objectives with fund performance. The column headers and the term "success" are misleading because they appear to equate meeting investment objectives with changes in net asset value (NAV). However, a decline in NAV does not necessarily indicate that a fund failed to meet its objectives, as such outcomes may align with the fund's stated

strategies and objectives to hold specific investments. Moreover, these headers could be interpreted as implying that performance issues arise from unmet investment objectives, potentially leading to unwarranted legal claims against IFMs from investors alleging non-compliance with a fund's stated investment objectives and strategies, even if the information provided is accurate and compliant with a fund's investment objectives and strategies.

Pursuant to Item 4 of Part B to Form 81-101F1 (and the similar requirement in Form 41-101F2), the prospectus must describe the fund's fundamental investment objectives, including "information that describes the fundamental nature of the mutual fund, or the fundamental features of the mutual fund, that distinguish it from other mutual funds." In accordance with NI 81-102, any change to a fund's fundamental investment objectives triggers the need for securityholder approval. The way in which the term "investment objectives" is used in the Sample Fund Report suggests a fund must disclose any change in value, rather than a change in the nature of the fund. We disagree that a fund's investment objectives should be equated with the fund's performance. As a result, we believe the use of the term "investment objectives" in the Sample Fund Report is confusing and, instead, the CSA should amend the Sample Fund Report to reflect the specific type of performance it is trying to capture.

In addition, we note that while the investment objectives of a fund summarize its primary investment strategy, this summary alone does not capture all the nuances influencing the fund's performance. We caution that summarizing a fund's strategy without oversimplifying or omitting a discussion of material elements of the strategy is challenging. We do not believe that the Sample Fund Report directly addresses the instructions as currently written, and we suggest removing the discussion of the strategies altogether from this section in order to reduce the complexity and length for investors. The removal of this section would address our more specific concerns about the ESG-specific aspects of this disclosure described below.

#### *ESG-specific disclosure*

We believe the ESG-specific disclosure in the Fund Report should be deleted in its entirety. In the alternative, should the CSA determine not to remove this disclosure altogether, rather than imposing specific disclosure requirements for ESG-related aspects of a fund's investment strategies or objectives, a fund should be permitted to focus on its overall performance and alignment with its stated objectives and strategies. This approach ensures the disclosure remains concise, relevant, and investor focused. We believe that this approach would strike a balance between providing relevant information to investors and avoiding undue burdens related to particular investment strategies.

We view the proposed detailed instructions for ESG-related investment objectives and strategies as adding unnecessary complexity to the Fund Report and creating the potential for investor confusion.

The ESG-specific disclosure also creates a burden for investment funds that have ESG-related investment objectives or strategies, which does not exist for other types of investment funds. We do not believe this enhances investor or market protection. These requirements impose disproportionately detailed obligations on ESG-related funds compared to other fund types, such as cryptocurrency funds, which are not held to similar standards.

Not all funds, including ESG funds, have key quantitative metrics. Quantitative metrics do not aid comparability because there is no standardized framework for ESG metrics. Without standardization, investors may struggle to compare ESG funds, raising questions about the feasibility and utility of this disclosure.

Lastly, we note that the ESG-related investment fund disclosure guidance that underpins the ESG-specific disclosure proposed in the Fund Report remains, as of today, regulatory guidance issued via CSA staff notice, and that it is not a rule. We continue to encounter valid discussions and disagreements as to what the ESG-related guidance means for certain investment fund issuers and their disclosure obligations. We are not

confident that the guidance in the CSA Staff Notice 81-334 has been sufficiently tested to incorporate it into a rule.

**9. Classes/Series of Performance Information.** The Proposed Form 81-106A includes a requirement that performance information be disclosed in respect of the class or series of the investment fund with the highest management fee, and any other class or series for which performance would vary based on a characteristic besides management fees (see proposed Item 7 of Part A). This varies from the Current Form 81-106F1, which requires that performance information for all classes or series be provided (see Item 4 of Part B of the Current Form 81-106F1). We are of the view that the proposed requirements for presenting performance information will generally reduce the number of classes or series for which performance information will need to be provided in a Fund Report. We are also of the view that this will have the effect of making the Performance section of the Fund Report easier to navigate for an investor, while presenting the most essential performance information for an investor to be aware of (i.e. the class or series of the investment fund with the highest management fee, and any other class or series for which performance would vary based on a characteristic besides management fees).

- a. Please comment on whether this proposed approach for determining which classes or series of an investment fund for which performance information should be provided, meets investor needs for a Fund Report that is easy to navigate but which also contains sufficient information for an investor to make decisions. If not, please describe an alternative approach in detail that would meet the same objectives. In particular, provide specific criteria that might be used to determine which class or series of performance information should be included.

In our view, including the highest fee could be misleading or confusing to investors who are not paying this fee. This series could represent a small number of investors in the fund. Accordingly, a reasonable alternative approach would be to include the class or series of an investment fund with the highest number of investors at the end of the most recently completed financial period. This would ensure that relevant essential performance information is readily available to the majority of investors.

If no single class or series has a majority of investors, the highest fee class could be included as a secondary option.

- b. Should the proposed requirements for which classes or series of performance information be provided, be modified to also require the disclosure of performance information for the class or series with the lowest management fee that is available for purchase by a retail investor? We are particularly interested in feedback on this issue given the increasing popularity of no-load classes or series and fee-based accounts.

In our view, the disclosure of performance information for the class or series with the lowest management fee should be an option available to investment funds, but not a requirement.

- c. For situations where a particular class or series of an investment fund has the highest management fee but no performance information that can be disclosed, please propose an alternative form of disclosure.

Please refer to our response to Question 8(a) above. In our view, the fund should disclose the performance information of the class or series with the highest number of investors for which performance information is available.

- d. Please comment on whether investment funds should be required to present performance information on their designated website for any class or series that does not have its performance information included in a Fund Report, together with a cross-reference to

such information in the Fund Report. If yes, provide detailed comments on the challenges that an IFM would face in meeting this requirement.

In our view, investments funds should have the option to present performance information on their designated website for any class or series that does not have its performance information included in a Fund Report. However, this should not be a requirement.

**10. Related Party Transactions.** The Proposed Form 81-106A does not include a section requiring disclosure pertaining to related party transactions. Instead, a different requirement has been developed and added as an appendix (to be prepared by the IFM) to the annual report to securityholders that an investment fund’s IRC must prepare pursuant to section 4.4 of NI 81-107. This contrasts with the Current Form 81-106F1 which includes a section entitled “Related Party Transactions” (see Item 2.5 of Part B of the Current Form 81-106F1). Please comment on whether this proposed approach to disclosure regarding related party transactions is an effective method of providing this information to investors while ensuring that the Fund Report contains the appropriate amount of information and is easy to navigate.

Since this question is closely related to Workstream Two, please refer to our response under Question 18 below.

**11. Liquidity.** Investment fund liquidity risk management is an area of increasing regulatory focus. We are of the view that investors should have access to in-depth yet understandable disclosure regarding the liquidity of the investments held in the investment portfolio of their investment fund. For this reason, the Proposed Form 81-106A includes a Liquidity Profile section (see Item 11 of Part A of the Proposed Form 81-106A). The Current Form 81-106F1 does not contain a comparable requirement. Please comment on whether the disclosure proposed for the Liquidity section of the Fund Report is understandable to investors and contains the appropriate amount of information for them. If not, please describe in detail an alternative approach.

We appreciate the CSA’s intent to enhance investor protection. However, we believe that the proposed Liquidity Profile section, in its current form, does not achieve this objective. The introduction of such a section should be postponed until the CSA’s Liquidity Risk Management (LRM) consultation is complete and should be consistent with the feedback gathered from that consultation. The Liquidity Profile section pre-supposes the results of the LRM consultation, thus negating the value of the consultation – for example, it brings a form of “bucketing” to the Canadian market. Additionally, LRM best practices continue to evolve internationally, as is evidenced by the recent publication of the International Organization of Securities Commissions (IOSCO) [Revised Recommendations for Liquidity Risk Management for Collective Investment Schemes](#) in November of 2024.

Requiring the proposed Liquidity Profile disclosure at this time would risk imposing additional regulatory burden on investment funds, triggering calculations that require significant coding, the value and intelligibility of which are unclear to investors. Further, given the existing regulatory framework which imposes stringent limitations on fund borrowing, the additional disclosure may not significantly enhance investor understanding. In fact, it could potentially create confusion and unnecessary complexity.

As an alternative, we suggest requiring investment funds to disclose if any LRM tools were used in the past 12 months. This would provide investors with relevant information without overwhelming them with complex details. We believe it would be prudent to wait for the results of the LRM consultation and to introduce any necessary amendments on this point once LRM rules or best practices have been finalized and communicated to stakeholders.

**12. Other Material Information.** The Proposed Form 81-106A includes a section entitled “Other Material Information” (see Item 13 of Part B of the Proposed Form 81-106A). A similar section is also present in the Current Form 81-106F1 (see Item 6 of Part B of the Current Form 81-106F1). Please

comment on whether there are alternative methods for presenting the information that might currently be placed in this section. When responding, please consider not only the disclosure requirements of the section itself but also any places in the Proposed Form 81-106A where cross-references to the Other Material Information section are a possibility (e.g. the Forward Looking Information section for supplementary disclosure an investment fund wishes to provide, and the Costs section for information on MER without waivers and absorptions – see Items 3 and 6, respectively, of Part A of the Proposed Form 81-106A).

Given our response to Question 6, we do not believe the other material information section should be used to disclose MERs without waivers or absorptions as we do not believe this information is needed in the Fund Report.

**13. Designated Website Disclosure.** Under subsection 16.1.2(1) of NI 81-106, an investment fund must designate one qualifying website on which the fund intends to post disclosure as required by securities legislation. Please comment on whether any disclosure from the Fund Report should be removed and, instead, replaced with a requirement to place that disclosure on the designated website of an investment fund. If yes, please provide details regarding any challenges that an IFM might face with respect to such placement and comment on whether such disclosure should be subject to a separate filing requirement.

There are no specific sections of the Fund Report that we believe are better suited for a fund’s designated website, though the use of a fund’s designated website plays an important role in our request that the CSA adopt an access equals delivery model for investment funds disclosure. Throughout our submission, we have noted proposed disclosure that we suggest should be removed or modified. We do not think these sections are better suited for a fund’s designated website, but rather, that they should be modified in the Fund Report, as outlined, or removed entirely from a fund’s disclosure obligations.

**14. Cross-References to Designated Website.** The Proposed Form 81-106A includes several cross references to information that may be available on the designated website of an investment fund (see Item 5 of Part A of the Proposed Form 81-106A which references Quarterly Portfolio Disclosure, and Item 7 of Part A of the Proposed Form 81-106A which references performance information where it is available). Please comment on whether any other information that is, or may be, disclosed on the designated website of an investment fund, should also be cross-referenced in the Fund Report.

We do not recommend adding additional cross-references to the designated website for information that may be, but is not necessarily, disclosed on a fund’s designated website. This could create confusion for investors when comparing Fund Reports of different fund families as to why some reports refer to information included on designated websites while others do not. We think cross references to the designated website make sense where the information is required to be disclosed on the designated website (like quarterly portfolio holdings disclosure).

Further, adding cross-references to the designated website could increase liability risks for an investment fund as the information might be deemed incorporated by reference and must follow a fund’s disclosure obligations. This could necessitate an auditor review of all content on the designated website, undermining the intended benefits of reducing regulatory burden.

**15. Modifications for Specific Investment Funds.** The Proposed Form 81-106A has been prepared in such a way that it will be applicable to all types of reporting issuer investment funds, with modifications for scholarship plans where appropriate (see Item 9 of Part A of Form 81-106F1). This mirrors the approach taken in the Current Form 81-106F1. Please comment on whether any additional modifications to the Proposed Form 81-106A are required for certain types of investment funds. We are particularly interested in types of investment funds that are less commonly held than



conventional mutual funds and ETFs. Identify specific situations where additional instructions would be beneficial, as well as sample instruction language. Please also comment on whether any proposals would create concerns around maintaining a Fund Report that is easy to read and understand, as well as easy to use in making decisions.

There are three instances where we believe that additional modifications to permitted disclosure are required to reflect specific types of investment funds:

We believe that additional disclosure should be permitted in response to Item 5(a) Portfolio Holdings, where the fund type in question is expected to maintain consistent investment exposure (i.e., cryptocurrency funds). Item 5(a), Portfolio Holdings focuses on disclosure about increasing or decreasing exposure to any issuers, geographic locations, or industry segments over the period. This disclosure is not relevant for certain types of funds. As it stands, the Proposed Form only allows for the following disclosure:

“The investment fund did not materially increase/decrease its exposure to any issuers, geographic locations or industry segments.”

We do not believe this prescribed disclosure will assist investors in assessing certain types of funds, that, by their nature, do not expect any changes in exposure. It would be more helpful for an investor to understand that the type of fund does not expect fluctuations in exposure to certain issuers, geographic locations, or industry segments and, therefore, no change is expected. This disclosure should be permitted in the Proposed Form.

Item 7(d), Performance focuses on performance against a fund’s benchmark as the key performance indicator in the Fund Report. Instruction (6) requires a brief description of the performance of each class or series of securities of the fund measured against each benchmark of the fund, including the net percentage amount by which performance of the class or series outperformed or underperformed each benchmark of the investment fund. This disclosure attempts to offer a concise way for investors to understand how their fund is performing relative to the benchmark, with outperformance obviously being favoured. However, index ETFs are not intended to outperform the benchmark and will typically lag the benchmark in performance after fees and expenses are accounted for. The disclosure permitted by this item should provide the opportunity to disclose that index ETFs are designed to track, and typically will not outperform, their benchmark, which is not the objective of index tracking funds.

Item 8, Statistics includes data regarding the portion of distributions that is return of capital. Certain funds or series of funds expect to return capital and have prominent disclosure related to this in their disclosure documents. Disclosing a return of capital without the opportunity to articulate that this is consistent with the expectations or objectives of the fund or series could be mislead investors to drawing inaccurate conclusions about the fund’s performance relative to its objectives. We believe that it is necessary to allow a brief contextual explanation of the fund’s return of capital expectations and objectives to provide clear and understandable disclosure to investors on this issue.

**16. Additional Suggestions.** Please comment on whether the content and format of the Fund Report can be further enhanced to support the needs of investors and other stakeholders, to the extent such comments have not already been provided as part of responses to earlier questions. Please support any comments with reference to findings in the Investor Testing Report or other applicable research. Where other research is referenced, please provide citations.

As part of the Investor Testing Report (ITR), the CSA has identified barriers to investor engagement and comprehension of the MRFP and has worked to develop the Fund Report in a way that attempts to address these barriers. We applaud this investor-focused approach to continuous disclosure modernization.

Below we have set out certain items in the proposed Fund Report that we do not believe go far enough to address the barriers identified by the ITR; namely: that “investors may perceive the report as complex, long

or otherwise taxing to read” and that “the volume of information (and text in particular) may mask important information”. Finally, we echo the ITR’s concern that “the text-heavy format of presented information may hinder comprehension.”

With these findings from the ITR in mind, we agree that Item 4, Investment Objectives and Investment Strategies may be too complex and taxing to read for investors and may be too text-heavy in a way that hinders comprehension for readers. While it may be easy to summarize a fund’s investment objective, it is not as easy to summarize a fund’s strategy without oversimplifying the strategy or omitting a discussion of material elements of the strategy. From the instructions related to the section “Fund’s satisfaction of its investment objectives and use of investment strategies during the last 12 months”, it is unclear what funds are intended to disclose about their investment strategies. Moreover, the sample Fund Report omits such discussion. Similarly, while the instructions related to “Factors that may impact the fund’s satisfaction of its investment objectives and use of investment strategies going forward” require discussion of the strategies, the sample Fund Report does not include any discussion about the strategies in this section. Further the forward-looking nature of this information may be difficult for an IFM to predict, introducing additional liability. Requiring an IFM to make a subjective assessment is inherently risky and could expose an IFM to potential liability when completing this section. This could expose funds to unnecessary legal claims, as the suggested headers imply that factors impacting performance are tied to the non-satisfaction of investment objectives, which could be interpreted as mismanagement.

We suggest removing a discussion of the strategies altogether from this section in order to reduce the complexity and length and to promote understanding for investors. Amending this disclosure requirement will address the ITR’s identified barriers as well as assist investors in assessing whether the fund is satisfying its investment objective and expects to do so in the future.

Another barrier identified in the ITR is that “the purpose of the report is not immediately clear.” The sample form attempts to address this by including an introductory statement about the purpose of the Fund Report: “Use this report and speak to your representative to assess whether your fund continues to be right for you.” However, it is not entirely clear how certain sections of the Fund Report are intended to be used by investors in this assessment. For example, further to our response to Question 15 above, we query how the disclosure regarding increased and decreased exposure to certain issuers, geographic locations or industry segments is intended to be used by investors in assessing the appropriateness of a fund. The “contributors to performance” and “detractors from performance” may be more useful information. Similarly, adding another statement related to purpose at the beginning of the “Investment Objectives and Investment Strategies” section would be useful. This section is the most text-heavy part of the report, so it would be helpful to include a reminder at the outset about how investors are intended to use that particular information in the report. For example, “Use the information in this section to assess whether the fund’s investment objectives continue to be right for you now and going forward.”

Another barrier cited in the ITR is that the “most essential information is not presented up front.” We believe that the “contributors to performance” and “detractors from performance” sections, along with the rest of the “Performance” section, are more relevant and important for investors to understand than the information disclosed under “Portfolio Holdings.” The performance information should be prioritized in the ordering of the form, with the “Portfolio Holdings” section appearing later.

**17. Investor Education.** The CSA wants to ensure that investors understand why the MRFP is being replaced with the Fund Report. The CSA also wants to ensure that investors understand the new

features and content within the document. Several avenues are being considered to achieve these aims, including a digital campaign and an annotated Fund Report.

- a. Please comment on whether these types of educational tools would be sufficient to support investor understanding of the Fund Report. If not, please provide detailed suggestions regarding additional measures that the CSA should consider.

No comment.

- b. Please comment on how IFMs and investment fund dealers can play a role in supporting efforts to help investors understand the Fund Report. Please also comment on how the CSA can facilitate IFM and dealer efforts in this regard.

IFMs will want to leverage their existing MRFP disclosures to the extent possible when developing a new form of Fund Report, rather than starting from scratch with entirely new disclosures. Accordingly, a key challenge for IFMs in adopting this new form will be determining how their existing disclosure aligns with the new Fund Report. We recognize that the differences between the MRFP and the Fund Report forms are too extensive for a blackline comparison to be useful. However, it would be helpful for the CSA to prepare some sort of visual tool that allows IFMs to more readily visualize where certain disclosures from the existing MRFP can be leveraged for inclusion into the new Fund Report. This could come in the form of a marked-up of mock MRFP highlighting the disclosures that will continue to be applicable and where they can be mapped over into the Fund Report.

Translation of the new form will be a large expense for IFMs. Translating all of the sample disclosures in the form and the sample Fund Report will be a small but helpful step in providing IFMs with a starting point for this translated disclosure.

We believe that the Fund Report includes information that can help investors assess their investments. The biggest hurdle for comprehension will likely be dictated by how useful dealing representatives find this tool and how well-equipped dealing representatives are to use this tool when advising or making recommendations to their clients. We believe that the primary focus of the CSA should be in helping dealers integrate this tool. One recommendation is to create a template letter that can be sent to IFMs to be included with the first Fund Report. Additionally, the CSA may be well advised to leverage CIRO in these efforts, as we expect CIRO may have tested strategies to use. We believe that, in order to benefit investors, it incumbent upon the CSA and/or CIRO to take steps within their ability to make the adoption and understanding of the Fund Report as seamless as possible for dealers and their representatives.

As with any amendment to regulatory disclosure, the Fund Report will necessitate new training modules for dealing representatives. To support the successful adoption of the Proposed Changes, it would be helpful for the CSA and/or CIRO to liaise on developing model training materials. These materials could serve as a starting point for dealers and their compliance departments for creating their own internal training on the new form, its contents and use by dealing representatives. This could then be supplemented with informational sessions targeted at helping dealers and their compliance departments understand the Fund Report for the purposes of developing their internal training modules.

## **Workstream Two - Conflicts**

- 18. Additional Disclosure Elements.** The Proposed Form 81-107A will serve as a new, standardized form to be used for the filing of related party transaction reports under subsections 6.2(2), 6.3(3) and 6.4(2) of NI 81-107. The types of transactions to which the Proposed Form 81-107A applies, include purchases by an investment fund but not transactions where the investment fund took part in the sale of securities. Please comment on whether any stakeholders would be disadvantaged by

sale information being left out of the Proposed Form 81-107A. If any stakeholders are identified, please provide details on how they would use the sale information, if provided.

We are not aware of any stakeholders that would be disadvantaged by such information being excluded from the proposed Form 81-107A.

### **Workstream Three - Financial Statements**

**19. Stakeholders that would Benefit from Maintaining Disclosure.** As part of the Proposed Amendments for this Workstream, we are proposing to eliminate certain class- or series-level disclosure requirements under Part 3 of NI 81-106 that are not required by IFRS. Please comment on whether any stakeholders would benefit from these disclosure requirements remaining in place. If any stakeholders are identified, please provide details on how they currently use such information and comment on whether any alternative sources of information are available. Additional Initiative - Implementation of Fund Expense Ratio into Fund Facts and ETF Facts.

We support the proposed elimination of certain class- or series-level disclosure requirements under Part 3 of NI 81-106, and we are not aware of any stakeholders that would benefit from these disclosure requirements remaining in place. In our view, the disclosure provided in response to these requirements is not ordinarily used by investors to inform their investment decisions and does not provide meaningful insight into areas of investor interest. Eliminating such disclosure will assist with the readability and overall utility of a fund's annual financial statements and interim financial reports.

**20. Timing Considerations.** The Proposed Amendments implement the FER into the Fund Facts and ETF Facts, namely the "Quick facts" and the "How much does it cost?" sections of those documents. Please comment on whether there are any timing issues that should be considered with respect to the implementation of these Proposed Amendments, given that the TCR Project amendments are expected to come into effect on January 1, 2026, subject to certain transition periods. When commenting, please consider that the effective date of the amendments and changes being proposed as part of this initiative have not yet been finalized.

In our view, the Proposed Amendments (including those to implement the FER into the Fund Facts and ETF Facts) should not be implemented earlier than the implementation of the TCR Project amendments. This will ensure consistency and a smooth transition process that does not place undue operational burden on industry participants. As we have outlined above, implementing these changes is likely to involve technical challenges, such as coding updates and system modifications, so it is essential that industry participants have sufficient lead time to operationalize the Proposed Amendments.

Nonetheless, we recommend the CSA permit early adoption of the Proposed Amendments to implement the FER, so industry participants who are ready to proceed with the change in advance of the effective date may do so without delay.

\* \* \* \*

Thank you for this opportunity to express our comments about the Proposed Amendments. We hope our comments will be considered positively by the CSA and as helpful with the implementation and adoption of the Proposed Amendments, with any updates required thereto.

If you have any questions or if we can be of any other assistance, please contact any of the lawyers indicated below.

Yours very truly,

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