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Delivered By Email: comments@osc.gov.on.ca, consultation-en-cours@lautorite.qc.ca

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 of 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
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Me Philippe Lebel
Corporate Secretary and Executive
Director, Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour Cominar
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Dear Sirs and Mesdames:

RE: CSA Notice and Request for Comments – Proposed Amendments and Proposed Changes to Modernize the Continuous Disclosure Regime for Investment Funds

Franklin Templeton Investments Corp. (“**Franklin Templeton Canada**”) welcomes the opportunity to comment on the Canadian Securities Administrators’ Notice and Request for Comment – *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; Modernization of the Continuous Disclosure Regime for Investment Funds* (the “**Consultation**”).

Franklin Templeton Canada is registered as an investment fund manager, portfolio manager, mutual fund dealer and exempt market dealer with securities regulatory authorities in various Canadian provinces and territories. Franklin Templeton Canada is an indirect, wholly owned subsidiary of Franklin Resources, Inc. [NYSE:BEN], a global investment management organization with subsidiaries operating as Franklin Templeton and serving clients in over 150 countries. Franklin Templeton’s mission is to help clients achieve better outcomes through investment management expertise, wealth management and technology solutions. Through its specialist investment managers, Franklin Templeton offers specialization on a global scale, bringing extensive capabilities in fixed income,

equity, alternatives and multi-asset solutions. With more than 1,500 investment professionals, and offices in major financial markets around the world, Franklin Templeton has over 75 years of investment experience and approximately CAN \$2.2 trillion (approximately US \$1.6 trillion) in assets under management as of December 31, 2024.

General Comments

Franklin Templeton Canada supports the goal of the Consultation to improve the quality of disclosure provided to investors and reduce the unnecessary regulatory burden of certain current investment fund continuous disclosure requirements under Canadian securities legislation. However, we believe that: (i) the content of the Fund Report proposed in the Consultation could be improved; and (ii) the CSA should consider potential changes to NI 81-106 regarding the delivery of certain continuous disclosure documents at the same time as the current proposed amendments to further its goal of reducing unnecessary regulatory burden on investment funds.

Franklin Templeton Canada is a member of the Investment Funds Institute of Canada (“**IFIC**”) and generally supports the submissions made by IFIC with respect to the Consultation (the “**IFIC Submission**”). In addition, Franklin Templeton Canada wishes to provide its own comments on certain aspects of the Consultation that warrant additional emphasis.

Specific Comments

1. Frequency of Preparation

In the Consultation, the CSA proposed that the interim and annual filing requirements for Management Reports of Fund Performance (“**MRFP**”) would remain unchanged for the Fund Report and it is seeking comment on whether this approach meets investor needs for remaining current as to the status of their reporting issuer investment fund holdings. We support and reiterate the recommendation made in the IFIC Submission to eliminate the requirement to prepare an interim Fund Report.

Historically, there has been little change in content between an interim and annual MRFP other than financial information which would still be required to be disclosed on a semi-annual basis. If a material change does occur, an investment fund is required to comply with its continuous disclosure obligations in National Instrument 81-106 *Investment Fund Continuous Disclosure* (“**NI 81-106**”) by issuing a press release, filing a material change report and amending its prospectus.

Furthermore, our data indicates that there is a very low response rate from investors for receiving continuous disclosure materials. In 2024, Franklin Templeton Canada had a 0.57% response rate from securityholders of our investment funds with respect to our request for annual instructions in accordance with NI 81-106. In 2023, the response rate was 0.55%. The low response rates evidence a lack of desire by securityholders to have printed copies of the continuous disclosure materials mailed to them. Even with the replacement of the MRFP with the Fund Report, we believe that the new form of continuous disclosure will not materially increase the response rate and militates in favour of a model whereby investors have online access (see comments below).

In view of the data, the lack of change between interim and annual MRFPs, the material change obligation and the long-term nature of investment funds, we believe an annual Fund Report should satisfy securityholders’ informational needs.

One of the CSA's aims in the Consultation is reducing unnecessary regulatory burden. This objective can be achieved by reducing the frequency of preparing the Fund Reports. Moving to an annual Fund Report cycle would be consistent with the CSA's position on the Total Cost Reporting Amendments, which allow for annual client cost reporting to achieve securityholder informational needs.

If the CSA decides that an interim Fund Report continues to be necessary, we recommend allowing for a simplified version that includes only the following sections:

- Results of Operations for the 6 Months Ended • – this section should adhere to the requirements of Item 2.3(1)(a) and (b) of NI 81-106 under “Results of Operations”. It should provide a discussion of: (i) any significant changes in an investment fund's portfolio assets and overall asset mix from the previous report; and (ii) how the composition of, and changes to, the investment fund's portfolio relate to the fund's investment objective and strategies, changes in the economy or markets and/or other significant events.
- Costs
- Performance

We believe these sections offer securityholders key information about the investment fund which may influence their decision to purchase, hold or redeem the fund.

2. Modernization of Delivery Requirements

Since the CSA's goal is to reduce unnecessary regulatory burden of certain investment fund continuous disclosure requirements, we strongly encourage the CSA to review and consider updates to the delivery requirements for investment fund continuous disclosure documents at the same time as it seeks to modernize the content of such documents. Our suggestions are as follows:

a. NI 81-106 Delivery Requirements

Based on current requirements in NI 81-106, investment funds are required to contact securityholders annually, either to seek annual instructions or send a reminder regarding the securityholder's standing instructions. As noted above, in our experience seeking annual instructions from securityholders of our investment funds, the response rate is very low. We believe the current process is ineffective and burdensome while not yielding the desired results. It also increases risks, such as cybersecurity and privacy, for investment funds and their investors. Once a securityholder's instructions are obtained, there are alternative methods (e.g., reminder on client statements where such information can be accessed and/or issuance of a press release when an investment fund has filed a continuous disclosure document) that could be utilized to remind securityholders of the availability of continuous disclosure documents without the need to send an annual notice. The CSA should consider options to modernize the delivery of continuous disclosure documents and propose changes at the same time that it is modernizing their content.

b. Access-Based Model for Investment Fund Disclosure

In September 2022, the CSA proposed an alternative to delivering financial statements and MRFPs for investment fund reporting issuers. The model proposed was an access-based model to modernize the current delivery of continuous disclosure document requirements and reduce the regulatory burden on investment fund reporting issuers. At the time, the CSA recognized that its proposed amendments to NI 81-106 and other related securities legislation (the “**2022 Proposed Amendments**”) were consistent with the general evolution of the investment fund industry, particularly the increased availability and accessibility of information online and investor capacity and preference for accessing and consuming information electronically.

Although the scope of the Consultation does not include modifications to delivery requirements that apply to continuous disclosure documents, in our view, any review of current continuous disclosure requirements should include a review of both the content and delivery. We note that NI 81-106 now requires all investment funds to have a designated website on which an investment fund posts its disclosure required by Canadian securities legislation and that requirement was included as a possible precursor to an access-based model. Furthermore, SEDAR+ was introduced in 2023 and is intended to be more user friendly to allow investors to access information about the investment funds they hold. Finally, we note that the CSA published proposed amendments and changes to rules to implement an access-based model for certain continuous disclosure requirements of non-investment fund issuers in November 2024; this follows the CSA’s initial publish of proposals in April 2022. Since the CSA is moving forward with an access-based model for non-investment fund reporting issuers, an access-based model for investment fund issuers should also be advanced.

We believe this is an opportune time to include amendments to effect an access-based model and would achieve the CSA’s goal of enabling a more cost-effective, timely and environmentally friendly manner of making continuous disclosure documents available to investors, which would also reduce the regulatory burden on investment funds without compromising investor protection.

Thank you for your consideration of this submission. Please feel free to contact me at brad.beuttenmiller@franklintempleton.ca should you have any questions or wish to discuss our submission.

Yours truly,

FRANKLIN TEMPLETON INVESTMENTS CORP.

“Brad Beuttenmiller”

Brad Beuttenmiller
Senior Associate General Counsel

cc: Andrew Ashton, Chair, Franklin Templeton Canada
Kathie Johnson, Chief Compliance Officer, Franklin Templeton Canada
Dennis Tew, Head of Sales and Ultimate Designated Person, Franklin Templeton Canada