



December 4, 2019

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
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
Superintendent of Securities, Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Superintendent of Securities, Nunavut

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Re: CSA Notice and Request for Comment – Proposed Amendments to National Instrument 51-102 – *Continuous Disclosure Obligations* and Changes to Certain Policies Related to the Business Acquisition Report Requirements

OVERVIEW

The Portfolio Management Association of Canada (**PMAC**), through its Industry, Regulation & Tax Committee, is pleased to have the opportunity to submit the following comments regarding CSA Notice and Request for Comment – Proposed Amendments to National Instrument 51-102 – *Continuous Disclosure Obligations* and Changes to Certain Policies Related to the Business Acquisition Report Requirements (the **Consultation** or the **Proposed Amendments**).

PMAC represents over [275 investment management firms](#) registered to do business in Canada as portfolio managers. In addition to this primary registration, most of our members are also registered as investment fund managers and/or exempt market dealers. PMAC's members encompass both large and small firms managing total assets in excess of \$2.7 trillion for institutional and private client portfolios.

KEY RECOMMENDATIONS

PMAC supports burden reduction efforts that do not compromise investor protection. PMAC acknowledges that business acquisition reports (**BARs**), which are required to be completed by reporting issuers (other than investment fund issuers) in certain circumstances, represent an important source of information for portfolio managers that assist them in making informed investment decisions on behalf of their clients, in that regard, PMAC:

- 1) **Supports** the Proposed Amendment to alter the determination of significance for reporting issuers that are not venture issuers, such that an acquisition of a business is considered a significant acquisition if the result from any two of the three significance tests exceeds 20% (modified from a single test); and
- 2) **Does not support** the Proposed Amendment to increase the significance test threshold for reporting issuers that are not venture issuers from 20% to 30%.

Our rationale is set out further below.

FEEDBACK

Regulatory Burden Reduction

PMAC is generally supportive of measures that reduce regulatory burden and we applaud the various workstreams currently being undertaken by the Canadian Securities Administrators (**CSA**) to assess regulatory requirements with the goal of burden reduction while maintaining market integrity and investor protection.

PMAC recognizes that reporting issuers have identified that they incur meaningful time and cost in preparing BARs after completion of a significant transaction, as a result of the current requirements under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations* (**NI 51-102**).

Notwithstanding the foregoing, PMAC believes that BARs assist portfolio managers in making informed investment decisions on behalf of Canadian investors. Since the particulars contained in BARs are informative and not disclosed elsewhere, PMAC is concerned that the Proposed Amendments could negatively impact access to meaningful information, to the detriment of investors.

Portfolio Managers use BARs to make investment decisions

The BAR requirement was implemented to provide timely information regarding significant acquisitions to the market, including advising representatives at portfolio management firms (**PMs**). PMs rely on BARs to make investment decisions on behalf of Canadians.

With respect to reporting issuers that are not venture issuers, PMs are concerned that the Proposed Amendments go too far in increasing the significant test threshold from 20% to 30%. An acquisition that meets the current 20% requirement is significant and increasing the threshold to 30% will limit the information provided to the market.

It would be helpful if the CSA explained the rationale behind the proposed increase from 20 to 30%, as the Consultation only refers to this higher threshold as “being consistent with feedback received by the CSA”.

In the alternative, the CSA may wish to consider increasing the significance requirement from 20-30% for *only* the profit and loss test. In light of the way that profits and losses can be accounted for using Generally Accepted Accounting Principles and the nature of certain transactions, we have received member feedback that the profit and loss test may, in certain circumstances, be met too readily and trigger the filing of a BAR that may not be truly significant. Assessing the data as to whether increasing only the profit and loss test threshold to 30% may present an opportunity to reduce the number of unnecessary BARs filed while still ensuring that material information is provided to the market.

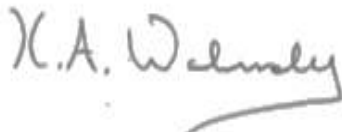
CONCLUSION

For these reasons, PMAC is supportive of the CSA’s proposal to trigger a BAR filing if two of the existing significance tests are triggered. Absent additional information regarding the rationale in support of a higher significance threshold that PMs can evaluate and respond to, we have concerns about increasing the significance threshold to 30%. We believe reducing the information available with respect to significant acquisitions may have a negative impact on investors.

If you have any questions regarding the comments set out above, please do not hesitate to contact Katie Walmsley at (416) 504-7018 or Melissa Ghislazoni at (416) 504-1118.

Yours truly,

PORTFOLIO MANAGEMENT ASSOCIATION OF CANADA



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