PMAC
PORTFOLIO MANAGEMENT ASSOCIATION OF CANADA
Advancing Standards™

VIA E-MAIL

September 4, 2020

Mr. Walied Soliman
Chair, Ontario Capital Markets Modernization Taskforce

CMM.Taskforce@ontario.ca

Dear Mr. Soliman and the Ontario Capital Markets Modernization Taskforce,

Re: Consultation — Modernizing Ontario's Capital Markets

Background

The Portfolio Management Association of Canada (**PMAC**) is pleased to have the opportunity to provide written feedback to the Capital Markets Modernization Taskforce (**CMMT**) for your consideration, further to our meeting with the CMMT on May 11th and the publication of the CMMT Consultation Report (**Report**).

PMAC represents over 285 investment management firms registered to do business with the various members of the Canadian Securities Administrators (**CSA**) as portfolio managers (**PM**s). Approximately 65% of our members are also registered as investment fund managers (**IFM**s). Close to 70% of our member firms are principally regulated in Ontario and almost all members do business in the province.

PMAC's membership is comprised of firms of varying sizes and models, ranging from one-person firms to international and bank-owned firms. In total, our members manage in excess of $2.9 trillion of assets under management for institutional and private client portfolios. Our members also range from the more traditional model to online advisers.

Portfolio Managers

PMAC's mission statement is "advancing standards". We are consistently supportive of measures that elevate standards in the industry, enhance transparency, improve investor protection and benefit our capital markets as a whole. Registered PMs have discretionary authority over investments they manage for their clients and have a duty to act in the best interests of their clients, also referred to as the fiduciary duty. PMAC strongly believes that this fiduciary duty is of utmost importance to investors, that its existence increases confidence in the capital markets and that it informs the way that PM firms operate their business and service their clients.

Throughout our submission, we will draw attention to the ways in which PM firms are unique from other registrant categories and we urge the CMMT to take these unique features into account when making recommendations to the Government of Ontario with respect to modernizing the province's capital markets and securities law framework. We believe that a failure to do so could result in inappropriately prescriptive regulation that impinges on a PM's professional judgement, hampers competition and innovation and, over the long term, does not benefit investors.

General Comments

The CMMT's broad mandate to "transform the regulatory landscape for the capital markets sector" provides a unique opportunity to address systemic and operational issues impacting Ontario's capital markets. We believe that our comments below will assist you in modernizing the system for a healthy and prosperous Ontario. Where applicable, we have provided links to detailed submissions PMAC has made to the CSA and the Ontario Securities commission (**OSC**) on the issues referenced.

In considering changes to Ontario's securities regulatory framework, PMAC urges you to adopt more principles-based, less prescriptive regulation. Overly prescriptive regulation impedes professional and ethical judgement and is inappropriate and ineffective in the management of discretionary client accounts. Moreover, institutional and sophisticated clients do not need the same prescriptive legislative framework as retail clients, since institutional and sophisticated investors have the ability to negotiate bespoke contractual arrangements and terms with their PM, and are protected by the fiduciary duty owed to them by PMs. Securities regulation should provide exemptions, where appropriate, and avoid a one-size-fits-all approach to different client types and business models. PMAC notes with approval the approach taken by the United States Securities and Exchange Commission (**SEC**): by amending securities laws to introduce the regulation best interest standard for broker-dealers and re-affirming the fiduciary standard for Investment Advisers (the U.S. equivalent of PMs), the SEC recognized the inherent differences in duty of care, business model and client types served by Investment Advisers and broker-dealers.

Our members have expressed concerns about the particularly adverse impacts that regulatory burden can have on smaller businesses and new entrants. Regulation should be proportional and should not be unworkable for small businesses or a barrier to entry for new businesses. We continue to support technology-neutral regulation that enables the delivery of a wide variety of investment services to Ontarians, particularly where these solutions can increase access to investment advice where it would be otherwise unavailable.

Finally, a global outlook is critical – to continue to attract investment to Ontario, securities legislation must preserve and strengthen the industry's international competitiveness. Investment jobs and capital can easily move to other jurisdictions if the domestic regulatory burden remains significant and misaligned with that of other international jurisdictions. With that in mind, the unique features of the Canadian markets are central when considering whether to harmonize Ontario's *Securities Act* with the regimes of other jurisdictions.

PMAC believes that the OSC and its CSA counterparts have made great strides over the last year in soliciting, receiving and acting on stakeholder feedback on regulatory burden reduction measures that maintain investor protection. As detailed below, we believe that the implementation of many of these burden reduction measures will have a positive impact on registrants, the markets and ultimately, on investors. We believe that the OSC and CSA play an

important role in the development and oversight of securities regulation and that the expertise of CSA staff is vital to the continued understanding of sophisticated and varied business models that benefit both investors and our markets.

Unlike the OSC, however, the CMMT – by its composition and mandate – is uniquely poised to address many of the larger issues with the province's securities regulation framework to determine how best to improve the functioning of our markets for investors and the financial services firms that serve them. However, we strongly caution against Ontario taking unilateral measures to amend securities legislation in any way that would lead to a fragmented regulatory landscape within Canada. We believe that the CMMT can have a material and positive impact on Ontario's economic prosperity by adopting a bold, considered approach towards the modernization of the province's capital markets and the Ontario *Securities Act*.

KEY RECOMMENDATIONS:

1. **Maintain regulation of PMs under the CSA:** We defer to others in the industry to opine on whether a merger of the two SROs makes sense. PMAC strongly opposes PMs being regulated by a single or merged SRO; we believe the current regulation of PMs by the CSA is effective and that it is in the public interest to maintain direct regulation of these registrants versus delegating to an SRO.
2. **Address governance weaknesses inherent within SRO structures with the goal of moving to best practices for SROs:** Improving governance and oversight of the SROs by the CSA will inspire confidence in the regulatory framework and Ontario's and Canada's capital markets.
3. **Prioritize the national/cooperative regulator with PMs directly regulated by this entity:** Establishing the Cooperative Capital Markets Regulatory System (Cooperative System) is essential to harmonizing regulation across Canada, strengthening the global competitiveness of our markets, fostering a strong national economy and managing systemic risk.

Discussion

Due to their potential impact on our members and the investors they serve, we have set out detailed responses to proposals 3 and 4 immediately below. We start with our comments on proposal 4 followed by those on proposal 3 as they build on each other. We have also provided responses to numerous other proposals in the Report that garnered member feedback in numerical order below.

Proposal 4 – *Move to a single SRO that covers all advisory firms, including investment dealers, mutual fund dealers, portfolio managers, exempt market dealers and scholarship plan dealers*

<u>Prioritize the Cooperative Capital Markets Regulatory System</u>

We leave it to other industry participants to determine whether a merger of the two existing SROs makes sense. PMAC believes that a national regulator such as the Cooperative System should be prioritized. Establishing the Cooperative System would be the most effective path to modernize Ontario and Canada's capital markets and improve the regulatory framework. As noted in the Report, the Cooperative System would increase harmonization and enhance investor protection; moreover, the Cooperative System will go a long way to ensuring that

Ontario is "open for business" by reducing regulatory burden for the benefit of both investors and market participants.

PMAC has been a strong supporter of, and vocal advocate for a national securities regulator since the association's inception in 1952. In a recent letter to the Ontario Minister of Finance, PMAC reiterated our support for the creation of the Cooperative System. As noted in the Report, the CMMT recommendations are complementary to the work being done to establish the Cooperative System and dovetail with Ontario's support for the Cooperative System articulated in its 2019 Fall Economic Statement.

Canada is the only developed country in the world without a national securities regulator which puts Canada (and Ontario as the largest market in the country) at a significant disadvantage in the global capital markets, due to the inefficiencies of our current model.

The Cooperative System would be capable of developing and implementing harmonized law and policy more quickly and efficiently than the current fragmented system. This is highlighted by the recent experience during the COVID-19 crisis, where blanket orders were required to be issued in multiple jurisdictions to provide urgently needed relief to registrants. Harmonized rules across the country are in the best interests of issuers, registrants and institutional and private investors. Investor protection would increase with the benefit of a better framework to manage systemic risks and improve coordination with enforcement on a national and global scale.

Systemic risk considerations are a critical aspect of the health of our economy and the well-being of investors. We are pleased to see that the CMMT is looking at systemic risk issues in Ontario and believe that a strong awareness of these issues is required in the province. However, we believe that systemic risk must be managed through seamless cooperation with the other provinces and territories and that, to ultimately be nimble and effective, it must be overseen at the Federal level.

We encourage the CMMT to specifically recommend that the Ontario government (i) work with other participating provinces and the federal government to complete required legislation as well as the remaining regulations for publication and public comment, (ii) set a timeline to launch the Cooperative System, and (iii) encourage participation by other provinces and territories.

Portfolio Managers should not be part of an SRO

Quite simply, regulation of PMs and IFMs by the CSA is working. CSA staff have the long-term experience and specialized expertise to understand the unique features of the PM business and the fiduciary duty of care owed by PMs to their clients; their oversight role should not be delegated to an outside body. There is certainly no competency reason to do so. In contrast, the SROs' regulatory structures were developed to work well with the investment dealer model where client relationships are based primarily on specific asset purchases and sales. The necessarily prescriptive nature of SRO regulation is inappropriate for, and incompatible with, the business models and client types served by PM firms. Implementing a one-size-fits-all framework is complicated and does not improve investor protection.

PMAC is strongly opposed to moving the regulation of PMs under the SRO umbrella. Direct regulation is strong regulation – there are issues with investor outcomes that need to be solved before any consideration of mandate changes for the SROs. Mergers are not a magic bullet. Although a merger of the SROs may provide cost savings to dealers and a policy victory in the short term, it is not clear that costs savings would result if PMs and EMDs were included; more

importantly, we believe the CMMT has a unique opportunity to fundamentally consider what changes to the regulatory framework as a whole are necessary to ensure a sustainable system in the long term, that take into account investor protection, systemic risk, market changes, technology, and future global trends.

Though the Report is silent on the issue of IFM regulation, we believe it is critical to note that many PM firms are also registered as IFMs and/or EMDs, all of which are currently overseen by the CSA jurisdictions. Moving these multi-registered PMs to SRO regulation would create a duplicative regime, resulting in added regulatory burden, operational complexities and costs. For example, a PM/IFM would then be subject to regulation by the new SRO as well as the CSA.

We are concerned that regulation of all registrants through a "Super" SRO risks lowering standards across the industry rather than elevating them, and do not view the existing SRO regime as having been more effective in terms of investor protection compared with direct regulation by the CSA. For example, while PMs represent 59% of OBSI members, complaints against them were only 3% of the total complaints regarding investments in 2019.[1]

In addition to needed reforms to the current SRO structure (as set out in our comments on Proposal 3), it will be in investors' best interests for the regulation of PMs to remain with the CSA or with a national regulator. We question the policy rationale for the proposal to have an SRO oversee PM firms. There are a large variety of business models that are directly regulated by the CSA and a significant portion involve managing assets for pensions, foundations and other institutional clients. This is in contrast to SRO-regulated businesses being primarily directed at retail clients. These differences are important and bear special consideration. To continue to effectively serve investors and meet their evolving needs, regulation of PMs needs to be flexible and must accommodate a variety of business models.

Currently, PMs are subject to the highest proficiency standards in the industry. It is not clear whether proficiency requirements would be the same for both dealer and PM categories in an SRO model and how this would be regulated. In our view, there is potential for proficiencies to be lowered over time if PMs were to be included in the SRO. We do not believe this to be in the best interests of investors. Discretionary advisers should continue to evidence the highest levels of professionalism and educational experience to carry out the responsibilities that clients entrust them with.

We encourage the CMMT to carefully consider the business models employed and clients served by firms in different registration categories to determine which regulatory model will best promote the public interest and investor protection goals (including investor choice), as well as regulatory efficiency, harmonization and burden reduction. For PM firms, we strongly believe that the SRO model would be inappropriate.

<u>The time frame for the proposed SRO merger and SRO capacity to regulate an additional 1000 registrants should be reconsidered</u>

Finally, PMAC believes that the suggested 12 to 15-month timeframe for the creation of a new SRO that would also include additional registrants is not realistic. The cost and complexity

[1] OBSI Annual Report 2019, available at https://www.obsi.ca/Modules/News/Search.aspx?feedId=c84b06b3-6ed7-4cb8-889e-49501832e911&lang=en

involved in unwinding existing frameworks and creating and staffing a new entity that would take over regulation of potentially close to a thousand CSA (PM, EMD and SPD) registrants are significant, and could not be achieved within this period. We note that IIROC and MFDA currently regulate approximately 260 entities.[2] The merger would create up to a 500% increase in their oversight responsibilities. As noted above, it would be preferable, more realistic and efficient to leverage the time and effort already spent on the Cooperative System to launch the national securities regulator in those provinces that have agreed to participate.

Proposal 3 – *Strengthen the SRO accountability framework through increased OSC oversight*

The SRO model has been slowly disappearing internationally with Canada and the U.S. being among the few to continue to utilize SROs. If they are going to continue to exist in Canada, we need to fix the inherent flaws with the SRO model, as discussed above under Proposal #4. Our comments are not intended to be a criticism of IIROC or the MFDA, but rather what we would consider to be best practices with respect to the governance of SROs generally and in the securities industry in particular. We offer the following comments for consideration by the CMMT in keeping with the CMMT's mandate to modernize and improve existing structures.

Investor protection and the public interest must be the primary mandate and focus of regulators, including SROs, and they must achieve outcomes in the best interests of investors. If IIROC and the MFDA were to be merged, PMAC stresses the importance of the opportunity to materially enhance the new SRO's governance and accountability framework to address inherent weaknesses to which SROs are vulnerable, such as lack of transparency and the potential for conflicts of interest.

We therefore support the following CMMT proposals with respect to the SRO's governance:

- SRO directors should have investor protection experience
- the number of independent directors should be higher than the number of directors from member firms
- the SRO Chair would be required to be an independent director

There is a concern that industry directors may have enormous influence on SRO boards and are *per se* in a conflict of interest. They may perceive that they are on the SRO board to represent the industry, and their own firm in particular. They are provided with confidential information that may be used to their advantage. For this reason, we believe that industry directors should not represent more than one third of any SRO board, and that all directors should be appointed jointly by CSA regulators.

We disagree with the notion of a "cooling-off" period for independent directors. It would be preferable if anyone previously employed in the securities industry is excluded from consideration as an "independent" director.

There is a risk that independent directors' voices can be silenced if they are in the minority. For this reason, as well as having an independent director act as Chair, PMAC would support a requirement that industry directors be prohibited from acting as committee chairs. In addition

[2] There were 171 IIROC members as of March 31, 2019 (source: IIROC Annual Report 2019 at p. 10), and 90 MFDA members as at June 30, 2019 (source: MFDA Annual Report 2019 at p. 10). According to the OBSI 2019 Annual Report (at p. 19), there were 732 PM, 234 EMD and 6 SPD OBSI member firms in 2019 (total of 972).

to directors having investor protection experience, we believe that investors must be independently represented on the boards of SROs.

We believe the above measures would be further enhanced by moving towards the following best practices:

- the definition of the "public interest" should be determined by the CSA
- firm term limits (9 years is suggested) for directors, with no "grandfathering" of terms
- the ability for independent directors to meet *in camera* at every board meeting
- conflicts of interest and codes of conduct to be independently audited
- independent directors to be provided with mandatory annual industry and governance education
- industry directors to be provided with mandatory annual governance education

Regulatory oversight of SROs by the CSA must also be enhanced to ensure uniform standards of regulation, to identify and address regulatory gaps, and prevent regulatory arbitrage. We agree with the following CMMT proposals with respect to SRO oversight, although we believe such oversight should be performed by the CSA and not exclusively by the OSC:

- give the CSA greater tools to oversee the SROs
- link the compensation and incentive structure applicable to SRO executives to the delivery of the public interest and policy mandate
- require SROs to submit an annual business plan covering all activities to the CSA for approval
- provide for a CSA veto on any significant publication, including guidance or rule interpretations
- provide for a CSA veto on key appointments, including the Chair and the President and CEO
- establish term limits for key appointments

We believe that SRO officers and directors must be held to at least the same ethical and conduct standards (including those related to conflicts of interest) applicable to Members (Commissioners) of the OSC.

We are of the view that appropriate governance and oversight of the SRO would eliminate the need for an SRO Ombudsperson. Complaints should be directed to the CSA jurisdiction to which the SRO is accountable.

Additional Responses

Our members provided the following feedback to certain of the other proposals contained in the Report.

Proposal	
Proposal 2	*Separate regulatory and adjudicative functions at the OSC*
	From a governance perspective, separating the Chair and CEO roles at the OSC diminishes any appearance of a conflict of interest where the roles are combined. The Chair should be an independent director, appointed by the Minister of Finance. Separating the adjudication from the regulatory role of the OSC is also good governance practice – the important issue is the independence of the functions, rather than whether the adjudicative body is a separate entity. There may be

Proposal	
	efficiencies to an internal adjudicative function, provided there is independence from the regulatory function. If adjudication remains internal, the Chief Adjudicator should be independent from the CEO, and appointed by the Minister of Finance[3] or the Ministry of the Attorney General. The mandate should not direct whether a rules-based or principles-based approach should be taken as this will depend on the issues being decided. Tribunal members must have the necessary qualifications, knowledge and expertise to effectively fulfill the mandate.
Proposal 5	*Mandate that securities issued by a reporting issuer using the accredited investor prospectus exemption should be subject to only a seasoning period*
	A seasoning approach for accredited investor distributions may be desirable, as the policy concerns giving rise to the hold period may be better addressed through more narrowly-focused solutions. However, members expressed concerns that this initiative could have an unintended negative impact for investors by diminishing the availability of new issues to retail investors (who are not accredited investors), and undermining prospectus offerings, which would negatively impact investment banking.
Proposal 6	*Streamlining the timing of disclosure (e.g., semi-annual reporting)*
	Although members are generally in favour of proposals that reduce regulatory burden, there is concern that there could be unintended consequences that arise from this proposal. For example, this could result in a loss of information or uneven information being available to PMs and investors. If this proposal is motivated by arguments that quarterly reporting forces issuers to engage in more short-term planning horizons, more empirical validation should be obtained to confirm this. The SEC has recently proposed moving towards semi-annual streamlined reporting for open-ended funds. Members emphasized the need to align Canadian requirements with U.S. reporting. If cross-listed issuers (i.e. those listed on exchanges in both Canada and the U.S.) have different reporting timelines and obligations, it could jeopardize accommodations for Canadian issuers under the Canada/U.S. Multijurisdictional Disclosure System (MJDS) by causing the SEC to question whether there continues to be substantial similarity between U.S. and Canadian reporting requirements. If requirements are not aligned with those in the U.S., it will be more difficult for investors to compare U.S. and Canadian firms, potentially impeding the ability to raise capital in the U.S. (and possibly globally), given investors' expectation to receive quarterly financial statements. It is difficult to understand how the requirements would apply differently to small versus large issuers. Presumably an issuer could voluntarily make more frequent disclosures if deemed appropriate. Alternatively, the system could be set up so that issuers that are taking the benefit of more sophisticated fundraising approaches –

[3] We note the Memorandum of Agreement Regarding the Cooperative Capital Markets Regulatory System contemplates an adjudicative tribunal whose members are appointed by a Council of Ministers comprising the Ministers responsible for capital markets regulation in each participating provincial and territorial jurisdiction and the Federal Minister of Finance.

Proposal	
	such as shelf prospectuses, bought deals, ATM offerings, or repeated capital raisings – need to provide quarterly disclosure. Additional detail as to the particulars of this proposal would assist members in evaluating it more fully.
Proposal 8	*Introduce greater flexibility to permit reporting issuers, and their registered advisors, to gauge interest from institutional investors for participation in a potential prospectus offering prior to filing a preliminary prospectus*
	Issuers and dealers are supportive of having greater ability to gauge the interest of institutional investors prior to an offering, regardless of whether it is a shelf prospectus or a short-form prospectus. However, appropriate protections must be put into place and monitored to ensure the integrity of the system. For example, if any of the information being shared with the investor constitutes material non-public information (including the offering itself) then the investor should be subject to confidentiality and trading restrictions. Additional details on how this proposal would be operationalized will be important for members to evaluate the potential risks and benefits.
Proposal 9	*Transitioning towards an access equals delivery model of dissemination of information in the capital markets, and digitization of capital markets*
	<u>Disclosure and Behavioural Studies</u> PMAC encourages the implementation of investor testing prior to the imposition of new disclosure requirements. More disclosure does not necessarily benefit investors, but smarter disclosure that improves investor understanding of important issues, for instance, material conflicts of interest, may be helpful. The OSC's use of behavioural economics to examine a variety of issues, including how to encourage specific demographics to invest, is a modern and laudable approach to regulation. We believe that a similar approach should be used to understand what disclosure, and in what format, is impactful for investors. <u>Streamlining the Disclosure Regime</u> PMAC views the CMMT's mandate and the discussions raised by the regulatory burden reduction consultations as important opportunities to holistically review the continuous disclosure regime required under securities laws. Improving the continuous disclosure regime by replacing onerous and outdated disclosure requirements with effective, meaningful, and accessible disclosure can be of tremendous benefit to investors. PMAC believes that regulations applicable to continuous disclosure must be flexible and adaptable to both technological and behavioural change in an evolving investment landscape, as well as responsive to changing social and investor expectations – such as those caused by the COVID-19 pandemic, which caused many firms and investors to quickly transition and adapt to paperless and digital processes. We are supportive of measures that improve the accessibility of disclosure to investors and believe that posting such information on a website would achieve this goal. In comments provided to the CSA, we urged the CSA to adopt such a model for investment funds and ETF issuers. This included a request that investment funds that are reporting issuers be part of an "access equals delivery" model, as was proposed for non-investment fund reporting issuers.

Proposal	
	This would significantly reduce burden for registrants while recognizing investor demands for convenient access to information in a digital age. Communication by electronic means may be more effective and engaging for investors. Posting documents such as prospectuses, financial statements and material change reports on a designated website would eliminate the need for annual renewals and mailings, as well as the associated printing, postage and environmental costs. We urged the CSA to avoid overly prescriptive rules with respect to the content and management of the designated website. Eventually, most regulatory documents mandated under securities laws for issuers (both reporting and non-reporting) could be made available to investors and other stakeholders through electronic or digital delivery. Issuers should be required to offer physical delivery of documents to investors upon request or by giving investors the option to opt-out of receiving documents by electronic or digital means. Investors should be kept informed by providing notice of the website link upon onboarding and anytime there are material changes thereafter. A transition period of at least 12 months to adopt an access equal delivery model would be needed in order to upgrade and test operational and system requirements. This time frame should begin to run after securities regulatory authorities have published their final rule amendments relating to an access equals delivery model.
Proposal 10	*Consolidating reporting and regulatory requirements*
	We urge the CMMT to review the stakeholder feedback obtained as a result of the CSA consultation on *Reducing Regulatory Burden for Investment Fund Issuers – Phase 2, Stage 1*, including PMAC's comment letter. Please see the chart in **Appendix 1** for specific reporting/disclosure requirements that we are recommending be changed, many of which pertain to investment funds and exchange-traded funds in particular.
Proposal 13	*Prohibit short selling in connection with prospectus offerings and private placements*
	As expressed in the Report, there are existing requirements that apply to short selling in advance of a prospectus offering or private placement. Enhancements to these requirements may be sufficient to address the policy considerations expressed in the Report, whereas an outright prohibition is a blunt instrument that does not take into account the fact that not all short selling in these circumstances is inappropriate. There should be a more detailed inquiry as to why existing requirements are insufficient or whether they need modification or appropriate carveouts before a new prohibition is introduced.
Proposal 14	*Introduce additional Accredited Investor (AI) categories*
	It would be helpful to expand the accredited investor exemption to include educated, experienced investors, provided the standards are clear, easy to administer and reflect a high standard of proficiency. Members support the expansion of the AI definition to those individuals who have completed relevant educational proficiency

Proposal	
	requirements for the reasons cited in the Report. The SEC recently approved an expansion of the AI exemption to include various indicia of sophistication and educational proficiency. We are generally supportive of this approach, in which such knowledge could be based on professional knowledge, experience, or certifications, including but not limited to professional accreditations as noted in the Report. However, it is important that the expanded criteria be objective; the investor and/or the issuer must be able to clearly ascertain whether the investor meets the criteria, and the investor should bear the responsibility to demonstrate compliance. We also note that the SEC amendments to the AI definition expanded the list of entities that qualify as accredited investors and as "qualified institutional buyers". We believe that the Canadian accredited investor and "permitted client" definitions may warrant a similar in-depth consultation.
Proposal 15	*Expediting the SEDAR+ project*.
	PMAC submitted comments on the CSA Notice and Request for Comment – Proposed National Systems Renewal Program Rule and Related Amendments and CSA Notice and Request for Comment – Proposed Repeal and Replacement of Multilateral Instrument 13-102 - System Fees for SEDAR and NRD. Replacing outdated, fragmented reporting systems and databases with more efficient, centralized, and secure technology is a key step in reducing regulatory burden, increasing information security, and facilitating information flow in an efficient and cost-effective manner. PMAC believes that all stakeholders, including the OSC, would benefit from material investments in technology to streamline data gathering, sharing, and analysis. Recognizing the material time and costs involved, we feel it is critical for long-term success to modernize information technology and systems. Without a major investment in technology, we believe CSA staff and registrants will continue to struggle with resourcing burden, unnecessary cost and time lost dealing with archaic, disjointed systems. Feedback from all stakeholders on the features and functionality of the technology will be critical. PMAC urged the creation of a single point of data entry for all information to be provided to the CSA. Information should be filed through a portal and accessible to all CSA members that are granted access. The database should be expanded to include more than just SEDAR, Cease Trade Order Database (CTO) and Disciplined List (DL) to also include SEDI, National Registration Database (NRD) and all the provincial portals. The system should contain basic information about the firm and/or fund so a registrant can use the system to update only the necessary fields. Ideally, this system will calculate registrant's fees and permit authorization of fee payments via an on-line account, avoiding the need to wire money or issue cheques to each applicable regulator. We urged the CSA to fund and staff the creation of parallel systems that would allow for the filing of documents regarding a hearing, compliance review, proceeding, or investigation, to be delivered securely and seamlessly to the relevant CSA staff. We also encourage updating the DL and NRD to be far more comprehensive, user-friendly and intuitive. Following a discussion with CSA representatives from the Systems Renewal Project,

Proposal	
	PMAC is concerned that stakeholder feedback on functionality does not seem to be part of the initial Systems Renewal design phase. We strongly encourage the use of stakeholder working groups to test these critical systems prior to their launch. Without this type of user testing, the new system may not have the design or functionality that registrants require.
Proposal 17	*Increase access to the shelf system for independent products*
	PMAC does not support a prescriptive approach to the "shelf system," but prefers that firms focus on the guidance articulated in the CSA's recently adopted changes to National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103), often referred to as the Client Focused Reforms (**CFR**) . For all PMs, large or small, the emphasis should be on the client's best interests and accurately communicating the firm's value proposition. The CFRs stress the potential for conflicts of interest in the sale of proprietary products. Similar reforms have been adopted by the SROs. The CFRs specifically permit the use of proprietary products with sufficient controls to manage conflicts; the new requirements have not yet been implemented or tested to determine whether they will have the effect of expanding product shelves. The CFRs require firms to disclose to clients whether they will primarily or exclusively offer proprietary products. The CFRs also include enhanced guidance with respect to the management of conflicts of interest that specifically address the use of proprietary products; firms must demonstrate that they are addressing this inherent conflict in the best interest of their clients. Portfolio managers are always subject to a fiduciary standard with respect to client investments. Although the CMMT proposal may have the effect of expanding investor access to independent products, it imposes a disproportionate regulatory burden, specifically on bank-owned firms. Before any additional changes to the know-your-product and suitability regime are contemplated, regulators should focus on closely monitoring registrants' implementation and compliance with the CFRs.
Proposal 18	*Introduce a retail investment fund structure to pursue investment objectives and strategies that involve investments in early stage businesses*
	PMAC members compared this proposal to the amendments to NI 81-102 *Investment Funds* permitting liquid alternative mutual funds and understand that the goal of this proposal is to make additional alternative investment funds available to retail investors. Firms are supportive of the OSC establishing a proposal as described to provide retail investors with access to private equity investments; however, they question the rationale for limiting the scope of investments to small businesses in Ontario or Canada. They also point out that it is important to understand that some structures are not designed for the retail market (for example, "Private equity type investments" are not meant to be for investors who need the ability to access their money on short notice or require disclosure of the risks in these types of investments). Investor protection measures could include limiting the amount invested in retail

Proposal	
	private equity investment funds or having the investment representative ensure the investor has a suitably diversified portfolio. Additionally, proficiency requirements should be adopted to specify who can sell such products. We believe that additional information is required to properly evaluate and comment on this proposal.
Proposal 19	*Improve corporate board diversity*
	PMAC supports initiatives aimed at improving corporate diversity and encourages objective decision-making in the board recruitment, selection, orientation, training and advancement processes. We are aware that firms have voluntarily taken different approaches with the goal of improving board diversity but do not have a consensus on a prescriptive approach such as the use of targets. In general, we are not supportive of prescriptive approaches because they do not account for differences in business models and unique situations.
Proposal 20	*Introduce a regulatory framework for proxy advisory firms (PAFs) to: (a) provide issuers with a right to "rebut" PAF reports, and (b) restrict PAFs from providing consulting services to issuers in respect of which PAFs also provide clients with voting recommendations*
	PAFs provide services to the buy-side community and their regulation should be viewed from this perspective. Restrictions that risk impairing the impartiality of the advice that PAFs provide to their clients should be avoided. The recommendation that PAFs be restricted from providing consulting services to issuers in respect of which the PAF also provides clients with voting recommendations seems logical. However, PMAC has received member feedback that the proposal to provide issuers with a statutory right to rebut the advice of proxy advisory firms is unnecessary and unworkable. Additional PAF requirements that would help create transparency in the shareholder proxy vote solicitation process by giving issuers an opportunity to verify information provided in PAF reports in advance of proxy voting, and therefore give shareholders more accurate information on which to base decisions, is desirable. We note that the SEC has abandoned a similar proposal in July of 2020 and urge the CMMT to track the rationale and next steps in the U.S. on this particular issue.
Proposal 21	*Decrease the ownership threshold for early warning reporting disclosure from 10 to 5 per cent*
	This Proposal is in line with reporting requirements of other international jurisdictions and encourages harmonization with the U.S. in particular. PMAC notes that a 2016 CSA Consultation on amendments to the Early Warning System, including a proposal to reduce the early warning reporting (**EWR**) threshold from 10 to 5% did not garner sufficient support from stakeholders – including PMAC – at the time. During the 2016 consultation, stakeholders raised various potential unintended consequences of reducing the EWR to 5%, given the unique features of the Canadian markets, including a large number of smaller issuers with limited liquidity. Our members note that public EWR often result in a significant drop in liquidity in some of the trading issuers shortly after filings have been made. The impact of

Proposal	
	making this information publicly available and the resulting loss of liquidity is detrimental to their business and their clients. Stakeholders also had suggested that the lower threshold should not apply across the board to all investors. Given the complexity of applying a lower threshold for certain issuers and investors and not others – and the associated compliance burden – the CSA determined to leave the EWR threshold at 10%. The CSA comments on the 2016 Proposal are linked here) The Canadian reporting process is quite expensive. If adopted, the number of reports required to be filed would likely increase substantially. This would be a significant burden to registrants and to regulators without corresponding benefit to investors. Most of the filings would relate to passive institutional investors purchasing on behalf of their own clients. Requiring these reports at the 5% threshold would create undue regulatory burden relative to the benefits of this disclosure. The proposal will make it more difficult to complete on bought deals, and would have negative impacts for buy-side investing clients. Members expressed concern that this could also severely impact (i) the size of equity deals in Canada, (ii) investors in Canadian public equity, and (iii) issuers (especially smaller issuers). For example, this may have the unintended effect of discouraging investment in smaller issuers, as certain investors limit their investments to levels below the prescribed reporting threshold to avoid having to make public disclosure. The dollar value of the investment necessary to reach a 5% ownership position in an early stage company may be quite small. Reducing the reporting threshold to 5% to align with current U.S. requirements fails to recognize the differences between Canadian and U.S. capital markets, where reporting is at the parent entity level. Alternative suggestions would be to have a dynamic market capitalization threshold that can change with various market environments such as using the weighted average market capitalization of the index; or, recognizing that market conditions continue to evolve, staff could review the filing threshold every five years and recommend an appropriate adjustment as required.
Proposal 22	*Adopt quarterly filing requirements for institutional investors of Canadian companies*
	The SEC has recently proposed to increase the reporting threshold in s. 13(f) of the U.S. Securities Exchange Act from US$100 million to US$3.5 billion. Reaction to this proposed increase has been mixed, in part because it is unclear how the information is used by the regulators. This proposal would result in greater transparency, which is beneficial for PMs; however, it creates a conflict between institutional investors and corporate clients. It would add additional burden for institutional investors. Similar to proposal 21, members have serious concerns that such a filing requirement could have negative unintended consequences such as reduced liquidity of securities, a decrease market integrity, a negative impact on investors, increased burden on firms, and potentially reduce investment in Canada. Members point out that the quarterly filings would not necessarily be useful to

Proposal	
	issuers, as they generally already request and receive this information from managers directly. There is a risk that buy-side investment strategies would be undermined by allowing other parties to see their investment positions, even where they are not material. Should a quarterly filing requirement be enacted, members suggest that aligning a threshold with the U.S.$3.5B threshold or with a more dynamic threshold that takes the weighted average market capitalization of the index to be in line with current market conditions. As for the reporting period, our recommendation would be to harmonize with the 13(f) filing in the U.S. which is 45 calendar days after quarter-end.
Proposal 23	*Require TSX-listed issuers to have an annual advisory shareholders' vote on the board's approach to executive compensation*
	We have received member feedback in support of the CMMT's recommendation to adopt mandatory annual advisory votes on executive compensation practices for all TSX-listed issuers.
Proposal 25	*Require enhanced disclosure of material environmental, social and governance (ESG) information, including forward-looking information, for TSX issuers*
	Members are supportive of enhanced reporting. However, they caution that firms' controls around current ESG disclosure may differ from controls and procedures around financial reporting; therefore, current system challenges exist with respect to capturing the required information. Members also point out that although TCFD/SASB are the leading frameworks, they have not been widely adopted; both frameworks provide for issuer discretion, optionality and flexibility. There is a need for clarity as to what would be required disclosure (above and beyond what the issuer would already be required to disclose on the basis of materiality).
Proposal 29	*Introduce rules to prevent over-voting*
	Members welcome this change, which would provide greater transparency in the proxy voting system and encourage the use of technology.
Proposal 30	*Eliminate the non-objecting beneficial owner (NOBO) and objecting beneficial owner (OBO) status, allow issuers to access the list of all owners of beneficial securities, regardless of where securityholders reside, and facilitate the electronic delivery of proxy-related materials to securityholders*.
	Investors should be able to choose whether they want their identities to be revealed – although this change would provide transparency to issuers, investors may wish to maintain their anonymity and should have the ability to do so. Requiring firms to provide a client's private information, especially if the client expressly opted out, would favour the interests of reporting issuers at the expense of the shareholder's privacy rights. Although the removal of the NOBO/OBO status could result in greater transparency, and facilitate the electronic delivery of proxy materials and solicitation of voting instructions directly from all beneficial owners of issuers, members note that most intermediaries will face operational issues due to the privacy concerns expressed

Proposal	
	above.
Proposal 32	*Requirement for market participants to provide open data*.
	PMAC agrees that the availability of open data may foster innovation and improved technology solutions as described in the proposal. Many firms and industries are already engaged in similar initiatives. Members request additional clarity on the type of data contemplated to be shared in order to better understand how the arrangements would impact their businesses and clients. Any such arrangements will have important implications with respect to data privacy, confidentiality and security. Members would want to understand what standards would be applied and how any such arrangements would be coordinated between regulators and across jurisdictions.
Proposal 34	*Consider automatically reciprocating the non-financial elements of orders and settlements from other Canadian securities regulators and granting the OSC a streamlined power to make reciprocation orders in response to criminal court, foreign regulator, SRO and exchange orders*
	We are generally supportive of harmonizing the ability for the OSC to reciprocate orders with other Canadian jurisdictions. The order should only apply to the extent that the OSC could have imposed the same sanctions, conditions, restrictions or requirements on the respondent. For this reason, orders of an SRO or exchange may be excluded (such orders already apply nationally in any event, except in Quebec). With respect to foreign (non-Canadian jurisdiction) orders, the standard should be similar to that of a court determining whether to enforce a foreign judgment. A hearing would likely be required to ensure procedural fairness to the respondent.
Proposal 38	*Strengthen investigative tools by empowering OSC Staff to obtain production orders and enhancing compulsion powers*
	We are generally supportive of harmonizing the OSC's investigative tools with those of other Canadian jurisdictions. Any such tools should be limited to investigations of offences under the *Securities Act* and must be subject to reasonable and proportional limits. Respondents must have the ability to challenge production orders prior to compliance and privileged information must be protected. In general, respondents should not be required to create a document or complete an analysis that does not previously exist.
Proposal 39	*Greater rights for persons or companies directly affected by an OSC investigation or examination*
	We are in favour of the proposed measures, which will provide additional transparency with respect to the investigative process and may streamline the production of investigative material. The "advice and directions" provisions should apply to summonses as well as investigation and examination orders. We also support the proposal to provide a person with documents to facilitate oral examinations pursuant to a summons, and the ability to initially produce a subset of documents and to meet and confer with OSC Staff. Flexibility should be incorporated into the process, so as to avoid impeding OSC investigations while

Proposal	
	maintaining fairness to individuals subject to summonses and orders, while making the process more efficient.
Proposal 40	*Address concerns regarding the OSC's use of contempt proceedings related to investigations and potential creation of offences for obstruction, including non-compliance with a summons*
	We are generally in favour of harmonizing legislation with that of other Canadian jurisdictions. However, we question whether a new offence for obstruction is the appropriate response. An alternative may be to expand the "advice and directions" provisions referenced in Proposal 39 to summonses. It is difficult to prescribe a timeframe for compliance with a summons, as each situation will be different and flexibility may be required.
Proposal 41	*Broaden the confidentiality exceptions available for disclosing an investigation and examination order or a summons*
	We support the expansion of confidentiality and disclosure exceptions as described in the proposal, as this would permit respondents to share information required by law and/or good corporate governance and in some cases may assist parties in responding to information requests and summonses. However, these exceptions should not have the effect of impeding investigations by OSC Staff, and therefore there should be a mechanism whereby OSC Staff could restrict the disclosure, where circumstances require.
Proposal 42	*Ensure proportionality for responses to OSC investigations* (this proposal would impose a reasonable or proportional threshold on OSC questions and requests for documents).
	PMAC agrees that appropriate limits should apply to the requirements surrounding responses to investigations and examinations to avoid unnecessarily burdensome and onerous requests. This is particularly relevant in our current data-driven environment. A statutory amendment providing for a "reasonable and proportionate" threshold would provide certainty to stakeholders.
Proposal 43	*Clarify that requiring production of privileged documentation is not allowed*
	We support this proposal, including the mechanism for challenging an assertion of privilege. Respondents should have a reasonable time in which to provide the privilege log, which timeframe will depend on the circumstances of the request.
Proposal 44	*Implement OSC procedural change to provide an invitation to discuss OSC Staff's proposed statement of allegations at least 3 weeks before initiating proceedings*
	We are supportive of the proposal. However, we are of the view that the timeframe should be flexible, such that it could be extended if required; there should also be a mechanism whereby OSC Staff could forego this process, if circumstances warrant.
Proposal 47	*Give the power to designated dispute resolution services organizations, such as the Ombudsman for Banking Services and Investments (OBSI), to issue binding decisions ordering a registered firm to pay compensation to harmed investors, and increase the limit on OBSI's compensation recommendations*

Proposal	
	PMAC is supportive of measures that improve investor access to dispute resolution services and outcomes. PMAC recommends that the OBSI fee structure be reviewed given the limited use by PMs of OBSI services. On average, in the last 4 years, PM firms represented only a tiny proportion of complaints to OBSI (4%).[4] OBSI is not structured to be a decision-making body like a court of law and, were OBSI to be empowered to render binding decisions, we believe that additional procedural and administrative fairness measures would need to be implemented. Our members would support the availability and use of other dispute resolution mechanisms and alternatives to OBSI.

Recent Advocacy

In addition to the above comments, the following issues are recent PMAC items of concern and the subject of PMAC submissions to regulators. Where applicable, we have included links to our submissions on each topic. We would be pleased to provide further detail on any of these, should you wish.

Financial Professionals Title Protection Act (the Act)

PMAC supports the regulation of the "financial planner" title if done in a way that enhances investor protection without creating duplicative and unnecessary regulatory burden. PMAC was engaged in the consultative process on this topic since 2016 where we responded to the consultation on Financial Advisory and Financial Planning Policy Alternatives. We also made submissions in respect of the Final Report issued by the Expert Committee to Consider Financial Advisory and Financial Planning Policy Alternatives, and on the consultation paper on the regulation of financial planners issued by the Ontario Ministry of Finance in 2018 (links to each of these submissions can be found in the text above).

PMAC notes the recent publication by the Financial Services Regulatory Authority of Ontario (FSRA) of the proposed Financial Professionals Title Protection Rule and Guidance (the Title Proposals). We were concerned to see that the Title Proposals seem to require PMs that also use the title Financial Planner or Financial Advisor to obtain a credential and be overseen by a FSRA-approved credentialing body, despite already being regulated and overseen by the CSA.

Ontario should restrict the use of the title "financial planner"[5] to those who are properly credentialled. However, for the Title Protection Act to be effective without increasing regulatory burden, it is imperative to exempt from the regulations all individuals that are otherwise regulated and that carry out financial planning activity which is incidental to their core business, such as PMs. PMAC believes that such a carve-out is required to prevent investor confusion, and

[4] OBSI Annual Reports for 2016, 2017, 2018 and 2019 (available at https://www.obsi.ca/Modules/News/Search.aspx?feedId=c84b06b3-6ed7-4cb8-889e-49501832e911&lang=en)

[5] We were surprised that the title "financial advisor" was included in the *Title Protection Act* since this title had not been the subject of previous expert reports, discussions or public consultations. The parameters of the activity, proficiency and types of services that are meant to be captured by the regulation of the term "financial advisor" in Ontario are not clear and, in the absence of the text of the regulations, we are concerned that this may result in investor confusion without the intended effect of enhancing investor protection.

to avoid the imposition of a duplicative, complex, costly and unnecessary regulatory burden. Failure to carve PMs out of the Title Protection Act would also lead to a waste of regulatory resources since PMs are already regulated by the CSA and, as a pre-requisite to their registration, are required to have achieved the highest levels of proficiency and relevant investment management experience of all of the categories of registrants – be that with the SROs or with the CSA.

Additionally, to enhance investor protection, PMAC supports the creation of a national, publicly accessible database of financial planners to enable consumers to verify whether an individual holding themselves out to be a financial planner holds a recognized credential. We also support clear, accessible and wide-spread investor education to increase awareness among investors and address the policy concerns raised by current titling practices.

Pending derivatives legislation

PMAC urges the CMMT to ensure that the proposed national instruments in respect of derivatives business conduct and derivatives registration strike the correct balance between addressing IOSCO's recommendations with respect to regulating derivatives without imposing duplicative and onerous rules on PMs, in the absence of evidence of existing harm.

PMAC acknowledges the thoughtful dialogue and questions that have been posed by OSC staff during roundtables and conferences with respect to gathering industry feedback on PMs' use of derivatives and derivatives strategies. We support these discussions as reflective of a positive, nuanced policy development process.

We believe that the imposition of additional, prescriptive and onerous regulatory requirements on PMs is not an effective solution to the CSA's policy concerns regarding Over-The-Counter (**OTC**) derivatives, nor are such measures necessary to meet IOSCO standards. In the context of PMs, the CSA's policy objectives of creating a uniform approach to derivatives regulation, including protecting participants in the OTC derivatives markets from unfair, improper and fraudulent practices, can best be achieved by leveraging NI 31-103 with which PMs already comply.

In lieu of adopting an additional derivatives regulatory regime for PMs, PMAC strongly urged the CSA to regulate PMs advising in derivatives and derivatives strategies through minor amendments to NI 31-103, focusing on proficiency and risk management, and including exemptions for international advisers and sub-advisers similar to those found in NI 31-103. The amendments should contain a list of equivalent jurisdictions that enumerates jurisdictions where advisers are exempt from derivatives regulation.

If the key recommendations outlined in PMAC's business conduct and registration submissions are not adopted, we are very concerned that the CSA – and Ontario – risks several unintended consequences that will be harmful to investors and our capital markets. These include reduced international participation in Canada's derivatives market and the possibility that onerous and overlapping regulation will serve as a disincentive to PMs using derivatives in investment strategies, despite these being desirable for investors and firms having the required expertise and documented investment rationale for their use.

Regulatory Burden Reduction

With respect to the OSC's regulatory burden reduction initiative, PMAC participated by providing stakeholder feedback in a variety of ways, including by submitting a comment letter detailing our members' top priorities and concerns in response to OSC Staff Notice 11-784 *Burden Reduction.* As with all securities regulation, a lack of harmonization adds complexity, cost and frustration; we are hopeful that initiatives that require the cooperation of the wider CSA obtain the necessary cross-Canada agreement.

Conclusion

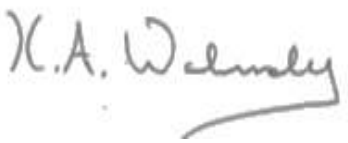
We are pleased that the CMMT is taking on this laudable initiative to modernize Ontario's capital markets regulation framework. Moreover, we believe that the CMMT is conducting this assessment at an ideal time. PMAC regularly collects a wide array of stakeholder feedback on regulatory consultations, market conditions, investor needs and more. Registrants have responded quickly and efficiently to the incredible challenges and impacts of COVID-19 on working conditions, client communications, regulatory obligations and more. This period of profound change presents a significant opportunity to focus on measures that best serve investors and our capital markets and to be courageous about changing what is no longer working.

Investor protection must never be subordinated to expediency or efficiency; confidence in our capital markets depends on standards throughout the industry remaining high. Although we take no position on the merger of the SROs, we urge the CMMT to seize this opportunity to consider the changes needed to improve SRO governance and oversight. Regardless of the outcome, we believe that PMs should continue to be directly regulated by the CSA, until such time as the Cooperative System can be implemented. We believe that the Cooperative System will be the best long-term solution for the harmonized regulation of Canadian capital markets, leading to stronger and more resilient provincial and national economies.

We would be pleased to discuss any of our comments with you at your convenience. Please do not hesitate to contact Katie Walmsley at (416) 504-7018 or Victoria Paris at (416) 504-7491.

Yours truly,

PORTFOLIO MANAGEMENT ASSOCIATION OF CANADA



Katie Walmsley
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Managing Director – Head of Canada Legal & Compliance
BlackRock Asset Management Canada Limited

APPENDIX 1

Instrument	Section	Issue	Proposed Resolution
NI 24-101	Form 24-101F1	This filing is burdensome and information is not always available	We acknowledge and support the OSC's temporary moratorium on this filing requirement and urge that it be made permanent and extended to all CSA jurisdictions
NI 31-103	11.9 and 11.10	Acquisition filing process is complex and inconsistent	Provide a standard form notice Improve transparency around process and timelines Eliminate technical objection notice where both parties to the transaction are registered.
NI 31-103	s. 13.4 and Form 33-109 F4	Lack of clarity regarding what constitutes a material Outside Business Activity (**OBA**) that triggers the reporting requirement	Only require reporting of material OBAs Eliminate fines for late filing Extend timing for filings to 30 days at minimum if not quarterly or annually Permit pre-filing of OBA information
NI 31-103	ss. 13.6(8)	Requirement for registrants to pay for and make available OBSI's dispute resolution services for non-individuals that are not permitted clients is not intended for institutional clients and creates additional burden for registrants	Amend s. 13.6(8) to clarify that OBSI requirements do not apply to firms with non-individual investors (such as welfare trusts, foundations, and registered charities)
NI 33-109 and NRD	Forms NI 33-109 F5 and F6	Firms are unable to view the most current NI 33-109 F6 information filed on NRD.	Registrants should have the ability to review and update the Form 33-109 F6 information through NRD without the need to commission the information
NI 33-109	Form 33-109 F4	Individual registrants are required to provide similar information to multiple regulators including via the Form 33-109 F4 and Personal Information Form (PIF), and with the Toronto Stock Exchange and Neo Exchange with respect to ETF managers.	Duplication should be eliminated with respect to requirements to provide similar information to different regulators.

Instrument	Section	Issue	Proposed Resolution
NI 45-106	Form NI 45-106F1	This filing is burdensome without apparent market or investor benefit where registrants rely on managed account exemption	Eliminate the filing requirement or reduce the frequency, Harmonize the reporting requirement, filing mechanism, and fees nationally (only require filing with principal regulator) Extend 10-day timeline for non-investment fund issuers
Investment Fund Disclosure			
Securities Act	s. 62	Lapse date of simplified prospectus is 12 months	Extend the lapse date to 25 months from the date of receipt. Fund Facts should be renewed annually instead.
Annual prospectus renewal	Annual renewal of prospectuses	The annual renewal of prospectuses is time and cost-intensive; investors rely on information in Fund Facts.	Eliminate the annual renewal of prospectuses and rely instead on continuous disclosure required by NI 81-106 regarding amendments for material changes
Securities Act	s.117	The filings contemplated by s. 117 are duplicated in NI 81-107	Eliminate the requirement in s. 117
NI 81-101	ss. 2.1(2)	Mutual Funds are required to file a final simplified prospectus within 90 days of receipting of preliminary prospectus. The timeline can be restrictive and applying for relief is costly. There does not appear to be an investor protection rationale for the deadline.	Eliminate the 90-day deadline
NI 81-101	s. 3.1.2	Requirement for unaudited interim financial statements to be audited. There is no benefit to the additional auditor review of interim financial statements	Eliminate the requirement
NI 81-101	Proposed s. 3.2.04	Clarification is required with respect to the delivery obligation for the Fund Facts document for purchases made in managed accounts or by non-individual permitted clients	Clarify that the Fund Facts document does not need to be delivered to either the portfolio manager or the end investor in these circumstances. The same comments apply to the ETF Facts document
NI 81-101	Forms 81-101 F1 and F2	The information in the forms is duplicative	We are supportive of the CSA proposal to consolidate these forms and eliminate the AIF requirement for

Instrument	Section	Issue	Proposed Resolution
			mutual funds in continuous distribution Similar changes should be made with respect to ETF disclosures
NI 81-101	Disclosure requirements	The disclosure of unitholders over 10% is not beneficial to investors and is unnecessary. Disclosure of individual investor names is likely not material and poses a privacy concern. Disclosure of biographical information about individual advisers is not relevant unless the adviser has a high profile.	Eliminate this disclosure requirement, or make the disclosure at the fund level and not the series level. Eliminate the requirement to disclose individual investor names on request; disclosure may be made to the regulator, if necessary. The decision to disclose adviser biographical information should be at the IFM's discretion.
NI 81-102	Proposed new s. 2.5.1	The proposed conditions and obligations are not applicable to pooled funds and their introduction would require significant time and money to implement for existing funds.	NI 81-102, NI 81-106 and NI 81-107 should only apply to pooled funds for the purpose of benefiting from the exemptions. Many of the conditions in proposed s. 2.5.1 should not be applicable to investments in underlying funds that are non-reporting issuers. Funds not subject to these conditions by virtue of existing exemptive relief will be seriously impacted by this change, potentially to the detriment of investors.
NI 81-106	Part 9	Funds that are no longer in public distribution are still required to provide an AIF	Eliminate the AIF requirement for funds that are no longer in distribution. Rely on material change reports to inform existing investors of material changes instead
NI 81-106	Item 11.2	There are more efficient methods available for reporting material changes that would reduce burden and costs for IFMs	Material change reports could be eliminated as all relevant information is disclosed in the associated press release and could be posted to the IFM website.
NI 81-106	Form 81-106F1	Annual and Interim Management Reports of Fund Performance (MRFPs) are not useful as disclosure of personalized rates of return is required by CRM2, and the Management Expense Ratio (MER) and Trading Expense Ratio	Eliminate the MRFP and interim MRFP requirements for funds and ETFs

Instrument	Section	Issue	Proposed Resolution
		(TER) are included in Fund Facts or ETF Facts.	
SEDAR	Form 6	Certificates of authentication are required for filings containing documents signed in electronic format, which necessitates a paper Form 6 to be delivered to the CSA. This is costly and inefficient	Electronic signature technology should replace the Form 6 delivery requirement
ETF Disclosure			
NI 41-101	ETF Disclosure Regime	Different disclosure requirements apply to ETFs compared to mutual funds, which do not necessarily conform to investor needs and expectations	ETF disclosure should be reviewed, streamlined and simplified, and better align with mutual fund disclosure; CSA should consider whether investors benefit from this disclosure and the best means of providing the information
NI 41-101	Form 41-101F2 and Form 41-101F4	Form 41-101F2 is repetitive and requires a large amount of information that is not relevant for investors. Information is duplicated within the form. Similar information is duplicated in the MRFP and ETF Facts document	Simplify the form to make it easier to populate and easier for investors to understand, and provide more relevant information. Eliminate duplicative information (such as the annual returns/MER/TER chart and the "objectives and strategies" sections in the summary and body of the document). Remove Item 3 "Summary of Prospectus" as the information is included in ETF Facts
NI 41-101	Form 41-101F2	Some of the disclosure requirements in Item 6: Investment Strategies (ss. 6.1(2), (3), (4), (5), and (6)), may lead to broad, boilerplate disclosure in order for managers to maintain flexibility in the investment strategy.	The normal course material change process should be used to report changes to the fund's investment strategy. This would avoid the use of lengthy boilerplate disclosure to maintain flexibility.
NI 41-101	Form 41-101F2	Item 7: Overview of the Sector(s) that the Fund Invests In – this is not a requirement for NI 81-101 and disclosure is provided under Investment Objectives and investment Strategies sections of the form	Delete Item 7 from the form.
NI 41-101	Form 41-101F2	Item 11: Annual Returns and Management Expense Ratio – this section is duplicative as the	Delete Item 11 from the form

Instrument	Section	Issue	Proposed Resolution
		information is available in the annual MRFP	
NI 41-101	Form 41-101F2	Item 12: Risk Factors s. 12.1 requirements encourage lengthy boilerplate disclosure. ss. 12.1 (2) and (3) include overly broad and general disclosure	s. 12.1 should focus on specific and materials risk factors to provide meaningful disclosure ss. 12.1 (2) and (3) should be deleted
NI 41-101	Form 41-101F2	Item 17.2 Trading Price and Volume – this information is duplicative of the ETF Facts	Delete Item 17.2 from the form
NI 41-101	Form 41-101F2	Item 18.2 Taxation of the Investment Fund – the form requests "general" information rather than specific information which is not meaningful disclosure	Replace the word "general" with "succinctly" and add any unique tax characteristics applicable to the fund to the required disclosure
NI 41-101	Form 41-101F2	Item 18.3 Taxation of Securityholders, Item 18.4 Taxation of Registered Plans and Item 18.5 Tax Implications of the Investment Fund's Distribution Policy – IFMs are not in the best position to advise securityholders about the tax consequences – this requirement will lead to lengthy boilerplate disclosure	Delete Items 18.3, 18.4 and 18.5 from the form
NI 41-101	Form 41-101F2	Item 19.1 Management of the Investment Fund – we question whether investors rely on this information, and whether the information is relevant. Some of the required disclosure is duplicative of other disclosures in the prospectus.	Consider revising or removing the disclosure requirements in Item 19.1 if they do not provide meaningful disclosure to investors. Revise ss. 19.1 (1) (a) to (i) remove the municipality of residence and insert a requirement to disclose whether the individual resides outside of Canada; and (ii) limit the occupational disclosure to the individual's current position and length of service with the firm. This comment is also applicable to ss. 19.1 (8). Revise ss. 19.1 (5) as this is duplicative of the investment strategy disclosure contained elsewhere in the prospectus. Only require the disclosure of relevant

Instrument	Section	Issue	Proposed Resolution
			details of the manager. Consider removing ss. 19.1 (6) as the information may be duplicative of information in ss. 19.1 (7) Revise ss. 19.1 (10) as it is duplicative of information provided in Form 33-109F6 and otherwise not relevant to purchasers of the fund. Ss. 19.1(10) (c) is duplicative of information contained in the IRC report to securityholders, and IRC members are required to be independent pursuant to NI 81-107. The information required under ss. 19.1(12) and ss. 19.1 (13) is available in the fund's financial statements, which are incorporated by reference.
NI 41-101	Form 41-101F2	Item 19. 2 Portfolio Adviser – the information required under ss. 19.2 (1) (a) and (b) is not relevant to investors	Consider removing or revising the disclosure requirements in ss. 19.2 (1) (a) and (b)
NI 41-101	Form 41-101F2	Item 19.4 Independent Review Committee – the information in ss. 19.4 (b) and (d) is duplicative of information in the IRC report to securityholders and MRFP requirements	Remove the disclosure requirements in ss. 19.4 (b) and (d)
NI 41-101	Form 41-101F2	Item 19.6 Custodian – the disclosure in ss. 19.6 (1) and (2) regarding sub-custodians should be removed given that IFMs do not have privity of contract with sub-custodians	Remove the disclosure requirements regarding sub-custodians in ss. 19.6 (1) and (2).
NI 41-101	Form 41-101F2	Item 20.2 Valuation Policies and Procedures – the required disclosure is very technical and detailed – consider whether this is meaningful to investors	Consider revision/removal of requirements in Item 20.2
NI 41-101	Form 41-101F2	Item 21.1 Equity Securities – this section contains duplicative information located	Remove the required disclosure of duplicative information in ss. 21.1 (a), (c), (f) and (i)

Instrument	Section	Issue	Proposed Resolution
		elsewhere in the form: ss. 21.1 (a) is duplicative of the distribution policy section ss. 21.1 (c) is duplicative of the termination section and ss. 21.1 (f) is duplicative of the redemption section ss. 21.1 (i) is duplicative of the risk factor section	
NI 41-101	Form 41-101F2	Item 22.1 Meetings of Securityholders – duplicative information regarding the process and procedures is provided in the information circular. Trust agreements are required to be filed and include information regarding unitholder meetings	Remove the disclosure requirement in Item 22.1
NI 41-101	Form 41-101F2	Item 22.4 Reporting to Securityholders – this information is not meaningful to investors and key documents are included under the section incorporating documents by reference	Consider whether the remove the disclosure required in Item 22.4
NI 41-101	Form 41-101F2	Item 28.1 Principal Holders of Securities of the Investment Fund and Selling Securityholders – this information is not meaningful to investors in a fund that is continuously traded	Consider removing the disclosure requirement in Item 28.1
NI 41-101	Form 41-101F2	Item 29.1 Interests of Management and Others in Material Transactions – this information may not be meaningful to investors and is duplicative of information in the section on material conflicts of interest	Consider revising the disclosure requirement in Item 29.1 to include only relevant information or removing the requirement
NI 41-101	Form 41-101F2	Item 31.1 Proxy Voting Disclosure for Portfolio Securities Held – this information tends to be long, boilerplate disclosure that is not meaningful to investors.	The information in Item 31.1 could be posted to the fund's website
NI 41-101	Form 41-101F2	Item 31.1 Material Contracts – this information may not be meaningful to investors, and the	Consider revising the disclosure in Item 31.1 to include only information relevant to investors or removing the

Instrument	Section	Issue	Proposed Resolution
		contracts themselves are required to be filed	requirement Ss. 31.1 (f) should be revised to remove the disclosure of consideration provided and the words "general nature" should be deleted
NI 41-101	Form 41-101F2	Item 31.2 Interests of Experts – consider whether this information is meaningful to investors and limit to material information	Remove the required disclosure in Item 31.2 or limit it to material information
NI 41-101	Form 41-101F2	Item 34.1 Exemptions and Approvals – consider whether this information is meaningful to investors and limit to material information	Limit the disclosure required in Item 32.1 to relevant, material information and relief that is salient to the fund
NI 41-101	Form 41-101F2	Annual prospectus renewal is work-intensive, costly and time consuming.	Eliminate annual renewals and extend to 24 months. Rely instead on continuous disclosure of material changes, ETF Facts, MRFPs
NI 41-101	s. 4.3	s. 4.3 requires unaudited financial statements, including interim financial statements described in s. 38.2 of Form 41-101F2 to be audited. There is no benefit to the additional auditor review of interim financial statements	This requirement should be eliminated.
Quarterly Portfolio Disclosure (QPD)		The existing QPD rule requires disclosure of information that is duplicative and obsolete given industry practice to publish more up-to-date information elsewhere, including on ETF providers' websites.	Investment fund issuers should be exempt from the QPD requirement if the same information is posted more frequently on the fund's website.
Other matters			
Risk Assessment Questionnaire (RAQ)		RAQ required significant investment of time and resources for firms; information is duplicated elsewhere	Reduce frequency from every 2 years to every 3 years, or differentiate between firms Eliminate unnecessary information or information provided elsewhere, such as in Form 45-106F1 Allow printing of completed RAQ and text boxes Allow sharing between multiple users Share RAQ data with other regulators to eliminate duplication

Instrument	Section	Issue	Proposed Resolution
National Registration Database (NRD)		The system is outdated, tedious and not intuitive	We acknowledge and support the CSA's planned overhaul of NRD and urge detailed consultation with stakeholders Users should have the choice to enter data directly through a web-based workflow process or by a file upload Information should be pre-populated where a change of information is being made or multiple filings are required Users should be notified when submissions are approved Stakeholder feedback should be gathered in the development phase, not after roll-out
Exemptive Relief Applications and Decisions		Timelines for obtaining relief vary significantly Exemptive Relief applications are not published online and decisions are not easily searchable	We acknowledge and support amendments to the Securities Act permitting the OSC to issue blanket relief, and we encourage the OSC to use this power to codify commonly-granted relief. Improve communication or standardize timing for reviewing and granting exemptive relief applications Do not require sunset clauses for exemptive relief Create an index and improve search function for exemptive relief applications and related decisions.
OSC Website	National Instruments	It is difficult to locate and verify the currency of national instruments on the OSC website	Provide easy to access and up-to-date consolidations of National Instruments Improve search functionality of OSC website
OSC Website	Investment Funds Practitioner	Information is difficult to locate	Create an index to the Investment Funds Practitioner similar to the Topical Guide for Registrants Indicate whether information is current
AML Reporting	Eliminate monthly reporting to	This reporting to various CSA jurisdictions is duplicative and creates burden	Reporting should be made on-line to federal authorities and not to various CSA jurisdictions

Instrument	Section	Issue	Proposed Resolution
	CSA		
OBSI fee formula		The quantum of fees paid by PMs and yearly fluctuations in fees based on participant and complaint volume is not consistent and unpredictable	A new fee calculation formula should be implemented to eliminate the fluctuations in fees. PMs should be grouped in one industry category separate from sole EMD registrants. This will more accurately reflect the complaints received for different registrant categories and improve fairness in allocation of fees.