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02/25/2025
2:00 PM ET

Ottawa Update

Bruce Hartley, Prospectus Associates

In late December, the polls showed the Conservatives leading at 45%, followed by the Liberal party at 16% and the NDP at 21%. However, 57 days later the latest polls reveal a significant shift. The Liberal party has surged to 40%, the Conservatives have declined to 38% and the NDP is at 11%.

The change in the most recent polls can be attributed to several factors including Inauguration Day on January 20th in the United States affecting both Canadian politics and its relationship with the U.S. Additionally, the Conservative government tactic to attack the Liberals emphasizing issues such as carbon tax has not carried favour with voters.

Canadians have shifted their focus to concerns regarding the economy, national sovereignty, and international threats. The Ontario Premier Doug Ford has adopted a “Team Canada” approach, which has influenced the public perception. Ford’s support is especially of value within Ontario, as Canada prepares for potential tariffs starting on March 4th.

Tax Update

Victoria Paris, PMAC

Capital Gains Inclusion Rate Changes Postponed to January 2026

At the end of January, the government decided to postpone the implementation of the proposed change to the capital gains inclusion rate to January 2026. The change was initially to take effect in June 2025, however, this is no longer the case as the government is prorogued. The Canada Revenue Agency (CRA) it they would continue to enforce tax rules as though the changes had already been approved, following their usual procedure. Many believe these changes will ultimately not go through. Mark Carney has indicated that he would not support the change, suggesting it will likely be scrapped. This delay may create challenges for individuals who have already filed their taxes assuming the changes would be implemented.

Member Comments:

C: Our clients have expressed concerns regarding this matter. It can be very frustrating when proposed changes are not carried out. This is unfair to those who have followed the rules as they will not receive their money back and those who have changed their strategy based on this.

C: Some people sold property early to avoid the higher inclusion rate and trigger taxes, even though they might not have sold it otherwise. They essentially prepaid taxes, and now it’s become a real problem.



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Canadian Regulatory Updates

Victoria Paris, PMAC

Gavin Inkster, PMAC

CSA Consultation on AI Systems in Capital Markets

PMAC has formed and met with a working group to respond to this consultation. Members are struggling with the feedback the Canadian Securities Administrators (CSA) has required as it remains difficult to predict where the use of AI will go. The feedback that we received includes taking a principles-based approach using existing regulations where possible.

PMAC will circulate our current draft to the group and welcome any feedback.

CSA Consultation on Data Portability

The CSA has published a Multilateral Discussion Paper and Consultation to gather feedback about portability of client data, in particular, KYC information.

The jurisdictions participating include Alberta, British Columbia, Saskatchewan, Manitoba, New Brunswick, Nova Scotia and Quebec plans to participate in a proposed future live-testing environment for e-KYC systems.

The consultation paper notes the shift in Canada and globally toward open banking, which would allow consumers to direct their financial institutions to share their data with third parties, and the new right to data portability in Quebec, which came into effect in September 2024. That right requires private organizations that have collected computerized information about an individual to provide it upon request of the individual or an authorized third party. A similar proposal has been introduced by the federal Department of Finance, though it is not yet law.

The consultation closes on May 19, 2025. PMAC is considering whether to form a working group to respond to the consultation.

PMAC Advocacy Update: Submission to OSC Consultation on Long-Term Asset Funds

PMAC responded to the Ontario Securities Commission's (OSC) consultation into a framework to make long-term assets available to retail investors through investment fund structures. PMAC is supportive of efforts to increase diversification opportunities for retail investors but encouraged the OSC to appropriately balance these opportunities with the significant risks involved with investing in illiquid, long-term assets. In particular, PMAC recommended that the OSC:

1. Prioritize investor protection and suitability;
2. Harmonize any framework across Canada; and
3. Eliminate the "Cornerstone Investor" concept, whereby retail investors could only participate in long-term investments alongside institutional investors.



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International & Other Developments

Warren Rudick, Manulife Investment Management

Extension of Form PF Amendments Compliance Date

On January 29th the Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC) extended the date to comply with amendments to Form PF to June 12, 2025. These changes were initially set to come into effect in March. Form PF requires certain SEC-registered advisers and commodity trading advisers to private funds to provide information about the adviser and the private funds they advise. Industry stakeholders had requested this extension to ease some of the regulatory burden of having to file 2024 data on two different versions of the form. Aligning the filings to the 2025 timeframe will also provide more usable data to the SEC.

Exemption from Exchange Act Rule 13f-2 and Related Form SHO

On February 7th the SEC provided a temporary exemption from compliance with Rule 13f-2 and from reporting on Form SHO for a one-year period. The Form SHO reporting is now due in February 17, 2026, initially due February 14, 2025. Rule 13-f requires institutional asset managers that meet certain thresholds to confidentially file a form SHO with the SEC each calendar month. Changes to the reporting were implemented to provide more disclosure with respect to short selling, in an effort to prevent abusive naked short selling.

US Department of Labor files motion to delay appeals of stay of fiduciary rule

The US Department of Labor (DOL) has filed a motion to delay appeals regarding the fiduciary rule. This rule was introduced in 2024, and aimed to require fiduciary responsibility for retirement investment advice. However, district courts blocked the effective date of the fiduciary rule regulation in litigation brought by industry firms and organizations. The DOL has appealed these rulings and is now asking for more time to allow new staff to review issues and decide how to proceed.

Adjournment and Next Meeting:

Tuesday, March 25, 2025 at 2 PM ET