

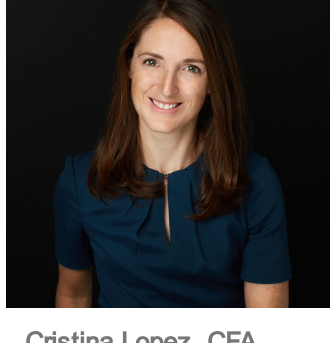
April 2022

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Chair Summary

Canadian Advocacy Council



Cristina Lopez, CFA
Chair, Canadian
Advocacy Council

It finally feels like winter is in the rear-view mirror with signs of spring all around us. The Council will be gearing up for its first in-person meeting in 2022 at the end of May in Montréal where among other agenda items, we will be updating our strategic plan. As part of the meeting, we will have the opportunity to meet with regulators/policymakers from the AMF and CSA and discuss the CSA's and CCIR's recent 'Total Cost Reporting' proposal (released on April 28) to enhance cost-related reporting for investment funds and segregated funds. The proposed changes aim to improve the transparency of fees and costs for investment fund investors and segregated fund holders and follows on the work done by regulators in CRM2. Expect to hear more from the Council on this important initiative in the coming months with comments due at the end of July.

Over the past month, the CAC responded to two requests for comments including IROCC's proposed amendments to reporting, internal investigation and client complaint requirements, and the CSA's request for comment on proposed amendments to NI 41-101 general prospectus requirements and NI 81-101 mutual fund prospectus disclosure. Detailed summaries of the proposals and the Council's comments are provided below.

I want to again thank our volunteers for their continued commitment and dedication to the CAC and I look forward to updating you on our in-person meeting in the next Newsletter.

Published Comment Letters

Canadian Advocacy Council

[IROCC Proposed Amendments – Reporting, Internal Investigation and Client Complaint Requirements](#) (Filed April 14, 2022)

About the notice

IROCC has proposed changes to a variety of rules impacting their ComSet reporting requirements and some reporting requirements under the Universal Market Integrity Rules relating to client complaint handling processes and certain potential disciplinary matters, which are intended to clarify regulatory expectations and reduce duplicative reporting requirements. IROCC believes the amendments will address inconsistencies in how dealers interpret current requirements with respect to reporting, internal investigations and other client complaint matters and also help IROCC anticipate client complaints and better assess dealer risk. While the current ComSet reporting requirements are prescriptive, the amendments introduce a definition of "serious misconduct" that is more principles-based and that would require dealers to report on a specific list of activities (such as theft, material breaches of client personal information), but also other actions where there is either a reasonable risk of material harm to clients or the capital markets, or material non-compliance with IROCC requirements, securities laws or any other applicable laws. The amendments would focus the reporting on matters IROCC staff are most concerned about, and require all client-related misconduct to be reported through ComSet. Dealers would be required to conduct internal investigations and report to IROCC if they become aware that the dealer, an Approved Person or an employee may have engaged in serious misconduct, within the prescribed time frames. The amendments also codify some best practices with respect to client complaint handling procedures including removing the distinction between verbal and written complaints, setting time limits for internal dispute resolution, prohibiting the use of the term "ombudsman" for internal dispute resolution services, and requiring dealers to document and respond to each client complaint in a manner that a reasonable investor considers effective, fair and expeditious. In addition, IROCC is republishing amendments first published in 2019 to Rule 9500, which eliminates the restriction currently placed on OBSI from sharing information with IROCC staff.

Overview of the Council's Comments

The Council believes the Proposed Amendments provide a rigorous analysis of the existing reporting requirements and appropriately set out changes to eliminate duplicate reporting while focusing on potentially harmful matters.

Our key comments are summarized below:

- We particularly support the requirement to report (and investigate) serious misconduct through ComSet (Complaints and Settlement Reporting System).
- We think guidance will be particularly important for Dealers in helping to identify "serious misconduct", given the subjective nature of the current definition.
- We do not believe a materiality qualifier is appropriate for breaches of securities or other laws. In our view, breaches of laws (securities or otherwise) should draw major conduct questions and will need to be reported and investigated in all cases.
- We believe the framework for Canada's complaint handling system across financial services could and should be significantly simplified.
- We strongly support the requirements for gatekeeper reports to be made in ComSet.
- It would be helpful if any one particular regulator had the authority and ability to effectively shift a complaint to the right forum if it is initially made to the incorrect regulatory body or complaints resolution authority.
- We continue to urge IROCC and other regulatory bodies that deal with consumer complaints to look at additional ways to share and analyze data in order to identify systemic issues in the market and for investors.

[CSA Notice and Request for Comment – Proposed Amendments to NI 41-101 General Prospectus Requirements, NI 81-101 Mutual Funds Prospectus Disclosure, and Related Proposed Consequential Amendments and Changes and Consultation Paper on Base Shelf Prospectus](#) (Filed April 27, 2022)

About the notice

The first set of proposed amendments would reduce the frequency of prospectus filings for funds that are in continuous distribution from one year to two by extending the lapse date period for pro forma prospectuses. The purpose is to modernize the prospectus filing model without affecting the currency of the information available to investors. There would be no change to when the Fund Facts or ETF Facts would need to be filed (i.e., still annually), and those documents would continue to provide investors with the disclosure that changes yearly. Funds will still be subject to material change reporting rules. In addition, the CSA is proposing to repeal the requirement to file a final prospectus more than 90 days after the issuance of a receipt for a preliminary prospectus. It is expected that each jurisdiction will change their filing fees such that the annual filing of the Fund Facts/ETF Facts will incur filing fees instead of the prospectus.

The notice included a consultation paper on whether to publish proposed amendments to permit a base shelf prospectus filing model for investment funds in continuous distribution, similar to corporate issuers in NI 44-102 Shelf Distributions. For investment funds, it is contemplated that the base shelf prospectus could have a lapse date beyond 25 months, and that certain disclosure documents such as the Fund Facts and ETF Facts would be incorporated by reference into the base shelf prospectus and be subject to primary market liability in the event of a misrepresentation. Specific questions are posed on the impact on investor decision making.

Overview of the Council's Comments

The Council is generally supportive of the CSA's burden reduction initiatives, and agree that the Proposed Amendments will result in a reduction of some unnecessary regulatory burden without having a material negative impact on investor protection. However, we do have a concern that the increased time frame may result in some stale information in the prospectuses of certain issuers.

Our key comments are summarized below:

- We support the proposal for a prospectus to be renewed every two years instead of every year due to the significant cost and resource savings by:
 - investment fund managers on the preparation and filing of prospectuses and related documents, and by
 - CSA, as staff members would no longer have to review each prospectus on an annual basis.
- We understand that the savings could be as high as \$3 million per issuer group for large bank-affiliated investment fund issuers, and similarly significant when extrapolated across the industry.
- We are in favour of additional targeted (either thematic or issuer-focused) CSA analysis and actions to help mitigate the potential downside of losing the annual review by an issuer, its advisors and regulatory staff.
- State information concerns, resulting from the 2-year period, include DEI or ESG-related considerations, evolving industry practices, norms, and related disclosure language.
- Fund Facts and ETF Facts documents should continue to be filed annually and delivered under the current requirements, as they are most likely to be reviewed by end investors.
- We are not currently in favour of the potential new base shelf prospectus filing model, as it would exacerbate the issues relating to potentially stagnant disclosure.

Response Drafting in Progress

Canadian Advocacy Council

[IROCC Re-publication of Proposed Derivatives Rule Modernization, Stage 1](#) (Due June 13, 2022)

About the notice

The purpose of the amendments to the IROCC rules is to set up a harmonized framework for securities and derivatives, whether they are listed or traded OTC. The republication does not alter many of the amendments as first proposed in November, 2019, but has made further amendments to accord with updated IROCC rules (such as the CFRs) and in response to comments (including from the CAC). One amendment changes the definition of "security" so that it more clearly excludes derivatives, so it is clear which rules apply to each of the asset classes. There is a new proposed requirement for dealers with institutional clients or hedgers to have records relating to the dealer's assessment of those qualifications. In response specifically to the CAC's comment, IROCC is proposing to amend the provisions regarding a dealer's BCP, such that it will no longer be invoked automatically if there is a significant disruption in business, but instead the dealer would be required to notify IROCC with the prescribed information included in the notice. The derivatives risk disclosure statement has also been amended in response to the CAC's comments to include specific common risks and not just general risks of utilizing derivatives. A new requirement would also require disclosure of the percentage of accounts that were profitable for clients for each of the 4 most recent quarters of dealer members offering OTC derivatives to retail clients when offered through CEO accounts.

[CSA Notice and Request for Comment - Proposed Amendments to Implement an Access Equals Delivery Model for Non-Investment Fund Reporting Issuers](#) (Due July 6, 2022)

About the notice

The CSA has proposed amendments and changes to various national instruments in order to implement an access equals delivery model for most types of prospectuses, annual & interim financial statements and related MD&A for non-investment fund reporting issuers. Delivery will generally be deemed to have occurred (or in BC, an exemption will be available) when an issuer provides access to the document through SEDAR and notifies investors that the document is available through a press release. The press release would need to indicate that the document is available electronically and that a paper copy can be obtained on request. No press release would be required in connection with the delivery of a preliminary prospectus. The model is intended to be more cost-effective for issuers and dealers, particularly with respect to the requirement to deliver paper copies of prospectuses. The proposals would not apply to rights offerings by way of prospectus or MTN programs (or investment funds). The two day right to withdraw from an agreement to purchase securities would be amended to reference the later of the date that access to the final prospectus (or amendment) has been provided and the date the purchaser has agreed to purchase the securities. With respect to delivery of financial statements and MD&A, the proposals include references to the current process of obtaining standing instructions from beneficial owners and the interaction of those instructions with an access equals delivery model.

****If you would like to participate or provide comments to ongoing initiatives, please contact cac@cfacanada.org****

Volunteer Spotlight

Canadian Advocacy Council



Tamara Close, CFA

Tamara has served on the CAC since December 2019.

Tamara began her investment management career in 1991. She held various front office positions for the Bank of Montreal and Credit Lyonnais in the global derivatives and foreign exchange markets. In 2000 she became head of research for a start-up fixed income asset management firm in Montreal. In 2008 she joined PSP Investments and held senior management roles within the risk and public markets investment groups. She was also head of ESG Integration for KKS Advisors, a global ESG advisory firm. In 2017, she founded an independent ESG strategy and advisory firm, focusing on ESG integration practices for asset managers and asset owners.

Tamara holds a Bachelor's degree in Economics from McGill, a Master's of Science degree in Finance from the John Molson School of Business (JMSB) at Concordia University as well as the Sustainable Investment Professional Certification from the JMSB. Tamara also holds the Chartered Financial Analyst (CFA) designation.

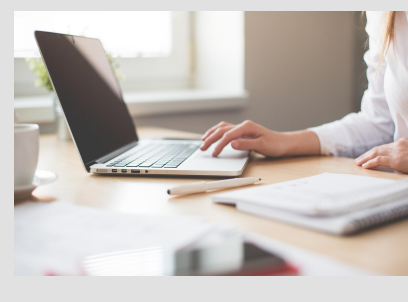
1. What is it about volunteering with the CAC that appealed to you most?

Working with an outstanding and dedicated group of people that are experts in their fields, to bring educated, research and evidence-based opinions in a relevant, coordinated, and organized advocacy approach.

2. What would you tell another Canadian CFA charterholder about the CAC?

The CAC exists to advance market integrity, transparency and investor protection, on behalf of CFA Societies Canada and Canadian CFA charterholders in a reactive and proactive approach with market and industry stakeholders.

News



CFA Institute Asset Manager Code Notification of Compliance

The CFA Institute Asset Manager Code notification of compliance deadline is June 30th. Complete and submit the Asset Manager Code Compliance Notification Form before claiming compliance for the first time. Organizations must submit a notification form on an annual basis by June 30 of each year, with information as of the most recent December 31.

[Notification Form](#)

CFA Institute Seeks Volunteers for Global Industry Standards (GIS) and Global Investment Performance Standards (GIPS®) Committees



CFA Institute is actively recruiting volunteers to serve on the following committees, subcommittees, and working group:

- GIPS Standards Technical Committee
- GIPS Standards Asset Owner Subcommittee
- GIPS Standards Interpretations Subcommittee
- GIPS Standards Verification Subcommittee
- GIPS Standards for Fiduciary Management Providers Technical Committee
- GIPS Standards United States Investment Performance Committee (USIPC)
- Environmental, Social, and Governance (ESG) Technical Committee
- ESG Examination Subcommittee
- GIPS Standards for Outsourced Chief Investment Officers (OCIOs) Working Group

In addition, CFA Institute is seeking to fill the Chair position on the GIPS Standards Promotion Subcommittee.

The deadline to apply for a volunteer position is **May 15, 2022 by 17:00 US ET**. If you have any questions, please email volunteers@cfainstitute.org.

[Learn More](#)



2022 Investor Trust Report

The 2022 Investor Trust Report from CFA Institute is now available. This iteration of the report looks at how trust has evolved, and even increased, since 2020 across industries and within financial services.

[Read the Report](#)

CFA Institute Alpha Summit

CFA Institute's Alpha Summit Global is back on May 17-19, 2022 with a hybrid conference experience. Each conference in the Alpha Summit event series from CFA Institute is designed to deliver knowledge, information, and professional connections to help you think beyond the horizon.



Alpha Summit 2022 will deliver a dynamic agenda of speakers sharing their valuable insights on impactful topics with five critical themes.

- Opportunities and Responsibilities with Sustainable Investing
- Excelling in a Post-Pandemic World
- Harnessing the Benefits of Innovation and Technology
- The Future of Capital Markets Today
- Advancements for the Investment Management Professional

[Register Here](#)



CFA Institute Launches Diversity, Equity, and Inclusion Code for the Investment Profession in US and Canada

CFA Institute launched a comprehensive voluntary [Diversity, Equity and Inclusion Code for the Investment Profession in the United States and Canada](#) ("DEI Code").

The DEI Code aims to foster commitment from institutions to DEI action that will lead to greater inclusion of wider viewpoints from the best talent, which will lead to better investment outcomes, help create better working environments, and generate a cycle of positive change for future generations.

[Read the Code](#)

CFA Institute My Charter Story Podcast

The CFA Institute My Charter Story podcast aims to uncover the inspirational stories that led people across the globe down the path to CFA charterholder.



The fourth episode with [Azra Mirza](#) is now available wherever you listen to podcasts.

[Listen Here](#)

The Canadian Advocacy Council, on behalf of CFA Societies Canada, advances investor protection, industry professionalism, market integrity and transparency to the benefit of society.



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Next CAC Meeting Scheduled: Friday, May 27, 2022 in Montréal, QC.

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