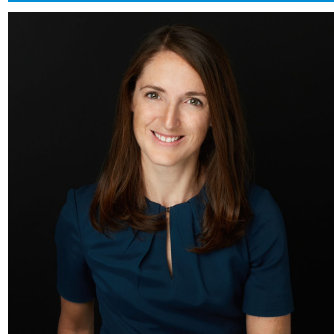


May 2022

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Chair Summary
Canadian Advocacy Council

Cristina Lopez, CFA
Chair, Canadian
Advocacy Council

After a couple of slower months on the comment front, two major and highly anticipated items have hit the desk of the CAC. Over the course of the coming few months, the CAC will be busy working on responses to the requests for comment from the CSA and CCIR on updates to Total Cost Reporting ("TCR") and from the CSA on their progress on the amalgamation of IIROC and the MFDA into a new Self Regulated Organization ("SRO").

For the updates to TCR, the amendments relate to enhanced cost disclosure requirements for investment funds with an ongoing focus on expense ratios including MERs and trading expense ratios. The amendments on the insurance side for seg funds are a much more expansive step forward on pre-trade and ongoing cost and performance disclosure. The CAC has been anticipating some of these changes and we look forward to continued consultation with the CSA and CCIR on this topic, including through a Joint Forum of Regulators presentation, scheduled for June.

The CSA's application for recognition of the new SRO lays out the framework of the new organization, including draft by-laws, draft interim rules, its recognition order, draft terms of reference for the new SRO investor advisory panel, and new considerations and requirements for the inclusion of mutual fund dealers and their registrants in Québec. Given the extensive proactive consultation on this file with the CSA's working groups there were few surprises for us in the final release here, but plenty of laudable progress towards a complex reorganization and major progress towards our suggested improvements to regulatory structure.

As always, I want to conclude my monthly address by thanking all the volunteers at the CAC for their continued dedication.

Response Drafting in Progress
Canadian Advocacy Council
IIROC Re-publication of Proposed Derivatives Rule Modernization, Stage 1 (Due June 13, 2022)
About the notice

The purpose of the amendments to the IIROC 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 IIROC 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 respective 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, IIROC 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 IIROC 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 OEO accounts.

CSA Staff Notice 25-305 Application for Approval of the New Investor Protection Fund (Due June 27, 2022)
About the notice

The application for approval is further to the recommendations in CAC Position Paper 25-404 to amalgamate the two existing contingency funds, The Canadian Investor Protection Fund and the MFDA Investor Protection Corporation into a single compensation fund (New IPF) under the *Canada Not-for-profit Corporations Act*, which will be independent from the new SRO. The new IPF's objective is to either return assets to customers upon an insolvency of an SRO Member, or if the assets are not available, provide compensation for their value as at the date of the insolvency.

The CSA has published an application for approval of the New IPF, which includes a draft by-law, coverage policy, claims procedures and draft appeal committee guidelines, as well as a draft approval order and draft MOU among the CSA members regarding oversight of the New IPF. The coverage policy describes eligible customers, the losses and property covered, limits on coverage and how claims can be made. Members of the New IPF would be the persons who compose the Board from time to time and is consistent with the current structure of each compensation fund.

The application and draft approval order sets out the proposed governance structure for the New IPF, including the composition of the board, which is proposed to be composed of Industry Directors, Public Directors and the CEO, where the number of Public Directors must exceed the number of Industry Directors by at least one. Various committees of the board are proposed, each of which must be constituted by a majority of Public Directors, including the chair. With respect to conflicts, the New IPF's mandate indicates it must identify and avoid "real, potential or perceived conflicts of interest between its own interests, or the interests of its directors, officers, or employees and the New IPF Mandate".

The funding and maintenance/ investment of the New IPF is also addressed, where it will publish its methodologies of establishing assessments for contribution of each category of SRO members. It will conduct a risk analysis associated with each category. Until the assessment is completed, it is contemplated that the funds available to satisfy potential claims for coverage by investment dealers (or dual registrants) and mutual fund dealers will remain separate and be subject to separate assessments. There will be a moratorium on changes to the current assessment methodologies that would result in a material increase to the assessments levied on each category.

It is proposed that mutual fund dealers in Quebec, who are currently not registered with the MFDA, will not be required to contribute to the New IPF's mutual fund dealer fund but will continue to contribute to the existing Quebec financial services compensation fund.

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

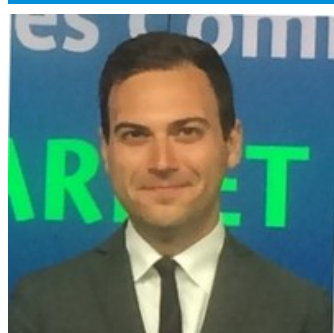
The CSA has proposed amendments and changes to various national instruments in order to implement an access equals delivery model for most types of prospectuses, annual & interim financial statements and related MD&A for non-investment fund reporting issuers. Delivery will generally be deemed to have occurred (or in BC, an exemption will be available) when an issuer provides access to the document through SEDAR and notifies investors that the documents is available there 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.

CSA Proposed Amendments to NI 31-103 and to 31-103CP and Proposed CCIR Individual Variable Insurance Contract Ongoing Disclosure Guidance Total Cost Reporting for Investment Funds and Segregated Funds (Due July 27, 2022)
About the notice

The amendments for securities relate to enhanced cost disclosure reporting requirements, the purpose of which is to enhance investor protection by improving awareness of ongoing embedded fees for investment funds such as MERs and trading expense ratios. Currently, there is no requirement to provide ongoing reporting of such costs after the initial sale in a form that is specific to an individual investor's holdings. In the securities sphere, the amendments would impact the account reporting requirements for registered dealers and advisers and would place obligations on registered investment fund managers to provide dealers and advisers with the required information. The proposed insurance guidance would apply to all insurers offering segregated fund contracts and is intended to add new cost and performance reporting requirements for individual variable insurance contracts. The changes to the insurance guidance also seeks to improve awareness of the rights of policyholders to guarantees and how their actions might affect their guarantees.

The changes to NI 31-103 would require those providing account statements to include information on embedded fees as a percentage (i.e. the newly coined fund expense ratio) for each fund held on the monthly/quarterly account statement. In addition, information would be required to be included on the annual cost and compensation report which shows the aggregate dollar amount of fund expenses for all investment funds and the aggregate dollar amount of any direct investment fund charges (e.g. redemption fees or short term trading fees) held in the account during the year. The disclosure would apply in respect of all investment funds, including foreign funds and prospectus exempt funds. Existing exemptions for non-individual permitted clients would continue to apply. IFMs could rely on publicly available information in fund facts, prospectuses, or MRFPs to provide information for those reports, unless that information is outdated. If advisors or dealers did not believe the information received is reliable, there would be an obligation to make reasonable efforts to obtain the information by other means. It is proposed that final amendments would come into effect in Sept 2024, meaning the new first quarterly account statements would be required for the period ending Dec 2024, and the new annual reports for the period ending Dec 2025.

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

Volunteer Spotlight
Canadian Advocacy Council

Doug Sarro, CFA

Doug has served on the CAC since December 2019.

Doug is a doctoral candidate in law and an adjunct professor at the University of Toronto. His dissertation will look at how differences in securities regulators' mandates, jurisdictional boundaries, and decision-making processes might lead them to respond differently to financial innovations. Before pursuing an academic career, Doug served as a judicial clerk to the Chief Justice of Ontario, practiced corporate law at Sullivan & Cromwell in New York, and was a senior advisor at the Ontario Securities Commission.

Doug holds a JD from Osgoode Hall Law School, where he graduated as gold medalist, of his class and is admitted to practice law in Ontario and New York. He became a CFA charterholder in 2019.

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

The window it gives me into current regulatory developments has been really valuable in my academic career. It helps me make sure what I'm teaching is current and relevant, and on top of that, quite a bit of the research I've pursued over the past couple of years sprang from questions that came up at CAC meetings.

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

It's a great opportunity to engage with a diverse group of market professionals, not just on the details of specific rule proposals, but on some of the bigger questions behind regulation. For example, should securities regulators focus on pursuing investor protection, or should fostering competition and innovation also play a core role in their work? And what kind of governance structure is necessary to keep regulators focused on these objectives? I'm looking forward to continuing to be a part of these conversations through the CAC.

News

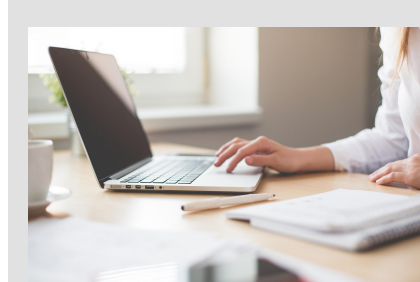
CFA Institute GIPS Compliance

The CFA Institute Annual GIPS Compliance Notification Form deadline is June 30th. Organizations that claim compliance with the GIPS standards are required to notify CFA Institute annually of their claim of compliance by submitting a GIPS Compliance Notification Form.

[Update Form](#)
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 fifth episode with **Michael Hakerem, CFA** is now available wherever you listen to podcasts.


[Listen Here](#)

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](#)

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: Tuesday, June 14, 2022

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