

**December 2019**Was this forwarded to you? [Subscribe here](#) to get future updates.[Subscribe](#)**Chair Summary****Canadian Advocacy Council****Parham Nasser, CFA**  
Chair, Canadian  
Advocacy Council

As we near the end of the 2019 calendar year, there is an opportunity to reflect and plan for a stronger year ahead. 2019 was certainly an impactful and productive year focused on regulatory advocacy, building a strong team compliment and fostering a great partnership with CFA Societies Canada. Looking ahead, our team will endeavor to build on this momentum by:

- Striving to be a leader in capital market advocacy by advancing market integrity, transparency and investor protection,
- Tackling proactive capital markets advocacy projects, and
- Developing a more coordinated and common advocacy voice across the country by working more closely with local societies.

Finally, last month's advocacy efforts focused on two consultations which will inevitably shape the Canadian regulatory landscape for the years to come. First, we responded to the CSA's Investment Fund Regulatory Burden Reduction consultation, and second, we engaged with Ontario's newly formed Financial Services Regulatory Authority (FSRA) by responding to their draft statement of priorities.

**We wish everyone a great holiday season and an amazing 2020!****Published Comment Letters****Canadian Advocacy Council**[Reducing Regulatory Burden for Investment Fund Issuers - Phase 2, Stage 1 \(filed December 11, 2019\)](#)*About the notice*

The CSA has proposed a number of initiatives to reduce the regulatory burden on investment funds, including by codifying routine exemptive relief, reducing the obligation to file documents with duplicative information and using web-based technology to provide certain information about funds. The proposed amendments would permit, for example, private funds to invest in other private funds, in specie payments and redemption's and cross-trades between funds under numerous conditions (including for the latter trades, the creation of an IRC for private funds involved in such trades). For public funds, the annual information form and simplified prospectus would be consolidated, and managers would need to designate a qualifying website on which to post regulatory disclosures. The pre-approval criteria for fund mergers and reorganizations would also be relaxed and the regulatory approval requirements for a change of manager, change of control of a manager or change of custodian that occurs in connection with a change of manager would be repealed.

*Overview of the Council's comments*

We are very supportive of the CSA's ongoing efforts to reduce the regulatory burden for registrants and Issuers. This proposal concentrated on eight proposed "workstreams" in order to eliminate redundant or unnecessary regulatory requirements for investment funds, which will require amendments to various national instruments and policies. Our comments to each workstream are highlighted below.

**Work stream One: Consolidate the Simplified Prospectus and the Annual Information Form**

- The proposal to consolidate the annual information form ("AIF") into the simplified prospectus for mutual funds in

continuous distribution is a good solution to the issue of duplicative disclosure. As suggested in the notice, some elements of disclosure required in an AIF do not provide incremental benefit to investors. We further propose that the CSA consider whether continuous disclosure documents such as the interim Management Report of Fund Performance are still as beneficial to investors and their advisors, given the individualized reporting to investors provided in the annual investment performance report required by CRM2.

#### **Work stream Two: Investment Fund Designated Website**

- The Proposed Amendments would require reporting investment funds to designate a qualifying website to post regulatory disclosure in part to improve the accessibility of disclosure for investors. We highlighted to the CSA that clarity could be helpful with respect to regulators' expectations on how a change or update to the posted disclosure should be communicated to investors and that a potential consideration for Stage 2 of the regulatory burden reduction project would be to categorize or clarify which disclosure found on the website must be pushed to investors or potential investors and which information can be available only on demand from the designated website.

#### **Work stream Three: Codify Exemptive Relief Granted in Respect of Notice-and Access Application.**

- This Work stream would introduce a notice-and-access system to solicit proxies, similar to what currently exists for other reporting issuers. We are supportive of this harmonization amongst public issuers, as well as of initiatives that help reduce paper disclosure.

#### **Work stream Four: Minimize Filings of Personal Information Forms**

- We support the proposal to eliminate the duplicative PIF requirements, where filing requirements via the National Registration Database ("NRD") system are substantially equivalent.

#### **Work stream Five: Codify Exemptive Relief Granted in Respect of Conflicts Applications**

- We believe that it will be beneficial to codify common exemptive relief, and we would support additional work to level the playing field and save the time, cost and effort involved in obtaining relatively routine discretionary relief.

#### **Work stream Six: Broaden Pre-Approval Criteria for Investment Fund Mergers**

- We agree with the proposal to change the pre-approval criteria for investment fund mergers to align with frequently granted discretionary approvals.

#### **Work stream Seven: Repeal Regulatory Approval Requirements for Change of Manager, Change of Control of a Manager, and Change of Custodian that Occurs in Connection with a Change of Manager**

- We support the proposal to repeal regulatory approval requirements in the enumerated circumstances. A requirement to obtain regulatory approval before the information circular is sent to security holders is unnecessarily burdensome and requires the investment fund manager to build in additional time to obtain approvals.

#### **Work stream Eight: Codify Exemptive Relief Granted in Respect of Fund Facts Delivery Applications**

- We are particularly supportive of the initiative to conform the Fund Facts to certain disclosure required by the ETF Facts document. These changes and others in future could reduce the need to have multiple versions of a document when substantially the same product is distributed through different vehicles.
- We also support the proposal to exempt conventional mutual funds from the Fund Facts delivery requirement for purchases made in managed accounts or by permitted clients that are not individuals, as the delivery of such pre-sale disclosure generally is not required by the portfolio manager or permitted client making the investment decision.

#### [Draft F2020-21 FSRA Priorities and Budget \(filed December 16, 2019\)](#)

##### About the notice

FSRA is responsible for the regulation of a number of financial services, including P&C insurance, credit unions, L&H insurance, mortgage brokering, pensions and financial planners/advisors. It has set out a number of cross-sector priorities as well as sector specific priorities that builds on this year's targets and is focused on burden reduction, regulatory effectiveness and protecting the public interest. Some cross-sector priorities include reviewing guidance inherited by FSRA (with a goal of reducing 40% of the existing guidance), establishing service standards, modernizing systems and processes, transitioning to principled-based regulations and improving information sharing with other regulators. Specific priorities for the mortgage broker sector includes supporting the MOF's policy direction on mortgage brokerage legislation and enhancing market conduct oversight. For the financial planners/advisors sector, they include developing the process for approval and supervision of credentialing bodies by posting rules for consultation on the title protection framework.

##### Overview of the Council's comments

We are supportive of each of FSRA's cross-sector fiscal 2020-2021 priorities, particularly those relating to reducing regulatory burden without having a negative impact on investor protection.

We believe the transition to principles-based regulation will allow market participants of various sizes and complexities to

operate within the enumerated framework.

We understand that as part of its burden reduction efforts, FSRA is in the process of reviewing existing guidance with a view to ensuring clarity and eliminating overlap or potentially inconsistent requirements. We agree that it is important for regulated entities and investors to understand the intended effects of any published guidance, and we encourage initiatives related to data driven analytics.

Information sharing with other regulators is also listed as one of FSRA's cross sector priorities. We firmly believe that if information is shared with other regulators in Ontario and across Canada, it could assist with regulatory investigations, which is consistent with upholding investor protection and market integrity.

The Consultation notes that FSRA is in the process of setting up its Consumer Advisory Panel. We understand that the purpose of the panel is in part to provide ongoing advice to FSRA from a consumer perspective on proposed policy-related matters, and to identify topics for future policy consideration, outreach and/or educational activities. We believe this forward-looking initiative is positive and would encourage the panel to consider bench marking and reviewing regulations across jurisdictions internationally to look for ways in which their regulators approach their investor protection mandates.

## Response Drafting in Progress

## Canadian Advocacy Council

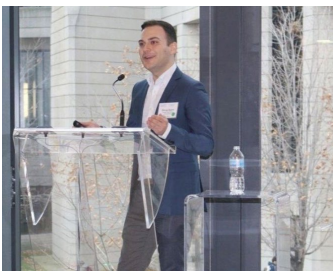
IIROC Proposed Derivatives Rule Modernization, Stage 1 (due February 19, 2020)

### About the notice

The draft amendments follow a review by IIROC of all its derivatives related rules to ensure they are clear, up to date, and consistent with regulations for securities-related activities. Stage 1 expands current regulation for futures and options to cover OTC derivatives by replacing and expanding various defined terms. IIROC is also proposing an expansion to the definition of an "institutional client" to include individuals with at least \$10m of assets under administration and to non-individuals engaged in specified hedging activities. They also propose to expand many of the business conduct rules to derivatives activities, such as BCP requirements, sales conduct requirements, best execution and suitability. Cumulative loss limits would also be required for any type of derivative account offering, and additional account opening procedures and/or IIROC approval would be required prior to offering certain highly leveraged and complex products to retail clients. IIROC has also prepared a new draft risk disclosure statement for derivatives, and has suggested additional proficiency requirements for representatives (which would need to be worked on in conjunction with the CSA projects on proficiency and derivative registrations).

**\*\*If you would like to participate or provide comments to ongoing initiatives, please contact [cac@cfacanada.org](mailto:cac@cfacanada.org)\*\***

## Volunteer Spotlight



### **Doug Sarro, CFA**

Doug is a new member of the CAC. He teaches business law at Osgoode Hall Law School and is a doctoral candidate at the University of Toronto. Before pursuing an academic career, Doug served as 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, tasked with identifying ways to incorporate insights from the behavioural sciences into securities regulation. Doug holds a JD from Osgoode Hall Law School, where he graduated as gold medallist, and is admitted to practice law in Ontario and New York. He became a CFA charterholder in 2019.

### **Why does advocacy matter to you?**

I think we always have a responsibility to use our knowledge and the positions we sit in to try and make things work better. The CAC struck me as an ideal place where I can follow through on that responsibility. CFA charterholders bring a knowledge base uniquely suited to identifying ways to improve outcomes in capital markets regulation. What's more, our ethical obligations should inspire trust among regulators and other stakeholders that the positions we advocate for reflect our good-faith view of the public interest, rather than some collateral agenda.

### **What advocacy issues are you most passionate about?**

The link between environmental sustainability and the sustainability of our financial system, and the regulatory challenge of responding to fintech innovations, are both topics that have shaped my legal scholarship and that I hope will also drive my contributions to the CAC.

## Other Updates



CFA Societies Canada will be hosting its inaugural Society Advocacy Advisory Meeting (SAAM) on May 28, 2020 in Montréal to educate Canadian Society leaders on the Canadian regulatory/policy advocacy landscape and capabilities, and to draw them into the process of setting actionable advocacy priorities. This meeting will be a full-day meeting with a half-day of advocacy training, followed by an introduction to the work of the CAC, review of the regulatory forward agenda and priority setting. Save the dates to invited Society leaders will be sent in the coming weeks.



The CSA recently [announced](#) a wide-ranging review of the SRO landscape in Canada. We see this as a generational opportunity to have influence on the structure and mandate of the securities regulatory landscape in Canada. We're engaging well ahead of formal/public consultations with the CSA committee tasked with this review.



On December 19, the CSA [announced](#) that all jurisdictions across Canada are moving ahead on banning embedded commissions (trailers) on funds sold via order execution only (OEO) dealers (discount brokerages in industry parlance). This is a big win for transparency, conflict avoidance, and ultimately retail investors in Canada. The CSA also announced that all jurisdictions but Ontario are moving ahead with a ban on front-end/DSC commissions. Again – another win for retail investors. We've been heavily engaged on these two issues for \*many\* years and congratulate the CSA on seeing this through. We look forward to continuing to engage with the Government of Ontario and the OSC as they work through this file.

---

*The Canadian Advocacy Council strives to advance market integrity, transparency and investor protection, on behalf of CFA Societies Canada and Canadian CFA charterholders.*



[Follow us on LinkedIn!](#)

Next Conference Call Scheduled: Tuesday, January 14th, 2020 at 4:15pm EST

Contact Us

Subscribe

CFA Societies Canada  
120 Adelaide Street West, Suite 2205, Toronto, ON M5H 1T1  
T 416.366.3658

If you no longer wish to receive future communications from CFA Societies Canada, please reply to [info@cfacanada.org](mailto:info@cfacanada.org) with a subject UNSUBSCRIBE.