

May 2021

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Chair Summary

Canadian Advocacy Council



Parham Nasser, CFA
Chair, Canadian
Advocacy Council

In case you missed it, we heard great news this month. Not only a positive outcome for investors, it was timely given our upcoming strategic review and onboarding of new council members. In short, the OSC and the Ontario Government announced they will act in concert with the other Canadian provinces by banning the sale of Deferred Sales Charges (DSC). Starting June 1 of next year, mutual funds that charge the DSC fee option will be banned everywhere in Canada – including Ontario. As a team advocating for advancing market integrity, transparency and investor protection, we could not be more laudatory and proud of this outcome. This moment of recognition of our efforts was also shared by Ontario's Finance Minister, the Honourable Peter Bethlenfalvy:

Peter Bethlenfalvy • 2nd
MPP for Pickering-Uxbridge, Minister of Finance and Presid...
1w • 🌐

CFA Societies Canada
3,310 followers
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Long an advocacy priority of the #CAC and our organization, we congratulate the Ontario Securities Commission, the Ontario Government, and particularly Minister Peter Bethlenfalvy for doing right by Ontario's investors w...see more

OSC to implement ban on deferred sales charge option, harmonizing rule across Canada
osc.ca • 2 min read

TORONTO – The Ontario Securities Commission (OSC) is moving to ban deferred sales...

19 • 2 comments

Published Comment Letters

Canadian Advocacy Council

CSA Proposed Amendments to NI 33-109 and Related Instruments - Modernizing Registration Information Requirements, Clarifying Outside Activity Reporting & Updating Filing Deadlines (Filed May 5, 2021)

About the notice

As part of its regulatory burden reduction initiative, the CSA has proposed amendments to NI 33-109 in order to make it easier for registrants (and applicants for registration) to complete the registration forms more accurately and require less duplicative information. The CSA also has proposed a new framework for reporting outside business activities, to reduce the scope of activities caught and extend the filing deadlines for informing regulators of such activities. Deadlines for reporting changes in certain other registration information are also proposed to be extended (from 10 to 15 days for some information and from 10 to 30 days for others, including other outside activities). The proposed rule would also allow corporate groups to consolidate some of the reporting of changes. Additional clarification would be provided for certain information requested in the forms, such as more specificity in termination forms on expectations for disclosure of allegations of non-compliance with standards of conduct. A new requirement to collect the professional titles used by registrants is also being proposed.

Overview of the Council's Comments

We are generally supportive of efforts to lessen unnecessary regulatory reporting obligations. We agree that the current requirement to report all outside business activities, regardless of whether they have a business purpose or a nexus to a potential or actual conflict of interest, is overly broad and we support a more principled, consistent and risk-based reporting framework. We are concerned, however, that the Proposed Amendments are potentially problematic and may result in gaps and underreporting of positions or activity that could raise conflict of interest issues.

In our view, the Proposed Amendments go too far with respect to lessening the reporting requirements for Outside Activities. We believe the proposed changes may result in disclosure of fewer positions or activity that can give rise to conflict of interest issues, resulting in potential investor harm. We do not agree with what appears to be a change in the onus of disclosure, from one where registrants must consider a wide array of potential disclosure triggers, to one where registrants are only required to disclose certain activities in the narrower enumerated categories and/or if an aggregate hours threshold has been reached. We believe this change is inherently problematic and that the temporal threshold proposed has not yet been adequately explained by a data-driven or analytical case.

In our view, an Outside Activity should always be required as reportable if it relates to an existing or reasonably foreseeable material conflict of interest that would be required to be identified and/or inventoried by registrants under NI 31-103. This would include all conflicts where the interests of a client and those of the registrant are inconsistent or divergent.

With respect to other general comments, we welcome additional reporting requirements regarding business/professional title(s), simplifying changes to firm-level reporting, clarity on required disclosure of registrant information relating to professional bodies' standards of conduct and related investigations/processes/sanctions, and the codification of the rules relating to the client base of registrants whose Outside Activities would include positions of influence.

We believe that this criteria in combination with the other proposed categories and clarifications should serve to provide registrants and regulators with a more functional, useful, and principles-based outside business activity reporting framework.

CSA Multilateral Notice and Request for Comment – Proposed Order 45-539 Small Business Financing (Filed May 7, 2021)

About the notice

The ASC and the FCAA (Sask) propose a new prospectus exemption to assist small businesses in Alberta and Saskatchewan raise up to \$5 million from investors in those provinces, based on a simple offering document (the document would be considered an offering memorandum under securities legislation). The choice is given to an issuer of creating their own offering document with the specified information, or to use a pre-designed form that has a Q&A format. There are many proposed conditions to the use of the exemption, which vary depending on whether financial statements are provided to an investor. For example, if the statements are not provided, the maximum an issuer group could raise from investors (that would not qualify to invest under other specified prospectus exemptions) over a 12-month period would be \$1.5 million, subject to a lifetime limit of \$5 million. The maximum an investor could invest would be \$2,500 or \$10,000 if they qualify as a "minimum income investor" (based on an "AI light" definition). The thresholds are slightly higher if financial statements are provided. The statements would not need to be audited (review engagement only) and could be prepared based on Canadian GAAP applicable to private enterprises (with some modifications). Financial statements would be required to be provided until such time as the proceeds from the offering are expended. The exemption is intended to address financing for small businesses that do not yet attract venture capital investments. Issuers using the exemption could not be a reporting issuer or investment fund. Other conditions to the exemption include receipt of a signed risk acknowledgement, the filing of a report of exempt distribution and the filing of the offering document on SEDAR.

Overview of the Council's Comments

While we are strongly supportive of the ASC and FCAA's intent to foster capital formation and, more importantly, help smaller businesses raise capital and thrive, we have a number of specific concerns with respect to the Proposed Order.

More specifically, we would recommend consideration of the following three areas:

1. There does not appear to be a clearly communicated target issuer or investor base who will benefit from the proposed prospectus exemption;
2. The economic model upon which the prospectus exemption is based may not be viable; and
3. There may be unintended consequences of the securities offerings contemplated by the Proposed Order for retail investors.

While we are of the view that innovative prospectus exemptions can provide tangible benefits to issuers through additional avenues for capital raising and to investors through diversification opportunities outside of the traditional stock markets, we have concerns in this case that the potential loss of investor protections may outweigh the benefits of the proposed prospectus exemption, particularly given its lack of differentiation from other existing or already-proposed prospectus exemptions, including NI 45-110.

While we strongly support efforts to ease capital raising for start-up businesses, we are concerned that the Proposed Order would introduce a prospectus exemption that may not be utilized by issuers, is based on an unsustainable economic model and that could result in unintended consequences for retail investors. We recommend that the implementing jurisdictions closely monitor the usage of this exemption via public reporting on issuer usage and investor outcomes.

Response Drafting in Progress

Canadian Advocacy Council

CSA Proposed Amendments to NI 51-102 Continuous Disclosure Obligations and Other Amendments and Changes Relating to Annual and Interim Filings of Non-Investment Fund Reporting Issuers and Seeking Feedback on a Proposed Framework for Semi-Annual Reporting – Venture Issuers on a Voluntary Basis (Due September 17, 2021)

About the notice

The CSA is proposing amendments to NI 51-102 in order to streamline and clarify continuous disclosure requirements for reporting issuers other than investment funds. The proposed amendments would include consolidating the MD&A form with the AIF form and financial statements into new annual and interim disclosure statements. It is noted that the SEC Form 10-K similarly presents that information in one document. The proposed amendments will eliminate some disclosure requirements that have been deemed duplicative or redundant, such as the current MD&A requirement to disclose summary information for the last 8 quarters as the information can be located in previous filings. A new requirement will be added to address perceived gaps in disclosure, such as a requirement for venture issuers to describe their businesses in their MD&A. The final amendments are expected to be effective December 15, 2023 and various transition provisions have been proposed. The CSA expects the amendments will streamline reporting and increase reporting efficiency for reporting issuers while increasing the quality of the disclosure for investors. Consequential amendments to other instruments and rules will be required.

The CSA has also proposed a framework for venture issuers that would allow them to report semi-annually on a voluntary basis if they are not SEC issuers, and provide alternative disclosure for interim periods where financial statements and MD&A are not being filed.

IIROC Request for Comments – IIROC Expert Investor Issues Panel (Due June 30, 2021)

About the notice

IIROC is currently seeking input into the proposed framework of an Expert Investor Issues Panel, including its creation, structure, and operation. The Panel is intended to enhance IIROC's investor outreach efforts and help it accomplish its goal of investor protection. The framework includes provisions addressing membership composition, meetings, and responsibilities. The Request for Comments includes an appendix with a comparative study of similar panels of other public interest regulators.

FSRAMended proposals re Financial Professionals Title Protection Rule and Guidance (Due June 21, 2021)

About the notice

The revised proposed rule continues to establish approval criteria for credentialing bodies as well as approval criteria for financial planning and/or financial advisory credentials. Several amendments were made to the application to the guidance, including to specifically require applicants to show their policies and procedures with respect to real or perceived conflicts of interest. Additional expectations are set out with respect to the curriculum of credentialing bodies, such as a specific requirement for the financial advisor curriculum to provide an understanding of standard retail investment products. FSRAs approach to supervision will include annual reviews of approved credentialing bodies. FSRAs also expects that credentialing bodies will have a process in place to review the good standing of their own credential holders in the event regulatory action is taken by another credentialing or regulatory body. An appendix to the draft supervision guidance now provides examples of titles that FSRAs considers could reasonably be confusing and those that would not likely be confused with the title of financial planner or financial advisor. The transition period for persons utilizing the title of financial planner or financial advisor without a recognized credential has been shortened to four years for the financial planner title and two years for the financial advisor title (from the date the rule comes into force, and only if the title was already in use as of January 1, 2020).

It is also proposed that credentialing bodies provide FSRAs with information that will allow it to create a central registry of credential holders. FSRAs has also set out for the first time its overview for its intended collection and remittance of fees, for which a separate consultation will be launched in the next few months.

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

Volunteer Spotlight

Canadian Advocacy Council



Laura Howitt, CFA

In 2017, Laura founded SGD Compliance Consulting Inc. SGD is a regulatory compliance consulting firm that works with investment firms registered in the categories of portfolio manager, investment fund manager and exempt market dealer.

Laura has over 15 years experience in the securities industry including regulatory audit experience from her role as Senior Analyst in the Market Regulation Division of the Alberta Securities Commission (ASC). Laura was also an Associate at a wealth management firm that services high-net-worth investors and a Mutual Fund Analyst at a global investment management organization.

Laura has an MBA from the Smith School of Business at Queen's University and holds the Chartered Financial Analysis (CFA) designation and the Certificate in Investment Performance Measurement (CIPM) designation through CFA Institute. She also holds the Chartered Investment Manager (CIM) designation and has completed various Anti-Money Laundering & Terrorist Financing for Securities Professionals courses.

Laura currently serves as Vice Chair on the Canadian Advocacy Council for CFA Societies Canada. She served as a Board Member and Secretary on the Canadian Investment Performance Committee (CIPC) and participated as a member on the Global Investment Performance Standards (GIPS) - Verification Oversight working group. Laura was also a Board Member for CFA Society Calgary.

1. Why does advocacy matter to you?

I grew up with parents that encouraged action, so advocacy to me is about being constructive and trying to influence change where you believe there is a need.

2. What advocacy issues are you most passionate about?

Investor protection, education of investors and industry professionals, followed by analyzing whether rules are effective relative to the cost and compliance burden on registered firms. Ultimately those costs will be pushed in some respect to investors/consumers.

News

Canadian Advocacy Council Leadership Election Results



We are pleased to announce the results of the CAC elections for the 2021-2022 year, effective July 1st.

Chair: **Cristina Lopez, CFA** (CFA Society Calgary)

1st Vice Chair: **Laura Howitt, CFA** (CFA Society Calgary)

2nd Vice Chair: **Barbara Bauer, CFA** (CFA Society Calgary)

Please join us in congratulating them! We look forward to their leadership this year.

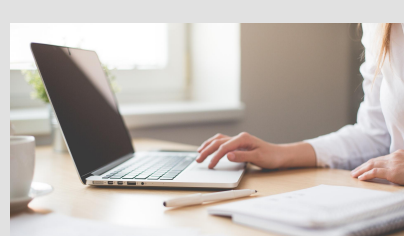
Reminder - Annual GIPS Compliance Notification Form and Asset Manager Code Notification Forms are due June 30, 2021

Organizations that claim compliance with the **GIPS standards** are required to notify CFA Institute of their claim of compliance by **submitting a Notification Form by June 30th of each year**.

Organizations that claim compliance with the **Asset Manager Code** are also required to notify CFA Institute of their claim of compliance by **June 30th of each year**. Organizations can **submit an Asset Manager Code Notification Form here**.

Organizations that are newly claiming compliance with the GIPS standards and/or the Asset Manager Code must submit the appropriate Notification Form before publicly claiming compliance. Once an organization claims compliance, it must submit an updated Notification Form annually, between 1 January and 30 June of each year.

Notification forms are due June 30, 2021.



ESG Disclosure Standards for Investment Products: Exposure Draft



On 19 May, CFA Institute, in collaboration with its volunteer **ESG Technical Committee** released an Exposure Draft of the CFA Institute ESG Disclosure Standards for Investment Products. The Standards establish disclosure requirements for investment products with ESG-related features. The purpose of the Standards is to provide greater transparency and consistency in ESG-related disclosures, resulting in clearer communication regarding the ESG-related features of investment products.

Please refer to the **Providing Feedback** guidelines for submitting comments. All comments must be received by 14 July 2021 in order to be considered. Any individual, group, or organization may submit a comment letter.

Register today to attend the 15 June webinar from CFA Institute to learn more about the Standards, and remember to submit your comment letters by the 14 July deadline!

Read More

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



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Next Meeting Scheduled: Tuesday, June 15, 2021 at 12:00 pm EDT.

Contact Us

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