

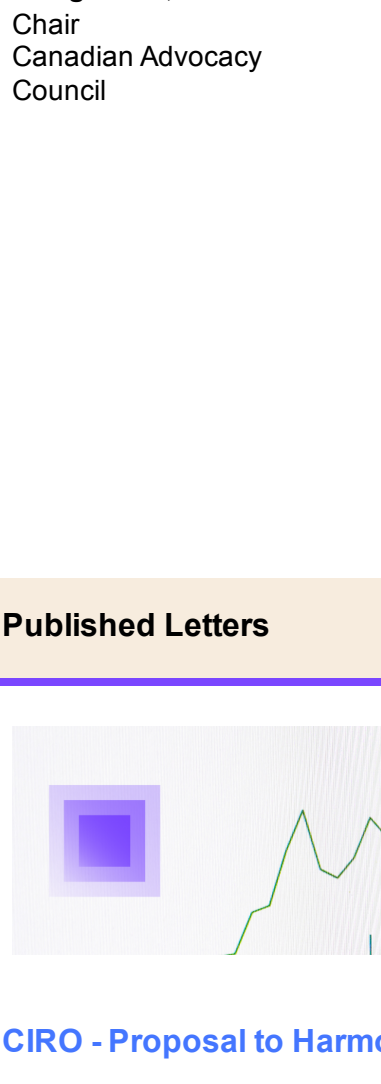
Canadian Advocacy Newsletter

February 2025

Subscribe

Chair Summary

Canadian Advocacy Council



Doug Sarro, CFA
Chair
Canadian Advocacy Council

It's been a busy start to 2025 for the CAC. Since January, we've submitted eight comment letters to three different regulatory bodies—including our [response](#) to the OSC's proposal to create a new class of investment fund through which retail investors in Ontario could gain exposure to illiquid assets like infrastructure projects, venture capital, and private debt and equity.

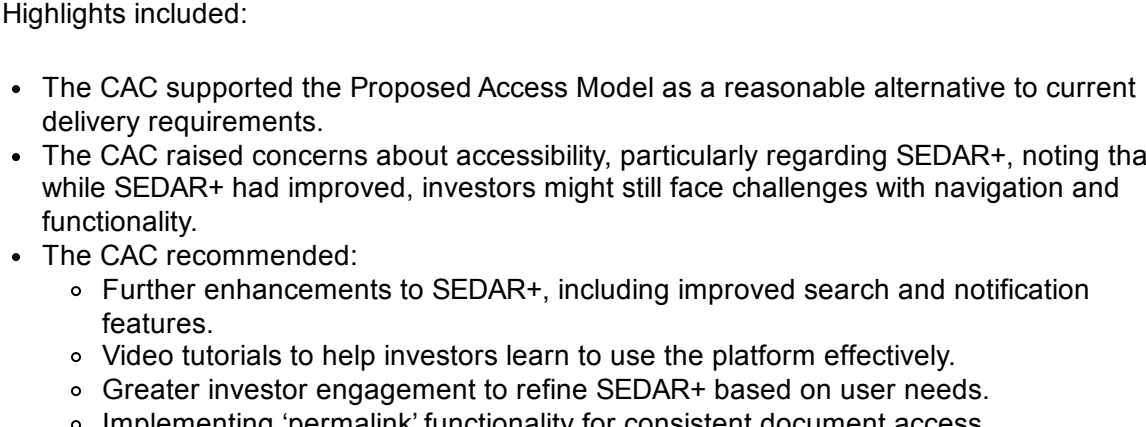
In theory, we can see the attraction of giving retail investors access to a broader array of asset classes, especially if it also reinforces broader government priorities around economic growth. But the OSC's proposal didn't come with analysis suggesting top-tier investment opportunities in the targeted asset classes are having trouble meeting their capital needs through institutional investment. Nor did the OSC address the resulting possibility of adverse selection—that the investment opportunities promoted to retail investors under this new structure will tend to be lower-quality ones that more sophisticated investors have already passed on. Given the wide dispersion of fund and manager returns in the targeted asset classes, this risk seems worth engaging with.

Nor are we convinced that the OSC's proposal that these funds be required to attract an institution as a cornerstone investor to share in retail investors' risks and returns fully addresses our concerns. We'd like to know more about the potential for conflicts of interest between the cornerstone investor and retail investors and how the OSC proposes to deal with this.

In brief, before the OSC moves further on this, we hope it provides a stronger policy case that addresses our concerns.

Published Letters

Canadian Advocacy Council



CIRO - Proposal to Harmonize CIRO Continuing Education (CE) Programs

Submitted January 31, 2025

The Canadian Advocacy Council (CAC) recently responded to the Canadian Investment Regulatory Organization's (CIRO) request for comment on its initiative to harmonize and modernize its Continuing Education ("CE") requirements.

The CAC supported CIRO's phased approach, particularly regarding the technological impacts of Phase 2, and acknowledged the cross-jurisdictional research that informed these proposed changes. The CAC strongly supported a principles-based approach to CE requirements, allowing firms and individuals flexibility to pursue meaningful professional development tailored to their needs. The CAC also endorsed the expedited implementation of Phase 1 amendments for the next CE cycle.

Highlights included:

- The CAC supported a harmonized approach where firms are responsible for recordkeeping, with harmonized 7-year requirements.
- The CAC agreed with the removal of carry-forwards to ensure CE remains relevant and up-to-date, and that CE should be updated to address evolving practices and risks.
- The CAC urged that repeated courses be only accepted in exceptional circumstances, where substantial new content warrants the retake. It also urged CIRO to provide guidance for the limited instances where repeated courses should be acceptable.
- Without mandatory accreditation, the CAC is concerned that there is a risk of low-quality CE courses being accepted. The CAC recommended CIRO take action to:
 - Promote high-quality, accredited CE providers.
 - Monitor and enforce standards against subpar CE offerings.
 - Issue warnings about unacceptable CE courses or providers.

CSA - Proposed Access Model Changes for Certain Disclosure Documents of Non-Investment Fund Reporting Issuers

Submitted January 31, 2025

The CAC recently responded to the Canadian Securities Administrators' (CSA) request for feedback on its proposed amendments and changes to implement an access model for certain disclosure documents of non-investment fund reporting issuers.

Highlights included:

- The CAC supported the Proposed Access Model as a reasonable alternative to current delivery requirements.
- The CAC raised concerns about accessibility, particularly regarding SEDAR+, noting that while SEDAR+ had improved, investors might still face challenges with navigation and functionality.
- The CAC recommended:
 - Further enhancements to SEDAR+, including improved search and notification features.
 - Video tutorials to help investors learn to use the platform effectively.
 - Greater investor engagement to refine SEDAR+ based on user needs.
 - Implementing "permalink" functionality for consistent document access.
 - Adoption of machine-readable and structured disclosure formats, such as XBRL.

CSA - Proposed Amendments to Modernize Continuous Disclosure Regime for Investment Funds

Submitted February 7, 2025

The Canadian Advocacy Council (CAC) recently submitted a letter to the Canadian Securities Administrators (CSA) regarding proposed amendments to the disclosure requirements for investment funds.

The CAC expressed appreciation for the regulators' efforts to balance investor protection with reducing regulatory burden, and supported the data-driven approach used in crafting the policy proposals.

The letter provided specific feedback on key aspects of the proposal, highlighting areas for improvement and advocating for changes that would enhance investor transparency and protection.

Key points from the letter included:

Filing Frequency of Fund Reports:

- The CAC largely supported maintaining the current filing frequency for annual and interim Management Reports of Fund Performance (MRFPs). However, it disagreed with the exemption for scholarship plans and recommended harmonizing these rules across all comparable investment products.

Performance Disclosure Requirements:

- The CAC strongly supported disclosing performance of both highest and lowest management fee classes/series of a fund to help retail investors understand costs and distribution channel choices. It also suggested that performance information for fee-based accounts should include illustrative comparable fees.

Liquidity Disclosure:

- The CAC agreed with adding a Liquidity Profile section to the Fund Report, viewing it as a crucial investor protection measure. It recommended including a legend to the liquidity chart and additional comparative statistics to improve investor comprehension.

Scholarship Plan MER Disclosure:

- The CAC advocated for harmonizing disclosure requirements for scholarship plans with other investment funds, arguing that distinctions in regulatory treatment were probably outdated.

Fund Performance Assessments by IFMs:

- The CAC raised concerns about obvious conflicts of interest if Investment Fund Managers (IFMs) were required to self-assess their fund's success. It suggested clarifying expectations in the Fund Report instructions and considering alternative models, such as expanding the role of fiduciary oversight bodies.

OSC - 81-737 – Improve Retail Investor Access to Long-Term Assets through Investment Fund Product Structures

Submitted February 14, 2025

The CAC recently provided feedback on Ontario Securities Commission Consultation Paper 81-737, recommending better background information gathering by regulators in private markets to inform policy proposals. They suggested regulators reassess whether the wholesale exemption from securities oversight of managers of exempt-market funds invested in private equity, venture capital and other private assets remains appropriate, especially in light of U.S. regulatory developments, noting that improved market knowledge relating to private assets would enable more informed regulatory policy.

Retail Investor Access to Long-Term Assets

- The CAC acknowledged potential benefits for retail investors of greater access to these investment opportunities, while questioning whether the proposal adequately addressed investor needs versus being motivated by perceived capital formation issues.
- The CAC emphasized the need for analysis to be informed by the experience of similar proposals in similar jurisdictions and collecting robust data on the quality and performance of funds and managers available to retail investors, particularly given the wide dispersion of returns in these asset classes.

Investment Fund Structures

- The CAC agreed that investment fund structures could mitigate some risks of illiquid Long-Term Assets but highlighted the importance of regulatory requirements tailored to the unique characteristics of these asset classes.
- They stressed the necessity for carefully tailored regulatory requirements that address the unique characteristics and challenges of these specialized asset classes, highlighted the need for transparent rules governing fund operations, liquidity management protocols, and robust conflict management measures for investor protection.

Governance and Oversight

- The CAC endorsed applying specialized regulatory requirements for Ontario Long-Term Funds (OLTFs), while calling for a more thorough examination of Cornerstone Investors' role, particularly regarding potential conflicts or misalignment with retail investor interests.

Valuation and Reporting

- The CAC supported adopting OLTF net asset value calculation requirements with long-term redemption and redemption frequency, with additional related governance controls relative to other types of prospectus-offered investment funds.
- They acknowledged that experienced investment fund managers could help address valuation challenges, while recognizing that long-term assets present distinct governance and fund management complexities.
- The CAC expressed a strong preference for independent boards of directors over enhanced independent review committees for effective OLTF oversight.

Investor Protection

- The CAC believe that OLTFs demand more comprehensive disclosure requirements (both initial in Fund Facts, and ongoing in MRFP requirements) that clearly communicate asset-specific risks to retail investors.
- They raised significant concerns about the net result of the proposals being that retail investors in Ontario could potentially only receive access to a sub-set of Long-Term-Asset investment managers and investment opportunities, as the highest-quality opportunities would likely remain dominated by institutional investors.
- The CAC recommended additional investor protection measures for non-accredited retail investors into potential OLTFs, including suitability determinations from qualified registrars before investment, and further exploration of financial eligibility tests or investment concentration restrictions.

CIRO - Proposed Amendments Respecting Mandatory Close-Out Requirements

Submitted February 21, 2025

The CAC responded to CIRO's request for comment on its consultation regarding proposed amendments to mandatory close-out requirements.

Key points from the letter included:

- The CAC emphasized the important role of short selling in price discovery, market efficiency, liquidity, and risk management.
- The CAC advocated for data-driven regulatory changes that address specific concerns without unintentionally and generally suppressing short-selling activity.
- The CAC supported reforms aligning Canadian regulations with those of comparable markets and believed the proposed changes would not undermine short selling's core functions. The CAC was pleased that CIRO considered multiple jurisdictions in its analysis.
- The CAC endorsed the introduction of mandatory close-out requirements, stating that they would strengthen the regulatory framework by closing gaps without inordinately impeding responsible short-selling.
- The CAC also agreed that aligning the amendments with U.S. regulations would minimize the burden on market participants and facilitate a smooth transition, given the interconnectedness of Canadian and U.S. markets.

CIRO - Non-tailored Advice in the Order Execution Only Channel

Submitted February 28, 2025

The Canadian Advocacy Council of CFA Societies Canada (CAC) recently provided feedback on the Canadian Investment Regulatory Organization's (CIRO's) consultation regarding non-tailored advice in the Order Execution Only (OEO) channel. The CAC acknowledged that DIY investing informed by online resources is growing, particularly among younger investors, and supported evolving regulation to better protect investors and focused on keeping activity within the regulatory perimeter.

General Position

- Supported expanding OEO Dealers' ability to offer non-tailored advice and tools
- Emphasized OEO Dealers must adequately manage new conflicts these services may introduce
- Advocated for principles-based regulation requiring dealers to evaluate tools' allowance, configuration and promotion based on their net effect on investor behavior, distinguishing between configurable uses of tools by sophisticated investors and base-configured/promoted and suggested uses to most clients

Notifications and Alerts

- The CAC supported a wide array of pre-configured and user-configurable notifications and alerts, but recommended that promoted and base configurations be based in a regulatory oversight framework focused on investor-positive concepts (promoting diversification, risk-return optimization, reducing cash drag, etc.)
- The CAC favored allowing sophisticated users to configure notifications and alerts of their choosing, with prohibitions being a different bar than for allowance of tools and their base configuration and promotion by the OEO Dealer

Model Portfolios and Filtering

- The CAC endorsed functionality allowing clients to self-assess to identify generally suited model portfolios, and to integrate their portfolio with model portfolios, and supported allowing model portfolios to reference specific securities
- The CAC expressed concerns about conflicts and the potential promotion of related-party products, recommending a fair-access/presentation of alternatives regulatory framework
- The CAC did not support limitations on filtering tools, and again pointed to the need for a principles-based framework across tool types

Finfluencers and Copy Trading

- The CAC opposed allowing referral arrangements between non-registrant finfluencers and OEO Dealers, and expressed concerns that such arrangements give tacit endorsement to finfluencer opinions, confusing investors as to the perception of a recommendation
- They noted unregistered finfluencers may operate in a conflicted manner and operate entirely outside regulatory oversight
- The CAC recommended against allowing most types of "copy trading" functionality that automatically replicates trades of other investors and/or finfluencers, with limited possible exceptions for model portfolio/strategy following when provided by registrant firms

Tool Delivery

- The CAC recommended greater regulatory requirements and a robust oversight framework for OEO Dealer tool provision and delivery, and called for a robust regulatory framework for tools on dealer websites and apps, as curated and provided by the dealer

The CAC emphasized throughout that regulation should evolve to help less-informed DIY investors make prudent decisions while maintaining awareness of potential conflicts and protecting against problematic influences.

Response Drafting in Progress

Canadian Advocacy Council

CSA - Applicability of Canadian Securities Laws and the Use of Artificial Intelligence Systems in Capital Markets

Due March 31, 2025

The Canadian Securities Administrators (CSA) are seeking feedback on several consultation questions regarding its Staff Notice and Consultation 11-348 Applicability of Canadian Securities Laws and the use of Artificial Intelligence Systems in Capital Markets, which aims to provide clarity and guidance on how securities legislation applies to the use of AI systems by market participants including registrants, non-investment fund reporting issuers, marketplaces, and marketplace participants, clearing agencies and matching service utilities, trade repositories, designated rating organizations, and designated benchmark administrators.

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

CSA - Proposed amendments to the principal distributor model

Due April 28, 2025

The Canadian Securities Administrators (CSA) has published for comment proposed amendments to the principal distributor model in the distribution of mutual funds. The proposed amendments clarify that a principal distributor may only act for mutual funds in the same mutual fund family and require disclosure of principal distributor arrangements and compensation to investors purchasing mutual fund securities distributed by principal distributors.

Volunteer Spotlight

Canadian Advocacy Council

Shruti Dutta, CFA

Shruti has served on the CAC since July 2023.

Shruti is Senior Manager, Product Due Diligence at TD Wealth. Her role focuses providing governance and oversight for products on the dealer's shelf. Prior to her current role, Shruti was Senior Advisor, Investment Products at Desjardins, where she provided related subject matter expertise on strategic decisions and initiatives shaping the organization. She has over 7 years of experience in wealth management spanning compliance, distribution, and operations in various capacities. She is also a member of the CFA Institute's Practice Analysis Working Body and is a CFA charterholder.

Looking to the future, where do you think the CAC's contributions might be most needed?

"Over the past few years, the rapid emergence of social media has led to investors accessing financial advice from unreliable sources. I believe this is an area where the CAC could contribute over the coming years to enhance investor protection measures."

What advocacy issues are you particularly passionate about?

"Issues of investor protection and investor education about products are key interests of mine."

News

CIPC Call for Volunteers

Established in 2008, the CIPC was formed as a national initiative of the Canadian CFA Societies and is currently recognized by CFA Institute as the official sponsor of the GIPS® standards for the Canadian market.

We are looking for candidates with expertise in at least one of the following areas:

- Investment Performance Measurement
- GIPS standards
- Governance
- Advocacy

Applications are due April 15, 2025.

CIPC Performance Topic
Gross vs. Net Returns Series

What is the difference for portfolio returns?

CIPC News

CIPC Call for Volunteers

CIPC News

Performance Topic: Gross vs. Net Series: Portfolio Returns

Check out the CIPC's latest post on LinkedIn, which is the first in a new 3-part series that discusses gross vs. net returns!

In this series, the CIPC will explore:

- **Week 1:** What is the difference for portfolio returns?
- **Week 2:** What is the difference for index returns?
- **Week 3:** Use Cases - When to use gross or net returns?

Stay tuned for the second post next week!

2025 CFA Societies Canada Ethics Challenge

Finalists Announced

ESG UQAM, WATERLOO, UNIVERSITY OF REGINA, UNIVERSITÉ DU QUÉBEC À MONTRÉAL, JUNB, CIBC

INVESTMENT EXECUTIVE

CFA Societies Canada News

Finalists of the CFA Ethics Challenge announced!

Congratulations to the student teams from the University of New Brunswick, University of British Columbia Okanagan, University of Waterloo, University of Regina, and Université du Québec à Montréal for winning their local CFA Ethics Challenge competitions and making it to the National Round being held on May 2nd.

We look forward to seeing all the teams compete for the title of 2025 CFA Societies Canada Ethics Challenge champions!

CFA Societies Canada News

Managing Director of CFA Societies Canada, Michael Thom, CFA, quoted in Investment Executive article

Michael Thom, CFA, Managing Director of CFA Societies Canada, was recently quoted in *Investment Executive's* recent article, "Alternative Executive."

His insights contribute to the ongoing discussion on alternative investments and their evolving role in retail wealth management.

Global Investment Performance Standards

Exposure Draft of the GIPS Standards® for Verifiers When Verifying Asset Owners

GLOBAL CAREER WEEK

18-20 March 2025

INSPIRE. INVEST. ACHIEVE.

CFA Institute News

Exposure Draft of the GIPS Standards® for Verifiers When Verifying Asset Owners

The GIPS Standards Technical Committee has released for public comment the [Exposure Draft of the GIPS Standards for Verifiers When Verifying Asset Owners](#) ("Exposure Draft"). The Exposure Draft is available for public comment for 60 days. The Exposure Draft seeks to provide verifiers with testing procedures and terminology specific to asset owners.

Currently, verifiers conducting a verification engagement of an asset owner follow the [GIPS Standards for Verifiers](#). CFA Institute received feedback that the GIPS Standards for Verifiers can be challenging to apply to asset owners because of the differences between asset managers and asset owners (e.g., different terminology).

Comments are due by April 21, 2025.

CFA Institute Events

Register for Global Career Week (March 18-20)

CFA Institute is hosting the first Global Career Week this March 18-20.

This exciting [three-day virtual event](#) is your gateway to discover recent hiring trends, hear updates on the [CFA Program](#), explore careers in sustainability, and learn how to thrive in the evolving finance and investment industry.

[Register now](#) and take this opportunity to shape your finance and investment career journey.

Research, Advocacy, Standards and Professional Learning

The Sustainability Story

FACTSET

Enterprising Investor

Podcast

Dr. Ma Jun: The Future of Sustainable Finance

Join Paul Moody, Managing Director at CFA Institute, as he sits down with Dr. Ma Jun, President of the Institute of Finance and Sustainability (IFS) and founder of CASI (Climate Action and Sustainability Initiative), for a thought-provoking discussion on the future of sustainable finance.

In this engaging episode, Dr. Ma Jun shares his journey from shaping global sustainable finance policies to launching CASI, a groundbreaking initiative aiming to educate 100,000 professionals in Emerging Markets and Developing Economies (EMDEs) by 2030. The conversation explores the challenges and opportunities in scaling sustainable investment, the role of policy incentives, and how innovative financial frameworks can drive meaningful change.

Podcast

Cheryl-Ann Wilson, CFA: A Workflow Analysis of Big Data in the Investment Management Process

Senior Affiliate Researcher at CFA Institute, Cheryl-Ann Wilson, CFA, discusses the recently published CFA Institute Research & Policy Center report, "Creating Value from Big Data in the Investment Management Process: A Workflow Analysis." Cheryl-Ann shares insights from her research, which involved a comprehensive survey and interviews with investment professionals worldwide. The conversation explores the use of AI and big data technologies in the finance sector, highlighting the challenges and opportunities that practitioners, regulators, and executives face in adopting these innovations. Tune in to gain a deeper understanding of how technology is reshaping the investment management profession and what it means for your own technological journey.

The 29th Annual Global Investment Performance Standards Conference

11-12 November 2025 Phoenix, AZ SAVE THE DATE

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

[Follow us on LinkedIn!](#)

Next CAC Meeting Scheduled: Tuesday, March 18 at 4:15 pm EDT.

Contact us

Subscribe

ADVOCACY COLLABORATION COMMUNICATION INNOVATION

CFA Societies Canada

120 Adelaide Street West, Suite 2205, Toronto, ON M5H 1T1

T 416.366.3658

www.cfacanada.org

If you no longer wish to receive future communications from CFA Societies Canada, please reply to info@cfacanada.org with the subject UNSUBSCRIBE.