

Canadian Advocacy Newsletter

March 2025

Subscribe

Chair Summary

Canadian Advocacy Council



Doug Sarro, CFA
Chair
Canadian Advocacy Council

We're just wrapping up our response to the Canadian Securities Administrators' consultation on the use of artificial intelligence in capital markets. Until now, securities regulators' responses to AI have come largely piecemeal, with one-off guidance and rules dealing with particular applications of this technology—some of which is over a decade old. This consultation has given us a chance to take a step back and see how well these responses fit together. One area where we could use a lot more coherence is when it comes to human oversight of AI systems. When a firm uses AI to recommend investments, regulators demand that these recommendations be reviewed line-by-line by proficient individuals. But discount brokers that employ gamification and other digital engagement tactics that could steer their clients into some investments over others are allowed to operate without this friction.

It seems wasteful to require human review of all outputs from an AI system, no matter how low-stakes, but unduly risky to take humans entirely out of the loop. There's an obvious middle ground, though—when an AI system seems likely to influence retail investor behaviour or affect market stability, proficient individuals ought to be involved in their design and oversight, and should periodically review the system's outputs to ensure it's working as intended.

As AI evolves along with its applications in investment management and financial services, regulators will need to respond quickly in a way that reflects our developing understanding of its risks and opportunities. Hopefully, the information collected through this consultation will leave them better placed to meet this challenge.

Published Letters

Canadian Advocacy Council

CSA - Proposed amendments to the principal distributor model

Submitted March 6, 2025

The CAC provided feedback on the proposed amendments to the principal distributor model in response to the consultation issued by Canadian securities regulators. The CAC expressed concerns about the embedded conflicts of interest in the model and questioned whether it should be retained at all. The letter emphasized the need for a more robust, data-driven analysis and called for greater alignment with the principles of the Client Focused Reforms (CFRs). The CAC urged regulators to take immediate action to limit the model to affiliated entities while conducting a broader review of its long-term viability.

Concerns with the Principal Distributor Model:

- The CAC argued that the model poses significant conflicts of interest that may not align with the principles of the CFRs, which require registrants to prioritize clients' interests.
- The CAC questioned the rationale behind regulators' decision to maintain the model without a robust, data-driven justification.
- The letter called for an evaluation of whether the model benefits investors or merely persists due to historical convenience.

Need for Immediate Regulatory Action:

- The CAC recommended restricting the model to cases where the principal distributor is affiliated with the investment fund manager.
- The CAC urged regulators to establish a long-term vision for the model, considering its place in a post-CFRs landscape.
- The CAC suggested sunseting the model if it does not clearly serve investor interests and meet newer regulatory paradigms.

Response to Consultation Questions:

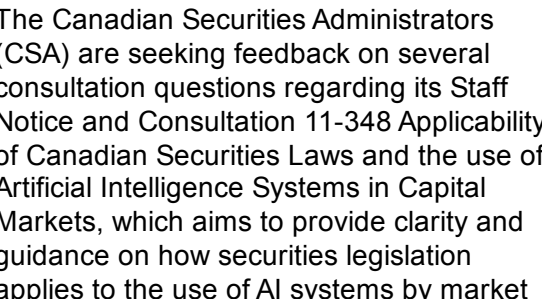
- **Multiple Principal Distributor Relationships:** The CAC did not see any justification for allowing a dealer to act as a principal distributor for more than one mutual fund family and supported transitioning these businesses to a participating dealer model instead.
- **Investor Protection Measures:** The CAC agreed with the proposed amendments, such as prohibiting deferred sales charges and restricting incentives for representatives, but maintained that broader reforms were needed.
- **Disclosure Requirements:** The CAC recommended that disclosure of principal distributor relationships be made more prominent, such as by using bold text in relevant documents.
- **Transition Period:** The CAC found the proposed 18-month transition period sufficient but would support a shorter period of 12 months, citing the urgency of investor protection.
- **Chargebacks:** The CAC strongly opposed chargebacks, arguing they create conflicts of interest that could lead representatives to act in their own interests rather than those of investors in the face of changing investor circumstances.

Conclusion:

- The CAC reiterated the need for a long-term regulatory vision for the principal distributor model, and a reconsideration of the need for its persistence in a post-CFR regulatory environment.

Response Drafting in Progress

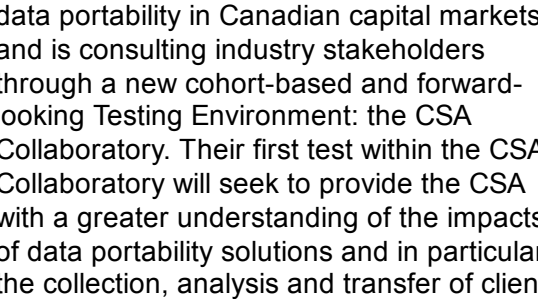
Canadian Advocacy Council



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.



CSA Financial Innovation Hub Introduces Collaboratory and Data Portability Test

Due May 19, 2025

The CSA is examining the implications of data portability in Canadian capital markets and is consulting industry stakeholders through a new cohort-based and forward-looking Testing Environment: the CSA Collaboratory. Their first test within the CSA Collaboratory will seek to provide the CSA with a greater understanding of the impacts of data portability solutions and in particular the collection, analysis and transfer of client data, which is sometimes referred to as e-KYC solutions.

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

Volunteer Spotlight

Canadian Investment Performance Council



Jaclyn Moody
Past Chair

Jaclyn has served on the CIPC since June 2018.

Jaclyn is Vice-President, Head of Sustainability and Institutional Services at Burgundy Asset Management, where she leads environmental, social, and governance research and engagement, as well as the firm's institutional client servicing efforts. Prior to this, Jaclyn held roles at Gluskin Sheff + Associates and Excel Funds Management, focusing on compliance, client servicing, and corporate governance.

Jaclyn serves as a Board member of the Bruce Trail Conservancy and as Director for the North York General Foundation. She is a former Board member of the National Society of Compliance Professionals.

Jaclyn earned a Bachelor of Science, Honours, Major in Biological Sciences from the University of Guelph, holds the Institute of Corporate Directors (ICD.D) designation and brings a wealth of expertise in governance, risk management, and strategic leadership.

What would you tell other charterholders or investment professionals about the CIPC?

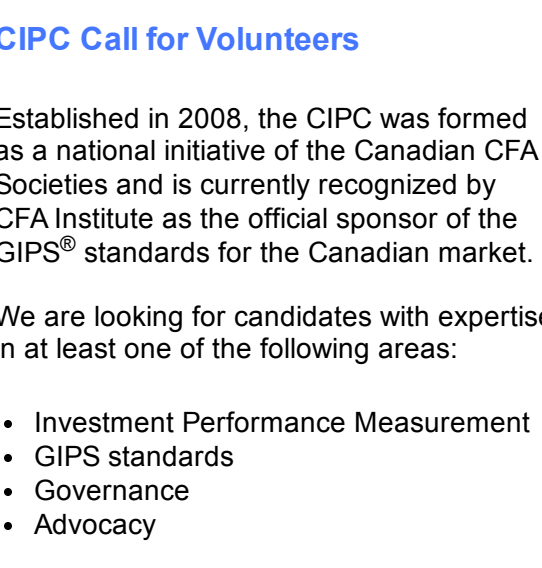
I would tell charterholders or other investment professionals that the CIPC plays a key role in promoting best practices for investment performance reporting in Canada. As a Council that works closely with global standards like the Global Investment Performance Standards (GIPS®) from CFA Institute, the CIPC is also a voice for Canadian market participants, including providing comment letters on draft guidance statements. It's a great resource for staying updated on the latest industry developments and aligning with standards that foster transparency and consistency.

Why are you passionate about the GIPS standards?

I'm passionate about the GIPS standards because they play a key role in promoting transparency, consistency, and trust in investment performance reporting. To make informed decisions, investors globally need access to accurate and comparable data. The GIPS standards provide a framework that ensures performance reports are fair, consistent, and, above all, comparable—on an equal footing. The widespread adoption of these standards allows investors to evaluate performance data in a way that fosters trust and confidence in investment managers across different markets.

I'm especially drawn to the ethical dimension of GIPS standards, as they help ensure transparency and reduce the likelihood of misleading or inaccurate reporting, which ultimately upholds the integrity of the entire industry.

News



CIPC News

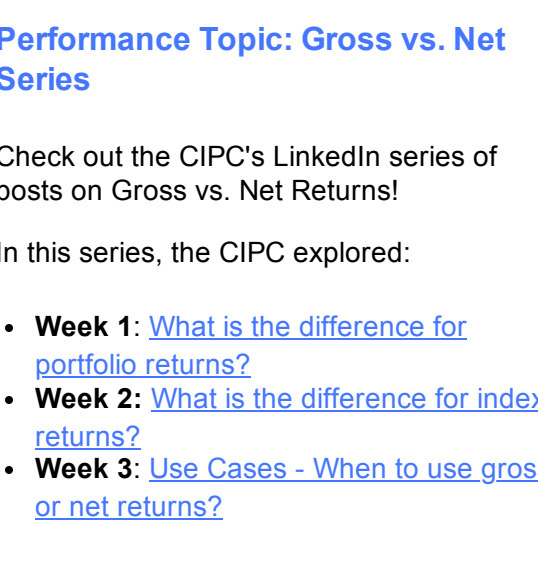
CIPC Call for Volunteers

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.



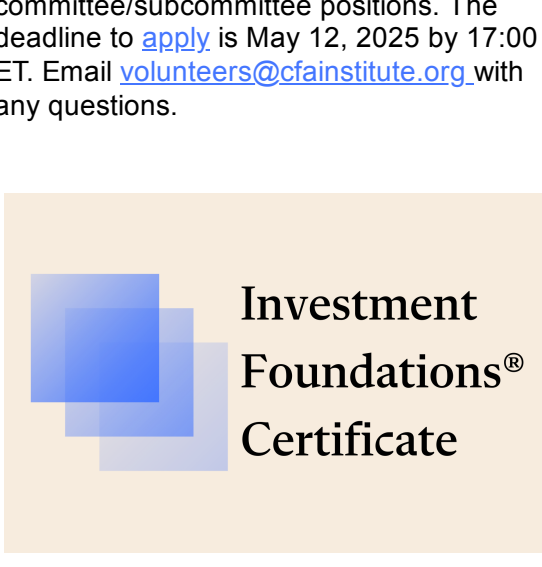
CIPC News

Performance Topic: Gross vs. Net Series

Check out the CIPC's LinkedIn series of posts on Gross vs. Net Returns!

In this series, the CIPC explored:

- **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?](#)



CFA Institute News

GIS Committees and Subcommittees Currently Recruiting!

Volunteers are actively being recruited to serve on various CFA Institute Global Industry Standards (GIS) committees and subcommittees, for chair or member positions.

[Learn more](#) about all volunteer application details and information for the committee/subcommittee positions. The deadline to [apply](#) is May 12, 2025 by 17:00 ET. Email volunteers@cfainstitute.org with any questions.



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 quoted in this [Investment Executive article](#) discussing CE credit accreditation and its evolving landscape."

He highlighted that higher accreditation fees could help eliminate low-quality continuing education (CE) that competes solely on price.



CFA Institute News

Investment Foundations Certificate: CFA Institute Introduces Discounted Fee for Students

Full-time students can now access the Investment Foundations® Certificate at a [discounted price of USD79](#)—a significant reduction from the standard USD350 fee for non-student and professional learners.

Covering the fundamentals of the same topic areas as Level I of the CFA Program, the Investment Foundations Certificate enables students to gain an understanding of the investment industry's structure, financial markets, roles, and client needs—building an ideal foundation for first- and second-year students before they tackle advanced coursework.



CFA Institute Events

Countdown to CFA Institute Live 2025 (May 4-7, Chicago)

CFA Institute LIVE 2025 is the must-attend event where investment professionals come together to spark bold ideas, tackle tomorrow's challenges, and drive the financial industry forward. Join us for a front-row seat to innovation, collaboration, and cutting-edge insights. Whether you're shaping the future or navigating the present, LIVE 2025 is where the global leaders of tomorrow meet today.

[Explore full event details](#), including the agenda, speakers, and travel information, and register to secure your spot.

- May 4-7, 2025
- Chicago, IL

Research, Advocacy, Standards and Professional Learning

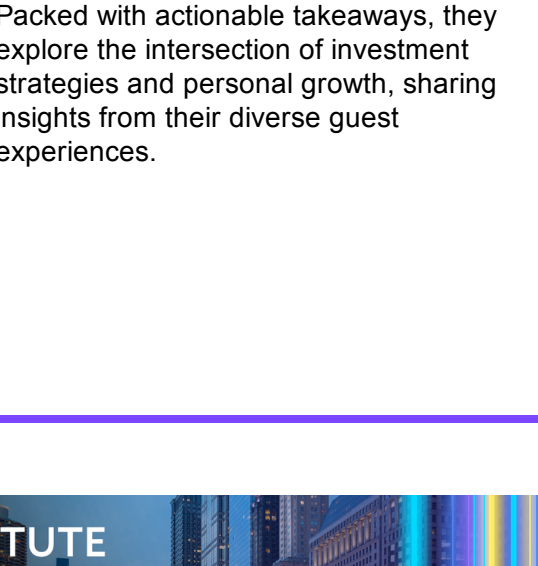


Podcast

Mel Peh, CFA: Guidance for Integrating Nature-Related Risks into Investment Strategies

In this episode of *The Sustainability Story*, host Nicole Gehrig of CFA Institute speaks with Mel Peh, CFA, an independent consultant for UNEP FI, about the importance of integrating nature-related risks into investment strategies. They discuss how risks like biodiversity loss and deforestation can affect financial performance and explore steps asset managers and owners can take to mitigate them.

The episode also highlights key frameworks and tools, such as the Taskforce on Nature-Related Financial Disclosures and the ENCORE tool, to help investors better understand and manage these risks.

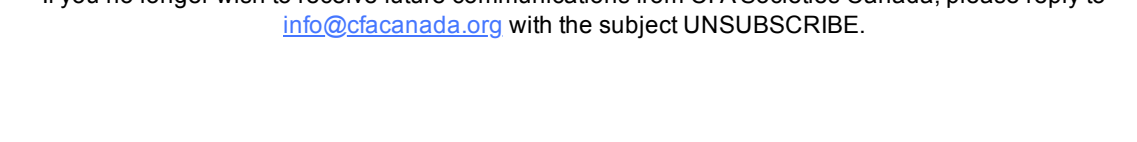


Podcast

Peter Lazaroff, CFA: The Mindset and Strategies of a Long-Term Investor

In this special episode of *Enterprising Investor*, host Mike Wallberg, CFA, joins Peter Lazaroff, CFA, of The Long Term Investor for a lively discussion on the key influences shaping their investing philosophies and personal worldviews.

Packed with actionable takeaways, they explore the intersection of investment strategies and personal growth, sharing insights from their diverse guest experiences.



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: Friday, May 23, in-person, Toronto.

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.