



**VIA E-MAIL:** comments@osc.gov.on.ca

December 18, 2023

The Secretary  
Ontario Securities Commission  
20 Queen Street West, 22nd Floor  
Toronto Ontario M5H 3S8

**Re: OSC Notice 11-798 – Statement of Priorities – Request for Comments Regarding Statement of Priorities for Fiscal Year 2024-2025**

The Portfolio Management Association of Canada (**PMAC**) is pleased to have the opportunity to submit the following comments regarding OSC Notice 11-798 – *Statement of Priorities – Request for Comments Regarding Statement of Priorities for Fiscal Year 2024-2025 (SoP)*.

PMAC represents over [320 investment management firms](#) registered to do business with members of the Canadian Securities Administrators (**CSA**) as portfolio managers (**PMs**). In addition to this primary registration, the majority of our members are also registered as investment fund managers (**IFMs**) and/or exempt market dealers (**EMDs**). PMAC's members encompass both large and small firms managing total assets in excess of \$3 trillion for institutional and private client portfolios.

**GENERAL COMMENTS**

PMAC is supportive of the Ontario Securities Commission's (**OSC**) key priorities set out in the SoP, as well as the work plans set out in support of those goals. We strongly believe that any changes made by the OSC – be they regulatory or technical in nature – should be evidence-based and tested to ensure that the change is of benefit to investors and Ontario's capital markets. We are concerned that recent guidance, including CSA Staff Notice 81-334 *ESG-Related Investment Fund Disclosure (ESG Staff Notice)* and CSA and the Canadian Investment Regulatory Organization (**CIRO**) Staff Notice 31-363 *Client Focused Reforms: Review of Registrants' Conflicts of Interest Practices and Additional Guidance (COI Staff Notice)* is increasingly prescriptive. Deviating from principles-based regulation, which is scalable and adaptable to different firms' business models and operations increases regulatory burden and costs for registrants and diminishes competition. We encourage the OSC

to carefully consider such guidance in light of its mandate to foster fair, efficient and competitive capital markets; confidence in capital markets; and capital formation.

We are pleased to have the opportunity to provide the following feedback on certain aspects of the OSC's priorities of specific importance to PMAC's members:

**1. Review and streamline the evaluation of relevant investment management experience (RIME) for Advising Representative Registration**

PMAC members are concerned that the OSC and other CSA members have been taking a stricter approach to the registration requirements for Advising Representatives (**ARs**), in particular with respect to the Relevant Investment Management Experience (**RIME**) required for registration. This is creating added regulatory burden for registrants, who are operating in a tight labour market. We believe that a narrow focus on stock-picking experience is an out-dated approach; the traditional portfolio manager model of actively managed segregated portfolios is no longer the only model that exists in the marketplace, and the registration process should be flexible in this regard. For example, some firms do not have roles requiring individual stock selection and analysis and are unable to provide this experience at the firm level, and the experience would not be relevant or necessary for the individual's role (a firm that only invests in third party product for example).

Other issues that PMAC members have experienced are requiring reference letters from former employers, requiring qualified candidates to be registered as Associate Advising Representative (**AAR**) before being considered for AR registration, difficulty in becoming registered after spending time out of work for reasons such as parental leaves, and differing requirements between CSA jurisdictions. PMAC intends to make a formal submission on this subject, and we look forward to further dialogue with CSA Staff on these issues.

**2. Review talent acquisition and retention strategy**

We believe that in order for the OSC to continue to be a responsive regulator and to meet the objectives outlined in the Strategic Plan, a review of its talent acquisition and retention strategy should be conducted. This review should include an analysis of the competitiveness of the compensation and benefits program and its effectiveness at attracting the right individuals with the necessary experience to perform their roles. We understand that government budgetary restrictions and high inflation, as highlighted in the [OSC Business Plan for the Fiscal Years ending 2024-2026](#), have likely impacted the OSC's compensation and benefits program, negatively affecting its ability to attract and retain talent. An increase in staffing could reduce backlogs in approvals, reviews and exemptive relief, providing greater certainty for firms and enabling them to more efficiently serve their clients in the context of turbulent markets.

In addition, the OSC should specifically endeavour to recruit and retain individuals with more diverse skills and direct industry experience, including specifically individuals who have completed the CFA and worked in portfolio management firms, or have equivalent skills, knowledge and experience. There are also many experienced compliance and operations professionals in the industry who could provide practical expertise to the OSC. Prior direct employment experience with registrants would allow OSC Staff to better understand the realities of how registrants' businesses operate, the impact of regulatory burden, and their specific concerns. For example, OSC Staff may be unaware of newer investment models that exist in the marketplace and the RIME applicable to those models. In addition, with the OSC's focus on crypto assets, specific industry experience with crypto assets would be desirable for OSC Staff.

One option for increasing access to this experience is to encourage secondments from industry to the OSC; this would alleviate some of the pressures of the tight labour market referred to above, which our members acknowledge is also affecting the regulators. In addition, the OSC should invite industry consultants to provide input on OSC initiatives before these are implemented in compliance review programs or regulation. Registrants should be invited to give feedback on their interactions with the regulator, with respect to matters such as the registration process, compliance reviews, and regulatory guidance issued by Staff. For example, as described below, our members servicing institutional clients note that the compliance review program is not tailored to the institutional business and there is no mechanism to provide feedback to the CSA. We believe that building this experience among OSC Staff will lead to more efficient and effective regulation.

Our members are also concerned with the time it takes to process new firm registration applications. The turnaround time seems to have increased after the COVID-19 pandemic and can be as long as six to twelve months. Delays with registration of new firms has a tangible negative impact on the diversity, competitiveness, and quality of our capital markets. Consumers have less choice and new firms incur costs hiring staff without being able to commence operations. The costs of hiring staff, acquiring software, insurance and leasing premises before obtaining the necessary registration to commence operations are prohibitive. In November 2022, OSC Staff issued an [email blast](#) asking for patience regarding turnaround times, due to technology and staffing issues. While the OSC has [committed](#) to responding to non-novel new business applications within 120 working days 80% of the time, the timeline is unreasonable. The SEC has [committed](#) to 45 days to indicate whether registration as an RIA is likely, and registration can take as little as 40-60 days. These delays impact firms throughout Canada if they want to be registered in Ontario. As a result, new applicants will register outside Ontario first and then

add Ontario in order to avoid the delays at the OSC. This situation is in contrast to the OSC's mandate to foster fair, efficient and competitive capital markets and confidence in capital markets, and to foster capital formation.

### **3. Focus on technology enhancements**

We acknowledge the launch of SEDAR+ and the effort that has gone into the transition from the prior system. Systems improvements could reduce user friction, confusion, and unnecessary frustration, especially as it relates to NRD and SEDAR+ filings.

In designing these systems, the user experience should be paramount. For all registrant groups and filing agents, including with respect to onboarding new users and ongoing use. Build intuitive system design for navigation, and payment option flexibility for fee collection.

With respect to SEDAR+, our members note that the onboarding of users is overly complex, and the guidance for the completion of onboarding documentation is unclear for users, including the purpose for which information is gathered.

For example, issuers who have to complete regulatory filings for a large fund family (100 or more funds) are facing increased costs and increased delays in being able to complete the regulatory filings.

In addition, users (investors, industry members, service providers, etc.) cannot locate offering and continuous disclosure documents on SEDAR+ (or have a very difficult time trying to do so). For example, members find that conducting investment research was easier on the original SEDAR and provided the following example of the complexity of using SEDAR+. Previously, the user could input the company name and the time period (i.e. last 6 months of public filings), and could easily find the relevant document(s). On a recent query to locate the Annual Information Form for a publicly-listed issuer on SEDAR+, an AR was faced with 6 different categories – some of which (Filing Number, Filing Category) were not well understood. SEDAR+ does not reference quarterly filings – there is an option for “interim reports” but not quarterly financial reports, for example. One member suggested that it would be helpful if SEDAR+ had a section for investors that contains financial reports, and if an investor wants to check registration or cease trade orders, they could go to the main section.

SEDAR+ should also be changed so that users can locate information related to a specific fund easily. For instance, it is difficult to locate a fund profile, and certain types of fund documents (such as management reports of fund performance and fund facts), are not listed under “Document type”. This

problem raises concerns because issuers have a regulatory requirement to publicly disclose that offering and continuous disclosure documents are available on SEDAR+; however, in practice, that disclosure is meaningless because it is very challenging (if not impossible) for individuals to find offering and continuous disclosure documents on SEDAR+.

#### **4. Prioritize regulatory burden reduction**

We acknowledge the extensive OSC efforts aimed at regulatory burden reduction, particularly for investment funds. As part of the OSC's mandate to foster fair, efficient and competitive capital markets and confidence in capital markets, and to foster capital formation, we encourage further focus in this area, beyond just with respect to funds. The OSC should apply a small business lens to review the impact of additional regulation and guidance on businesses and on competition in the marketplace, including barriers to new entrants. It is important that regulation remain principles-based and adaptable to different business sizes, models and client types.

In order to streamline compliance reviews and reduce regulatory burden, compliance review programs should be tailored to the specific type of business. Policies, procedures, business activities and client types vary greatly among different types of firms. For example, firms that focus on private (individual) clients will have different compliance requirements compared to firms with institutional clients or family offices. Review staff should also be trained on these differing business models, clients and their associated compliance requirements. PMAC would be pleased to facilitate this training if this would be of assistance.

The priorities described in the SoP do not refer to any specific initiatives aimed at reducing regulatory burden for small and mid-sized firms, or new entrants to the market, and do not reference specific desired investor protection outcomes to justify added burden.

#### **Other matters**

##### **Exempt institutional clients from Total Cost Reporting**

PMAC and our members are actively participating in industry initiatives to move the Total Cost Reporting (**TCR**) project forward, including on the CSA TCR Implementation committee.

We remain of the view that certain institutional clients that do not qualify as permitted clients should be excluded from TCR. These clients have unique reporting requirements that are different from retail investors and this reporting may or may not include TCR. We believe that an exemption is also warranted for these types of sophisticated investors, which can negotiate their own terms, and that providing an exemption would balance the regulatory burden in a way that is consistent with the

CSA's policy rationale for implementing TCR. We look forward to further discussions with Staff on these issues.

PMAC has been approached by some members wishing to seek relief from the TCR requirements for permitted clients and "overflow" accounts – new accounts for related entities that are similar to institutional accredited investors in that they are not individuals and do not qualify as permitted clients only because they fall short of the financial tests in the definition of permitted client in section 1.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) but otherwise have the characteristics of an institutional investor. This is similar to relief obtained by some PMAC members from the CRM2 reporting requirements. PMAC will initiate discussions on behalf of our members with OSC Staff about this relief in the near future.

### **Advance dialogue with industry on Liquidity Risk Management**

We note that liquidity risk management (**LRM**) practices are not mentioned in the SoP. Following the guidance issued in CSA Staff Notice 81-333 – *Guidance on Effective Liquidity Risk Management for Investment Funds* and considering International Organization of Securities Commissions (**IOSCO**) recommendations and U.S. Securities and Exchange Commission (**SEC**) proposals, we believe there may be opportunities for additional dialogue with industry participants regarding practical LRM strategies and unique tools for effective LRM in the Canadian market. PMAC would be pleased to organize a group of member firms to further this discussion.

### **Maintain status quo for CIRO registration and oversight**

PMAC has consistently advocated to maintain direct regulation of PMs (and IFMs and EMDs) by the CSA and to not delegate regulation of these registrants to CIRO.<sup>1</sup> We cannot overstate the importance of this issue to our members – over 70% of which are registered as both PMs and IFMs.

We are also of the view that, in order to maintain consistent and elevated standards in the industry, the OSC should not delegate dealer firm and individual dealing representative (for mutual fund dealing representatives) registration functions to CIRO. The CSA should also oversee proficiency standards and requirements for all registration categories, and especially categories that contemplate the ability to provide discretionary asset management.

As we outlined in [our response](#) to Proposed Amendments to MFDA Rule 2.3.1(b) (Discretionary Trading), we are of the view that any firm or individual that proposes to offer discretionary trading must be registered as a PM, AAR and AR (as applicable) and must have a qualified Chief Compliance Officer (CCO) with appropriate

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<sup>1</sup> PMAC submissions:

- [CSA Consultation Paper 25-404 – New Self-Regulatory Organization Framework](#)
- [CSA Consultation Paper 25-402 Consultation on the Self-Regulatory Organization Framework](#)
- [Canadian Capital Markets Modernization Taskforce \(CMMT\)](#)

proficiency to oversee discretionary trading authority. A fiduciary standard should be imposed on the firm and individuals acting in a discretionary capacity.

We believe that the CSA must maintain strong oversight of CIRO and provide transparent public reporting with respect to its oversight functions and activities.

### **Review Long form Prospectus**

We also recommend that the CSA conduct a review of the NI 41-101 *General Prospectus Requirements* long form prospectus disclosure requirements for investment funds. The information in the prospectus is repetitive (similar information is included on the cover page, in the summary and then in the body of the prospectus). It would be preferable to present the disclosure in the body of the prospectus only so that the same disclosure isn't repeated several times in the prospectus. This would reduce regulatory burden and provide more streamlined disclosure to investors.

## **PMAC FEEDBACK ON THE SoP**

We note our appreciation for the thoughtful and detailed dialogue that OSC Staff have engaged in with PMAC and our membership on the issues listed above. Due to the importance of certain of these issues to our members, we have elaborated on them in greater detail below.

We have set out our comments below using the order of topics covered in the SoP, followed by additional member feedback relevant to each of the priorities.

### **1. Develop and publish OSC Strategic Plan**

We look forward to the launch of the new six-year strategic plan (Strategic Plan) in 2024. Ample time should be provided for public and industry consultation on the new Strategic Plan. As noted above, we agree that the OSC should focus on its talent strategy and investments in technology and data analytics. We also agree that initiatives should be prioritized for implementation.

We believe that the Strategic Plan should include an in-depth review of the titles, designations and proficiency standards for individual registrations, which should be transparent and subject to public consultation, with an adequate comment period. The CSA should closely monitor and oversee the CIRO proficiency framework and process to ensure that high proficiency standards are maintained in the industry.

### **2. Advance Work on Environmental, Social, and Governance Disclosures for Reporting Issuers**

We agree that the OSC must be active and responsive to the growing interest in environmental, social and governance (**ESG**) investing, in Canada and internationally. While we fully support the work that the OSC is doing in this regard, due to the evolving nature of ESG standards globally, any changes to the regulatory landscape

can represent a significant burden for issuers. We therefore encourage the OSC to provide additional opportunities for stakeholder dialogue and consultation, and to allow ample time for public consultation on any ESG-related initiatives, including proposed regulation and guidance.

We are very pleased that the CSA will consult on adopting disclosure standards based on the International Sustainability Standards Board (**ISSB**) Standards and collaborate with the Canadian Sustainability Standards Board with respect to the ISSB Standards. It is also important for the OSC to continue to monitor international developments, and to harmonize its approach to the extent possible, while maintaining a principles-based approach. We applaud the OSC's active leadership and engagement in ISOCO's Sustainable Finance Taskforce.

PMAC has been engaged in an on-going dialogue with CSA Staff with respect to The ESG Staff Notice and its implementation. We believe that some of the challenges faced by fund issuers in the implementation of the guidance could have been avoided with additional dialogue with industry prior to the guidance being issued. There remains confusion with respect to appropriate disclosure for funds that consider ESG to a limited extent. Given that exaggerating the importance of ESG considerations in a fund's investment objectives could lead to greenwashing, firms should not be encouraged to add ESG disclosure where funds only consider ESG to a limited extent; for example, IFMs that consider governance as a part of – but not necessarily a material aspect of – investments. Requiring too much and unnecessary disclosure could also exacerbate green hushing, a phenomenon already present in Europe and the US, which could be one of the unintended and negative consequence of the Staff Notice. We encourage the CSA to further consider materiality when developing ESG disclosure guidance, to allow for industry consultation on any material guidance, and not to deviate extensively from requirements applicable to other types of funds pursuant to National Instrument 81-102 *Investment Funds* (**NI 81-102**). It would be helpful if the OSC issued shorter, more streamlined guidance that is generally consistent with NI 81-102 in order that it can be adopted in a consistent manner.

We agree that the climate-related disclosure rule should be based on the ISSB standards, with necessary modifications for the Canadian market. PMAC provided [comments](#) on the proposed National Instrument 51-107 *Disclosure of Climate-related Matters* (**NI 51-107**), in which we emphasized the importance of creating a uniform standard of ESG disclosure that is meaningful to investors, compliant with internationally recognized standards and tailored for the Canadian markets.

With respect to reporting issuers, we recommend prioritizing mandatory Greenhouse Gas (GHG) emissions disclosure, which would provide necessary and comparable data that investors need to make informed investment decisions. This disclosure allows investors to assess their level of climate-related risk and whether an issuer is on a trajectory to positively or negatively contribute to portfolio net zero goals. The CSA should also encourage disclosure of net zero emission targets in accordance with Canada's climate goals; several asset managers' voting analyses consider how



rigorous GHG emissions reductions efforts are, particularly in carbon intensive industries that are most impacted by an energy transition. Moreover, the CSA should encourage disclosure of scenario analysis and assumptions since investors want to understand how it affects the issuer's target strategies and risk management goals. We encourage the CSA to work with the federal and provincial governments as well as other regulators to also require climate-related disclosure in the private markets.

We are also pleased to see that the OSC will be engaged in targeted consultations with Indigenous organizations to inform ESG disclosure requirements and best practices. PMAC's [submission](#) on the CSA Consultation Paper on NI 43-101- *Standards of Disclosure for Mineral Projects* stressed the importance of prioritizing enhanced environmental, social and Indigenous People's rights due diligence and disclosure (not limited to mineral projects) and the imperative to engage Indigenous partners. The OSC's priority of engaging Indigenous perspectives is critical to meeting Canada's pledges to reconciliation commitments and in support of its adoption of the United Nations Declaration on the Rights of Indigenous Peoples Act.

### **3. Consider Broader Diversity on Boards and in Executive Roles at Reporting Issuers**

PMAC is supportive of the CSA's work on updating disclosure requirements including with respect to corporate governance disclosure and diversity. As we noted in [our response](#) to the consultation on Form 58-101F1 *Corporate Governance Disclosure of National Instrument 58-101 Disclosure of Corporate Governance Practices* and the changes to the corporate governance guidelines in National Policy 58-201 *Corporate Governance Guidelines*, this disclosure is important to our members, who manage assets on behalf of public bodies, pension plans and other institutional investors. These portfolio managers are required to consider information regarding governance and diversity in their investment decision-making, and need access to this type of information in a manner that is consistent and comparable.

We applaud the OSC for organizing the roundtable in September 2023 to provide the views and perspectives of a range of stakeholders. We believe that this type of dialogue is very beneficial to the various stakeholders and the public; it helps to better understand the different perspectives and has the potential to generate new ideas and new ways of thinking about some of the challenges facing the industry.

### **4. Assess implementation of Client Focused Reforms and consider impact of limited product shelves**

We were pleased that the CSA and CIRO published the COI Staff Notice; it is very helpful to our members to understand the CSA's approach and expectations with respect to implementing the Client Focused Reforms (**CFRs**). When the CSA and CIRO issue joint guidance, it would be preferable if specific sections are divided by registration category and/or client type, similar to previous OSC CRR Annual Summary Reports. The COI Staff Notice guidance is very prescriptive and does not take into account different business models and client types, making its

implementation impractical for some PM businesses (which tend to deal with sophisticated and institutional clients, compared with dealers servicing retail clients). An overly prescriptive approach to CFRs implementation also risks disadvantaging small- to medium-sized firms and stifling competition.

With respect to the KYC, KYP and Suitability sweeps, as noted in Companion Policy to NI 31-103 (**NI 31-103 CP**), firms tailor their processes for meeting the KYP requirement depending on (a) the firm's business model, (b) security type, (c) whether other registrants are also involved in a security's distribution to the client, and (d) whether a security is being transferred in. PMAC members have expressed concern with the level of due diligence and documentation that the CSA is requesting with respect to investment decision making. For example, depending on the circumstances, individual security selection is not truly a question of selecting "product"; we question the inclusion of security selection as part of a "KYP" review. This is especially the case for smaller PM firms managing individual client portfolios on a discretionary basis. As fiduciaries, ARs conduct extensive research and due diligence on the securities they select for clients. Imposing extensive record-keeping requirements will add significant regulatory burden with no commensurate benefit to investors. In conducting these reviews, we encourage Staff to take a flexible and principles-based approach; the reviews should be tailored to the business model and clientele.

Our members have also expressed concerns about the COI Staff Notice guidance on negotiating fees. It has been a long-standing practice in the industry for PMs to negotiate fees. Fees may be subject to a multitude of nuanced business and personal considerations. In most instances when fees are negotiated, they result in lower fees for the client based on the client's individual circumstances, and fees are not negotiated higher (for example, a "friends and family" fee or a fee that is reduced because a client may move to a firm that offers a lower fee). A prescriptive requirement to treat all clients the same despite individual circumstances, may result in all clients paying higher fees, and may not be commercially reasonable in all situations. A prescriptive approach will reduce competition in the industry, contrary to the OSC's mandate. As fiduciaries, our members are required to act in good faith and treat clients fairly. We encourage Staff to take a flexible and principles-based approach to the guidance with respect to the negotiation of fees.

We support the OSC's work on examining predominantly proprietary product shelves and look forward to the results of this project.

## **5. Advance Initiatives to Strengthen the Short Selling Framework**

The CSA's work on the short selling framework is an area of interest to PMAC. We agree that strengthening and clarifying CIRO requirements to have a reasonable expectation to settle a short sale trade on settlement date is an important initiative.

As we noted in our responses to the [Joint CSA/IIROC Staff Notice 23-329 Short Selling in Canada](#) consultation and the 2021 [CSA Consultation Paper 25-403 Activist](#)

*Short Selling*, in our view, any regulatory changes should be based on data, evidence and an investor protection rationale. It was not clear to us that failed trades are a prevalent or pervasive issue in Canada, and therefore we question whether additional regulatory measures are required. The unintended consequences of potential regulation such as decreased liquidity, increased trading costs, loss of information to the market and price uncertainty should be carefully considered. Our members are also aware of operational challenges and disputes over buy-in requirements in other jurisdictions, and caution that this can result in fees being unfairly passed on to PMs. We urge the regulators to consider the costs and benefits of various regulatory options and the experiences of other jurisdictions before deciding which route to take, and to narrowly focus on specific behaviours and desired outcomes.

## **6. Study the Limitation of Advice in the Order-Execution Only Channel**

We agree that “DIY” investors are at risk of investing on the basis of misinformation obtained from social media and other unregistered channels. We are interested to learn how the CSA intends to address this issue through the provision of non-tailored advice by Order-Execution Only (OEO) dealers.

We are of the firm belief that investors should be informed about the value of obtaining tailored advice from registered individuals and appreciate the OSC’s intent to not “dilute the value of robust established advice channels”. We understand, however, that not all investors can afford or want to work with a registered adviser.

We believe that any changes to allow OEO dealers to provide non-tailored advice should be based on empirical research and testing with investors. International precedent and experience with this type of exemption should be examined.

It may be that non-tailored advice could assist some investors with basic financial goals – for example, saving for a trip or large purchase. It is possible that an OEO dealer could provide basic options and alternatives as to how to achieve the goal. An OEO dealer could also assist investors with understanding the risks of certain investments (the focus would be on the product).

Investor education and behavioural economic research should continue to be a primary focus for the OSC and CSA to diminish reliance on misinformation in the public sphere.

## **7. Advance Cooperation with Indigenous Peoples and Work to Understand and Integrate their Perspectives and Interests**

PMAC strongly supports the OSC priority of working towards reconciliation with Indigenous Peoples and organizations. We also support and applaud the creation of the CSA’s Taskforce on Indigenous Peoples in the Capital Markets. We believe that the OSC’s activities in this regard should provide transparency and accountability to the investment community. We therefore believe that the OSC should report publicly on these activities and on its progress on achieving the relevant goals.

## **8. Enhance Information Sharing with the Canadian Public Accountability Board (CPAB)**

PMAC supports additional cooperation and information sharing with the CPAB and the stated goals of protecting investors from the risk of improper financial reporting practices by public companies.

## **9. Conduct Initiatives for Retail Investors Through Specific Education, Policy, Research and Behavioural Science Activities**

PMAC believes that investors will be well served by the OSC's expanded focus on retail investor initiatives of the variety detailed in this priority. Specifically, we believe that the continued application of behavioural research to improve the OSC's policymaking and programs will be of significant benefit to all capital markets stakeholders. We support the introduction of policy proposals that are evidence-based and that reflect thoughtful consideration of research findings and investor perspectives. As an example, the CSA contracted with a behavioural insight consulting firm to advise on incorporating best practices for investment comprehension of financial disclosures related to a proposed redesign of the Management Report of Fund Performance. We strongly encourage the OSC to publish its research, and to tie policy initiatives directly to research results, where applicable.

We also believe that behavioural science should inform disclosure requirements. While market participants can adopt a variety of disclosure requirements and changes, this work will only be meaningful if the disclosure is relevant to the needs of investors and understood by them. The use of testing and behavioural science to support more effective policies is encouraged and we also urge the CSA to revisit missed opportunities to publish behavioural science research and to test disclosure templates in respect of the Total Cost Reporting project.

We encourage the OSC to work collaboratively with the Ministry of Education on the inclusion of financial literacy education in the Ontario school curriculum. We strongly support additional financial education for young people (as well as all Ontarians) and believe that the OSC can play an important and on-going role in this initiative. The OSC should consider other education distribution channels to align with how younger people access content (through social media, for example).

## **10. Strengthen the Dispute Resolution Framework of the Ombudsman for Banking Services and Investments and Modernize OSC's Disgorgement Framework**

PMAC is supportive of fair dispute resolution mechanisms and effective and trusted avenues for the redress of investor losses. As such, PMAC is generally supportive of the OSC's goal of continuing to engage with the CSA on strengthening the Ombudsman for Banking Services and Investments (OBSI) framework.

We believe that investors deserve more than a "name and shame" process for firms that refuse to pay an OBSI recommended settlement, particularly where no context

is provided with respect to the dispute. However, we believe that the power to make binding decisions requires clear methodologies regarding the determination of settlement amounts, extensive in-house expertise to ensure that loss calculations and recommendations are fair and consistent, as well as additional procedural and administrative fairness measures. Our members would also support the availability of other dispute resolution mechanisms and alternatives to OBSI. Members look forward to commenting on the detailed proposals regarding the new framework to impose binding decisions.

We are also cognizant of the importance of disgorgement as an avenue of redress for harmed investors, as an alternative to costly litigation. However, any such system must be fair, transparent and effective. The OSC should consider the experience of other jurisdictions that employ such a system to determine what improvements can be made and how to obtain the best outcome for aggrieved investors.

#### **11. Strengthen Oversight and Enforcement in the Crypto Asset Sector**

Confidence in Ontario's capital markets requires strengthened oversight, greater clarity and deeper knowledge and investor education with respect to the crypto asset sector. As noted above, we encourage the continued development and addition to the OSC's knowledgebase, especially as it relates to crypto regulation, which is beneficial not only for Ontario, but to the entire CSA.

We support the goal of bringing crypto firms under the regulatory umbrella – we believe that registration with the relevant regulator is the best way to ensure investor protection. We encourage the CSA and CIRO to work together to facilitate timely registration of crypto firms. We also support the goal of educating investors with respect to the crypto sector.

#### **12. Modernize Delivery Options of Regulatory and Continuous Disclosure Filings for Issuers**

PMAC [commented](#) on the CSA's *Notice and Request for Comment on Proposed Amendments and Proposed Changes to Implement an Access-Based Model for Investment Fund Reporting Issuers*. PMAC has long been in favour of an access-based delivery model. Our members raised some concerns with the proposal such as the need to build systems and technology to maintain standing instructions and/or deliver electronic documents to securityholders. This would add regulatory burden – we therefore recommended that the CSA allow investment fund reporting issuers the option of continuing to use the existing notification by mail, and to provide a long transition period if new systems are required. We emphasized that a true access-based model would be preferable and recommended that the CSA focus on educating investors with respect to the ability to access documents via the issuer's website and SEDAR+. PMAC supports moving to a true access-based system for investment fund reporting issuers, where notifications are not required, as recommended by the Ontario Capital Markets Modernization Taskforce in its Final Report. We recommended

that investor notification features be made available through SEDAR+. Please see our comments above and regarding the need to improve SEDAR+ so that investors and industry service providers (legal, compliance, auditors, etc.) can in fact access documents on SEDAR+.

### **13. Facilitate Financial Innovation**

PMAC applauds the establishment of the Office of Economic Growth and Innovation, OSC LaunchPad and OSC TestLab. We believe that these initiatives can make Ontario a leader in modernizing regulation to keep pace with new developments in the industry.

Some of our members have noted that the OSC is not open to new business models and has not helped lower the barriers for small and medium-sized registrants. One solution is outsourcing. They note that the CSA Staff Notice 31-358 *Guidance on Registration Requirements for Chief Compliance Officers* appears to be applied inconsistently by different CSA jurisdictions. The OSC Staff should consider the data and experience of non-Canadian jurisdictions (in particular, the United States) to validate their concerns and inform their terms and conditions when it comes to considering new business models and outsourced compliance support.

### **14. Further Initiatives that Promote Capital Formation and Foster Competition**

We have no specific comments on the initiatives listed in this section, with the exception of the following action item:

- **Consider consultations for a Long-Term Asset Fund regime similar to the programs found in the United Kingdom and European Union.**

PMAC would welcome such consultations as a means of diversifying retail investor portfolios with Long-Term Asset Funds (**LTAFs**) that offer a mix of private markets and liquidity over the long term.

Any LTAF consultation should consider how interval funds have performed in Canada, as those products also can offer access to private markets to retail investors. Although this appears to be a rapidly growing category in the United States, we are not aware of any Canadian firms other than Mackenzie Financial Corporation launching an interval fund in the almost two years since Mackenzie obtained the first interval fund novel relief from the OSC.

PMAC has been working towards initiatives that we believe will support capital formation in Ontario and across Canada, including:

#### **- Support for Emerging Investment Managers**

PMAC, together with the Alternative Investment Management Association (AIMA) Canada, CFA Societies Canada, the Emerging Manager Board (EMB), recently contacted the Government of Ontario and Ministry of Finance Ontario to urge them to increase support for emerging investment managers in the

province of Ontario. Doing so would foster a stronger, more diverse investment management industry in Ontario, enhance capital formation and productivity, provide economic diversification and high-quality job growth for the people of Ontario and attract capital investment to the provincial economy.

Specifically, we requested that the Government of Ontario, in concert with its investment management partners, consider creating an Emerging Manager Program that would fund and oversee direct capital allocations to selected emerging investment managers based in Ontario. We believe this initiative would achieve key economic policy objectives, including diversifying Ontario's economy, adding good-paying jobs to Ontario's economy, enhancing capital formation and productivity and fostering innovation in finance.

- **Ease of Doing Business – expanding opportunities and removing barriers**

We have discussed with OSC and other CSA staff the possibility of a limited registration exemption for registrants with respect to advising a limited number of clients in other Canadian jurisdictions where the registrant firm is not registered, which often is in the client's best interest. The process of becoming initially registered in an additional CSA jurisdiction gives rise to additional compliance obligations (in the form of bi-annual surveys, sweeps, questionnaires) and fees that can outweigh the benefit of registering in order to advise a small number of clients. We believe this exemption will expand Canadians' access to investment advice and enable ease of doing business across the country.

The COVID-19 pandemic brought many changes to the investment landscape, including that individual registrants and their clients or prospective clients may be residing and/or working in different locations. Additionally, with the coming intergenerational wealth transfer, adult children or other family members of a firm's existing clients may wish to invest with a registrant while living in a province or territory different from their relative. These scenarios are not contemplated in the existing client mobility exemptions in NI 31-103 because the definition of "eligible client" in section 1.1 of NI 31-103 refers only to existing clients.

- **Add Ontario and the OSC to the Hong Kong SFC's AIR list**

PMAC continues to believe there is a real opportunity to foster competition and support Canadian asset managers by having Ontario and the OSC added to the Hong Kong Securities and Futures Commission (SFC)'s acceptable inspection regime (AIR) list. Adding Ontario and the OSC to the AIR list would enable Ontario asset managers to manage retail funds from any domicile intended to be sold to Hong Kong retail investors, opening avenues for new business and competition in Hong Kong. Further to the recent coming into force of China's Greater Bay Area Wealth Management Connect Scheme, retail Hong Kong funds may also qualify for offering across the Greater Bay Area which includes

Hong Kong, Macau, and nine cities in Guangdong province (as of 2020, the Greater Bay Area has a cumulative population of 86 million). In other words, adding Ontario and the OSC to the AIR list would open a gateway for Ontario portfolio managers to Hong Kong and across the Greater Bay Area.

We believe that many Ontario asset managers would consider availing themselves of this international opportunity and note that this would be open to all asset managers, not only those with Hong Kong registered affiliates. This would align with the OSC's mandate of fostering capital formation and competition.

While Australia, the United States, France, Germany, and the United Kingdom are among the many developed markets on the AIR list, there are currently no Canadian jurisdictions included, representing a missed opportunity for Canadian firms. The SFC states that, as a general guide, they look to the following in determining the acceptability of an overseas regime: 1) that the overseas regulatory authority carries out inspections of investment management firms within its jurisdiction in a manner generally consistent with the SFC; and ii) that the SFC and the overseas regulatory authority have satisfactory procedures for the timely exchange of information regarding investment management firms.

We note the existence of Memoranda of Understanding between the OSC and the SFC on information exchange and innovative fintech businesses, and believe these represent an excellent basis for dialogue with respect to having the Ontario and the OSC added to the AIR list. We are encouraging the addition of Ontario and other Canadian provinces to all be added to the AIR list to maximize the ability of Canadian portfolio managers to advise Hong Kong funds.

#### **15. Execute OSC's Inclusion and Diversity Strategy**

We are pleased to see that a talent strategy is included in the SoP and support the OSC's priorities with respect to inclusion and diversity. We agree with the OSC's continued focus on growing and sustaining equity and diversity and ensuring the employee experience is equitable and inclusive for everybody. We believe these efforts will bolster the OSC's ability to attract and retain staff with strong industry knowledge and necessary skills and experience.

#### **16. Integrate Digital and Data Capabilities and Processes to Support Effective Decision Making, Risk Monitoring and Streamlined Operations**

We agree that digital and data capabilities and processes are of increasing importance in the financial industry. OSC Staff have engaged with PMAC in numerous ways to leverage and improve existing technology and data collection to reduce regulatory burden. We believe that technology is an important tool for improving the OSC's efficiency and ability to be a data-driven regulator. We support all measures to



strengthen digital capability and view this as beneficial for the OSC, registrants and the capital markets more broadly.

## **CONCLUSION**

Subject to our comments above, PMAC is supportive of the key priorities set out in the SoP, as well the work plans set out in support of those goals. We look forward to continuing to work collaboratively with and assisting the OSC, where possible, in attaining the priorities set out in the SoP.

We are very appreciative of the collaboration, consultation and proactive problem-solving led by OSC Staff, and the continuous opportunities for transparent engagement with various stakeholders. We believe that the priorities set out in the SoP contribute to a successful 2024-2025.

If you have any questions regarding the comments set out above, please do not hesitate to contact Katie Walmsley at (416) 504-7018 or Victoria Paris at (416) 802-4347.

Yours truly,

## **PORTFOLIO MANAGEMENT ASSOCIATION OF CANADA**

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