

December 11, 2019

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission of New Brunswick
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Superintendent of Securities, Nunavut

Care of:

The Secretary
Ontario Securities Commission
20 Queen Street West 22nd Floor
Toronto, Ontario M5H 3S8
comments@osc.gov.on.ca

M^e Philippe Lebel
Corporate Secretary and Executive Director,
Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour Cominar
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Québec City, Québec G1V 5C1
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SENT VIA EMAIL

Dear Sirs/Mesdames:

Re: Reducing Regulatory Burden for Investment Fund Issuers – Phase 2, Stage 1

On behalf of Advocis, The Financial Advisors Association of Canada, we are pleased to provide our comments on the CSA's proposed amendments to reduce regulatory burden for investment fund issuers.



1. ABOUT ADVOCIS

Advocis is the association of choice for financial advisors and planners. With more than 13,000 members across the country, Advocis is the definitive voice of the profession, advocating for professionalism and consumer protection. Our members are provincially licensed to sell life, health and accident and sickness insurance, as well as by provincial securities commissions as registrants for the sale of mutual funds or other securities. Members of Advocis are primarily owners and operators of their own small businesses, creating thousands of jobs across Canada. Advocis members provide advice in several key areas, including estate and retirement planning, wealth management, risk management, tax planning, employee benefits, critical illness and disability insurance.

Professional financial advisors and planners are critical to the ongoing success of the economy, helping consumers to make sound financial decisions that ultimately lead to greater financial stability and independence both for the consumer and the country. No one spends more time with consumers than advisors and planners, educating them about financial matters and helping them to reach their financial goals. Advocis works with decision-makers and the public, stressing the value of financial advice and striving for an environment in which all Canadians have access to the advice they need.

2. OUR COMMENTS

Advocis commends the CSA for taking action to reduce the regulatory burden in the investment funds industry. While the proposed amendments focus on reducing the burden for investment fund issuers, we are pleased to see that some of the proposed changes also will reduce the burden for financial advisors and their clients.

We are pleased to note that as part of the stated goals for phase 2, stage 2, the CSA is reviewing the methods used to communicate with investors. Financial advisors and financial planners are on the front line of investor outreach, often being the face of the entire financial services sector to the client, and play a key role in delivering effective disclosure on behalf of investment fund issuers.

We recommend that CSA members consider lending support to government initiatives in Ontario and Saskatchewan that will restrict the titles of “financial advisor” and “financial planner” to qualified individuals, including recognizing individuals qualified by the credentialing bodies in their jurisdiction. Advocis believes that title protection is a meaningful way to reduce consumer confusion and ensure that investors are accessing advice from professionals with



appropriate credentials, especially as consumers believe that these titles are already protected and are meaningful proxies of the user’s skills, education and experience.¹

We also believe that title protection can provide a burden reduction benefit for both regulators and issuers, as elevating the professionalism of investor-facing intermediaries can result in better KYC, KYP, and suitability outcomes, improved handling of conflicts of interest, and can provide additional conduct oversight through a credentialing body’s code of conduct, as well as investigations and disciplinary process.

Workstream Two: Investment Fund Designated Website

Advocis is in favour of the proposal to require investment funds to provide access to regulatory disclosure through a designated website. We agree with the CSA’s observations that providing access to regulatory disclosure in this manner is a common existing industry practice.

We believe that requiring investment fund issuers to provide access to regulatory disclosure through a specifically designated website also enhances investor protection and aligns with modern service expectations. Consumers expect to be able to use the internet to research products; designated websites ensure that this information is available from an official, reliable source.

Also, while static documents rely on version-tracking and distribution processes to disseminate updates, corrections and other revisions, websites and other dynamic formats can provide access to this information in real-time. While this proposed change does not displace existing disclosure delivery requirements, we feel that the ability to reliably access accurate and up-to-date disclosure documents online will help financial advisors ensure that the disclosure provided to their clients reflects the most current information available.

Advocis supports the CSA's view that the regulatory disclosure on an investment fund's designated website should generally be available on an open-access, free-of-charge basis, with the exception of confidential and non-public information which may be protected from non-securityholders. While we would not necessarily be averse to allowing access to disclosure through technological means other than designated websites, we recommend that the CSA consider potential barriers to consumer access when considering other proposed access methods, including requirements to provide personal information, register an online account, or download proprietary software before regulatory disclosure can be accessed. Non-confidential information about investment funds should be available to the public in a manner that is clear, accessible and readily comparable.

¹ For example, Advocis commissioned polls in five provinces between October 2018 and March 2019 which found that, on average, half of the respondents believe the title of "financial advisor" is protected in their province. Approximately 90% of respondents supported having formal restrictions for the title.



Workstream Eight: Codify Exemptive Relief Granted in Respect of Fund Facts Delivery Applications

a) Exemptive relief from Fund Facts delivery requirements in certain circumstances

Advocis is generally in support of the CSA proposals to introduce exemptive relief from Fund Facts delivery requirements for purchases under model portfolio products and portfolio rebalancing services, as well as within automatic switch programs. After the initial enrolment in these programs, investors are not making new investment decisions with subsequent purchases, and we feel that an exemption from delivery requirements will provide a meaningful reduction in regulatory burden without an impact on investor protection.

However, we note that exemptions related to delivery requirements within dealer model portfolio programs should be reconsidered where discretionary trading is permitted for the purposes of fund substitution, especially where the pre-established parameters of the model portfolio permit fund substitutions from different fund companies. This may be of particular relevance if the Mutual Fund Dealers Association (MFDA) receives CSA approval to implement the proposed amendments to MFDA Rule 2.3.1(b) (Discretionary Trading) outlined in Bulletin #0782-P².

b) Consolidation of Fund Facts for classes and series of a mutual fund

Advocis is in favour of the CSA proposal to allow a mutual fund to prepare a single consolidated Fund Facts that includes all the classes or series covered by automatic switch programs on the basis that the only distinction between the classes or series relates to fees. Further, we support extending this proposal to permit consolidated Fund Facts and ETF Facts even in circumstances where no automatic switch program is in place, provided there are no material distinguishing features between classes or series other than fees and investment minimums.

In addition to reducing the regulatory burden associated with the preparation, maintenance and delivery of these documents, we feel that consolidation would allow investors to identify other series and classes that may be available to them and more effectively assess the impact of fees. However, we recognize that not all series and classes may be appropriate for a given investor; in those scenarios, fund issuers may prefer to present clients only with fund information that is appropriate to their specific investment needs. As such, we are not in support of mandatory consolidation at this time.

² <https://mfda.ca/bulletin/bulletin-0782-p/>



Advocis also supports the CSA's proposed amendments to Form 81-101F3 to conform with certain disclosure requirements in Form 41-101F4 *Information Required in an ETF Facts Document*. We feel that mutual fund disclosure requirements and ETF disclosure requirements should be harmonized where practicable, as this aligns with client expectations and better facilitates the comparison of products.

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We look forward to working with the CSA as it continues to explore opportunities to reduce the regulatory burden within the capital markets. Should you have any questions, please do not hesitate to contact the undersigned, or Ed Skwarek, Vice President, Legal and Regulatory Affairs at 416-342-9837 or eskwarek@advocis.ca.

Sincerely,

Greg Pollock, M.Ed., LL.M., C.Dir., CFP
President and CEO

Abe Toews, CFP, CLU, CH.F.C., CHS, ICD.D
Chair, National Board of Directors