Manulife

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Sent via e-mail: comments@osc.gov.on.ca

ATTN:
The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor

Re: OSC Staff Notice 11-784 *Burden Reduction*

Dear Sirs and Mesdames:

Manulife Financial Corporation is a leading international financial services group that helps people make their decisions easier and lives better. We operate primarily as John Hancock in the United States and Manulife elsewhere. We provide financial advice, insurance, as well as wealth and asset management solutions for individuals, groups and institutions. At the end of 2018, we had more than 34,000 employees, over 82,000 agents, and thousands of distribution partners, serving almost 28 million customers. As of December 31, 2018, we had over $1.1 trillion (US$794 billion) in assets under management and administration, and in the previous 12 months we made $29.1 billion in payments to our customers. Our principle operations in Asia, Canada and the United States are where we have served customers for more than 100 years. With our global headquarters in Toronto, Canada, we trade as 'MFC' on the Toronto, New York, and the Philippine stock exchanges and under '945' in Hong Kong.

We are pleased to respond to Staff Notice 11-784. This is one of two submission letters from Manulife. Manulife Asset Management Limited has provided commentary from the perspectives of the investment fund managers and registered dealers under a separate letterhead. Below we provide recommendations on rule changes from the issuer perspective.

Manulife commends the OSC on their initiative to reduce unnecessary regulatory burden and appreciate that as economic priorities change, the rationale for regulations may change too. We recognize that some of the current regulations were adopted under different economic, social, and technological conditions.

Rule Changes

Proposed National Instrument 52-112 Non-GAAP and Other Financial Measures (NI 52-112): The OSC recently published for comment NI 52-112 which is designed, in part, to replace OSC Staff Notice 52-306 (OSN 52-306). We believe that the OSC should re-evaluate the need for such an instrument in light of its desire to reduce regulatory burden. Rather than proceed with the introduction of the new instrument, the OSC should consider amending OSN 52-306 to address any concerns that the OSC may have regarding the use of non-GAAP measures while maintaining for issuers the flexibility to present non-GAAP measures in manner that is most meaningful to investors and that is consistent with industry peers.

National Instrument 51-102 Continuous Disclosure Obligations (NI 51-102): Under NI 51-102, reporting issuers that are not venture issuers are required to prepare and file an Annual Information Form (AIF). We believe that some of the form requirements are duplicative of other information already disclosed to investors and/or do not provide material information regarding the reporting issuer. As such, the AIF would benefit if a number of the requirements were removed or amended; in particular:

- Item 4 of Form 51-102F2 requires disclosure of general developments in the business and specifically, the three-year history of the reporting issuer. Should this information be considered material, it would already be disclosed in a reporting issuer's Management Discussion & Analysis (MD&A);

- Item 10 of Form 51-102F2 requires certain information in respect of directors which duplicates information required by Item 7 of Form 51-102F5. Given that the AIF is often prepared prior to the annual management proxy circular, reporting issuers include the information in the AIF as they cannot simply incorporate current information by reference. While the information required by item 7 of Form 51-102 F5 could be incorporated by reference into the proxy circular from the AIF, since the proxy circular addresses the election of directors, having the information in the proxy circular provides more meaningful and easier access to investors. We believe the information described by Item 10 of Form 51-102F2 should not need to be included in the AIF if the reporting issuer has issued a proxy circular containing the information required by Item 7 of Form 51-102 F5 within the previous 12 months; and

- Item 1 of Form 52-110F1 requires the AIF to disclose the charter of the audit committee. Many reporting issuers disclose a copy of this charter on their website. Item 52-110F1 should require issuers to either disclose the charter or to include reference to where the charter is available on their website.

National Instrument 55-104 (NI 55-104): Insiders are allowed to defer reporting purchases of securities made under an automatic securities acquisition plan under NI 55-104. Permitting deferred reporting of dispositions under automatic securities disposition plans (ADSPs) should also be permitted where the material terms of the ASDP have been previously disclosed on SEDI or elsewhere.

OSC Staff Notice 55-701 – Automatic Securities Disposition Plans and Automatic Securities Purchase Plans (OSN 55-701): OSN 55-701 provides that an ASDP will only be automatic if it contains meaningful restrictions on the ability of the insider to vary, suspend or terminate the plan. OSN 55-701 states that prohibiting insiders from making discrete investment decisions at times when they are in possession of undisclosed material information does not constitute a meaningful restriction. However, the Staff Notice does not provide any reasonable basis for requiring restriction other than the insider not being in possession of material information at the time the ASDP is amended, varied or terminated. The examples provided to support the requirement to have meaningful restrictions all involve situations where the insider was in possession of material information when they varied or terminated the ASDP. In our view, additional restrictions are unduly burdensome and fail to serve the interests of investor protection.

Settlement of public offerings/withdrawal rights: In 2017, Canada reduced the settlement cycle after a trade in securities from three days (T+3) to two days (T+2). The move to T+2 reduced counterparty, market and liquidity risks for market participants. It also reflected advancements in trade settlement technology. Ontario securities law however fails to allow issuers of securities in a Canadian prospectus offering to take full advantage of T+2 as purchasers are entitled to exercise withdrawal rights for two full days following their receipt of the prospectus (OSA s.71). It is market convention to wait until these rights have expired before closing. Previously, under T+3, completion of prospectus offerings would occur after the expiry of the withdrawal rights (at midnight on the second business day after delivery of the prospectus). Under the new settlement cycle, an issuer that wishes to close an agency public offering at T+2 is practically unable to use the proceeds of the offering until the expiry of withdrawal rights on T+3, at which time the issuer could be assured that none of the proceeds would be returned to the purchasers. The Ontario Securities Act should be amended to reduce the withdrawal right period from two business days to one. The change would not prejudice purchasers of securities, because advancements in technology (such as SEDAR filings and electronic access to corporate disclosure) enable investors

to assess the prospectus content faster than before. The combination of a one-day withdrawal right and T+2 settlement would enhance efficiency in capital markets without compromising investor protection.

Personal Information Forms (PIF): Generally, when completing a PIF, the individual is required to disclose whether, at the time an issuer experienced the event being asked about, they were a director or an officer of that issuer. However, Question 9.C.(ii) of the PIF simply asks whether the individual completing the PIF is the director or officer of an issuer that has entered into a settlement agreement of the kind described directly in Question 9.C.(ii). A director who joined the board of an issuer 20 years after the issuer entered the relevant settlement agreement would still be required to disclose that settlement agreement in their PIF even if they had no involvement with the reporting issuer at the time of the settlement agreement. Since this settlement agreement occurred well before they joined the board, it is not clear why this is relevant information for an individual's PIF. In theory, a group of directors and officers could be required to disclose a settlement agreement entered years before any of them joined an issuer. Question 9.C.(ii) would benefit from the same "at the time of the event" qualifier that is applicable to other questions on the PIF.

Conclusion

Manulife is appreciative of the opportunity to participate in this industry review on burden reduction and would be pleased to partake in further consultations.

We are happy to answer any questions you may have.

Yours very truly,

Chris Donnelly
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Industry, Regulatory & Government Affairs