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

March 1, 2019

Delivered via Email: comments@osc.gov.on.ca

Re: OSC Staff Notice 11-784 Burden Reduction

PMAC APPLAUDS THE OSC'S LEADERSHIP ON REGULATORY BURDEN REDUCTION

The Portfolio Management Association of Canada (**PMAC**), through its Industry, Regulation & Tax Committee, is making this submission to the Ontario Securities Commission (**OSC**) to assist in the formulation of priorities for the OSC's regulatory burden reduction taskforce.

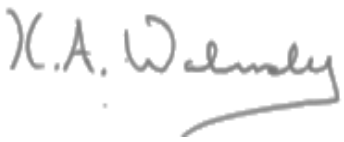
On behalf of PMAC's 260+ investment management firms registered with the Canadian Securities Administrators (**CSA**) to do business in Canada as portfolio managers, we are providing the following feedback on registrant-specific regulatory burden. We believe this industry-informed perspective is valuable for the OSC to consider as part of your policy making.

Regulatory burden represents an existential concern for many of our member firms who collectively manage assets in excess of $1.8 trillion for private and institutional client portfolios. Ultimately, higher regulatory burden and compliance costs facing portfolio managers have a negative impact on their end investors as well as on the Canadian capital markets.

We applaud the OSC for recently taking a leadership role in exploring the opportunity for regulatory burden reduction. Your efforts to stem the negative impacts of this burden while maintaining high standards are both necessary and welcome. **Please see the attached appendix containing our responses to the questions contained on the OSC's online portal**. We also refer the OSC to our letter submitted to Chair & CEO Maureen Jensen on December 22, 2018 as further information.

Yours truly;

PORTFOLIO MANAGEMENT ASSOCIATION OF CANADA



Katie Walmsley
President
Portfolio Management Association of Canada

Margaret Gunawan
Managing Director – Head of Canada Legal & Compliance
BlackRock Asset Management Canada Limited

Appendix: Online Portal Questions & Answers

1. Please provide your name.

Katie Walmsley, President, Portfolio Management Association of Canada (**PMAC**) and Margaret Gunawan, Board Director & Chair of PMAC's Industry Regulation & Taxation Committee

2. What is the name of your firm or company, if applicable?

The Portfolio Management Association of Canada

3. What is your role in the capital markets?
   - Registrant
   - Issuer
   - Other: Industry Association

4. Do you have any general comments on the topic of regulatory burden reduction related to securities regulation? If so, please enter only the legislative reference for your suggestions in the box below (for example 31-103 1.1)

A) General B) National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) – proposed Client Focused Reforms (please see document 2 submitted together with this survey) C) Proposed National Instrument 93-101 – *Derivatives: Business Conduct* (**NI 93-101**) and proposed National Instrument 93-102 – *Derivatives: Registration* (**NI 93-102**) respectively (please see document 3 submitted together with this survey). Please note: PMAC's comments have been submitted in a series of three (3) survey documents. Please read all three in conjunction.

5. Please use the space below to provide your general comments.

PMAC believes the Canadian markets are best served by ensuring broad access to investment management that is provided with the highest levels of integrity and skill. To do so, firms need the time and resources to focus on investor protection, on their highly professional skills, and building relationships with and serving their investors. Portfolio managers (**PMs**) do so in the context of the fiduciary duty they owe their clients. The OSC and its Canadian Securities Administrators (**CSA**) partners are tasked with the complex job of addressing and anticipating issues with securities regulation, market and product evolution, and investor protection across all aspects of the market. However, PMs are unlike other registrants and should be regulated differently to ensure proportional regulatory burden, continued investor access to their services, and to enable them to provide a diversified universe of securities and investment strategies. Clients of PMs have chosen to have their assets managed on a discretionary basis and this decision merits proportional regulation that has been designed to meet client's needs.

We urge regulators away from overly-prescriptive rules that constrain how firms can service clients and that increase compliance costs without corresponding benefit. We see principles-based regulation as fostering ethical and professional judgement as well as competitiveness.

PMAC thinks all stakeholders, including the OSC, would benefit from material investments in technology to streamline data gathering, sharing, and analysis. Recognizing the material time and costs involved, we feel it is critical for long-term success to modernize your information technology and systems. Without a major investment in tech, we believe OSC staff and registrants will continue to struggle with burden, unnecessary cost and time lost dealing with archaic, disjointed systems. Feedback from all stakeholders on the features and functionality of the technology will be critical.

PMAC urges the creation of a single point of data entry for all information to be provided to the CSA. Information should be filed through a portal and accessible to all CSA members that are granted access. The database should contain basic information about the firm and/or fund so a registrant can use the system to update only the necessary fields. Ideally this system will calculate registrant's fees and permit authorization of fee payments via an on-line account, avoiding the need to wire money or issue cheques to each applicable regulator.

Alongside this material investment in tech, there should be a reimagining of the OSC's processes, workflow, and collaboration internally and with the CSA.

PMAC believes in the value of the OSC's work. The OSC should be funded to permit sophisticated, modern, adaptable automation that allows the streamlining of data, processes and information.

For PMs, we urge the OSC to:

1. Invest in significant technology updates to improve stakeholders' ability to submit, update, and share information with regulators in a secure, user-friendly way. The OSC should use this as the opportunity to revamp its own internal workflow to optimize efficiencies;
2. Adopt the operational and procedural changes outlined in section 5 of our submission to streamline and improve the interaction between registrants and the OSC;
3. With the input of industry, rework the outside business activity (**OBA**) reporting requirements, including the trigger for what constitutes a reportable OBA, and the timing and method of OBA reporting;
4. Continue to improve the risk assessment questionnaire (**RAQ**) through technology and PMAC's suggestions in section 11 (Document 2) of this submission; and
5. Implement PMAC's recommendations on Client Focused Reforms, derivatives business conduct and derivatives registration for advisers, thereby staving off new and excessive regulatory burden.

Client Focused Reforms

Appropriately tailored, the Client Focused Reforms (**CFRs**) represent an opportunity for regulators to improve investor protection, maintain access to highly professional investment management, and improve the competitiveness of Canadian firms.

However, as proposed, the CFRs cause very serious concerns for PMs as many of them are not appropriate, or optimized, for PMs' investors. PMAC is particularly concerned that the costs of compliance with the CFRs will more acutely impact the ability of smaller and mid-sized firms to service investors. We urge the OSC and CSA to tailor the CFRs applicable to PMs to ensure the compliance burden is commensurate with the benefits that stakeholders will experience as a result.

PMAC's proposal

Our submission proposes alternative ways to achieve the CSA's goals as we have material concerns that the imposition of the full suite of CFRs on PMs would not strike the appropriate balance between investor protection and fostering efficient capital markets. We note specific instances where the CFRs would result in significant regulatory, compliance, and financial burden without a corresponding increase in investor protection. We also note a number of specific instances where the rule or Companion Policy guidance would be inapplicable to PMs' business models and/or not applicable or responsive to the needs of their clients.

We view our suggestions on the application of the CFRs to PMs as a responsible, effective way to address industry's concerns, as well as those of the CSA. Our request on the CFRs is for a reiteration and clarification of the fiduciary duty owed by PMs for more responsive, effective regulation of this registrant category. This will provide the duty of care and professional framework within which certain enhanced CFRs can be implemented to address specific investor protection concerns.

PMAC supports the titling and holding out reforms, as well as certain aspects of the enhanced KYC, suitability, conflicts of interest, and disclosure proposals (all as set out in detail in our submission). We ask the OSC to take the lead in drafting more principles-based guidance that is tailored to the PM registration category with respect to the remaining proposed CFRs. For instance, as drafted, the proposed KYP requirements are unworkable for PMs and their clients.

Proportional regulation for non-individual permitted clients

A significant opportunity to strike the correct balance between regulatory burden, preserving international competitiveness and investor protection arises in the context of non-individual permitted clients. Carve-outs from certain of the CFRs are required for those clients, including for their managed accounts. These types of client are sufficiently protected by the investment management agreements and investment policy statements they enter into with PMs, combined with the fiduciary duty. The imposition of the full suite of CFRs on sophisticated investors will not appropriately meet client expectations. These clients are able to negotiate for the protections they require, tailored to their unique objectives.

Risk of reduced competitiveness

PMs offer different business models and, through technology and pooled funds, can service a broader population and account size of Canadian investors. Any cost pressure on firms that does not carry a clearly articulated investor protection or market efficiency benefit should be carefully reconsidered.

We have concerns about the significant one-time transition costs forecast for PMs by the OSC and the on-going compliance costs inherent in the CFRs. As acknowledged by the OSC, these costs will be passed on to clients. Without a careful balance, an unintended consequence of the CFRs may be a reduction in clients' access to investment management due to increasing account minimums in order to permit firms

to continue to service accounts while meeting these highly prescriptive obligations.

**Please refer to section 21 for the remainder of this section.*

CFR continued

Referral prohibitions

PMAC sees potentially material negative consequences of the proposed referral arrangement amendments and asks that this particular set of reforms be moved into a separate work stream for greater consultation and impact assessment.

Conclusion

Pages 4 through 8 of PMAC's October 2018 submission contain our 10 recommendations with respect to the CFRs. We feel our solution represents a meaningful way to prudently reduce regulatory burden while positioning Canadian PMs for success on behalf of their investors and for the Canadian economy going forward.

A) DERIVATIVES

As currently proposed, PMAC has serious concerns that the derivatives rules (the **Rules**) would be duplicative and onerous for PMs to the detriment of the investors they serve without evidence of existing harm.

PMAC notes the thoughtful dialogue and questions being posed by OSC staff during roundtables and conferences with respect to gathering industry feedback on PMs' use of derivatives and derivatives strategies. We support these discussions as reflective of a positive, nuanced policy development process.

Many obligations proposed in the Rules are already addressed by the registration, proficiency, and market conduct requirements PMs are already subject to under NI 31-103.

Imposing onerous and overlapping requirements on PMs may pose a disincentive to using derivatives in investment strategies, despite firms having the required expertise and documented investment rationale. This could be detrimental, for instance, if it were to result in higher costs translated to investors or result in fewer advisers engaging in hedging strategies for the benefit of investors.

Rules focused on dealing, not advice

PMAC is supportive of the CSA's aim to establish a robust investor protection regime with respect to OTC derivatives that meets IOSCO standards.

However, as set out in our submissions regarding the Rules, they are both focused on addressing policy issues arising from dealing activities and do not identify specific investor or market protection issues with respect to the activities of advisers, particularly, PMs, vis-à-vis derivatives.

PMs should be regulated by NI 31-103 with minor additions

We believe the imposition of additional, prescriptive and onerous regulatory requirements on PMs is not an effective or efficient solution to the CSA's policy concerns, nor are they necessary to meet IOSCO standards.

In the context of PMs, the CSA's policy objectives of creating a uniform approach and protecting participants in the OTC derivatives markets from unfair, improper and fraudulent practices can be best achieved by leveraging NI 31-103.

Firms and individuals registered under NI 31- 103 that advise on derivatives and derivatives strategies and that comply with certain proficiency and risk management requirements, should not be required to be registered under the Rules. PMAC believes that these requirements for advisers should be set out in a principles-based way in NI 31-103 for clarity and simplicity.

Concerns about broader impacts

PMAC has concerns that a Canadian derivatives regime that goes beyond IOSCO's standards and captures advisers in a way that the CFTC does not, may have a negative impact on the Canadian derivatives market and investors. We also have concerns about the absence of exemptions for international advisers and sub-advisers, similar to those found in NI 31-103. Without such exemptions, there may negative consequences to investors and the Canadian market if business with foreign advisers were to be interrupted.

Members have concerns about the increased costs to Canadian dealers that provide their services to Canadian PMs. Such dealers may not only experience increased costs directly as a result of the proposed rules, but may also directly experience increased costs by having fewer international dealers to deal with, should there be significant foreign dealer exits from Canada. Such costs at the dealer level could have the unintended negative consequence of wider spreads and a drag on investment returns for Canadians.

Conclusion

PMAC respectfully disagrees with the CSA's cost benefit analysis regarding implementing the Rules for advisers. These rules would require material additional compliance resources and costs and the repapering of existing derivatives agreements, client documentation and policies and procedures, without demonstrated investor or market harm being addressed.

6. Are there operational or procedural changes that would make market participants' day-to-day interaction with the OSC easier or less costly? If so, please enter only the legislative reference for your suggestions in the box below.

A. The 2004 Provincial/Territorial Memorandum of Understanding Regarding Securities Regulation.
C. OSC Service Commitment: Our Service Standards and Timelines

I. and J. NI 31-103 and NI 33-109 – *Registration Information* (**NI 33-109**)

7. Please use the space below to provide your suggestions for operational or procedural changes.

A) The OSC should join the "passport" system with the rest of the CSA. For registrants whose principal regulator is not the OSC, there is an unnecessary regulatory burden created by the need to file with both the OSC and their principal regulator.
B) Some members believe that assigning each registrant a dedicated OSC resource to act as a relationship manager could increase the quality of information flow between parties. Having a relationship manager could have the added benefit of coordinating the timing of sweeps, desk audits, and compliance reviews. Having the option of bilingual relationship managers may also promote increased compliance for certain registrants. PMAC notes that the BCSC's relationship manager model has garnered positive industry feedback.
C) Publish a complete and current list of staff contact information to facilitate dialogue

between the OSC and registrants.

D) Develop service standards for sweeps and compliance reviews. While it may not be feasible to set timelines for the completion of all compliance reviews, increased communication around anticipated timing and process may assist firms in understanding their staffing and other resource needs.

E) The OSC should endeavor to coordinate within the commission itself, as well as with other regulators (including the CSA and FINTRAC) on the timing of sweeps and/or audits. Significant resources are diverted from the management of assets for clients and from the firm's daily compliance functions when extended or multiple reviews occur.

F) When requesting non-public information from registrants, the OSC and CSA should provide a secure, encrypted portal capable of receiving large files. Information security and the easy transmission of data should be routine for all filings.

G) The OSC should not request information from registrants during the course of an audit or in the course of assessing an application, when that information has already been filed publicly or with the OSC. For instance, during an audit, the OSC should have the capabilities to identify and obtain information that has already been filed, instead of requesting it from the registrant. Additionally, if a regulatory requirement exists to deliver information as of a certain date or timeframe, absent serious compliance concerns or in the case of an enforcement action, the registrant should not have to provide that information as of a different date.

H) During audits, OSC staff should be aware of the client disruption, confusion, and anxiety that are caused by the regulator calling a firm's clients. This is especially true when OSC staff has not fully explained to a client that the call is routine and is not triggered by a suspected regulatory or compliance breach by the firm or an adviser. Staff should reconsider the need to call clients absent specific concerns and/or permit the PM or relationship manager to be present, to know of the clients to be called in advance and/or to add context regarding the OSC's calls to clients.

I) Additional transparency around registration decisions would be beneficial. We support a searchable database of registration decisions, including sufficient information to determine how the firm satisfied the registration criteria and any terms and conditions that were attached. Making this type of information available to applicants and their advisors could significantly streamline the application process by increasing awareness of how OSC staff applies registration criteria, thereby reducing the time and associated costs of registration applications. Additionally, structuring teams that review registration applications with subject matter experts, depending on the applicant, can assist in having material issues flagged earlier in the application process.

8. Are there ways in which we can provide greater certainty regarding regulatory requirements or outcomes to market participants? If so, please enter only the legislative reference for your suggestions in the box below.

N/A

9. Please use the space below to provide your suggestions regarding how the OSC could provide greater certainty regarding regulatory requirements or outcomes.

The OSC should work with the CSA to ensure that if there are wide-spread industry issues with the interpretation and/or implementation of a particular rule, that guidance regarding the problem is published to help industry correct the problem before

commencing enforcement action in the absence of material abuses or investor protection concerns. The guidance should be issued with a reasonable amount of time for industry to correct the issue prior to reviews or sweeps noting significant deficiencies or the commencement of widespread enforcement proceedings.

Greater certainty regarding regulatory outcomes may also be bolstered by publishing an index of easily-searchable enforcement actions and decisions.

PMAC notes that many members have positive feedback about the OSC staff reviewing their firms. Members have raised concerns that registrant oversight activities do sometimes tend to deviate from the principles-based approach to registrant regulation found in NI 31-103.

OSC staff should audit to the national instrument or applicable section of the *Securities Act* (Ontario) (the **Act**), and not to corresponding guidance.

Guidance issued by the OSC or other CSA members is often useful and instructive and nothing in this submission is meant to discourage staff from publishing such guidance. However, members have expressed concern with guidance containing mandatory language such as "must" or "shall". Additionally, audits that cite compliance deficiencies for failure to respond directly to OSC guidance can be onerous and may inadvertently impose an inappropriate one-size-fits all model of compliance.

Certain members have cited inconsistent audit findings, as well as concerns about the materiality of some of these findings and, as a result, stress the importance of audit teams comprising an appropriate mix of experienced and more junior staff.

PMAC also applauds the OSC's ongoing registrant outreach initiatives. These are valuable ways to communicate regulatory developments and expectations in easily accessible ways and at no cost to registrants. We encourage the OSC to continue to provide this valuable outreach. However, the speakers at these events should be briefed and up-to-date on the specific issues facing registrants as well as on recent OSC and CSA guidance and should be supported by the presence of director level leadership to help respond to complex policy and directional questions. Recently, we have been informed of outreach sessions – in particular, one that touched on outside business activities (**OBAs**) and one in conjunction with FINTRAC - where the responses provided by speakers created confusion amongst registrants as to regulatory expectations.

PMAC encourages the OSC to continue to use its various advisory committees to gather current and early-stage input on securities regulatory issues. We generally believe the OSC is appropriately leveraging this group of industry experts early-on with respect to proposed legislative changes. However, with respect to certain amendments, for instance, the proposed prohibitions on many types of referral arrangements, we believe that additional discussion with such committees would have helped to refine the proposals to be more tailored and to allow for common industry practices that do not cause regulatory concern, while more effectively targeting those arrangements that do.

10. Are there forms and filings that issuers, registrants or other market participants are required to submit that should be streamlined or required less frequently? If so, please enter only the legislative reference for your suggestions in the box below.

A) NI 31-103 Section 13.4 and Form 33-109F4 (**OBAs**)
B) Risk Assessment Questionnaire (**RAQ**) – please see document 2 filed with this survey

C) Section 5.5 of National Instrument 81-102 – *Investment Funds* (**NI 81-102**) and Sections 11.9-11.10 of NI 31-103, regarding acquisitions – please see document 3 filed with this survey

11. Please use the space below to provide your suggestions regarding forms and filings.

A) OBAs

The OSC has an opportunity to reduce regulatory burden, as well as compliance costs, and to increase compliance by modifying the OBA regime.

We believe that the OBA reporting requirement needs to be re-worked entirely, to be more effectively and consistently communicated, and made to be far less onerous than it currently is.

The applicability of the OBA reporting requirement should be harmonized nationally so that one, consistent and principles-based approach is implemented across the CSA.

We applaud OSC Staff's efforts to clarify the scope of reportable OBAs with respect to "house league" coaching in the Compliance & Registrant Regulation (**CRR**) Branch's Annual Report from 2019. The inference is that registered firms are entitled to evaluate the materiality of an OBA to determine if it amounts to a position of influence that triggers reporting. We believe this is appropriate.

Going forward, a new concept of what is a material OBA that triggers reporting should be created with the input of industry and, once finalized, clearly communicated and consistently applied across Canada.

The guidance issued the OSC's CRR Branch 2015 Annual Report implies a requirement to report each OBA, regardless of materiality or potential conflict of interest. This is burdensome and, because each registrant firm already has the responsibility for supervising its individual registrants as well as managing (or avoiding) conflicts of interest, we do not view the disclosure of non-material OBAs on a timely basis as necessary for investor protection. For example, members have frequently questioned whether acting as a "big brother" or "big sister" is truly a position of influence when looked at from the point of view of who the registrant could improperly influence.

Furthermore, members have raised concerns over requirements to report the following types of OBAs: owners and directors of one's own private investment holding company (as this is already supervised under personal trading policies); being a trustee of one's own family trust; and being a trustee of a private family foundation (as this is reported to the Canada Revenue Agency on Form T3010).

If the OSC requires a full list of all OBAs, regardless of materiality to assess an individual's ongoing fitness for registration, such a list could be provided or updated annually by registrants.

The OSC can also reduce the cost of compliance by ceasing to fine registrants for late filings for non-material OBAs. Without the fear of late-filing fees, registrants will have an incentive to report OBAs that may or may not be material for assessment by the OSC. Ceasing to fine for late filings would also align with the practice of other CSA members.

The time frame for filing OBAs is too tight and should be extended to at least 30 days, if not quarterly or annually for non-material OBAs. Conversely, firms have also noted that they are unable to file an OBA ahead of the start date of the activity. This is a strange prohibition if the OSC were to find the OBA in question to present a conflict of

interest. The OBA filing period should be open prior to commencement of the OBA, should firms wish to pre-file, and the filing deadlines should be extended as indicated above.

B) **RAQ**

The RAQ continues to be a significant time and resource burden for registrants. PMAC shared member feedback on the 2016 RAQ with the OSC, and many of these recommendations were incorporated in the 2018 RAQ. We shared additional feedback on the 2018 RAQ, noting certain improvements while, overall reflecting the incredible amounts of time and resources required to complete the RAQ every 2 years.

Member feedback on the 2018 RAQ resulted in the following suggestions for continued improvement. To effectively implement many of these may require significant investments in technology and data-sharing capabilities. We believe there are flexible and customizable risk management analysis software solutions that would streamline the RAQ process. We believe that funding such improvements is critical to reducing burden for the OSC and its many stakeholders, particularly if the data gathered is shared with other CSA members.

• *Frequency.* Members feel the RAQ occurs too frequently, given time and resources it takes to complete. The most straightforward way to reduce the time and cost burden would be to administer the RAQ every 3 years.

Alternatively, a coding system may help reduce RAQ frequency for certain registrants. For instance, newer and/or higher risk firms could complete the RAQ more frequently, while long-standing and/or low risk firms or those who have recently had an audit could complete the RAQ every 3 years. If firms are required annually to update their business activities under 33-109F6, the OSC has the option of increasing a firm's RAQ frequency based on the information provided.

• *Volume and type of information*. Members find the RAQ to be too long, requiring too many firm resources to complete. Data already provided to the OSC should not be requested during the RAQ. For example, the OSC receives 45-106F1s, so it should not ask for this information again. Delivering the next RAQ pre-populated with firms' 2018 answers may also be useful. If there is data being collected in the RAQ that is not used to assess or address investor protection or market concerns, the collection of such data should be eliminated or reduced.

• *User-friendly features.* Positive improvements in the user-friendliness of the 2018 RAQ were noted. Additional suggestions for improvement include the ability to print the completed RAQ to see the full text in all comment boxes; to including comment boxes for each question and to increase the character limits in those boxes. This is important for firms with unique business models to provide context for their responses.

• *Additional guidance.* Members found the 2018 RAQ guidance to be improved. For the next survey, more descriptions and explanations for some questions would be welcome. Holding the OSC RAQ review session within a few days of issuing the RAQ would be helpful.

• *Timing.* Members appreciate the OSC's email alerting them to when the RAQ would be issued. Many members were pleased with the new dates as of which information was to be provided, as well as with the extra time for the fund spreadsheet.

• *Coordination with other CSA members.* For firms that are not principally regulated by the OSC, the OSC should coordinate the RAQ with any other CSA questionnaires being

administered to minimize burden and the provision of the same data to multiple regulators. From our conversations with other CSA members, it is unclear that they are aware the information from the RAQ is shared with them. One registrant recently provided its RAQ responses to another CSA member during the course of an audit that was highly duplicative of the RAQ and that regulator was unaware of having access to RAQ data from the OSC. We believe that the RAQ information should be shared and used as widely as possible where that would reduce regulatory burden and increase regulators' understanding of registrants without the need for additional reviews.

C) **Filings regarding acquisitions**

With respect to acquisition filings, we believe that the CSA has an opportunity to streamline the filings and processes required. We believe that a standard form notice, containing questions often posed by CSA staff could streamline the process. The acquisition process could also be improved through increased OSC staff dialogue and consultation on such filings. The current time for approvals under section 11.9 of NI 31-103 varies greatly, without any apparent correlation based on the specifics of the transaction under consideration. Since regulators have the ability to impose post-closing requirements, we do not believe that delays of these approvals are warranted, particularly when this uncertainty adds risk to closings. In the instance of a registrant purchasing another registrant, entities that are currently and will continue to be regulated by the securities regulatory authorities of the applicable jurisdiction, we do not believe that the technical objection notice should be available. 30 days' notice would instead be appropriate under those circumstances.

12. Are there particular filings with the OSC that are unnecessary or unduly burdensome? If so, please enter only the legislative reference for your suggestions in the box below.

A) National Instrument 45-106 – *Prospectus Exemptions* (**NI 45-106**). Particularly, 45-106F1.
B) National Instrument 24-101 – *Institutional Trade Matching and Settlements* (**NI 24-101**).
C) Anti-Money Laundering and Anti-Terrorist Financing (**AML**) monthly reports
D) National Registration Database (**NRD**) filing system – please see document 2 submitted with this survey.

13. Please use the space below to provide your comments regarding burdensome filings.

A) 45-106F1

Incremental and persistent changes in information gathering and filing requirements for 45-106F1 are burdensome without apparent corresponding market or investor protection benefit for registrants relying on the managed account exemption. In the absence the CSA using the information provided in a materially beneficial way, this filing could be eliminated altogether. If the CSA does use this information, consider if it could be provided annually for all issuers (not just investment funds), or less frequently.

The OSC should take the lead in creating one sole point of data entry for registrants across the CSA. The requirement to file 45-106F1s in different ways across the country (Ontario portal, British Columbia portal and SEDAR for remaining jurisdictions) is

unduly burdensome. We note that SEDAR is costly for many registrants who are required to engage legal counsel to effect these filings.

Disharmony adds to burden. We urge the OSC to work with the CSA to harmonize the reporting and fee requirements for 45-106F1s filed in reliance on the managed account exemption. Quebec, Manitoba and Saskatchewan have different triggers for filing and paying fees in connection with this report. Requiring registrants to only file with their primary regulator could address this issue. Additionally, the requirement for non-investment fund issuers to file 45-106F1s within 10 days of a distribution is too tight, particularly if they rely on the accredited investor exemption. The deadline could be extended to at least 30 days post distribution, or if the accredited investor exemption is relied on, aligning the deadline with that of investment funds.

B) NI 24-101 quarterly filings

The CSA can reduce an unnecessary filing on the buy-side by eliminating the requirement for PMs to file Form 24-101F1 on a quarterly basis. We note that trade matching is, for the most part, out of the control of a PM. This filing could be done away with altogether or, if the CSA finds utility and value in those reports, the data could be provided on an annual basis, perhaps in connection with annual financial filings.

C) AML reports

CSA members should not be the parties collecting monthly AML reports from registrants. As this is a federal legislative obligation, the federal government should centralize the collection of monthly AML reports from securities dealers by allowing for on-line, federal filing of such information. Reporting to various members of the CSA creates regulatory burden for the CSA and entities required to file these reports. We also believe that duplicative reporting does not serve the intended policy goal of the AML regulations.

D) Modernize NRD

We are pleased to that the CSA plans to update NRD and we look forward to consultations engaging registrants on its long overdue overhaul. The NRD filing system is outdated, tedious and finicky in many ways that make it onerous. Members are frustrated with NRD, especially with respect to the user experience, interface, and technology. The NRD technology, as well as the associated User Guide, are prime candidates for the use of fintech innovation and for a revamp of the user communication associated with it.

For example, functionality that would provide a choice to enter data directly through a web-based workflow process or by a file upload, combined with flexible field-based reporting, would improve the ease and timeliness by which registrant data are submitted and tracked.

Members note instances where a change in a registrant's information necessitates that the same amendments be made to other forms filed via NRD. It would be more efficient and provide less room for human error were NRD to include an option to update all relevant filings with the same new information. Members also noted that it would make sense to require all registrant filings with the CSA to be effected through a better NRD portal.

Additionally, registrants have requested that the CSA provide notification when a submission on NRD has been approved. Currently, registrants are required to log into the NRD system on a continuous basis to confirm receipt of approval.

PMAC appreciates that the OSC does not solely control budgeting and technology decisions with respect to NRD, but we ask the commission to play a leadership role in significantly improving this vital system in the near-term.

14. Is there information that the OSC provides to market participants that could be provided more efficiently?

National Instruments (NIs)

It is difficult to locate and verify the currency of NIs on the OSC's website. By providing easily accessible up-to-date and complete consolidations of NIs at the time they are issued, the OSC may increase compliance and reduce uncertainty. A blackline of the new consolidation against the previous version would also provide a helpful comparison for stakeholders. This would reduce time burden and frustration for market participants.

The British Columbia Securities Commission provides an example of current instruments, along with related forms and CSA guidance.

Topical Guide for Registrants and the Investment Funds Practitioner

The OSC's Topical Guide for Registrants is a highly effective tool for conveying information, rules and guidance to registrants. Members have noted that this resource could be further improved by linking to related enforcement actions on a particular topic.

Registrants would also benefit if the OSC were to organize the information in the Investment Funds Practitioner in a similar way so that it is searchable by narrower and more descriptively named topics. Currently, registrants express frustration with locating specific guidance.

CRR Branch Annual Reports

The CRR branch's annual reports contain a great deal of valuable information for registrants. In particular, the updated format of the 2018 report was a useful way to convey a great deal of background, context, and guidance.

The security settings on the 2018 report and on subsequent reports should be modified to permit copying and pasting of specific sections to encourage information sharing. Restricting the copy and paste functionality has the unintended consequence of hindering information sharing.

We believe that more quantitative information would add to the utility of these reports. For instance, additional statistics about the number of compliance deficiencies in each registrant category and their severity, etc. Members find particular utility in the existing qualitative guidance and request more information on upcoming areas of regulatory focus to help firms plan ahead.

Exemptive Relief

A well-organized index of commonly requested/granted exemptive relief would be benefit registrants and their counsel. This information could be organized in a similar way to the OSC's Topical Guide for Registrants. The orderly and easily searchable publication of this information would streamline the exemptive relief request process by increasing awareness of the terms and conditions of similar relief. Members note that it would also be helpful if this index and the headnotes published with exemptive relief decisions were to consistently highlight: a) any changes in the terms and

conditions granted for similar relief to allow differences to be easily identified; and b) any decisions not to grant exemptive relief in situations where relief was previously granted.

Members encourage the OSC to adopt reasonable target time periods for reviewing and granting exemptive relief, including novel relief. At a minimum, increased communication around timing expectations and milestones in the review and approval process would help registrants plan. Members have noted OSC staff's tendency to require sunset clauses on exemptive relief granted and these clauses can be costly and disruptive for business. An alternative suggestion is to impose sunsets only in very limited cases and to instead monitor compliance during audits.

Were the OSC to entertain the blanket codification of commonly granted exemptive relief, we would strongly urge the grandfathering of existing relief on the terms and conditions granted at the time. Grandfathering is an important way to reduce uncertainty and ensure that in reducing burden on some registrants, it is not increased for others who have been operating their business in reliance on a long-standing exemption.

15. Are there requirements under the OSC rules that are inconsistent with the rules of other jurisdictions and that could be harmonized? If so, please enter only the legislative reference for your suggestions in the box below.

Section 117 of the Act.

16. Please use the space below to provide your comments and suggestions around harmonization of rules.

The filings contemplated under Section 117 of the Act are now covered by National Instrument 81-107 – *Independent Review Committee*. Though many registrants have obtained relief from the requirements under Section 117, it is no longer required and obtaining relief is burdensome.

17. Are there specific requirements that no longer serve a valid purpose? If so, please enter only the legislative reference for your suggestions in the box below.

A) For certain individuals performing only client relationship management functions: Sections 3.11 and 3.12 of NI 31-103 – relevant investment management experience regarding individual securities selection and research.
B) Section 13.6(8) of NI 31-103- OBSI requirement for non-individuals that are not permitted clients

18. Please use the space below to provide your comments and suggestions around requirements that may no longer serve a valid purpose.

A) Registration of Advising and Associate Advising representatives in a client relationship management function

We commend the OSC for its long-standing efforts to facilitate a streamlined way to accommodate advising and associate advising representatives (ARs and AARs) as client relationship managers (**CRMs**). The OSC's support for a set of standardized

terms and conditions that would restrict the permitted advising activities of individuals registered as CRMs is appreciated by PMAC membership. This marks an important development in tackling the regulatory burden, inefficiencies, and cost associated with the relevant investment management experience requiring individual stock picking and research skills for individuals who will not be performing those duties for clients. This issue has been a long-standing challenge for many of our members. We are hopeful that the OSC's leadership on this point with its CSA colleagues will translate into a near-term solution to allow for the registration of CRMs with Terms & Conditions. Ultimately, our members are seeking help to register the most skilled people to conduct know your client duties and to build meaningful relationships investors – a goal we know the CSA shares.

B) OBSI requirement for firms with non-individual non-permitted clients

The requirement for registrants to pay for and make available OBSI's dispute resolution services for clients that are not individuals but that do not fall under the definition of "permitted client" should be eliminated. OBSI's mandate is not designed to extend to institutions and PMAC has a number of firms with institutional clients that are not permitted clients for whom OBSI's services would not be appropriate. For instance, health and welfare trusts or certain foundations and registered charities. The proposed solution to this scenario, thus far, has been to apply for exemptive relief, but we do not believe that step should be necessary and that Section 13.6(8) should instead be amended to clarify that OBSI requirements do not apply to firms with non-individual investors.

19. Are there ways to enhance and improve how investors experience disclosure provided: (i) before they invest; (ii) as part of ongoing public disclosure; and (iii) by registrants?

General

SEDAR should be improved to be a more searchable and user-friendly repository of public filings for all stakeholders.

The requirement to enter the five-digit code verification prior to accessing each and every document on SEDAR is unnecessarily burdensome and could be overcome through investments in updated technology.

Regarding information disclosed by registrants to investors, PMAC encourages the implementation of investor testing prior to the imposition of new disclosure requirements. More disclosure does not necessarily benefit investors, but smarter disclosure that improves investor understanding of important issues, for instance, material conflicts of interest, may be helpful. The OSC's use of behavioural economics on a variety of issues, including how to encourage specific demographics to invest, is a modern and laudable approach to regulation. We believe that a similar approach should be used to understand what disclosure is impactful for investors.

20. Please use the space below to provide your suggestions for modernizing information provided to investors because of regulatory requirements. For example, specific areas where we could promote the use of plain language?

We applaud the OSC's leadership role, along with the Autorité des marches financiers, in the Rationalization of Investment Fund Disclosure Project (**Project RID**). We encourage the CSA to implement the Phase 2 initiatives identified under Project RID.

Members provided additional investment fund burden reduction matters for consideration.

Fund Facts delivery

The OSC and the CSA can reduce regulatory burden and unnecessary disclosure to investors by clarifying that Fund Facts need not be delivered to the end investor when the funds are being purchased on behalf of the investor by a discretionary manager. The investor has delegated investment making decisions, within the scope of the investor's contractually agreed upon investment policy statement, and as such, does not want or require receipt of the Fund Facts disclosure.

Annual prospectus renewal

With respect to mutual fund prospectus disclosure and Annual Information Form (**AIF**) disclosure, we ask that the CSA eliminate the requirement for re-disclosure of information already required in Fund Facts.

As a result of the introduction of Fund Facts and ETF Facts disclosure, consider the possibility of eliminating the time and cost-intensive process of annually renewing investment fund prospectuses and to instead rely on the continuous disclosure requirements in NI 81-106 with respect to timely amendments reflecting material changes.

Extension of simplified prospectus lapse date

Under section 62 of the Act, the lapse date of a simplified prospectus is 12 months. The OSC should instead implement a lapse date 25 months from the date of issuance of the simplified prospectus receipt, consistent with the regime for base shelf prospectuses in National Instrument 44-102 - *Shelf Distributions*. In lieu of the annual simplified prospectus renewal, Fund Facts should be renewed annually. Since the Fund Facts document replaced the simplified prospectus as the delivery document to purchasers of mutual funds that are reporting issuers, there is less investor reliance on the disclosure in the simplified prospectus. The majority of information contained in the simplified prospectus does not require annual updating, particularly because investors will receive the updated Fund Facts. Additionally, material changes to the investment fund would trigger an amendment to the simplified prospectus under the material change report regime in Part 11 of NI 81-106.

Removal of 90 day deadline between receipt for preliminary and final simplified prospectus filings

Under subsection 2.1(2) of NI 81-101, a mutual fund is required to file a final simplified prospectus within 90 days of receiving the receipt for the preliminary prospectus. Members find that this 90-day deadline can be restrictive and find it does not address the overarching policy rationale for the time limit. In addition, the cost of applying for exemptive relief to extend the deadline often exceeds the cost to file the original preliminary prospectus. Investment fund issuers do not typically market the fund using the preliminary prospectus, unlike corporate issuers. Also, since that the preliminary prospectus does not contain any material financial information that would be considered stale after 90 days, we do not see an investor protection rationale for requiring the 90-day deadline.

AIFs for funds no longer in public distribution

Members request that the CSA eliminate the filing under Part 9 of NI 81-106 AIF for funds that are no longer in public distribution but that are still reporting issuers. PMAC believes the CSA could rely on material change reports to inform any existing investors

of material changes so that investors can determine whether to redeem their securities or remain in the fund.

MRFP

With respect to National Instrument 81-106 – *Investment Fund Continuous Disclosure* (**NI 81-106**), specifically, 81-106F1 – Contents of Annual and Interim Management Report of Fund Performance (**MRFP**), members query whether MRFPs are still useful now that CRM2 requires the disclosure of personalized rates of return.

21. Do you have any other comments for the OSC Burden Reduction Task Force?

Directional principles

On behalf of members, we commend the OSC for launching this important consultation. We view steps taking by OSC staff, such as the provision of this on-line survey tool to respond to the consultation, as commendable.

We believe that a focus on principles-based registrant regulation that acknowledges the different and valid business models and purposes of various registrant categories is a critical way for regulators to decrease regulatory burden while simultaneously bolstering investor protection and maintaining the competitiveness of Canadian firms.

We ask the OSC to consider the following directional principles through which we believe the OSC can reduce regulatory burden while maintaining investor protection:

1. More principles-based regulation – Securities regulation needs to be more principles-based and less prescriptive;

2. PMs are fiduciaries and professionals – Overly prescriptive regulation impedes professional and ethical judgement and is inappropriate and ineffective in the management of discretionary client accounts;

3. Institutional/sophisticated clients do not need retail client protection – Securities regulation should provide carve-outs, where appropriate, and avoid a one-size-fits-all approach to different client types and business models;

4. International competitiveness is critical – Securities legislation should preserve and strengthen the industry's international competitiveness. Investment jobs and capital can easily move to other jurisdictions if the domestic regulatory burden remains significant and misaligned with that of other international jurisdictions; and

5. Regulatory burden has particularly adverse impacts on smaller businesses and new entrants – Securities legislation should ensure the imposition of proportionate regulatory burden and should not be unworkable for small businesses or a deterrent to entry for new businesses.

OSC staff efforts are appreciated by members

We would like to highlight the efforts that we see from OSC staff to improve and streamline interactions with registrants.

Of particular note is the work done by CRR to revise the 2018 RAQ to registrant feedback. PMAC applauds the inter-branch and inter-disciplinary approach that the OSC used to approach this issue. Additionally, firms' completion of the RAQ was considerably improved through OSC staff's helpful clarification to questions from registrants on a very timely basis.

PMAC believes that the work done by the OSC is vital to the integrity of the capital

markets and to investor protection. We believe that with additional funding for materially improved technological capabilities as well as a strategic-rethinking of key processes, additional significant regulatory burden reduction can take place for the benefit of all stakeholders.

Harmonization / Deference Among CSA Members

Comments from member firms that are registered in more than one CSA jurisdiction highlight the cost, delays, and inability to deliver services to investors when other commissions take differing views regarding a regulatory requirement.

PMAC appreciates that the interpretation and application of principles-based regulation can lead to disagreement between CSA members. This is a challenge for regulators to which we are sympathetic. Notwithstanding the challenges of arriving at harmonized decisions, we request that the OSC lead the charge in efforts around further harmonization or deference to a firm's lead regulator on such matters, understanding that delays and inconsistencies are frequently very costly and can create standstills that are not of benefit to investors. We believe that certain of our suggestions could help the OSC as well as increase transparency and harmony across the CSA more generally.

22. If you don't have enough space for your response to any question above, please use the space below to continue your comments. Please indicate which question these comments relate to.

Additional response to Question 12

Viewing and updating registration information

NI 33-109 – Registration Information Requirements (NI 33-109), specifically 33-109F6 and F5.

The OSC and the CSA should enable a streamlined way for firms to view the most current information filed on their 33-109F6 through NRD. While an individual's current 33-109F4 information is available for review and update on NRD, registrants cannot access their most current 33-109F6. This would increase efficiency as well as enhance compliance by making it easier for registrants to review, confirm and update any changes. Additionally, cost and compliance burden could be reduced by permitting changes to a firm's 33-109F6 reported under 33-109F5 to be effected via the NRD portal, without requiring a witness and lawyer or notary to commission the document, since this information is basic corporate information.

Additional response for Question 20

SEDAR Form 6

Currently, as per SEDAR requirements, certificates of authentication are required for filings containing documents signed in electronic format, triggering the need for signatories of documents filed on SEDAR to sign, deliver, and mail or courier a Form 6 to the CSA. Electronic signature technology should replace this onerous and time-consuming requirement.

Plain language disclosure

When revisiting existing securities law instruments, for example, NI 81-102, there is

an opportunity for the OSC to simplify the style and language to provide greater certainty with respect to the interpretation of rules.

Additional response for Question 21

Ombudsman for Banking Services and Investments (OBSI)

Through your role on the OBSI Joint Regulators Committee, we urge the OSC to develop a new fee formula and industry category for OBSI participants, especially for CSA registered PMs.

As OBSI continues to be the mandated dispute resolution service, PMAC continues to raise concerns about the quantum of fees paid by PMs in comparison to the volume of complaints OBSI receives from clients of PMs. Members have also expressed concerns over the yearly fluctuations in fees based on the overall number of OBSI participants and complaint volume in each fiscal year. We have had productive dialogue with OBSI staff on several issues, including fees, and we value their time, thoughtfulness, and candour on the concerns raised.

PMAC is requesting OSC leadership to address the very pronounced fluctuations in fees per advising and associate advising representative paid by PM firms. These fees are unpredictable and, we believe that such fluctuations are unwarranted. A new fee calculation formula could provide a pooling effect to smooth the fees and improve predictability of annual OBSI costs for firms, as well as assist firms in understanding the cost of their mandated OBSI membership. The current year over year variation in fees would be extraordinary in any other business model and members do not believe such fluctuations should be considered acceptable merely because OBSI is a mandated service provider.

The table below illustrates the unpredictable nature of OBSI fees over a four year period, including the percentage fluctuation.

Year	Fee per representative	% increase or decrease from previous year
2016	$165	N/A
2017	$92	Decrease of 44%
2018	$78	Decrease of 15%
2019	$155	Increase of 99%

Moreover, given the differences in business models and risks presented by PMs that are also registered as EMDs, as opposed to that of sole EMDs, PMAC believes that PMs (including those with IFMs and EMDs) should be grouped in one industry category with sole EMDs in a separate category. We feel this may more accurately reflect the number of complaints OBSI receives for each type of registrant and that it may create a fairer budgeting process with respect to allocation of fees resulting from number of complaints for each industry sector.

23. As part of its consultation, the OSC will hold a roundtable on March 27, 2019 to discuss suggestions received during the comment period. Are you interested in speaking at the roundtable?

    - ✓ Yes
    - ○ No