

The Bank of Nova Scotia
Executive Offices, Scotia Plaza
44 King Street West
Toronto, Ontario
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July 27, 2022

SUBMITTED VIA EMAIL

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

Attention:

The Secretary
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, Ontario M5H 3S8
comment@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
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1
consultation-en-cours@lautorite.qc.ca

Dear Sirs/Mesdames:

RE: CSA and CCIR Joint Notice and Request for Comment – Proposed Amendments to National Instrument 31-103 - Total Cost Reporting for Investment Funds and Segregated Funds

We are writing on behalf of Scotia Capital Inc.¹, Scotia Securities Inc.², and 1832 Asset Management L.P.³ (collectively, “Scotiabank” or “we”) with respect to the CSA and CCIR

¹ Scotia Capital Inc. is an investment dealer and a member of the Investment Industry Regulatory Organization of Canada. Its divisions include ScotiaMcLeod, and Scotia iTRADE.

² Scotia Securities Inc. is a mutual dealer and a member of the Mutual Fund Dealers Association of Canada.

³ 1832 Asset Management L.P. is registered as a portfolio manager, exempt market dealer and/or an investment fund manager with securities commissions in certain provinces of Canada.

Joint Notice and Request for Comment – Proposed Amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and to Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations and Proposed CCIR Individual Variable Insurance Contract Ongoing Disclosure Guidance* – Total Cost Reporting for Investment Funds and Segregated Funds (together, the “Proposals”).

Scotiabank is supportive of the Proposals’ rationale and objectives. We believe that providing complete and transparent information relating to the total costs of owning investment funds will allow investors to make informed decisions, and deliver investing outcomes that are consistent with their expectations.

We have participated in and generally support the comment letters submitted by the Investment Industry Association of Canada (“IIAC”) and the Investment Funds Institute of Canada (“IFIC”), and appreciate the opportunity to supplement certain key themes which are of specific importance to Scotiabank.

Account Statements

While we fully support expanded cost disclosure to clients, we believe the inclusion of the proposed Fund Expense Ratio (FER) on monthly or quarterly statements will not meet the CSA’s goal of improving clients’ understanding of their investment costs.

Simply put, by providing a mid-year FER without distribution expenses, the statements will leave clients with a distorted view of costs, where Series F funds or passive ETFs may appear more expensive than a money manager overseeing an identical component of a client’s portfolio – and lead to client requests that may or may not be suitable. It is an advisor’s obligation to recommend the product that is in the client’s best interest, but in circumstances where asymmetric, interim cost reporting nudges clients towards a pre-formed conclusion of a product – it creates a challenge for the advisor to explain comparative merits of other products, and steer clients towards our best recommendation.

Scotiabank believes that all investors should be equipped to choose between investments (and advisors) based on costs and benefits of their options, but we submit that an account statement which displays a cost of owning a fund in mid-year, without the benefit of a holistic CRM2 view on annual returns and full distribution costs, does a material disservice to that investor.

Implementation Period

We also write to relay our concerns around the proposed implementation timeframe. The level of complexity for portions of the proposal are significantly higher than that for CRM2, as it would require fund managers, intermediaries, dealers, and third-party

vendors (involved in cost calculations and report creation) to align on technical requirements, ownership of work items, sequencing, and delivery – all before there is finality regarding key aspects of the proposed rule. All parties would then have to be in concurrent synchronous development of interconnecting solutions. Certain types of funds, such as Exchange Traded Funds, will require the deployment of entirely new industry-wide infrastructure.

And all this would need to take place when the expertise of internal teams most knowledgeable about trading mechanics will be occupied with implementing the move toward another important regulatory initiative, T+1 settlement.

We believe in ambitious goals, and we consistently seek to exceed regulatory expectations; however, we are mindful of realistic timelines for achieving those goals while ensuring that business operations continue to function seamlessly. Accordingly, we ask the CSA to work with industry and key vendors to develop a collective timeframe for implementation to ensure that this critical reporting is effectively developed.

We thank you for this opportunity to provide our comments, and look forward to continuing to work with the CSA to achieve the important goals articulated in the Proposals.

Yours truly,



Neal Kerr
Senior Vice-President and Head,
Asset Management
The Bank of Nova Scotia



Todd Barnes
Senior Vice-President and Head,
ScotiaMcLeod
The Bank of Nova Scotia