



CANADIAN ASSOCIATION  
OF RETIRED PERSONS

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### **Proposed CSA Amendments to Investment Fund Continuous Disclosure**

To Whom It May Concern

The Canadian Association of Retired Persons (CARP) appreciates the opportunity to comment on the consultation on investment fund continuous disclosure modernization proposals.

Investment funds including mutual funds, ETFs and now actively-managed ETF's have been the retirement income foundation for many seniors. The more information seniors have about their funds, the better choices can be made. The Management Report of Fund Performance (MRFP) has had low usage by seniors because of document design and low CSA promotion. Access has also been burdensome.

CARP believe that the new content, formatting, referencing and plain language will increase readership and understanding. The importance of plain language usage and compliance with the latest CSA standards cannot be over emphasized. CARP supported the CSA's comprehensive process on the Fund Report consultation, which included behavioral research, investor testing and studying other jurisdictions' practices. CARP recommended investor testing, and we are happy that it was done for the Fund Report consultation. A simpler and shorter disclosure with details online is more

engaging for retail investors, especially seniors. The Cost section is very important for seniors because of the impact of fees on senior life's savings.

The primary areas of senior investor interest are costs, risks, performance vs, benchmark, investment objectives and the managers' commentary on the fund. Investors are also interested in knowing if the fund has experienced a cybersecurity incident, been sanctioned by a regulator, illiquidity has become an issue, if the fund manager has ignored an IRC recommendation, pending litigation or a change in portfolio manager.

The modifications being proposed make the document easier to digest and easier to read. Font size should be a consideration. Of course, it is essential that the disclosure documents are delivered to users so that they do not have to go hunting for them.

We have a few comments:

**Designated Website Disclosure:** The inclusion of quarterly portfolio disclosure and other detailed data on designated websites will improve transparency. It is important to ensure Fundco websites are user-friendly and easily navigable by unsophisticated investors.

**Years of Fund Expense Ratio (FER) Disclosure:** Requiring only one year of FER data in the section will not expose a negative pattern that may be important for investors to know. We suggest at least two prior years data be included.

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**Management Expense Ratio (MER) Without Waivers /Absorptions:** This is a logical disclosure, but some background information may be needed.

**Fund Expense Ratio (FER):** Combining the MER and TER is not unreasonable as long as the TER remains a disclosed statistic - investors do appreciate seeing how much trading the fund does. We see no material problem by leaving the two metrics separate. The TER could vary materially from year to year. The TER can help investors judge whether a manager's published disclosure materials are congruent. A high TER suggests that tax issues should be considered in non-registered accounts. This may assist in determining an optimum location for the fund (e.g. in a registered account). Although reference is made to the Portfolio turnover ratio, this useful metric is not proposed to be provided.

**Performance Disclosure by Series:** We believe the Fund Report should focus on the fund with the highest AUM. The CSA should benchmark against SEC and FCA practices. Seniors are too often unaware they qualify for a lower cost series of a fund. A note could be added that instructs investors to reach out to their financial advisor to determine if they are eligible for a share class or series with lower fees.

**Conflicts Reports** While the Current Form 81-106F1 requires detailed disclosure on related party transactions, the new requirement will only require such details to be provided where they are not already available in existing conflict of interest reports that have been filed on SEDAR+ The consolidation of related party transaction disclosures into an appendix to the Independent Review Committee's annual report is expedient. However, it is essential to ensure that such disclosures

remain easily accessible to retail investors, either via direct links within the Fund Report or through clear navigation tools on designated fundco websites.

**Liquidity profile:** This measure has not been a major senior concern for mutual funds, but we have no problem with it being added.

**ESG Report:** A high-level overview of ESG strategies and outcomes will enhance retail investor understanding without overloading them. This new guidance seeks to align with the CSA's updated Staff Notice 81-334 on ESG-Related Investment Fund Disclosure. Greenwashing must be dealt with via impactful enforcement.

**Fund performance commentary:** The Proposed Amendments include a requirement for IFMs to report on whether a fund is achieving its investment objectives thereby enhancing transparency. IFMs will now be required to disclose that a fund is underperforming against its stated objectives, or that it has not met its objectives. The actual benchmark employed should be disclosed. This is valuable information for investors.,

**Forward-Looking Information:** CARP supports the language proposed for forward-looking disclosures. The section "Other Material Information" provides an opportunity for the fund manager to include additional forward-looking information of interest to investors.

**Information display:** Consideration should be given as to how the information will be displayed on smartphones, Tablets and PC's.

**Digitization: both of delivery mechanisms and content:** This should be the path forward for improving effective investor communications. Digitalization would permit a layered approach to disclosure which is the trend in other jurisdictions.

**Investor Awareness:** The success of the proposed Fund Report will depend on retail investors being aware of the disclosures. The CSA needs to collaborate with Dealers/advisors and fund managers in designing and implementing the new Fund Report awareness campaign.

**Investor Education:** CARP recommend that the CSA produce bilingual, plain language retail investor Booklets on how to employ the disclosures for improved investment decision making.

**Delivery:** An improved Fund Report will be of little value if it is not delivered to clients. While it is a positive that the new disclosures are more readable and useful, it is essential that they actually are delivered (electronically or paper) to investors who wish to receive the disclosures.

Investors, especially seniors, must be notified in a meaningful way that a document is available and how it can be accessed. Seniors should not be required to search for News releases, or fund websites, to be notified of the availability of important information such as the Management Report of Fund performance. An annual stand-alone notification and standing instructions to receive the documents should be made available to investment fund clients. Those desiring paper delivery should be able to receive the documents without charge.

## **Conclusion**

The changes resulting from this consultation should be exposed to Behavioural finance and Investor testing to help ensure the disclosures are effective for retail investment fund investors.

We believe this CSA initiative will increase the number of retail investors utilizing the disclosures to make informed investment decisions. However, Disclosure delivery directly to investors is a key success factor. CARP do not support access equals delivery.

Please feel free to contact us if there are any questions regarding our comment letter.

Yours truly,

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*The Canadian Association of Retired Persons (CARP) is a national, non-partisan, non-profit organization that advocates for financial security, improved health care and freedom from Ageism for Canadians as we age. With over 250,000 members and 25 chapters across Canada, CARP advocates on behalf of older Canadians with all levels of government and collaborates with other organizations on health, ageism, housing, ageism and financial issues.*  
[www.CARP.ca](http://www.CARP.ca)

**REFERENCES:**

Appendix C Sample Fund report

<https://mcmillan.ca/wp-content/uploads/2024/10/Companion-Policy-81-106CP-Appendix-C-Sample-Fund-Report.pdf>

All you ever wanted to know about the TER but were Afraid to Ask

<https://www.canadianmoneysaver.ca/articles/3398>

The Promise & Perils of Plain English Mutual Fund Disclosures by Anne M. Tucker, Yusen Xia: SSRN

[The Promise & Perils of Plain English Mutual Fund Disclosures by Anne M. Tucker, Yusen Xia: SSRN](#)

Study finds mutual fund disclosures are unnecessarily complex.

<https://mitsloan.mit.edu/ideas-made-to-matter/study-finds-mutual-fund-disclosures-are-unnecessarily-complex>

Investment Fund continuous disclosure modernization research

[https://www.osc.ca/sites/default/files/2024-09/report\\_20240919\\_investment-fund-continuous-disclosure-modernization.pdf](https://www.osc.ca/sites/default/files/2024-09/report_20240919_investment-fund-continuous-disclosure-modernization.pdf)