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

Me 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, QC
G1V 5C1
Email: consultation-en-cours@lautorite.qc.ca

January 29, 2025

Re: CSA Notice and Request for Comment – Proposed Amendments and Changes to the Modernization of the Continuous Disclosure Regime for Investment Funds (the Proposed Amendments)

We strongly support the CSA's efforts to make improvements to the continuous disclosure regime governing investment funds that will aim to benefit investors, investment fund managers, and other stakeholders. We also support the CSA's strategic goal to deliver smart and responsive regulation protecting investors while also reducing regulatory burden. As we discuss further in this letter, we strongly encourage the CSA to consider our responses to the request for comments, as well as additional concerns we raise with an effort to assist in achieving this strategic goal.

Our Company

At Canada Life, we are focused on improving the financial, physical and mental well-being of Canadians. For more than 175 years, our customers across Canada have trusted us to provide for their financial security needs and to deliver on the promises we have made. Today, Canada Life provides insurance, wealth management, and healthcare benefit products and services, serving more than 13 million customer relationships across Canada, through our network of over 16,000 advisors.

We are one of Canada's preeminent wealth providers. Across our platform, Canada Life has approximately $100 billion in Canadian independent wealth management assets under administration. In the securities space, we offer a full spectrum of wealth management services and solutions to our clients through our subsidiaries that operate in the mutual fund dealer, investment dealer, investment fund manager, and

portfolio manager categories of registration.[1] We are building on our strong foundations to create a leading wealth management platform for independent advisors and their clients in Canada.

Comments on the Proposed Amendments

Along with the comments below, we are also in support of the comment letter prepared and submitted by the Investment Funds Institute of Canada, which raises additional suggestions and concerns. Our activities across Canada as an investment fund manager, primarily through Canada Life Investment Management Ltd., have provided us deep insight into how investors engage with our services and solutions, as well as the issues and tension points currently present in the continuous disclosure regime. This makes us well positioned to comment on the Proposed Amendments. It is with this knowledge and experience that we provide the following feedback:

Specific Questions for Comment Relating to The Proposed Amendments

1. Other Areas for Modernization

On April 7, 2022, the CSA published a Notice and Request for Comment on the *Proposed Amendments and Proposed Changes to Implement an Access Equals Delivery Model for Non-Investment Fund Reporting Issuers*.[2] On November 19, 2024, the CSA re-published for comment the proposed access equals delivery model for non-investment fund reporting issuers to clarify the interaction between the current requirements and the proposed model.[3] We strongly encourage the CSA to also consider investment fund issuers in its deliberations and to move ahead as soon as practicable with an access equals delivery regime for both non-investment fund and investment fund issuers. This would facilitate meaningful burden reduction while aligning disclosure with modernized investor expectations.

2. Effective Dates and Exemptions

a) Transparency of the Proposed Effective Date

We note that these proposals do not represent a significant net burden reduction. Workstream Two – Conflict Reports may involve some burden reduction whereas Workstream One – Fund Report will require significant changes and will therefore greatly increase regulatory burden at the outset. As an example, proposing to re-purpose various sections imposes additional burden, including, print designers that must now consider programming changes, considering the cost of the new form requirement, etc. all while also

[1] Quadrus Investment Services Ltd., LP Financial Planning Services Ltd., and IPC Investment Corporation are registered as mutual fund dealers; IPC Securities Corporation and Canada Life Securities Ltd. are registered as investment dealers; and Canada Life Investment Management Ltd. and Value Partners Investment Inc., are registered as investment fund managers and portfolio managers.

[2] CSA Notice and Request for Comment – *Proposed Amendments and Proposed Changes to Implement an Access Equals Delivery Model for Non-Investment Fund Reporting Issuers* (April 7, 2022).

[3] CSA Notice of Republication and Request for Comment – *Proposed Amendments and Proposed Changes to Implements an Access Model for Certain Continuous Disclosure Documents of Non-Investment Fund Reporting Issuers* (November 19, 2024).

ensuring that investment fund managers continue complying with the *Accessibility for Ontarians with Disabilities Act (AODA).*

Respectfully, we do not believe that it is necessary to ensure that the implementation of the various workstreams be aligned. Rather, we would suggest that they can be split up to reflect the specific challenges and work required to meet the requirements of each workstream. Rather than a 3-month effective date with a possible exemption from compliance for a 9-month period for all workstreams, we suggest a 24-month effective date for Workstream 1 that allows for early adoption by firms that are able to do so.

b) Workstream One – Burden to Use Different MRFP Forms

As interim MRFPs are required six months before the end of a fund's financial year, it would be challenging to complete an interim MRFP using the requirements set out in the existing form and create the annual MRFP using the new form six months later, depending on the effective date. As noted above, this will involve the cooperation of third-party vendors, and it may not be possible to make new changes within such a short period. As a result, we believe that it is appropriate that the subsequent annual MRFP also use the current form despite the proposed exemption period having come to an end.

3. Frequency of Preparation

We urge the CSA to consider removing the requirement for investment funds that are reporting issuers to file an interim MRFP. A six-month period is insufficient to provide meaningful performance information and may be more easily skewed by short-term volatility than an annual reporting period. A six-month reporting cycle is also burdensome, only allowing for minimal preparation time between reports. A single annual Fund Report will allow investment fund managers to focus their efforts on producing a higher quality Fund Report, which would provide more value to investors while simultaneously reducing regulatory burden. As there is generally a very low opt-in rate of investors that take the initiative to read the MRFPs to begin with, producing a higher quality annual Fund Report would also hopefully result in a higher opt-in rate of investors. Further, providing investors with such information every six months is unnecessary given the wealth of information that investors already have access to throughout the year from both investment fund managers and other public resources (i.e., top ten holdings, performance updates and commentary on websites, Morningstar, etc.). We note that if the CSA moves forward with eliminating these filing requirements, all comments in this letter relating to the interim MRFP / proposed interim Fund Report would not be applicable.

5. Years of FER Disclosure

Regarding the "Costs" section of the proposed Fund Report, we do not believe that providing information in the column titled, *"Fund expenses ($) per $1000 invested"* provides meaningful information to investors given that it is data at a specific point in time. We would also note that this information is already included in the Fund Facts. By removing this section, it would eliminate duplicative information and reduce the additional regulatory burden of having to generate those numbers multiple times a year. Further, given

that investors will soon be receiving more detailed and individualized expense reports because of Total Cost Reporting, this additional information provides even less value for investors.

7. ESG-Specific Disclosure

a) Investment Objectives and Investment Strategies – Table Headings

We discourage the language used in the heading of the second column in the proposed table, *"Fund's satisfaction of its investment objectives and use of investment strategies during the last 12 months".* We believe this is problematic. A fund is already obligated under applicable rules to satisfy its objectives by investing in accordance with them. The proposed Fund Report does not clarify what is required from investment fund managers in describing their "satisfaction" of a fund's objectives and use of strategies, which leaves room for subjectively including information that may present a fund in its most favourable position based on arbitrary criteria. The header also suggests that factors impacting the performance of a fund are due to non-satisfaction of its investment objectives, which further suggests mismanagement of the fund. We do not believe this to be helpful for an investor, as investment fund managers do not have liberty to not follow a fund's stated investment objectives. Rather than requiring a discussion of satisfaction, we suggest that the CSA consider changing the requirement to instead discuss the fund's performance.

Further, the requirement for an investment fund manager to self-assess a fund's success in achieving its objectives and strategies is highly subjective, may be misleading for investors, and could lead to variances across many fund managers distorting comparisons of funds. We advocate for the removal of this requirement. If the CSA's decision is to implement this amendment, we instead suggest that the meaning of "success" included in the instructions pertaining to the second column be defined. The example provided in the sample chart appears to equate the satisfaction of a fund's investment objectives and use of investment strategies with an increase or a decrease in its net asset value, which does not necessarily hold true.

We would also recommend that the third heading, *"Factors that may impact the fund's satisfaction of its investment objectives and use of investment strategies going forward"* should be removed entirely. As previously noted, a fund is obligated under applicable rules to satisfy its objectives by investing in accordance with them. Also, "going forward" suggests the inclusion of predictive comments on future events, which portfolio managers would not be willing to provide. Finally, this commentary is net new and is not in line with the general view that the MRFP is being replaced with the Fund Report as a burden reduction initiative.

b) Disclosure Instructions for All Funds vs. ESG Funds

Regarding the "quantitative metrics" required to be disclosed by every fund, such metrics might not be used in a fund strategy or objective in all cases, so it is not always reasonable to expect commentary on such measures. Investment fund managers would also need to be provided with specific and consistent metrics to allow comparability across the industry. If discretion is left to each firm, there is a possibility of reporting only certain metrics that would make a firm appear more favourable and to not report on

unfavourable results. With respect to ESG funds in particular, this is an area where disclosure is still evolving, and metrics may not be used throughout the entire reporting period, nor are they the same across different investment fund managers. It is also unclear whether "ESG-related aspects" are applicable to ESG-objective funds or any funds that include ESG components. We believe that there is a disconnect between the language used in the proposed Fund Report and the intended narrative. We suggest that the metrics should be broad-based, and we encourage the CSA to develop a standard approach to deal with all funds generally as opposed to a specific approach for ESG funds.

8. Classes/Series of Performance Information

Although we appreciate the CSA's efforts to present the most essential performance information for an investor to be aware of, we do not agree with the proposal to report on only the series with the highest management fee and question any perceived deficiencies in the current approach. We do not believe the proposed approach would provide useful information to an investor who is not invested in the series with the highest fee. As an alternative approach, we suggest maintaining the current practice. As mentioned previously, investors will already be receiving more detailed and individualized information regarding fees as a result of Total Cost Reporting.

9. Related Party Transactions

With respect to the related party transaction proposal, since such information is available in the financial statements, we believe repeating it in an appendix to the annual report to securityholders that an investment fund's IRC must prepare, is redundant and increases regulatory burden.

Further, if this is to be moved into an appendix, we suggest keeping the required disclosure in boilerplate form. Specifically, the proposed subparagraph 2.5(1)(c)(i) of *National Instrument 81-107 Independent Review Committee for Investment Funds* requires an investment fund manager to provide a brief description of the type of related party transaction that is not already identified in a report filed on SEDAR+. However, the proposed subparagraph 2.5(1)(c)(ii) also requires *"a brief description of any provision in securities legislation or any order made under securities legislation that imposes a requirement to do any of the following (A) provide disclosure about the transaction; and (B) keep a record in respect of the transaction."* We do not see a clear purpose in creating additional burden by requiring investment fund managers to seek out and describe the legislation itself. We suggest that it should be sufficient to simply disclose and keep a record of any such transaction.

10. Liquidity

We respectfully remind the CSA that the move to a T+1 settlement in Canada and the U.S. increased a fund's liquidity, and Europe is expected to move to T+1 by October 2027[4], which would further increase liquidity. As a result, we question the relevancy of this section considering the potential timing of the

[4] European Securities and Market Authority, *ESMA proposes to move to T+1 by October 2027,* https://www.esma.europa.eu/press-news/esma-news/esma-proposes-move-t1-october-2027#:~:text=The%20European%20Securities%20and%20Markets,the%20European%20Union%20(EU).

implementation of the proposed Fund Report. In addition, under section 2.4(1) of *National Instrument 81-102 Investment Funds*, a fund is limited to investing no more than 10% in illiquid securities, further negating the need for this section. This is also point-in-time information that will no longer be accurate in the days and weeks following the filing of the proposed Fund Report, which could lead to unrealistic expectations by investors. Lastly, we remind the CSA that accessibility laws must also be taken into consideration as it is unlikely that the suggested pie chart format would be *AODA*-compliant. This format is new for the industry and takes up a significant amount of space; alternatively, if moving forward with the proposal, we encourage the CSA to consider presenting the information in a table format.

Other Issues – Risk Profile

While we understand that a change in risk rating for a fund is material to an investor, in practice this is a relatively infrequent event. As a result, we question if it is helpful to devote half a page of the proposed Fund Report to something so infrequently changed. It is appropriate to report these changes, although we believe that this would be better accomplished by instead disclosing this information in the *"Other Material Information*" section at the end of the proposed Fund Report, only in instances where there is a risk rating change for the fund.

Conclusion

We thank you for the opportunity to provide comments on the Proposed Amendments. To reiterate, we strongly support the CSA's efforts to make improvements to the continuous disclosure regime and we urge the CSA to continue to progress this important work with a goal towards burden reduction.

We would be pleased to engage with you further on this important topic and look forward to reviewing proposed amendments in the near future.

Please feel free to contact me at steve.fiorelli@canadalife.com if you wish to discuss further or require additional information.

Sincerely,

Stephen Fiorelli
Chief Executive Officer
Canada Life Investment Management Ltd.