



**Vanguard**

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

The Secretary  
Ontario Securities Commission  
20 Queen Street West  
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M<sup>e</sup> Philippe Lebel  
Corporate Secretary and Executive Director, Legal Affairs  
Autorité des marchés financiers  
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Dear Sirs and Madames:

**RE: CSA Notice and Request for Comment: *Reducing the Regulatory Burden for Investment Fund Issuers – Phase 2, Stage 1***

Vanguard Investments Canada Inc. (**Vanguard, we, our** or **us**) is pleased to provide the members of the Canadian Securities Administrators (**CSA**) with feedback on the Proposed Amendments and the Proposed Changes (together, the **Proposal**),<sup>1</sup> which form part of the CSA's efforts to reduce regulatory burden for investment funds. Vanguard commends the CSA for its regulatory burden reduction initiative generally and the Proposal in particular.

Vanguard is a wholly-owned indirect subsidiary of The Vanguard Group, Inc. (**VGI**) and manages more than CAD \$23 billion in assets (as of September 30, 2019) with 39 Canadian ETFs, four mutual funds, 12 target retirement funds and eight pooled funds currently available. VGI is the world's largest mutual fund manager, one of the world's largest investment management companies and a leading provider of company-sponsored retirement plan services. VGI manages USD \$5.7 trillion (CAD \$7.5 trillion) in global assets,

<sup>1</sup> "Proposed Amendments" and "Proposed Changes" have the same meaning as in the CSA Notice and Request for Comment *Reducing the Regulatory Burden for Investment Fund Issuers – Phase 2, Stage 1*.



including over USD \$1.1 trillion (CAD \$1.4 trillion) in global ETF assets (as of September 30, 2019). Vanguard has offices in the United States, Canada, Mexico, Europe, Australia and Asia. The firm offers 421 funds, including ETFs, to its more than 30 million investors worldwide.

Our business has been built on diversification, discipline, low-cost investing, and working with our advisor partners to give them and their clients the best chance for investment success. At Vanguard, we support initiatives that benefit investors, including regulatory reduction initiatives, such as the Proposal, which ultimately should allow investors to have access to investment funds, with lower cost structures, with no loss of investor protection.

We also have unique insight into the international regulatory environment, given the size, scale and scope of VGI's operations globally. The Canadian public investment fund industry is one of the most highly regulated environments in which we operate. Unnecessary and overly burdensome regulation stifles new and innovative product offerings, reduces investor choice and increases costs to investors, as, ultimately, the cost of complying with regulation is passed onto the end investor. We therefore appreciate the CSA's ongoing efforts to identify and reduce unnecessary and overly burdensome regulation. Such efforts will help to ensure that the Canadian public investment fund industry remains competitive internationally, with the effect of encouraging lower cost investment options being brought to the market. Encouraging a diverse and low-cost investment environment will benefit all stakeholders and, most importantly, Canadian investors.

To that end, Vanguard is supportive of the submissions made by The Investment Funds Institute of Canada (**IFIC**) in its comment letter on the Proposal (the **IFIC Letter**). The IFIC Letter provides detailed and considered responses to the various issues and questions raised in the Proposal and we respectfully request that the CSA consider all of the submissions contained in the IFIC Letter, as being supported by Vanguard.

We would like to take this opportunity to address five issues raised in the IFIC Letter that are particularly important to us.

## **1. Reassessment of Fund Disclosure Documents**

Vanguard supports the efforts of the CSA to consolidate the simplified prospectus (**SP**) and the annual information form (**AIF**) for public mutual funds into one document. However, we believe that this effort will only result in appreciable burden reduction if duplicative and unnecessary information that is currently included in the SP and AIF is removed. In our view, the CSA should take this opportunity to re-examine each element of the primary disclosure system – including the Fund Facts, as well as each element in the combined SP and AIF. We encourage the CSA to further streamline the disclosure in the proposed combined document and we are disappointed to see no reference to enhancements or simplifications to the Fund Facts. We refer to the IFIC Letter for further details with respect to the foregoing.

We also think that it is critical for the CSA to take this opportunity to thoughtfully reassess the long form prospectus requirements for ETFs, including the disclosure required to be included in the ETF Facts. The reassessment should focus both on the elimination of duplicative or unnecessary information within the long form prospectus itself and duplicative or unnecessary information contained across the various ETF disclosure documents, including the ETF Facts. Such reassessment should form part of the Proposal – we see no principled reason for its exclusion. In order to achieve meaningful burden reduction for ETFs and therefore the potential for reduced costs for ETF investors, we think that it is important for the CSA to consider the ETF long form prospectus, together with the ETF Facts requirements as part of the Proposal.

We encourage the CSA to take care in revamping fund disclosure documents and to make as many revisions as IFIC and other industry participants reasonably suggest. Any disclosure revamping will have costs to industry participants and funds (including translation costs and costs of external adviser review)



and it would be very disappointing if this effort (both regulatory and industry) did not achieve a measurably better result for investors. We urge the CSA to devote the time necessary to achieve the best possible result.

We were very pleased to see the OSC's Burden Reduction Report<sup>2</sup> published on November 19, 2019 (the **OSC Report**) and the reference therein to a proposed consultation on reducing the frequency of renewing prospectuses for investment funds, which we urge the CSA to be part of and to include the long form prospectuses for ETFs. We will look forward to reviewing this consultation paper and expect to contribute our views in response to the CSA proposals.

## **2. Designated Website**

Vanguard agrees with the submissions in the IFIC Letter that the introduction of the designated website requirement will not, by itself, result in any reduced regulatory burden. As part of the designated website initiative, we urge the CSA to adopt an "access equals delivery" approach for continuous disclosure documents (financial statements, MRFPs, meeting materials etc.) through prominent postings on the designated website. Among other continuous disclosure documents, this approach should encompass fund financial statements and management reports of fund performance (**MRFPs**) (if the requirement for an MRFP is retained), and include the elimination for opt-in card and the annual instructions or annual reminder of standing instructions. The costs to produce and print financial statements and MRFPs are very significant – and these costs are ultimately borne by investors. We consider a rethink of National Instrument 81-106 to be long over due – including the documents required to be produced under that instrument, as well as how those documents are to be delivered to investors. In our experience, the continuous disclosure documents are costly and time consuming to produce, but are the least read of any disclosure document with an opt in rate of less than 2%. We also urge the CSA to reconsider the individual fund disclosure documents, in light of the requirements for disclosure under National Instrument 31-103 (CRM-2) – are these documents still necessary or meaningful to investors, when CRM-2 provides investors with overall account level information.

## **3. Codification of Exemptions**

We are in complete agreement with IFIC's suggestions about the desirability of the CSA codifying routinely granted relief. We know that the Proposal contains several examples of this codification, but were disappointed to see that the OSC Report refers to the OSC staff developing "exemption precedents", which will still require individual firms to apply for the relief, which will be granted in the ways consistent with the exemption precedents. We urge the CSA to continue to codify relief, as opposed to requiring funds and their managers to seek individual relief.

## **4. Personal Information Forms (PIFs)**

We support the submissions in the IFIC Letter with respect to PIFs and, in particular, the submissions encouraging the CSA to work with the stock exchanges to help facilitate similar reductions in the regulatory burden for ETFs. ETFs currently file PIFs with both the exchange on which the series of the ETF are listed and with the securities regulators, which is unnecessarily duplicative. The burden is exacerbated given the different methods of filing PIFs (for instance, through an online portal with the TSX and via SEDAR with the securities regulators).

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<sup>2</sup> *Reducing Regulatory Burden in Ontario's Capital Markets* Ontario Securities Commission November 2019



## 5. Consolidated Fund Facts and ETF Facts

We are completely in support of the IFIC Letter commentary on Workstream Eight regarding Fund Facts – and IFIC's answers to the CSA's questions about consolidated Fund Facts and ETF Facts in the circumstances noted.

We do not understand, however, why the CSA did not provide any proposed amendment to NI 41-101 regarding ETF Facts delivery in respect of acquisitions of ETFs by portfolio managers on behalf of clients holding managed accounts. Without any similar amendment to NI 41-101 as it proposed to NI 81-101 (and zero reference to this issue by the CSA), there is the lingering question as to whether ETF Facts must be delivered to the ultimate client who holds a managed account with a portfolio manager, as well as who would be responsible to make that delivery (and how it could ever be done). While this is not necessarily a fund manager issue – that is, its not a Vanguard issue, since its not our responsibility to deliver the ETF Facts - it is an important industry issue and we urge the CSA to carefully consider industry feedback. We also urge the CSA to consider the practicalities of the various relationships (dealer, portfolio manager and client), including whether anything would be served by delivering ETF Facts to managed account holders in these circumstances (even if these holders were known to the dealers, who may have this obligation).

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We reiterate our support for the CSA's continued burden reduction efforts and appreciate the opportunity to comment on the Proposal. We would be pleased to further discuss our comments with CSA staff at your convenience.

Sincerely,

Kathleen C. Bock  
Managing Director  
Vanguard Investments Canada Inc.