

Chapter 1

Notices

1.1 Notices

1.1.1 OSC Staff Notice 81-732 Investment Fund Survey

OSC STAFF NOTICE 81-732 INVESTMENT FUND SURVEY

On April 26, 2021, the Ontario Securities Commission (**OSC**) issued a data request seeking key information about investment funds managed by investment fund managers (**IFMs**) registered in Ontario (the **Investment Fund Survey**). The purpose of the Investment Fund Survey is to collect information that will provide us with greater insights into an important segment of the capital market.

The Investment Fund Survey is focused on a number of key areas, including leverage, liquidity, and asset class exposures. Some of the main data points that are covered include: fund size, types of holdings (e.g. by geographic exposure), derivative exposures, borrowing, ownership, fund flows, and liquidity profiles. The Investment Fund Survey requests this information for the period from January 1, 2020 to December 31, 2020.

In the past, we have collected and sourced data pertaining to the investment fund space through the Risk Assessment Questionnaire (**RAQ**) and a biennial survey related to prospectus-exempt funds (the **Prospectus-Exempt Funds Survey**). Information related to investment funds has also been sourced through external data providers from time to time. The Investment Fund Survey is a continuation of such previous efforts in regard to data collection on the investment fund space. Moving forward, the OSC will collect data through the Investment Fund Survey on an annual basis between January and March.

The Investment Fund Survey feeds into the OSC's ambition to aggregate, streamline, and modernize our data-collection strategies. We are careful not to impose undue burdens on the industry while still collecting data that is necessary to deliver on our mandate. We will continue to consider ways in which this data collection can be further streamlined in future years.

This staff notice provides some background on the Investment Fund Survey and how it integrates into the Investment Funds and Structured Products (**IFSP**) and Regulatory Strategy and Research (**RSR**) branches' plans for data collection and analysis moving forward. Detailed information about the Investment Fund Survey is also available on the [OSC's website](#).

Why is the OSC collecting this information?

The OSC has a mandate to protect investors from unfair, improper or fraudulent practices, to foster fair, efficient and competitive capital markets and confidence in the capital markets, to foster capital formation, and to contribute to the stability of the financial system and the reduction of systemic risk in Ontario.

Within the Ontario capital markets, more than 6,000 funds are offered by more than 400 IFMs. With assets under management exceeding \$2 trillion, investment funds form a significant portion of the personal financial wealth of Canadians.

Given the importance of investment funds for Ontario investors and capital markets, the resilience of the investment fund industry is critical, particularly at times of financial and economic crises. As such, it is important for OSC staff to maintain close regulatory oversight of the industry. Access to data on investment funds will allow the OSC to remain proactive in monitoring the health of the industry.

The OSC agrees with stakeholders that our regulatory activities should be evidence-based and that we need to conduct appropriate cost/benefit analyses when developing regulations. Proportionate regulation is also one of the guiding principles set out in section 2.1 of Securities Act (Ontario). In order to inform our regulatory oversight activities and rulemaking with these objectives in mind, it is imperative that we have access to relevant data in a timely fashion.

The OSC also collaborates its monitoring activities with other regulatory bodies with a shared interest in promoting financial stability. Domestically, the OSC is part of the Heads of Regulatory Agencies (**HoA**), which provides a forum for federal and provincial bodies to discuss financial sector issues. Globally, the OSC is a member of the International Organization of Securities Commissions (**IOSCO**) and coordinates information sharing with bodies such as the Financial Stability Board (**FSB**).

The information provided in the Investment Fund Survey will allow for development of a risk-identification framework to help the OSC deliver on its mandate. In addition, the data gathered will allow for comprehensive and meaningful information sharing and interactions with regulatory partners, both domestically and internationally.

Why is the OSC collecting this information now?

Data collection on the investment fund space is not a new endeavor. From 2014 till 2020, the OSC collected information related to prospectus-exempt funds via the biennial Prospectus-Exempt Funds Survey for systemic risk monitoring purposes. The Prospectus-Exempt Funds Survey was conducted either as part of the RAQ (2018, 2016, 2014), which is administered by the Compliance and Registrant Regulation (**CRR**) branch or as a stand-alone survey (2020) administered by RSR. As such, the Investment Fund Survey is a continuation of previous efforts in regard to data collection on the investment fund space.

Starting this year, the Prospectus-Exempt Funds Survey is being expanded to include prospectus-qualified funds and requests some additional key data points.

How does the OSC's data collection compare to global standards and practices?

In the June 2016 [Statement on IOSCO's Priorities Regarding Data Gaps in the Asset Management Industry](#), IOSCO encouraged its members to enhance their data collection and use. In particular, the statement indicated that a top priority is to address data gaps around open-ended regulated collective investment schemes, i.e. mutual funds.

Securities regulators in Europe and in the United States have already implemented robust data gathering programs where investment funds provide detailed fund information (including portfolio holdings) on a regular and frequent basis.

With the Investment Fund Survey, OSC staff are balancing our regulatory needs and the potential burden imposed on the industry. Instead of asking for extensive and detailed information on investment funds (e.g. specific portfolio holdings) as other international jurisdictions do, we are currently requesting information on asset classes and types of holdings on an aggregate basis only.

Why is the OSC collecting information on investment funds through a survey?

We are committed to working with the industry to find the most efficient way to collect the required information. Staff examined existing available information and noted several limitations of existing data sources. For example:

- 1) The Statement of Investment Portfolio provided as part of financial statement filings is not tagged or in a format that allows for download or analysis of this information.
- 2) Third-party vendor information may not be complete and reliable for regulatory purposes.
- 3) The RAQ gathers data on investment fund managers and other registrants, but not fund-level data.

Given these limitations, we concluded that a survey request is the appropriate format to collect the required information at this time.

Will the OSC share the information collected from the survey?

IOSCO requests information regarding leverage within investments funds on an annual basis, with a reporting deadline around April every year. In order to respond to IOSCO requests in future years, we will:

- collect data on investment funds on an annual basis; and
- make this data request earlier in the year with the survey rollout in January of every year requesting a response by March.

To contribute to financial stability, we will consider making summary or aggregated data publicly available on a no-names basis. Aggregated data may also be shared with other regulatory partners such as through the HoA and the FSB. In addition, we may also share the information provided in this survey on a confidential basis with other Canadian Securities Administrators jurisdictions.

How will the OSC streamline its data collection moving forward?

The OSC remains committed to delivering on our mandate in a manner that does not impose unnecessary burden on market participants. We are looking at a number of ways to reduce unnecessary regulatory burdens associated with data reporting, including:

- Leveraging technology to extract and aggregate information that is already provided to the OSC, either through regulatory filings or other data requests.
- Finding opportunities to streamline reporting requirements and data requests, where possible, to eliminate unnecessary duplication.

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- Explore alternate methods of collecting data that are more aligned with systems and processes used by market participants.
- Finding ways to improve access to the data that we collect (e.g. open data systems).
- Continuing engagement with stakeholders in advance of new data collection initiatives to identify and address pain points associated with data reporting.

Work is already underway on these actions. In particular, the introduction of the Digital Solutions branch is one step forward towards the digital transformation of the OSC. We intend to modernize our business and data collection platforms and our processes with an eye on quality and standardization with fit-for-purpose data governance standards.

Assistance

If you have any questions regarding this notice, please direct them to:

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