



PAUL C. BOURQUE, Q.C., ICD.D / c.r. IAS.A  
President and CEO *Président et chef de la direction*  
pbourque@ific.ca 416 309 2300

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Delivered By Email: [rday@osc.gov.on.ca](mailto:rday@osc.gov.on.ca)

Mr. Robert Day  
Senior Specialist Business Planning  
Ontario Securities Commission  
20 Queen St. W.  
2<sup>nd</sup> Floor  
Toronto, Ontario M5H 3S8

Dear Mr. Day:

**RE: OSC Notice 11-785 - Request for Comments Regarding Statement of Priorities for Financial Year to End March 31, 2020**

The Investment Funds Institute of Canada (IFIC) appreciates the opportunity to comment on the OSC draft Statement of Priorities for Financial Year to End March 31, 2020 ("Statement of Priorities").

IFIC is the voice of Canada's investment funds industry. IFIC brings together 150 organizations, including fund managers, distributors and industry service organizations to foster a strong, stable investment sector where investors can realize their financial goals. At IFIC, our substantial efforts as industry leaders and advocates are aimed at strengthening the integrity of the investment funds industry, fostering public confidence in investment funds, and enabling investors to achieve good outcomes.

Our comments regarding the goals and certain key priorities identified in the Statement of Priorities are outlined below.

**Promote Confidence in Ontario's Capital Markets**

OSC initiatives to promote and enhance confidence in Ontario's capital markets are well aligned with IFIC's advocacy efforts on behalf of its members. IFIC works collaboratively with industry representatives, regulators, governments and investor advocates to help create a system that is fair and efficient for all stakeholders.

**Continue Developing and Consulting on Client Focused Reforms**

The investment funds industry shares the CSA's commitment to better align the interests of investors and registrants and is supportive of many of the Client Focused Reforms. IFIC's

submission on Client Focused Reforms<sup>1</sup> requests clarification of some elements of the proposals and makes recommendations to support a pragmatic implementation of the proposed reforms. We expressed concerns related to the overemphasis on cost, the potential for reduced investor choice, the role of Companion Policy guidance and regulatory consistency with existing guidance from self-regulatory organizations. We would urge the CSA to consider the specific recommendations set out in our submission.

We look forward to continued engagement in advance of a second publication of the proposed rule amendments and Companion Policy Guidance.

### **Continue CSA Policy Work on Mutual Funds Embedded Commissions**

IFIC continues to advocate for the preservation of investor choice. Our submission on the Proposed Amendments to National Instrument 81-105 *Mutual Fund Sales Practices*<sup>2</sup> offers practical recommendations that preserve investor choice, while also making clear that investors should only pay for the services they receive. Regulatory intervention should not impact investors ability to choose how they access and pay for investment services; rather it is preferable to have market forces determine fee and product offerings. Similarly, registrants should have flexibility in how they are compensated for the services provided.

IFIC also recommends that the prohibition on the payment of trailing commissions by investment fund managers be removed as the obligation is more appropriately placed on the participating dealer, who is responsible for determining the most appropriate series of fund for the investor.

### **Improve Experience for Retail Investors**

As the OSC looks for ways to improve the investor experience through disclosure innovations and plain language initiatives, we would encourage staff to reference the research report<sup>3</sup> recently submitted to IFIC by BEworks which explored the application of behavioural economics to certain financial reporting for investors.

### **Senior Investors**

IFIC supports the continued emphasis on senior investors. We would however encourage the OSC and the CSA to ensure any framework or guidance considers the needs of all vulnerable investors and not just seniors. The investment funds industry supports the availability of a trusted contact person as well as a safe harbour for advisors who seek to protect vulnerable investors. We urge the OSC to work with its CSA colleagues to bring these two initiatives to completion.

We applaud the OSC's commitment to expanded outreach sessions and resources for seniors but would ask the OSC to consider outreach to advisors to better understand the challenges they may face supporting vulnerable individuals.

### **Timely and Impactful Enforcement Actions**

IFIC agrees that timely and impactful enforcement actions can help promote confidence in Ontario's capital markets. While enforcement can be a useful and appropriate tool in some instances, it is not the only tool at its disposal. Where certain industry practices have gone without

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<sup>1</sup> See IFIC Submission on Client Focused Reforms – Proposed Amendments to National Instrument 31-103 and Companion Policy 31-103 CP (<https://www.ific.ca/wp-content/uploads/2018/10/IFIC-Submission-CSA-Client-Focused-Reforms-October-19-2018.pdf/20940/>).

<sup>2</sup> See IFIC Submission on Proposed Amendments to National Instrument 81-105 Mutual Fund Sales Practices and Related Consequential Amendments (<https://www.ific.ca/wp-content/uploads/2018/12/IFIC-Submission-CSA-Proposed-Amendments-to-National-Instrument-81-105-December-13-2018.pdf/21368/>).

<sup>3</sup> See BEworks report on Behavioural Economics Applied to Enhance Disclosure Practices and Investor Outcomes (<https://www.ific.ca/wp-content/uploads/2019/03/Behavioural-Economics-Applied-to-Enhance-Disclosure-Practices-and-Investor-Outcomes-February-2019-FINAL.pdf/21963/>).

significant regulatory scrutiny for an extended period of time, adjusting current practices through enforcement activity may be heavy-handed and unnecessary. We would encourage the OSC to take a thoughtful and measured approach to address areas of increasing concern instead of signalling a change in the application of a rule through enforcement.

### **Support Transition to the Capital Markets Regulatory Authority (“CMRA”)**

IFIC supports efforts of the OSC and other participating jurisdictions to harmonize and strengthen Canada’s existing securities regulatory framework through the creation of a cooperative regulator. While the objective of the CMRA is admirable and poses a monumental task, the proposed CMRA framework does raise several questions which were outlined in the IFIC submissions on the Proposed Provincial Capital Markets Act and Federal Capital Markets Stability Act<sup>4</sup> and the January 2016 Consultation Draft of the Capital Markets Stability Act<sup>5</sup>.

Investment funds are typically originated in one jurisdiction and sold nationally. As such our members rely upon the existence of a highly harmonized regulatory system across Canada. While any major undertaking will give rise to transition and implementation challenges, the cooperative framework should seek to enhance, not diminish, the efficiencies of the passport system.

As you work towards a cooperative regulatory authority, it is important to be mindful that incremental changes that create inefficiencies and do not achieve substantial harmony across participating and non-participating jurisdictions will add complexity and regulatory burden as firms grapple to adjust to a regulatory framework that is different, but still not unified.

IFIC looks forward to working with all provincial securities regulators and the new CMRA during the transition to what we hope will be a well-functioning cooperative system. We encourage the OSC to conduct stakeholder outreach in advance of the transition to help identify and manage industry concerns.

### **Reduce Regulatory Burden**

#### **Engage with Stakeholders on Burden Reduction Opportunities**

Reducing regulatory burden is a desirable and commendable goal for all stakeholders. The investment funds industry is supportive of the work of the OSC Burden Reduction Task Force and applauds its significant efforts to facilitate industry discussion to understand a variety of perspectives.

IFIC’s submission on Regulatory Burden Reduction<sup>6</sup> offers specific and actionable suggestions for reducing the regulatory burden in four key areas: improvements to the rule-making process; changes to current rules; improvements to the OSC’s operations; and improvements to the CSA’s information technology systems. We are pleased to see that some of the planned action items and desired outcomes align with our recommendations.

One of the initiatives identified in the Statement of Priorities is to conduct more post implementation reviews to confirm achievement of expected benefits. While we appreciate the intent of the initiative, it would be more appropriate to consider a robust cost-benefit analysis in advance of any rule-making. Analysis after the cost of implementation has been incurred by

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<sup>4</sup> See IFIC Submission on Proposed Provincial Capital Markets Act and Federal Capital Markets Stability Act (<https://www.ific.ca/wp-content/uploads/2014/12/IFIC-Submission-Cooperative-Capital-Markets-Regulatory-System-Draft-Legislation-December-8-2014.pdf/9370/>).

<sup>5</sup> See January 2016 Consultation Draft of the Capital Markets Stability Act (<https://www.ific.ca/wp-content/uploads/2016/07/IFIC-Submission-CCMRS-Participating-Jurisdictions-2016-Consultation-Draft-of-the-Capital-Markets-Stability-Act-July-12-2016.pdf/14772/>).

<sup>6</sup> See IFIC Submission on Regulatory Burden Reduction (<https://www.ific.ca/wp-content/uploads/2019/02/IFIC-Submission-OSC-Staff-Notice-11-784-Burden-Reduction-March-1-2019.pdf/21945/>).

industry participants does little to reduce the overall impact and may in fact compound the burden if additional costs are incurred to modify work that was previously done to accommodate new or amended rules. In this regard, we encourage the OSC to go beyond the cost-benefit analysis and implement a fulsome regulatory impact analysis, including both qualitative and quantitative elements, as outlined in the IFIC submission and echoed in the Ontario government's Budget 2019:

*"Rule-making must weigh the economic costs against benefits to stakeholders. It is crucial when introducing rules that a robust impact analysis be conducted. Qualitative and quantitative analysis of the anticipated costs and benefits of a proposed rule would be provided within the OSC's rule publications and shared as part of the consultations on the proposal to better inform public comments and the rule-making process. This approach would enhance transparency and appropriately inform stakeholders of the impacts of new rules."*<sup>7</sup>

### **Initiate OSC Website Redevelopment**

We appreciate that the OSC has identified a need to improve upon its website. While some components of the website, such as the Topical Guide for Registrants, hold valuable content, the website itself is often difficult to navigate effectively. We encourage the OSC to seek stakeholder engagement, particularly as content is identified for removal from the website.

### **Facilitate Financial Innovation**

The investment funds industry applauds the various OSC initiatives to support financial innovation. It is critical to support the evolution of products and business models as industry participants endeavour to meet changing investor needs and preferences without compromising investor protection.

### **Strengthen Our Organizational Foundation**

#### **Continue Redevelopment of National Systems Renewal Program**

In its business plan for 2016-2019, the CSA indicated it had initiated the National Systems Renewal Program (NSRP). IFIC is pleased to see the first evidence of advancement in this area with the publication of proposed amendments to Multilateral Instrument 13-102 *Systems Fees for SEDAR and NRD* and a new rule, National Instrument 13-103 [*System Replacement Rule*]. IFIC looks forward to consulting on these proposals in due course. We encourage the CSA to make meaningful advances to replace its fragmented and cumbersome information technology systems with a single, intuitive and secure filing system which efficiently interfaces with registrant systems. As part of the NSRP, we recommend that technology that facilitates two-way communication and data sharing between regulators and the industry be part of the renewed system.

#### **Modernize OSC Technology Platform**

We appreciate the OSC's acknowledgement of opportunities to improve upon its technology platform. At times, our members experience difficulty providing information electronically to the OSC in response to questions raised in the course of a compliance review. As outlined in our submission on Regulatory Burden Reduction<sup>8</sup>, we recommend that the OSC establish a secure portal to facilitate the submission of various filings and submissions.

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<sup>7</sup> See Ontario Budget 2019 (<http://budget.ontario.ca/2019/chapter-1d.html#s-1>)

<sup>8</sup> See IFIC Submission on Regulatory Burden Reduction (<https://www.ific.ca/wp-content/uploads/2019/02/IFIC-Submission-OSC-Staff-Notice-11-784-Burden-Reduction-March-1-2019.pdf/21945/>).

## Conclusion

We would like to thank the OSC for allowing IFIC to participate in both formal and informal discussions pertaining to Regulatory Burden Reduction, Client Focused Reforms and Embedded Commissions. We hope that the OSC will continue to consult with industry stakeholders as these, and other, discussions evolve.

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We would be pleased to provide further information or answer any questions you may have. Please feel free to contact me by email at [pbourque@ific.ca](mailto:pbourque@ific.ca) or, by phone 416-309-2300.

Yours sincerely,

THE INVESTMENT FUNDS INSTITUTE OF CANADA

A handwritten signature in black ink, appearing to read 'Paul C. Bourque', with a long horizontal line extending to the right.

By: Paul C. Bourque, Q.C, ICD.D  
President and CEO