BY ELECTRONIC MAIL

June 1, 2020

Mr. Robert Day
Senior Specialist, Business Planning
Ontario Securities Commission
Email: rday@osc.gov.on.ca

Dear Mr. Day:

Re: Request for Comments Regarding Statement of Priorities for Financial Year to End March 31, 2021

We are writing to provide comments with respect to the draft of the Ontario Securities Commission's (the "**OSC**") Statement of Priorities (the "**Statement**") for its financial year to end March 31, 2021.

Fidelity Investments Canada ULC ("**Fidelity**") is the third largest mutual fund company in Canada. Fidelity manages over $141 billion in retail mutual funds and institutional assets.

Introduction

It would appear insensitive if we did not commence our letter by addressing the global pandemic. We are particularly mindful that all market participants are navigating this unprecedented environment and the significant challenges affecting stakeholders given the outbreak of COVID-19 and the related financial market uncertainty. We wholeheartedly appreciate that the OSC has had to re-align its priorities to respond to the COVID-19 outbreak by working tirelessly to provide necessary relief to the investment fund industry on new and existing regulation. We are all in this together. Fidelity, however, strongly believes that now, more than ever, it is necessary for the OSC to continue its work and focus to streamline and rationalize existing regulation through its reduction of regulatory burden and look for new ways to help investment fund issuers and investors adapt to a "new normal", whatever that may look like.

As always, we support initiatives that achieve the best outcomes for investors and believe that regulation should be evaluated based on its ability to enhance one or more of the fundamental principles of Canadian securities regulation, as outlined in the *Securities Act* (Ontario): (i) providing protection to investors from unfair, improper or fraudulent practices; (ii) fostering fair and efficient capital markets and confidence in the capital markets system; and (iii) contributing to the stability of the financial system and the reduction of systemic risk.

We hope that you will find our comments below constructive, and we look forward to seeing some or all of them adopted by the OSC for the ultimate benefit of investors.

Access Equals Delivery

Fidelity fully supports an access equals delivery model ("**AED Model**") for investment fund issuers. We appreciated the opportunity to comment on the Canadian Securities Administrators' ("**CSA**") consultation paper 51-405 ("**CP 51-405**") in our letter dated March 13, 2020 (the "**March Comment Letter**"). We were, however, surprised that the CSA did not consider this initiative at that time for investment fund issuers and this was, in our view, a missed opportunity. The rationale for supporting the AED Model is equally, if not more, applicable to investment fund issuers.

Moving to the AED Model not only has the potential to significantly reduce regulatory burden and enhance the accessibility of information for investors[1], it is also necessary to stay in touch with the modernization of the capital markets. Additionally, it is necessary to be competitive with other jurisdictions as even the CP 51-405 notes that similar models have been implemented for prospectus delivery in the United States, the European Union and Australia. However, Canada needs to do more than just catch up with other jurisdictions, it needs to innovate and be a leader in these modern times.

With respect to our continuous disclosure documents, for example, we have seen a very low percentage of securityholders opt-in to receive annual financial statements and management reports of fund performance ("**MRFPs**"). In 2019 alone, approximately 1.81% of all our securityholders requested the annual financial statements. Similarly, during the same period, approximately 0.72% of all our securityholders requested the annual MRFPs. These numbers were even lower for the unaudited interim financial reports and MRFPs (the "**Interim Reports**"). Based on these low take-up figures, we believe that these documents are not meaningful to investors. As such, we believe that financial statements and MRFPs may be effectively delivered through the AED Model.

Finally, another great way for Canada to be an innovator is to extend the AED Model to the delivery of all documents, not just prospectus and continuous disclosure documents. In this day and age, we are no longer experimenting with Internet technology. In 2018, 94% of Canadians had home Internet access, 91% of Canadians aged 15 and older used the Internet and 71% of seniors reported Internet use.[2] Extending the AED Model to the delivery of all documents will enhance the investor experience as it provides investors instant access to current information about their investments that is more navigable than paper disclosures. Moreover, it allows for innovative features, including hyperlinks, document search capabilities, etc. The AED Model will achieve the dual goal of reducing printing costs and being environmentally conscious in a world where fewer and fewer investors read the regulatory documents in paper copy.

Electronic Delivery

If the OSC will not be so bold as to recommend an AED Model for all documents, then the regulators should mandate that delivery of the remaining regulatory documents can be satisfied by electronic delivery. The CSA announced in 2017 that they were considering whether new methods of electronic delivery should be permitted given the "widespread use of Internet, social media and technology in communications generally" and the fact that electronic delivery would "further reduce the use of paper to fulfill delivery requirements, thus reducing costs for reporting issuers, and promoting a more environmentally responsible approach to document delivery."[3]

[1] https://www.osc.gov.on.ca/documents/en/Securities-Category5/csa_20200109_51-405_fund-reporting-issuers.pdf
[2] October 29, 2019, https://www150.statcan.gc.ca/n1/daily-quotidien/191029/dq191029a-eng.htm.
[3] https://www.osc.gov.on.ca/documents/en/Securities-Category5/csa_20170406_51-404_considerations-for-reducing-regulatory-burden.pdf

Subsequently, as part of the OSC's regulatory burden reduction project, the OSC listed as part of its reforms that it would try to identify opportunities to promote electronic delivery of investment fund continuous disclosure documents.[4] Therefore, both the OSC and the CSA agree that electronic delivery is the progressive and most practical way to proceed since it is cost-effective and wastes fewer resources. Electronic delivery would relieve regulatory burden on reporting issuers while enhancing the investor experience.

As a general comment, it is worth noting the extraordinary length of time it has taken the OSC to implement any change in either the AED Model or electronic delivery. The industry has been patiently waiting for almost 20 years and there has been very little progress. As the recent pandemic has shown us, we are able to adapt our operations very quickly to an electronic model that services the needs of the industry and investors in a very practical way. We believe that there should be no restrictions on electronic delivery or any other electronic initiatives (e.g., electronic signature) which promotes efficiencies for the investment fund industry while still protecting investors. We encourage the OSC to work with the CSA and other regulators, if applicable, to mandate electronic delivery on an expedited basis.

Regulatory Burden Reduction

On May 27, 2020, the OSC provided a status updated on its 107 specific actions to reduce burden for market participants doing business in Ontario's capital markets. We noticed that while a number of the OSC's specific actions for investment funds have either been completed or are progressing on target for completion by a specified date, a significant number of actions have been delayed to 2021 or beyond - i.e., all of the actions under the "investment fund prospectus regime" and most of the actions under the "investment fund continuous disclosure requirements" categories.

From our perspective, we believe that certain of the items under the "investment fund continuous disclosure requirements" category are ripe to tackle now. For example, identifying opportunities to promote electronic delivery of continuous disclosure documents and develop and implement an alternative to the annual reminder notice requirement are items that we consider especially important in today's environment, but note that they have now been delayed to the fall of 2021 and summer of 2022, respectively. As it stands today, we can't imagine that the current "opt-in" regime for electronic delivery is what the average Canadian desires. We believe that the online experience is superior. In our view, it would be impractical to make the investment fund industry wait another two years before these opportunities are realized. Therefore, we encourage the OSC to work with the CSA to focus on completing these items now.

In addition, we are surprised to see that our recommendation to eliminate the requirement for a fund to prepare and file the Interim Reports did not make the list of 107 actions to reduce burden. As stated in our comment letter to the CSA dated December 11, 2019, the elimination of the Interim Reports would result in annual savings of over $3 million for Fidelity. We also expect that this would represent savings in the range of $50 million for the industry. In our view, none of the measures suggested in the list of actions for investment funds comes close to these savings for the industry. Finally, this recommendation would not negatively impact investors as securityholders would continue to receive or have access to audited financial statements and management reports of fund performance on an annual basis.

[4] https://www.osc.gov.on.ca/documents/en/20191119_reducing-regulatory-burden-in-ontario-captial-markets.pdf

We, therefore, strongly encourage the OSC to re-prioritize its list of actions and work with the CSA to push forward the matters addressed in this letter on an expedited timeline. The result will lead to a significant reduction in regulatory burden, which will benefit both investors and the industry alike.

Conclusion

Fidelity believes that, now more than ever, the OSC should lead the charge on electronic initiatives - from electronic signatures to electronic delivery and more. These initiatives are incredibly important, especially now, and should not be delayed or overlooked. As the recent pandemic has shown us, we are able to quickly adapt our operations to an electronic model that services the needs of the industry and investors in a very practical way.

Fidelity, as always, is committed to protecting the interest of investors. We are pleased that the OSC's Statement shares our commitment, and we support many of the OSC's priorities. We believe in working closely with regulators and policymakers to put investors first and strengthen protections.

Once again, we would like to thank the OSC for the opportunity to comment on the Statement and we would be pleased to discuss any of our comments.

Yours sincerely,

"Robert Sklar"

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