

April 27, 2022

VIA EMAIL

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 of 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 22nd Floor  
Toronto, Ontario M5H 3S8  
Email: [comments@osc.gov.on.ca](mailto: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 (Québec) G1V 5C1  
Email: [consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)

**Re: CSA Notice and Request for Comment – Proposed Amendments to National Instrument 41-101 *General Prospectus Requirements*, National Instrument 81-101 *Mutual Fund Prospectus Disclosure*, and Related Proposed Consequential Amendments and Changes and Consultation Paper on a Base Shelf Prospectus Filing Model for Investment Funds in Continuous Distribution – Modernization of the Prospectus Filing Model for Investment Funds (collectively, the “Proposed Amendments”)**

The Canadian Advocacy Council of CFA Societies Canada<sup>1</sup> (the “CAC”) appreciates the opportunity to provide the following general comments on the Proposed

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<sup>1</sup> The CAC is an advocacy council for CFA Societies Canada, representing the 12 CFA Institute Member Societies across Canada and over 19,000 Canadian CFA Charterholders. The council includes investment professionals across Canada who review regulatory, legislative, and standard setting developments affecting investors, investment professionals, and the capital markets in Canada. Visit [www.cfacanada.org](http://www.cfacanada.org) to access the advocacy work of the CAC.

CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion of ethical behavior in investment markets and a respected source of knowledge in the global financial community. Our aim is to create an environment where investors' interests come first,

Amendments. We are generally supportive of the CSA's burden reduction initiatives, and agree that the Proposed Amendments will result in a reduction of some unnecessary regulatory burden without having a material negative impact on investor protection. However, we do have a concern that the increased time frame may result in some stale information in the prospectuses of certain issuers, as explained in more detail below.

We support the first stage of the Proposed Amendments that would require a prospectus to be renewed every two years instead of every year, as well as the repeal of the requirement to file a final prospectus no more than 90 days after the issuance of the preliminary prospectus receipt. We agree with the commentators who stated that investment fund managers spend significant resources on the preparation and filing of prospectuses and related documents.

We believe there will be significant cost savings to the industry as a result of a Lapse Date Extension. We understand that the savings could be as high as \$3 million per issuer group for large bank-affiliated investment fund issuers, and similarly significant when extrapolated across the industry. We note that to the extent these fees are already covered as part of any fixed administration fee, savings may not however immediately or directly benefit investors. In addition to out-of-pocket costs, issuers usually invest significant internal resources for periodic prospectus review and renewal.

We would surmise the Lapse Date Extension might also result in resource savings at the CSA level, as staff members would no longer have to review each prospectus on an annual basis. While we agree that the costs of annual renewal may not justify the benefits of this admittedly frequent review of a fund's prospectus, if the frequency of the lapse date is reduced as proposed, we are in favour of additional targeted (either thematic or issuer-focused) analysis and actions to help mitigate the potential downside of losing the annual review by an issuer, its advisors and regulatory staff.

We would welcome additional commentary with respect to any proposed use of staff time savings – i.e. whether cost-cutting will occur, or if these staff will be redeployed to proactively review disclosure based on thematic or issuer-focused risk assessments. Regulatory resources could also be used to communicate more proactively and frequently with the industry on perceived best practices for investment fund prospectus disclosure. It would be increasingly helpful (with the loss of the annual opportunity for review and discussion particularly) for issuers and their advisors to be provided with “real-time” information and staff views on salient disclosure issues rather than waiting for a summary of issues in staff's annual reports, formal guidance, or individually through audits or increasingly periodic prospectus reviews. Proactive education and reform when thematic or systemic issues are discovered so that other issuers can update related disclosure issues as needed would result in continuous disclosure improvements for investment funds across the industry.

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markets function at their best, and economies grow. There are more than 180,000 CFA Charterholders worldwide in 160 markets. CFA Institute has nine offices worldwide and there are 160 local societies. For more information, visit [www.cfainstitute.org](http://www.cfainstitute.org) or follow us on [LinkedIn](#) and Twitter at [@CFAINstitute](#).

We also believe it important that the Fund Facts and ETF Facts documents continue to be filed annually and delivered under the current requirements, as we understand those are the documents most likely to be reviewed by end investors.

We agree that for the most part, in the event a material change occurs in a fund between renewal dates, despite potential debate as to the materiality of the change, the requisite disclosure will be picked up through various mechanisms (i.e. required prospectus amendment/filing, material change reporting). However, there may be incremental changes that occur throughout the life of an investment fund that themselves individually do not amount to a material change, but that could be considered material in aggregate and that might be caught and updated through prospectus disclosure during the existing annual renewal cycle. For example, there may be some degree of organic evolution over time of a fund's investment practices or strategy as disclosed in the prospectus and articulated through the description of a fund's fundamental investment objectives and/or investment strategies. There could also be changes to wording such as in the risk factors section of a prospectus as a result of adherence to perceived industry best practices/language, or market or industry developments that are best addressed through risk factor acknowledgment and observations throughout the year, but again individually may not amount to a material change. In addition, funds and their managers that are adapting to secular industry-wide changes, such as addressing DEI or ESG-related considerations, are unlikely to be described the way they are now after a period of 24 months, just due to evolving industry practices, norms, and related disclosure language. Such changes might not otherwise be captured through required supplementary or updated disclosure prior to a prospectus renewal, resulting in some disclosure becoming stagnant (if not potentially misleading) over time.

The proposal to require every prospectus amendment to be filed as an amended and restated prospectus rather than in the form of a "slip sheet" amendment may have unintended consequences. While we acknowledge that the number of amendments could be greater in a 2-year period, certain amendments are easy for an investor to trace using the "slip sheet" method (i.e. a change in fees) and the cost of a full amended and restated prospectus in those instances might negate the benefits the Proposed Amendments seek to achieve. An alternative might be a specified and permitted list of the type of amendments that could be made using the "slip sheet" method.

We are not currently in favour of the potential new base shelf prospectus filing model. We agree that it would be prejudicial to the public interest for a base shelf prospectus to not be subject to a lapse date as it would exacerbate the issues relating to potentially stagnant disclosure described above. We do not currently have a view as to whether the base shelf prospectus would have a negative impact on the liability rights of investors, as we are unaware of any recent public enforcement actions relating to investment fund prospectus disclosure.

### **Concluding Remarks**

We support a number of the changes that have been made in the Proposed Amendments, particularly those that allow for burden reduction through reduced frequency of prospectus filing requirements, provided that there is a reallocation of the related regulatory resources to result in a concurrent increase in targeted and/or risk-

based investment fund disclosure reviews and more proactive and frequent communication and guidance regarding investment fund prospectus disclosure best practices.

We thank you for the opportunity to provide these comments and would be happy to address any questions you may have. Please feel free to contact us at [cac@cfacanada.org](mailto:cac@cfacanada.org) on this or any other issue in future.

(Signed) *The Canadian Advocacy Council of  
CFA Societies Canada*

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