

CAC Member Report to Local Board November 20, 2018

The CAC met on the phone on November 13th, 2018.

The council is currently drafting two proposals NI 81-105 (Mutual Fund Sales Practices) and NI 52-112 (Non-GAAP Disclosures). The council is generally supportive of the Mutual Fund Sales Practices, but we felt the proposal fell short of a true best interest standard and should have banned trailing commissions completely. Regarding the Non-GAAP Disclosures, the CAC is observing an advocacy working group led by several Canadian pension funds on November 20th at CFA Society Toronto offices.

Planning is underway for our next in-person meeting in Toronto February 22nd. Ian Harten (CFA Society Ottawa) is helping us recruit a cyber security expert from IBM to educate the council. We are also considering extending an invitation to the Ontario Securities Commission to discuss an explicit best interest standard at our next in-person meeting.

We are still looking for more speakers and would welcome any suggestions from the societies.

The CAC is actively working on a response to the following consultations:

- CSA Proposed Amendments to NI 81-105 Mutual Fund Sales Practices and Related Consequential Amendments (due December 13, 2018)

About the notice

The proposed amendments would prohibit, in connection with the distribution of prospectus qualified mutual fund securities: (i) the payment of upfront sales commissions by fund organizations to dealers (thereby discontinuing DSCs) and (ii) trailing commission payments by fund organizations to dealers who do not make a suitability determination. The CSA expects that since fund organizations will not incur the cost of financing upfront sales commissions, the management fees charged to the funds who previously offered a DSC option will be reduced, and that dealers will turn to their clients for direct compensation. The CSA expect to provide a transition period of one year from the date of final publication of the amendments. These amendments will complement the Client Focused Reforms already proposed as amendments to NI 31-103.

- AMF Regulation respecting Alternative Distribution Methods (due December 10, 2018)

About the notice

The proposed regulation relates to the distribution of insurance products (and financial planning products) without an intermediary, primarily through the Internet. The proposed framework is based on disclosure to clients, and requirements are proposed with respect to the platform and the training and supervision of distributors. Through the platforms, distributing firms must inquire into their clients' needs and if applicable, ensure the products they are offering are suitable. The AMF is of the view that comparison shopping sites that direct clients to other websites to enroll in an insurance contract must also be registered and comply with the draft regulation if they receive payment for products sold. Certain prescribed information would have to be included on the platform, and clients

would need to be provided with specified summary information about the applicable product.

- CSA Proposed NI 52-112 Non-GAAP and Other Financial Measures Disclosure (due December 5, 2018)

About the notice

The proposal and its Companion Policy sets out requirements for the use of non-GAAP financial measures (such as “adjusted EBITDA”) and other financial measures (such as the newly defined terms of segment measures. While the rules would not contain specific limitations or industry-specific requirements, they will establish disclosure requirements that must be met in order to use non-GAAP and other financial measures and help investors appreciate the context of such measures. The proposed rules replace (and are substantially aligned with) existing CSA guidance on the use of such measures, which may lack standardized meaning, context, transparency or vary significantly by issuer. Disclosure rules would include certain labelling and prominence requirements, as well as certain reconciliation requirements.

General Affairs:

The CAC is still looking to add a few members to its membership base. If you are a dedicated volunteer with strong communication skills and interested in helping shape the future of our capital markets we would like to hear from you! Feel free to contact us for more information at cac@cfacanada.org.

Reminder:

All letters can be seen on the CAC website, www.cfaadvocacy.ca

Be sure to [Follow Us on LinkedIn](#) to stay up to date on our activities.

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Chair, Canadian Advocacy Council