

**January 31, 2025**

**SUBMITTED VIA EMAIL**

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

**Attention:**

The Secretary  
Ontario Securities Commission  
20 Queen Street West  
22<sup>nd</sup> Floor, Box 55  
Toronto, Ontario M5H 3S8  
comments@osc.gov.on.ca

Me Philippe Lebel  
Secrétaire et directeur général des affaires  
juridiques, Autorité des marchés financiers Place  
de la Cité, tour Cominar 2640, boulevard  
Laurier, bureau 400 Québec (Québec) G1V 5C1  
Fax: 514-864-6381 E-mail: consultation-en-  
cours@lautorite.qc.ca

Dear Sirs/Mesdames:

**RE: RESPONSE TO THE CANADIAN SECURITIES ADMINISTRATORS' NOTICE AND REQUEST FOR COMMENT (THE "NOTICE") ON: PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 81-101 MUTUAL FUND PROSPECTUS DISCLOSURE, NATIONAL INSTRUMENT 81-102 INVESTMENT FUNDS, NATIONAL INSTRUMENT 81-106 INVESTMENT FUND CONTINUOUS DISCLOSURE, NATIONAL INSTRUMENT 81-107 INDEPENDENT REVIEW COMMITTEE FOR INVESTMENT FUNDS AND RELATED PROPOSED CONSEQUENTIAL AMENDMENTS AND CHANGES; MODERNIZATION OF THE CONTINUOUS DISCLOSURE REGIME FOR INVESTMENT FUNDS (THE "PROPOSED AMENDMENTS")**

The IIAC appreciates the opportunity to respond to the Canadian Securities Administrators' Request for Comments on the Proposed Amendments ("**Request**").

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Subject to our specific comments below, the IIAC believes that the proposals in the Request are likely to benefit investors, investment fund managers (**IFMs**) and other stakeholders, as intended by the CSA. We applaud the CSA's efforts to improve the continuous disclosure regime for investment funds and refer you to our key recommendations below:

### **Key Recommendations**

1. Elimination of the MRFP/Fund Report
  - Consider replacing the MRFP/Fund Report with enhanced financial statement disclosures. This approach would streamline reporting requirements, reduce duplication, and provide investors with clearer and more concise information.
2. Annual Reporting Instead of Semi-Annual Reporting
  - If the MRFP/Fund Report is retained, adopt an annual reporting frequency instead of semi-annual reporting to minimize the compliance burden on IFMs and address the concern with information overload highlighted in the *Behavioural Insights Team Final Report* (the **Final Report**).
3. Concerns Regarding Class/Series Fee Disclosure
  - Re-assess the approach to class/series fee disclosure, as performance information for the class or series with the highest management fee may create confusion for investors and lead to inconsistent comparisons between funds. We recommend using Series F or another fee-based series as the representative series in the Fund Report.
4. Issues with Disclosure of Success in Achieving Investment Objectives
  - Revise or eliminate the proposed requirement for funds to disclose their “success” in achieving their investment objectives, as this assessment provides little value and risks investor confusion.
5. Implementation Timeline and Coordination with Other Initiatives
  - Align the implementation timeline for the Proposed Amendments with the implementation of the Total Cost Reporting project (**TCR**) and the adoption of IFRS 18 to ensure consistency, reduce operational complexity, and allow sufficient time to achieve compliance with all of these new requirements.

We provide the following in responses to the questions raised by the CSA in the Request:

### **General**

**Question 1: Other Areas for Modernization.** Are there any other areas of the continuous disclosure regime for investment funds that should be modernized, and which have not been addressed as part of this project? Please provide detailed rationale for each suggestion.

**IIAC Response:** There are several areas of the continuous disclosure regime for investment funds that could benefit from modernization. Below are some suggestions along with the rationale for each suggestion:

- *Fund Report:* The existing MRFP is underutilized by investors. According to the Final Report, only 15% of surveyed investors consult MRFPs for investment decisions, and a significant portion either misunderstood or were unaware of the MRFP's purpose.<sup>1</sup> We believe the MRFP could be

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<sup>1</sup> The Behavioural Insights Team and Canadian Securities Administrators. (2024). *Investment Fund Continuous*

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eliminated entirely, rather than re-written into the Fund Report, and instead, it would be more efficient to enhance the disclosure in financial statements, thereby providing more robust information in fewer documents. The Fund Report is costly to produce and creates system challenges, without corresponding market or investor benefit. The IIAC also believes that the elimination of the MRFP is consistent with the OSC's 2024-2030 Strategic Plan, specifically goal #3 - *Dynamically right-size regulation informed by changing needs, risks and practices in Ontario and globally*, as it will ensure regulatory compliance is manageable for market participants without sacrificing fundamental investor protections.

- *Access Equals Delivery*: Similar to the current regulatory requirement for preparing and posting the proxy voting disclosure record and quarterly portfolio disclosure, we suggest the CSA implement an “access equals delivery” approach for the Fund Report (if it is not eliminated) and financial statements. Additionally, the requirement to annually confirm whether investors wish to maintain their standing instructions for receiving the MRFP/financial statements should be removed. Fund managers should be able to rely on standing instructions unless investors explicitly change them. Sending annual reminders is costly and rarely results in updated instructions, making the practice inefficient.
- *Consolidate Similar Reporting Requirements*: The information required in a Material Change Report and Press Release are very similar and often the Material Change Report includes a cross-reference to the Press Release for details. Eliminating the requirement to file a Material Change Report when there is a material change, and simply relying on the Press Release, would reduce redundancy.

**Question 2: Effective Dates and Exemptions.** As described in the Notice, the CSA is proposing that the final amendments and final changes have an effective date of three months following final publication. However, the CSA is also proposing time-limited exemptions from compliance with the final amendments and final changes. In particular, we are proposing to provide an exemption from compliance in respect of each Workstream and the FER Revisions, for approximately a 9-month period following the effective date. (See also the transition provisions at the end of each amending instrument, which have been drafted with the intention to give effect to these arrangements.)

- (a) In respect of each Workstream and the FER Revisions, please comment on whether the proposed effective date is appropriate and whether the proposed length of the exemption from compliance is sufficient to enable investment funds to prepare for the new requirements. If not, provide alternative timelines and an explanation of how any additional time would be used.

#### **IIAC Response:**

As explained further below, we do not believe that an effective date of approximately three months after final publication plus the additional nine-month exemption period allows for sufficient time to implement the Proposed Amendments.

We encourage splitting the workstreams into independent proposals, to allow staggered implementation. The current proposal unnecessarily ties each workstream together, despite their lack of interdependence.

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*Disclosure Modernization – Final Report.* Retrieved from: [https://www.osc.ca/sites/default/files/2024-09/report\\_20240919\\_investment-fund-continuous-disclosure-modernization.pdf](https://www.osc.ca/sites/default/files/2024-09/report_20240919_investment-fund-continuous-disclosure-modernization.pdf)

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The separate approach provides flexibility, enabling stakeholders to prioritize and address the most pressing or straightforward changes first, while allocating more time for complex changes, such as those required in Workstream One.

We submit that the proper implementation of Workstream One will require a minimum of **three** years from final publication of the rule. The current process for preparing MRFPs will require significant changes to implement the Fund Report, including negotiation of systems changes with third party service providers, design of a new layout, implementing a process to collect new data, ensuring compliance with the *Accessibility for Ontarians with Disabilities Act*, and translation of the finalized Fund Report. Furthermore, while the sample Fund Report is only six pages, the actual reports will likely be [much] longer, further increasing the time and effort required to produce Fund Reports.

The implementation date for Workstream Three should align with the effective date of IFRS 18 - in early January 2027. IFRS 18 introduces changes to financial statements, making it logical to synchronize the implementation of Workstream Three with these adjustments for that fiscal year. For example, the Proposed Amendments seek to eliminate class/series-level performance data, but IFRS 18 may require this information. Additionally, management-defined performance measures may need to be incorporated into financial statements as a result of IFRS 18. This approach achieves burden reduction and avoids the need for subsequent revisions to the Fund Report after IFRS 18 comes into effect.

Lastly, the implementation date of the FER Revisions should align with the implementation of TCR in order to minimize regulatory and systems burden created through incremental change. Coordinating these efforts would also streamline disclosures by eliminating redundant elements, such as the "Fund Expenses per \$1,000 Invested" column, which offers limited value given that TCR already provides investors with personalized cost information.

**(b) In respect of Workstream One – Fund Report, please comment on whether an investment fund that prepared an interim MRFP using the requirements set out in the Current Form 81-106F1 should be able to file its subsequent annual MRFP also using the requirements set out in the Current Form 81-106F1, even where the currently envisioned exemption period has ended. If yes, please explain why.**

**IIAC Response:**

Investment funds that prepare an interim MRFP using the requirements set out in the Current Form 81-106F1 (the **Current Form**) should be allowed to file their subsequent annual MRFP under the same requirements, even if the exemption period has ended.

Transitioning to a new disclosure format would create a disjointed experience for investors who have relied on the Current Form for an extended period. Those investors who use the MRFP are accustomed to the structure, terminology, and presentation style of the Current Form, which has shaped their understanding of fund performance and reporting. Introducing the Fund Report following an interim MRFP could potentially cause investor confusion, making it more difficult for investors to interpret information consistently.

Moreover, the six-month transition period would not only impose operational challenges for IFMs (particularly smaller IFMs), but would also give investors insufficient time to adjust to the Fund Report. A more gradual transition, allowing IFMs to use the Current Form for both interim and annual MRFPs in the

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same reporting cycle, ensures that changes in reporting are better absorbed by both IFMs and investors alike.

### **Workstream One – Fund Report**

**Question 3: Frequency of Preparation.** Currently, an investment fund that is a reporting issuer must file an annual MRFP and an interim MRFP (see section 4.2 of NI 81-106) and an investment fund that is a reporting issuer and a scholarship plan must file an annual MRFP but is not required to file an interim MRFP (see section 4.3 of NI 81-106). We are proposing that these filing requirements would remain unchanged for the Fund Report. Please comment on whether this proposed approach meets investor needs for remaining current as to the status of their reporting issuer investment fund holdings.

#### **IIAC Response:**

As outlined in our response to Question 1, we propose eliminating the existing MRFP entirely, and focusing on enhancing the information provided in financial statements.

However, if the CSA decide to proceed with the Fund Report, we believe that an annual Fund Report alone will sufficiently meet investor needs, and so strongly support moving to an annual filing requirement to reduce the administrative burden for all investment funds, for the reasons described below:

- Interim and annual reports can confuse investors, as they may not clearly understand the distinction between the two. Receiving an interim report followed by an annual report that covers the same information six months later adds little benefit and risks overwhelming investors with repetitive information.
- The uptake of MRFPs by investors has not been significant, indicating that the perceived value of interim filings may be limited.<sup>2</sup>
- Investment funds (excluding money market funds) are intended to be longer-term investments for clients and so focus on one, three, five and ten year performance metrics, making more frequent interim updates regarding performance less relevant.
- IFMs with funds that have multiple year-ends (e.g., December and September) face a continuous cycle of preparing interim and annual MRFPs, which strains resources. Shifting to annual-only reporting would allow firms to dedicate more time and resources to producing high-quality annual reports rather than juggling filings year-round.

**Question 4: Forward Looking Information.** The Proposed Form 81-106A will require standardized language regarding forward looking information to be placed towards the beginning of a Fund Report (see proposed Item 3 of Part A), with an option to provide additional disclosure in the Other Material Information section at the end of the Fund Report. The standardized language is intended to be more easily understood by investors, and the option to provide additional disclosure later in the document is intended to provide investment funds with the flexibility to supplement the required

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<sup>2</sup> Ibid. [The Behavioural Insights Team and Canadian Securities Administrators. (2024). *Investment Fund Continuous Disclosure Modernization – Final Report*. Retrieved from: [https://www.osc.ca/sites/default/files/2024-09/report\\_20240919\\_investment-fund-continuous-disclosure-modernization.pdf](https://www.osc.ca/sites/default/files/2024-09/report_20240919_investment-fund-continuous-disclosure-modernization.pdf)]

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language. Please comment on whether this proposed approach to forward looking information disclosure in the Fund Report meets investor needs for transparency around the forward-looking information, and the needs of investment funds. If not, please propose an alternative approach along with detailed rationale as to why the alternative approach would represent an improvement.

**IIAC Response:**

We support the inclusion of standardized language regarding forward-looking information at the beginning of a Fund Report, as proposed in Item 3 of Part A. This placement aligns with forward-looking disclosure practices in financial statements and enhances accessibility for investors. However, we are concerned that including forward-looking information in two locations (Item 3 of Part A and the Other Material Information section in Item 13) may cause investor confusion. We believe that consolidating all forward-looking information into a single section would improve clarity. We suggest placing any supplementary disclosures immediately following the standardized language in Item 3, rather than dispersing them across the Fund Report.

**Question 5: Years of FER Disclosure.** The Costs section of the Proposed Form 81-106A includes a requirement to provide FER information for only one year, with a statement regarding any increase from the previous year in the summary, where such a summary is provided (see proposed Item 6 of Part A). Please comment on whether additional FER information should be required (e.g., two years' worth of information). Alternatively, please comment on whether increases or decreases in FER as compared to the last prepared Fund Report should be identified in their own column in the table that appears in the Costs section, with the corresponding removal of such information from the summary. If writing in support of a particular approach, please describe how the approach selected would support making the Fund Report easier to read and understand, easier to use, and easier to navigate, for investors, than the MRFP.

**IIAC Response:** We make the following recommendations in order to enhance usability of the FER information for investors:

- *Relocate the FER Description to a Footnote:* The description of the FER in the fourth column should be moved to a footnote. This change would free up space in the table, enabling the inclusion of two years' worth of data (current and prior year) for the MER, TER, and FER. This approach offers investors a clearer and more comprehensive view of year-over-year changes.
- *Remove the Summary Section:* The summary section should be removed, as it duplicates information already provided in the table. With a two-year comparison included in the table, investors can easily identify any increases or decreases in expenses without needing additional explanation.
- *Eliminate the "Fund Expenses per \$1,000 Invested" Column:* This column provides limited value because TCR already delivers investors personalized cost information. Removing it would streamline the table, reduce duplicative information that is provided in a more appropriate format for investors, and focus on data directly relevant to investor decision-making.

**Question 6: MER Without Waivers or Absorptions.** The Proposed Form 81-106A requires the presentation of MER in the Costs section. No space has been included within the Costs section to disclose MER without waivers or absorptions, where expenses have been waived or absorbed. Instead, instructions have been provided to disclose MER without waivers or absorptions in the



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**Other Material Information section, along with a cross-reference, in the Costs section, to that information (see proposed Item 6 of Part A). This approach to presenting MER without waivers or absorptions is being proposed because we are of the view that it assists in making the Fund Report easier to read and understand. Please comment on whether the proposed disclosure is effective in achieving this aim. If not, please propose an alternative approach (e.g. presenting MER without waivers or absorptions as a new column within the table in the Costs section) and explain why it would represent an improvement.**

**IIAC Response:**

To produce a Fund Report that is easier for investors to read, understand, and navigate, relevant information should be consolidated and easily accessible. MER without waivers or absorptions should be presented in the same table as MER with waivers or absorptions. This approach ensures logical alignment and eliminates the need for investors to search the “Other Material Information” section to connect related data points. Alternatively, a commentary section (as proposed in our response to Question 5) could accommodate any material details regarding waivers or absorptions, providing additional context where necessary.

**Question 7: ESG-Specific Disclosure. The Proposed Form 81-106A includes a requirement that an investment fund provide a brief summary of the IFM’s assessment of the investment fund’s success in achieving its investment objectives and using its investment strategies to achieve those investment objectives, during the period covered by the Fund Report (see proposed Item 4 of Part A). Detailed instructions are also provided regarding how the disclosure should be completed in the case of an investment fund that has ESG-related aspects to its investment objectives or investment strategies. These instructions are not intended to create any additional burden for such investment funds. Rather, they are intended to clarify how those investment funds can appropriately satisfy the requirements that apply to all investment funds in that section. Please comment on whether these detailed instructions would make it challenging to provide concise disclosure in the Investment Objectives and Investment Strategies section of the Fund Report. If a challenge is identified, please provide details and suggest an alternative approach.**

**IIAC Response:**

The IIAC opposes the inclusion of the column titled “*Fund’s satisfaction of its investment objectives and use of investment strategies during the last 12 months.*” We do not believe that disclosure of this information is necessary or helpful to investors.

An IFM’s subjective assessment of whether a fund met its objectives through its strategies offers little value to investors and risks confusion. The column headers and the term “success” are misleading, as they appear to equate meeting investment objectives with changes in net asset value (NAV). However, a decline in NAV does not necessarily indicate that a fund failed to meet its objectives, as such outcomes may align with the fund’s stated strategies and objectives to hold specific investments. In addition, changes in NAV may be caused by redemptions and/or subscriptions, which have nothing to do with performance. More generally, the headers in Item 4 of Form 81-106A could be interpreted as implying that performance issues arise from unmet investment objectives, potentially leading to unwarranted legal claims against IFMs from investors alleging non-compliance with a fund’s stated investment objectives and strategies, even if the information provided is accurate and compliant with a fund’s investment objectives and strategies.

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In addition, the proposed ESG-specific disclosure requirements lack alignment with existing ESG guidance and introduces unnecessary complexity. These requirements impose disproportionately detailed obligations on ESG funds compared to other fund types, such as cryptocurrency funds, which are not held to similar standards. The examples provided in the Proposed Form 81-106A under Items 2(a)-(e) lack balance and clarity. There is only one example for non-ESG funds, compared to four for ESG funds.

In addition, requiring ESG-related funds to use quantitative metrics introduces further challenges. Not all funds, including ESG funds, have key quantitative metrics. Using quantitative metrics selected by IFMs to assess whether the investment fund has satisfied the stated ESG-related aspects of the investment objectives and strategies does not help with comparability, as there is no standardized framework. This approach risks confusing investors who may struggle to compare ESG funds effectively.

A better alternative would be to simplify the ESG-specific instructions to align with the general disclosure principles applicable to all funds and refer to the existing regulatory guidance, thereby avoiding overly prescriptive instructions in the Fund Report.

If, despite the above concerns, the CSA adopts Form 81-106A as proposed, the IIAC recommends that the header for the second column of the chart at Item 4 be revised to “Results of Operations Over the Last 12 Months”. Similarly, we recommend that the header for the third column be revised to “Recent Developments” in order to avoid confusion.

**Question 8: Classes/Series of Performance Information.** The Proposed Form 81-106A includes a requirement that performance information be disclosed in respect of the class or series of the investment fund with the highest management fee, and any other class or series for which performance would vary based on a characteristic besides management fees (see proposed Item 7 of Part A). This varies from the Current Form 81-106F1, which requires that performance information for all classes or series be provided (see Item 4 of Part B of the Current Form 81-106F1). We are of the view that the proposed requirements for presenting performance information will generally reduce the number of classes or series for which performance information will need to be provided in a Fund Report. We are also of the view that this will have the effect of making the Performance section of the Fund Report easier to navigate for an investor, while presenting the most essential performance information for an investor to be aware of (i.e. the class or series of the investment fund with the highest management fee, and any other class or series for which performance would vary based on a characteristic besides management fees).

- (a) Please comment on whether this proposed approach for determining which classes or series of an investment fund for which performance information should be provided, meets investor needs for a Fund Report that is easy to navigate but which also contains sufficient information for an investor to make decisions. If not, please describe an alternative approach in detail that would meet the same objectives. In particular, provide specific criteria that might be used to determine which class or series of performance information should be included.

#### **IIAC Response:**

We appreciate that the intention of this amendment is to reduce the amount of information that needs to be disclosed and make the fund report easier to navigate for clients. However, the highest management fee series may not be most representative of a fund’s performance or the widest held series. As such, reporting



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that information to investors could be misleading and is not particularly relevant to holders of another series. We recommend that the CSA consider the following alternatives:

- Disclosing a fee-based and trailer-based series (i.e. Series A); or
- Disclosing all series as is the current practice.

Ultimately, we are in support of establishing clear guidance on this issue to ensure that investors receive consistent and comparable information on a fund's performance.

- (b) Should the proposed requirements for which classes or series of performance information be provided, be modified to also require the disclosure of performance information for the class or series with the lowest management fee that is available for purchase by a retail investor? We are particularly interested in feedback on this issue given the increasing popularity of no-load classes or series and fee-based accounts.**

**IIAC Response:**

We do not believe it is necessary to require the disclosure of performance information for the class or series with the lowest management fee available for purchase by retail investors. Similar to our rationale relating to why the highest management fee series may not be the most representative, we believe the same logic applies to disclosure about the class or series with the lowest management fee. In addition, the TCR rules will provide investors with personalized cost information, which will be more pertinent to individual investors, as opposed to disclosure of the highest and lowest management fee.

- (c) For situations where a particular class or series of an investment fund has the highest management fee but no performance information that can be disclosed, please propose an alternative form of disclosure.**

**IIAC Response:** We have no comment.

- (d) Please comment on whether investment funds should be required to present performance information on their designated website for any class or series that does not have its performance information included in a Fund Report, together with a cross-reference to such information in the Fund Report. If yes, provide detailed comments on the challenges that an IFM would face in meeting this requirement.**

**IIAC Response:**

The IIAC does not support requiring IFMs to present performance information for additional series on their designated website with a cross-reference in the Fund Report. This approach merely shifts the burden from one format to another without reducing the overall workload. In addition, it fragments the information, requiring investors to consult multiple sources for performance data on different series of the same fund. We believe IFMs should have the option, not the obligation, to disclose performance for other series on their designated website.

**Question 9: Related Party Transactions. The Proposed Form 81-106A does not include a section requiring disclosure pertaining to related party transactions. Instead, a different requirement has been developed and added as an appendix (to be prepared by the IFM) to the annual report to**

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securityholders that an investment fund's IRC must prepare pursuant to section 4.4 of NI 81-107. This contrasts with the Current Form 81-106F1 which includes a section entitled "Related Party Transactions" (see Item 2.5 of Part B of the Current Form 81-106F1). Please comment on whether this proposed approach to disclosure regarding related party transactions is an effective method of providing this information to investors while ensuring that the Fund Report contains the appropriate amount of information and is easy to navigate.

**IIAC Response:**

We support the exemption from certain statutory requirements, including subsection 117 of the *Securities Act* (Ontario). However, we do not agree with moving the disclosure of related party transactions to a separate annex. Instead, we recommend incorporating this disclosure into the financial statements, where it is already largely addressed under IFRS. IFRS requires substantive related party transactions to be disclosed and made publicly available in the financial statements, rendering duplication in another document unnecessary. Repeating this information does not meaningfully reduce regulatory burden and is unlikely to provide additional useful information to investors. Furthermore, related party transactions are not typically a high-priority concern for readers of the MRFP.

We note that Proposed Form 81-106A introduces a new requirement to disclose inter-fund trades. The proposed requirement appears to be more onerous than current practices and it is unclear how this additional disclosure is relevant or beneficial to investors, given that NI 81-107 and the independent review committee framework already governs such trades and imposes a robust compliance standard.

**Question 10: Liquidity. Investment fund liquidity risk management is an area of increasing regulatory focus. We are of the view that investors should have access to in-depth yet understandable disclosure regarding the liquidity of the investments held in the investment portfolio of their investment fund. For this reason, the Proposed Form 81-106A includes a Liquidity Profile section (see Item 11 of Part A of the Proposed Form 81-106A). The Current Form 81-106F1 does not contain a comparable requirement. Please comment on whether the disclosure proposed for the Liquidity section of the Fund Report is understandable to investors and contains the appropriate amount of information for them. If not, please describe in detail an alternative approach.**

**IIAC Response:**

The proposed Liquidity Profile section introduces a disclosure requirement that may be challenging to prepare and of limited practical use to investors. Obtaining the detailed liquidity information outlined in the Proposed Form 81-106A is complex and risks being misleading or misstated, depending on the practical liquidity constraints in a market. Additionally, liquidity information reflects a specific point in time that may quickly change, rendering the disclosure inaccurate by the time the report is filed. This adds unnecessary complexity and workload without providing meaningful benefits to investors. This concern is particularly relevant for ETF investors, who typically assess liquidity based on the ability to trade in the secondary market, making the proposed disclosure largely irrelevant in the ETF context.

It is important to differentiate between regulatory-focused disclosures and those intended for investors. The current proposal seems to conflate these purposes, resulting in overly detailed disclosures that may not align with what investors need or care about. We recommend that this disclosure requirement be deleted from Form 81-106A.

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**Question 11: Scholarship Plan MER.** The Proposed Form 81-106A requires that a scholarship plan provide its MER, and where applicable, its MER without waivers and absorptions (see Item 6 of Part A of the Proposed Form 81-106A). In contrast, the Current Form 81-106F1 does not require that a scholarship plan provide such information (see Item 3.2 of Part B of the Current Form 81-106F1).

- (a) Please comment on whether an investor in a scholarship plan would find this information less useful than an investor in another type of investment fund. If yes, please provide a detailed explanation.

**IIAC Response:** No comment.

- (b) Please comment on whether scholarship plans will experience any unique challenges in preparing this information for a Fund Report. If so, describe the challenges in detail and explain whether there are any ways through which scholarship plans can address those challenges.

**IIAC Response:** No comment.

**Question 12: Other Material Information.** The Proposed Form 81-106A includes a section entitled “Other Material Information” (see Item 13 of Part B of the Proposed Form 81-106A). A similar section is also present in the Current Form 81-106F1 (see Item 6 of Part B of the Current Form 81-106F1). Please comment on whether there are alternative methods for presenting the information that might currently be placed in this section. When responding, please consider not only the disclosure requirements of the section itself but also any places in the Proposed Form 81-106A where cross-references to the Other Material Information section are a possibility (e.g. the Forward Looking Information section for supplementary disclosure an investment fund wishes to provide, and the Costs section for information on MER without waivers and absorptions – see Items 3 and 6, respectively, of Part A of the Proposed Form 81-106A).

**IIAC Response:**

We do not view the proposed use of this section as being investor friendly. Cross-references require investors to flip between sections, which creates unnecessary complexity when information could be grouped within the relevant sections. For example, forward-looking information and costs should be presented directly in their respective sections rather than deferred here.

Additionally, we suggest renaming “Other Material Information” to something like “Disclaimers” or “Additional Information” to better reflect its intended purpose. Further, the open-ended nature of the description raises concerns about potential exposure. Labeling the section “material information” creates a risk that something inadvertently excluded, either because it was not initially identified as material or due to oversight, could expose investment fund managers to liability for negligence. The IIAC submits that this section should be reserved for information that does not logically fit into any other prescribed section.

**Question 13: Designated Website Disclosure.** Under subsection 16.1.2(1) of NI 81-106, an investment fund must designate one qualifying website on which the fund intends to post disclosure as required by securities legislation. Please comment on whether any disclosure from the Fund Report should be removed and, instead, replaced with a requirement to place that disclosure on the designated website of an investment fund. If yes, please provide details regarding any challenges that an IFM might face

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**with respect to such placement and comment on whether such disclosure should be subject to a separate filing requirement.**

**IIAC Response:**

As the Fund Report is a continuous disclosure document, we anticipate that it will be required to be available on the investment fund's designated website under the delivery requirement consultation expected next year. The IIAC believes onus should not be on investors to actively search for this information online. Instead, the full Fund Report should remain accessible in its current format, with the option to include a cross-reference in the report directing investors to where it can be found on the designated website. Moving disclosures exclusively to the website could risk reducing accessibility and usability for investors.

**Question 14: Cross-References to Designated Website. The Proposed Form 81-106A includes several cross references to information that may be available on the designated website of an investment fund (see Item 5 of Part A of the Proposed Form 81-106A which references Quarterly Portfolio Disclosure, and Item 7 of Part A of the Proposed Form 81-106A which references performance information where it is available). Please comment on whether any other information that is, or may be, disclosed on the designated website of an investment fund, should also be cross-referenced in the Fund Report.**

**IIAC Response:**

As discussed in our response to question 8(d), the IIAC supports providing investment funds with the option, but not the obligation, to disclose performance for other series on their designated website. If this information is hosted on the website, a cross-reference in the Fund Report would be appropriate to guide investors. However, the IIAC emphasizes the Fund Report should avoid excessive cross-references that direct readers to various web pages, as this risks creating confusion and is not investor friendly. Cross-references should be used selectively, enabling firms to highlight specific, easily maintained website content when it adds value to investors.

**Question 15: Modifications for Specific Investment Funds. The Proposed Form 81-106A has been prepared in such a way that it will be applicable to all types of reporting issuer investment funds, with modifications for scholarship plans where appropriate (see Item 9 of Part A of Form 81-106F1). This mirrors the approach taken in the Current Form 81-106F1. Please comment on whether any additional modifications to the Proposed Form 81-106A are required for certain types of investment funds. We are particularly interested in types of investment funds that are less commonly held than conventional mutual funds and ETFs. Identify specific situations where additional instructions would be beneficial, as well as sample instruction language. Please also comment on whether any proposals would create concerns around maintaining a Fund Report that is easy to read and understand, as well as easy to use in making decisions.**

**IIAC Response:** No comment.

**Question 16: Additional Suggestions. Please comment on whether the content and format of the Fund Report can be further enhanced to support the needs of investors and other stakeholders, to the extent such comments have not already been provided as part of responses to earlier questions. Please support any comments with reference to findings in the Investor Testing Report or other applicable research. Where other research is referenced, please provide citations.**

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## IIAC Response:

The proposed content related to an IFM's assessment of a fund's success in achieving its investment objectives is problematic. Requiring an IFM to make a subjective assessment is inherently risky and could expose an IFM to potential liability when completing this section. As mentioned in our response to Question 7, these headers could be interpreted as implying that performance issues arise from unmet investment objectives even if the information provided is accurate and compliant with a fund's stated objectives and strategies. Additionally, equating the satisfaction of investment objectives and investment strategies with changes in net asset values, as shown in the mock-up, is misleading. A decrease in NAV does not necessarily reflect failure to meet investment objectives or adhere to investment strategies, as market conditions may require holding instruments that decline in value temporarily. This could expose funds to unnecessary legal claims, as the suggested headers imply that factors impacting performance are tied to the non-satisfaction of investment objectives, which could be interpreted as mismanagement. External factors may prevent a fund from achieving its objectives over the short term without indicating any failure by the IFM.

**Question 17: Investor Education. The CSA wants to ensure that investors understand why the MRFP is being replaced with the Fund Report. The CSA also wants to ensure that investors understand the new features and content within the document. Several avenues are being considered to achieve these aims, including a digital campaign and an annotated Fund Report.**

- (a) Please comment on whether these types of educational tools would be sufficient to support investor understanding of the Fund Report. If not, please provide detailed suggestions regarding additional measures that the CSA should consider.**
- (b) Please comment on how IFMs and investment fund dealers can play a role in supporting efforts to help investors understand the Fund Report. Please also comment on how the CSA can facilitate IFM and dealer efforts in this regard.**

## IIAC Response:

We support the CSA's suggestion to have an annotated Fund Report and a digital campaign.

We recommend the CSA consider removing general information from the Fund Report itself in order to shorten the Fund Report. This general information could instead be included in the annotated Fund Report or a separate educational resource. For example, the CSA could create an explanatory document (following stakeholder feedback) with the "Did you know..." sections to provide consistent educational content for investors. This approach would centralize messaging, thereby ensuring uniformity while minimizing costs for the industry. The explanatory content could be placed at the back of the Fund Report or provided via a link, allowing for easy access without increasing the document's length.

For stakeholders who prefer to customize their communications, the CSA could allow flexibility by permitting them to use their own wording, provided it aligns with the core messaging.

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### **Workstream Two - Conflicts**

**Question 18: Additional Disclosure Elements.** The Proposed Form 81-107A will serve as a new, standardized form to be used for the filing of related party transaction reports under subsections 6.2(2), 6.3(3) and 6.4(2) of NI 81-107. The types of transactions to which the Proposed Form 81-107A applies, include purchases by an investment fund but not transactions where the investment fund took part in the sale of securities. Please comment on whether any stakeholders would be disadvantaged by sale information being left out of the Proposed Form 81-107A. If any stakeholders are identified, please provide details on how they would use the sale information, if provided.

**IIAC Response:** No comment.

### **Workstream Three - Financial Statements**

**Question 19: Stakeholders that would Benefit from Maintaining Disclosure.** As part of the Proposed Amendments for this Workstream, we are proposing to eliminate certain class- or series-level disclosure requirements under Part 3 of NI 81-106 that are not required by IFRS. Please comment on whether any stakeholders would benefit from these disclosure requirements remaining in place. If any stakeholders are identified, please provide details on how they currently use such information and comment on whether any alternative sources of information are available.

**IIAC Response:**

We believe that eliminating certain class- or series-level disclosure requirements which are not mandated by IFRS is a positive step. These disclosures often fail to provide meaningful insights into key areas of investor interest. Streamlining these requirements promotes burden reduction, as it simplifies the preparation process and minimizes auditing efforts. Additionally, by removing unnecessary disclosures, the overall length of the document can be significantly reduced.

### **Additional Initiative - Implementation of Fund Expense Ratio into Fund Facts and ETF Facts**

**Question 20: Timing Considerations.** The Proposed Amendments implement the FER into the Fund Facts and ETF Facts, namely the “Quick facts” and the “How much does it cost?” sections of those documents. Please comment on whether there are any timing issues that should be considered with respect to the implementation of these Proposed Amendments, given that the TCR Project amendments are expected to come into effect on January 1, 2026, subject to certain transition periods. When commenting, please consider that the effective date of the amendments and changes being proposed as part of this initiative have not yet been finalized.

**IIAC Response:**

The Proposed Amendments relating to the implementation of the FER into the Fund Facts and ETF Facts documents should, at a minimum, align with the effective date of the TCR project amendments to ensure consistency and streamline the transition process. However, the CSA should allow for optional early adoption, as many industry participants already disclose the MER and TER in Fund Facts and ETF Facts. For those who are prepared, transitioning to FER disclosure would primarily involve a wording adjustment. That said, it is important to recognize that, for some stakeholders, implementing FER disclosure may



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involve technical challenges, such as coding updates and system modifications. Providing sufficient lead time for these adjustments will be essential to ensure a smooth transition without undue operational burden.

Thank you for the opportunity to share our insights. We would be pleased to discuss anything in our submission in greater detail at your convenience.

Sincerely,

**THE INVESTMENT INDUSTRY ASSOCIATION OF CANADA (IIAC)**

cc: Laura Paglia, President & Chief Executive Officer, [lpaglia@iiac.ca](mailto:lpaglia@iiac.ca)