



THE INVESTMENT  
FUNDS INSTITUTE  
OF CANADA

L'INSTITUT DES FONDS  
D'INVESTISSEMENT  
DU CANADA

# IFIC Submission

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

April 27, 2022





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Delivered By Email: [consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca), [comments@osc.gov.on.ca](mailto:comments@osc.gov.on.ca)

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

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

Dear Sirs and Mesdames:

**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**

The Investment Funds Institute of Canada (**IFIC**) appreciates the opportunity to comment on *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 (Consultation)*

IFIC is the voice of Canada's investment funds industry. IFIC brings together approximately 150 organizations, including fund managers, distributors and industry service organizations, to foster a strong, stable investment sector where investors can realize their financial goals. IFIC operates on a governance framework that gathers member input through working committees. The recommendations of the working committees are submitted to the IFIC Board or board-level committees for direction and approval. This process results in a submission that reflects the input and direction of a broad range of IFIC members.

IFIC welcomes initiatives to reduce regulatory burden and commends the CSA for the Consultation. However, we are concerned with the proposed requirement to file an amended and restated prospectus each time an amendment is made, instead of the current options to either file a stand-alone amendment or to file an amended and restated prospectus. IFIC does not believe removing this flexibility would improve the investor experience. Removing this flexibility would unduly restrict the options fund managers currently have without commensurate benefit to investors. We strongly recommend that the current options be retained.

Below please find our responses to the questions contained in the Consultation.

**1. Would the Lapse Date Extension result in reducing unnecessary regulatory burden of the current prospectus filing requirements under securities legislation? Please identify the cost savings on an itemized basis and provide data to support your views.**

As discussed in more detail in the response to question 4 below, our members would prefer that the proposed requirement to file an amended and restated prospectus for each amendment not be mandatory, but should instead be one option for filing an amendment, while retaining the current option to alternatively file a stand-alone amendment. While there will be burden reduction by reducing the requirement to prepare and file a prospectus from the current requirement to do so every 12 months to doing so every 24 months, burden reduction will best be achieved if investment fund managers also have the option of either filing a stand-alone amendment or filing an amended and restated prospectus.

**2. Would cost savings from the Lapse Date Extension be passed on to investors so they would benefit from lower fund expenses as a result? Please provide an estimate of the potential benefit to investors.**

If the proposed requirement to file an amended and restated prospectus for every amendment is changed to permit the use of either a stand-alone amendment or an amended and restated prospectus, there may be cost savings that could be passed on to investors in certain circumstances. However, while lower fund expenses are an important factor, cost savings to investors should not be the only reason to adopt burden reduction initiatives. One of the main advantages to this proposed burden reduction initiative would be the ability to reallocate investment fund managers' staff time to matters of more added value to their businesses and their investors.

**3. Would the Lapse Date Extension affect the currency or accuracy of the information available to investors to make an informed investment decision? Please identify any adverse impacts the Lapse Date Extension may have on the disclosure investors need to make informed investment decisions.**

IFIC does not believe that the Lapse Date Extension will affect the currency or accuracy of the information available to investors to make an informed investment decision. We note that:

1. Any material changes must be addressed through an amendment during the interim period;
2. Interim and annual financial statements will still be filed on a semi-annual and annual basis;
3. Management reports of fund performance will still be filed semi-annually and annually; and
4. Fund Facts and ETF Facts will be updated annually, or more often if required.

**4. Prospectus amendments would increase over a 2-year period relative to a 1-year period. Would requiring every prospectus amendment to be filed as an amended and restated prospectus instead of “slip sheet” amendments make it easier for investors to trace through how disclosure pertaining to a particular fund has been modified since the most recently filed prospectus? In the initial stakeholder feedback received on the Project RID amendments, some commenters indicated that such a requirement would be difficult and increase the regulatory burden for investment funds. Please explain and identify any cost implications on an itemized basis and provide data to support your views.**

IFIC recommends that the proposal permit fund managers to file a prospectus amendment either as an amended and restated prospectus or as a stand-alone amendment, as is currently the case, for several reasons:

1. Current prospectuses are very lengthy documents, often in the hundreds of pages<sup>1</sup>. To amend and restate a prospectus each time an amendment is made would increase the time and cost of preparing an amendment, particularly where an amendment affects a significant number of funds and/or fund series or classes offered<sup>2</sup>. Maintaining the current flexibility allows firms to determine whether to prepare a stand-alone amendment or an amended and restated prospectus, depending upon a variety of circumstances. There are also translation and AODA costs associated with each document that is prepared, which would be expected to increase if each amendment must be filed as an amended and restated document.
2. Because blacklined versions of documents are not filed publicly on SEDAR, requiring each amendment to be filed as an amended and restated prospectus actually decreases, rather than increases, the ability of investors to understand what has been amended. Even a blacklined version would result in a search for the relevant change(s), which can be difficult within a lengthy document. Stand-alone amendments provide clarity about what is being amended. Further, SEDAR reflects the filing of an amended and restated prospectus as effecting changes to every fund included in the prospectus, not just the fund(s) to which the amendment relates; this also makes it less clear to investors what has been changed.

If there are regulatory concerns about the comprehensibility of one or more stand-alone amendments, then rather than eliminate their potential use a preferable approach would be to require appropriate changes to stand-alone amendments.

3. A number of our members are concerned that filing an amended and restated prospectus could, either by law because of the language of the certificate and/ or by internal practice, require reviewing and updating all information in the amended and restated prospectus to the date of the certificate. The cost and time involved in updating all the information in the amended and restated prospectus, including the costs and time of internal staff and external service providers, would be significant. For example, prospectuses are often reviewed by members of a manager’s legal, product and/or portfolio management, tax, and fund administration teams, among others. A mandatory requirement to reflect each material change through an amended and restated prospectus will not reduce burden, either in terms of the time required to produce compliant documents or the cost involved with each filing. The option to file a stand-alone amendment for many material changes is clearly preferable.

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<sup>1</sup> This is prior to the recent amendments that will combine the simplified prospectus and annual information form into one document, which, in many cases, will be lengthier than the current simplified prospectus.

<sup>2</sup> For example, if all funds included in one prospectus do not provide for hedging, and the fund manager wants to amend the prospectus to permit all funds to engage in hedging, in a stand-alone amendment all funds could be named in the stand-alone document which would then amend the disclosure for each fund by one statement that all funds are now permitted to engage in hedging. In an amended and restated prospectus, each fund description would need to be amended separately to permit hedging.

4. Often the need to prepare and file an amendment to reflect a material change arises quickly and time can be of the essence. A stand-alone amendment can be prepared, approved and filed in a timely manner, while an amended and restated simplified prospectus or long form prospectus may take longer.
5. We assume the fee to file an amended and restated prospectus will be the same as currently and will be only in respect of the fund(s) that are the subject of the amendment; otherwise the cost will increase significantly.

IFIC believes that requiring an amended and restated prospectus instead of maintaining the option to file a stand-alone amendment does not practically improve the sources of information for investment fund investors. Investors receive their information from primarily two sources:

1. Investment fund clients are, predominantly, advised clients<sup>3</sup>, who look to their advisors for information and advice regarding their investments.
2. The Fund Facts and ETF Facts documents are the disclosure documents provided to investors at the time of investment and contain key information related to their proposed investment. Retail investors do not typically look to the longer disclosure documents, such as the simplified prospectus, the annual information form or the long form prospectus, for their investment information. Therefore, there is no practical benefit to retail investors in requiring fund managers to file longer amended and restated prospectuses in lieu of shorter stand-alone amendments. Further, as noted above, since blacklined documents cannot be publicly filed on SEDAR, the filing of amended and restated prospectuses would reduce the transparency to investors of the changes being made, not improve it

We acknowledge that, for investors or other readers of the long disclosure documents (including regulators), the current SEDAR system is not designed to easily facilitate the understanding of stand-alone amendments as it is not always clear to which fund(s) an amendment relates, unless the link is opened. We suggest that in connection with the SEDAR+ project, SEDAR be upgraded so that search results will better link a stand-alone amendment with the fund(s) to which it relates.

## **CONSULTATION PAPER ON A BASE SHELF PROSPECTUS FILING MODEL FOR INVESTMENT FUNDS IN CONTINUOUS DISTRIBUTION**

IFIC acknowledges the work the CSA has begun to consider a further burden reduction model for investment funds in continuous distribution. Our members support creative opportunities to streamline the regulatory regime that will permit them to be more agile. However, at this time, our members are actively working to prepare the new combined simplified prospectus and annual information form, and in addition have concerns about some of the proposed requirements relating to the Lapse Date Extension, as discussed above. Our members have indicated they would prefer to take the time required to familiarize themselves with the new combined disclosure document and to finalize their considerations and planning relating the Lapse Date Extension before devoting significant attention to this proposal.

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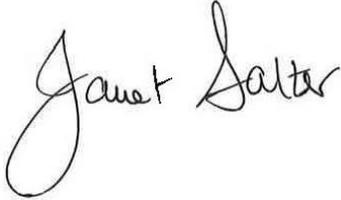
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<sup>3</sup> According to the 2021 Pollara survey, 80% of mutual fund investors report buying their last mutual funds from someone who provided advice and guidance. [https://www.ific.ca/wp-content/themes/ific-new/util/downloads\\_new.php?id=26660&lang=en\\_CA](https://www.ific.ca/wp-content/themes/ific-new/util/downloads_new.php?id=26660&lang=en_CA)

IFIC appreciates this opportunity to provide our input to the CSA on this important initiative. We would be pleased to provide further information or answer any questions you may have. Please feel free to contact me by email at [jsalter@ific.ca](mailto:jsalter@ific.ca) by phone 416-309-2328.

Yours sincerely,

THE INVESTMENT FUNDS INSTITUTE OF CANADA

A handwritten signature in black ink that reads "Janet Salter". The signature is written in a cursive style with a large, looping initial "J".

By: Janet Salter  
Senior Policy Advisor