



**VIA E-MAIL:** comments@osc.gov.on.ca

December 20, 2024

The Secretary  
Ontario Securities Commission  
20 Queen Street West, 22nd Floor  
Toronto Ontario M5H 3S8

**Re: OSC Notice 11-799 – Statement of Priorities – Request for Comments Regarding Statement of Priorities for Fiscal Year 2025-2026**

The Portfolio Management Association of Canada (**PMAC**) is pleased to have the opportunity to submit the following comments regarding OSC Notice 11-799 – *Statement of Priorities – Request for Comments Regarding Statement of Priorities for Fiscal Year 2025-2026 (SoP)*.

PMAC represents over [330 investment management firms](#) registered to do business with members of the Canadian Securities Administrators (**CSA**) as portfolio managers (**PMs**). In addition to this primary registration, the majority of our members are also registered as investment fund managers (**IFMs**) and/or exempt market dealers (**EMDs**). PMAC's members encompass both large and small firms managing total assets in excess of \$4 trillion for institutional and private client portfolios.

**GENERAL COMMENTS**

PMAC is supportive of the Ontario Securities Commission's (**OSC**) key priorities set out in the SoP, as well as the work plans supporting those goals. Any changes made by the OSC – be they regulatory or technical in nature – should be evidence-based and tested to ensure that the change is of benefit to investors and Ontario's capital markets. We strongly believe that principles-based regulation is appropriate regulation. Deviating from principles-based regulation, which is scalable and adaptable to different firms' business models and operations, increases regulatory burden and costs for registrants and diminishes competition. Principles-based regulation will best achieve the OSC's mandate to foster fair, efficient and competitive capital markets, confidence in capital markets, and capital formation.

We are pleased to have the opportunity to provide the following feedback on certain aspects of the OSC's priorities of specific importance to PMAC's members:

### **1. Delegation of registration functions to CIRO**

With respect to the decision to delegate additional registration functions to CIRO, it is imperative that the standards remain as high as they are under the OSC's current registration process. Registration is the primary avenue for the provincial securities regulators to exercise their gatekeeper function. Rigorous reviews of candidates' integrity, proficiency and solvency are a cornerstone of investor protection. OSC staff has the knowledge, expertise and experience to properly conduct these reviews, and we do not see a policy reason to make a change. Moreover, delegating firm and individual registrations for mutual fund dealer members would deviate from the practice in other CSA jurisdictions and would not be harmonized. Any delegation of registration responsibilities must be subject to robust supervision by the OSC. As is detailed below, we are of the view that no additional delegation should be considered.

We believe all fiduciary asset management should be directly regulated by the CSA, consistent with international practices. The CSA should strengthen its oversight of any discretionary asset management supervision under CIRO, and have the authority to audit discretionary activity, similar to the U.S. Securities and Exchange Commission (**SEC**) model, where all fiduciary management is subject to the *Advisers Act*.<sup>1</sup>

### **2. Registration and Relevant Investment Management Experience (RIME)**

We are pleased that the CSA's Registration working group has requested a meeting with PMAC and some of its members to better understand the skills and experience they believe are relevant to the Advising Representative (**AR**) roles within their businesses. We hope that this dialogue will result in a more flexible interpretation of the RIME requirement and will allow these businesses to hire individuals with the appropriate expertise in a more seamless manner.

Although the timelines for new registration applications (or registration in a new category) seem to have improved in the past year, our members remain concerned with the time it takes to process these applications. Delays with registration of new firms has a tangible negative impact on the diversity, competitiveness, and quality of our capital markets. Consumers have less choice and new firms incur costs hiring staff without being able to commence operations. Registration delays at the OSC impact firms throughout Canada if they want to be registered in Ontario.

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<sup>1</sup> *Investment Advisers Act of 1940*, 15 U.S.C. §§ 80b-1–88b-21

### **3. Prioritize regulatory burden reduction**

We are pleased that “dynamically right-sizing” regulation is a priority for 2024-25 and beyond. PMAC supports efforts to reduce regulatory burden, provided that investor protection continues to be the focus. We agree that the regulatory environment should be “current, relevant, and easy to navigate.” The OSC should apply a small business lens to review the impact of additional regulation and guidance on businesses and on competition in the marketplace, including barriers to new entrants. In particular, regulation should be principles-based and adaptable to different business sizes, models and client types. It should also be risk-based, so that resources are directed at high-priority registrants and issues, and registrants in good standing are not forced to jump through unnecessary hoops to meet prescriptive requirements that are not relevant to their business or client types.

Some examples of burden reduction initiatives we believe the OSC should focus on are:

#### **a. Exempt institutional clients from Total Cost Reporting (TCR)**

PMAC and our members are actively participating in industry initiatives to move the TCR project forward, including on the CSA TCR Implementation committee.

We remain of the view that certain institutional clients that do not qualify as permitted clients should be excluded from TCR and treated as permitted clients for the purposes of this initiative. Exemptive relief should be provided as blanket relief, to avoid the added burden for firms to individually apply and pay the fees for this relief. Institutional clients have unique reporting requirements that are different from individual investors, and this reporting may or may not include TCR. An exemption is warranted for these types of sophisticated investors, which can negotiate their own terms; providing an exemption would balance the regulatory burden in a way that is consistent with the CSA’s policy rationale for implementing TCR. We look forward to further discussions with Staff on this issue.

#### **b. Review Long form Prospectus**

We also recommend that the CSA conduct a review of the NI 41-101 *General Prospectus Requirements* long form prospectus disclosure requirements for investment funds. The information in the prospectus is repetitive (similar information is included on the cover page, in the summary and then in the body of the prospectus). It would be preferable to present the disclosure in the body of the prospectus only so that the same disclosure isn’t repeated several times in the prospectus. This would reduce regulatory burden and provide more streamlined disclosure to investors.

### **c. Review NI 45-106 filings**

Our members question the need to file reports of exempt distributions within 10 calendar days following the date of the distribution under NI 45-106 *Prospectus Exemptions* for exempt distributions that are not investment funds. This requirement represents a significant burden, especially to smaller issuers. It is not clear to us how the information is being used and whether these frequent filings are truly necessary. Members have indicated that the timeframe is difficult to meet, given that the products are often illiquid, and pricing may not be available until several days following the distribution. This only leaves a very short period of time to compile the information and complete the filing, especially if there is a statutory holiday that falls within the period. A longer filing period such as an annual filing would make a significant impact.

#### **Other matters**

##### **Talent acquisition and retention strategy**

We are pleased to see that the OSC has included a “flexible talent strategy” as a “critical enabler of its strategy execution”. We agree that the OSC’s talent strategy should focus on attracting and retaining individuals with the required expertise to achieve the key priorities. In our view, this includes individuals with direct industry experience.

##### **Focus on technology enhancements**

We are pleased to see that the SoP emphasizes the importance of technology improvements for the OSC to keep pace with changes in the industry. Not only are technological enhancements essential to stay ahead of potential wrong-doers, but these also have the potential to reduce operational friction and reduce regulatory burden for registrants.

We remain of the view that systems improvements could reduce user friction, confusion, and unnecessary frustration, especially as it relates to NRD and SEDAR+ filings, which continue to be cumbersome to our members. Recent substantial increases in fees for these systems represents a significant burden.

##### **Advance dialogue with industry on Liquidity Risk Management (LRM)**

We note that LRM practices are not mentioned in the SoP. Most PMAC members are following the guidance issued in CSA Staff Notice 81-333 – *Guidance on Effective Liquidity Risk Management for Investment Funds*. While considering the recent International Organization of Securities Commissions (**IOSCO**) recommendations and prior SEC proposals, we believe that any regulation in this area must be principles-based and tailored to the Canadian market. In order for LRM strategies to be practical and effective, they must not impose significant additional burden on registrants, in particular where there is no evidence that LRM problems exist.

## **PMAC FEEDBACK ON THE SoP**

Informed by feedback from our members, we have set out our comments below using the order of topics covered in the SoP.

### **1. Quickly Deliver Effective Regulatory Actions in Anticipation of Emerging Trends**

We agree with the OSC's emphasis on emerging issues and proactive engagement. In a fast-paced and evolving market, it is important for the OSC to have the information and resources necessary to act quickly and proportionately to address new developments.

#### **1.1. Enhance horizon-scanning and research**

We agree with the OSC prioritizing research to monitor and react quickly to emerging trends. We believe that artificial intelligence (**AI**) has the potential to significantly disrupt the industry, and represents both a risk and an opportunity. It is imperative that the OSC gain a deep understanding of AI and have the capability to analyze and use it where appropriate.

#### **1.2. Enhance stakeholder engagement**

We agree with the OSC's emphasis on stakeholder engagement. We urge the OSC to consult with industry participants before making significant regulatory changes. When substantial changes are contemplated, market participants must have the opportunity to comment, and comment periods of 90 days (and sometimes longer) are necessary to allow for comprehensive consultation, consideration and comment. It would be preferable if projects could be planned and scheduled to avoid multiple overlapping consultations – this will allow stakeholders to provide more comprehensive and substantive comments on various proposals.

Recently, OSC and CSA Staff have issued guidance on a number of matters, which is treated as akin to regulation. For example, during recent reviews of environmental, social and governance (**ESG**)-related disclosure by fund managers, the guidance in CSA Staff Notice 81-334 *ESG-Related Investment Fund Disclosure* was interpreted in a way that appeared to expand on existing regulatory standards, with serious consequences for fund managers (including being placed on the public Refilings & Errors List). The implementation of significant regulatory changes and expectations should be done by way of the rule making process, to allow for proper consultation with industry participants. We are concerned that significant changes in interpretation of regulation are being conducted via staff notice rather than rule changes.

When regulatory changes are proposed, ample implementation timeframes should be provided in order for firms to adapt their systems, policies, procedures and training.

### **1.3. Implement a cross-disciplinary approach to emerging trends**

We agree that Staff within the various divisions at the OSC should work collaboratively in order to bring a range of skills and experience to the issues. Where necessary, external expertise and stakeholders should be engaged to ensure that any new regulation or guidance is proportionate and responsive to actual problems or issues.

As noted above, we agree that the OSC must be prepared to innovate and modernize regulation in response to AI. The OSC should be testing AI internally and with external partners to better understand its functionality and capabilities. As with other industries, AI may prove valuable to the OSC in meeting its regulatory and enforcement responsibilities. In order to properly oversee its use in the industry, OSC staff must be informed and experienced with its use.

### **1.4. Focus of crypto asset trading platforms (CTPs)**

Confidence in Ontario's capital markets requires strengthened oversight, greater clarity and deeper knowledge and investor education with respect to the crypto asset sector. We agree that the OSC should work with CIRO on the registration of CTPs to ensure that registration standards remain high, and that these firms are in full on-going compliance with regulatory requirements.

### **1.5. Continue role on the International Organization of Securities Commissions' (IOSCO) sustainable taskforce steering group**

We applaud the OSC's active leadership and engagement in ISOCO's Sustainable Finance Taskforce. It is important for the OSC to continue to monitor international developments, and to harmonize its approach to the extent possible, while maintaining a principles-based approach.

We agree that the OSC must be active and responsive to the growing interest in **ESG** investing, in Canada and internationally. While we fully support the work that the OSC is doing in this regard, due to the evolving nature of ESG standards globally, any changes to the regulatory landscape can represent a significant burden for issuers. As noted above, we encourage the OSC to provide additional opportunities for stakeholder dialogue and consultation, and to allow ample time for public consultation on any ESG-related initiatives, including proposed regulation and guidance, and long implementation timelines.

## **2. Enhance the Experience of Individual Investors**

We agree that not all investors face the same issues and that different investor segments should be treated differently. In particular, sophisticated individual and institutional investors should not be treated the same as retail investors. As noted above, we believe that regulation should be principles-based, to allow firms to tailor their operations to their various business models and clients.

## **2.1. Advance opportunities for investors to obtain redress**

PMAC is cognizant of the importance of disgorgement as an avenue of redress for harmed investors, as an alternative to costly litigation. As we stated in [our submission](#) to the OSC's consultation on the disgorgement framework, the OSC should expand the notice of any claims process and ensure to the greatest extent possible that the administrative costs of any distribution are funded from sources other than the disgorged amounts.

PMAC is supportive of fair dispute resolution mechanisms and effective and trusted avenues for the redress of investor losses. As such, PMAC is supportive of the OSC's goal of continuing to engage with the CSA on strengthening the Ombudsman for Banking Services and Investments (**OBSI**) framework. As we stated in [our submission](#) to the CSA's consultation regarding the OBSI framework, PMAC believes that the power to make binding decisions requires clear methodologies with respect to the determination of settlement amounts, extensive in-house expertise to ensure that loss calculations and recommendations are fair and consistent, as well as additional procedural and administrative fairness measures. PMAC also believes that the OBSI framework should consider appropriate enhancements to the existing OBSI service offering, which could include voluntary mediation and voluntary binding arbitration.

## **2.2. Deepen understanding of individual investor challenges and opportunities**

We agree that regulatory resources should be directed at the most vulnerable investor segments, including seniors, young people and those with little investing experience. More experienced and sophisticated investors, whether individuals or institutions, may not require the same degree of investor protection, as they have the ability and the means to determine and achieve their needs. We also believe that the OSC can play an important role in emphasizing the importance of obtaining investment advice and in directing investors to registered entities to ensure that investors are obtaining advice that is tailored and appropriate for their particular circumstances.

## **2.3. Strengthen and evaluate educational and outreach programs**

PMAC strongly supports this priority. We encourage the OSC to work collaboratively with the Ministry of Education on the inclusion of financial literacy education in the Ontario school curriculum. The OSC should also consider other education distribution channels to align with how younger people access content (through social media, for example).

## **2.4. Assess OSC investor-facing processes to align with behavioural science**

PMAC believes that the continued application of behavioural research to improve the OSC's policymaking and programs will be of significant benefit to all capital markets stakeholders. We support the introduction of policy proposals that are evidence-based

and that reflect thoughtful consideration of research findings and investor perspectives. As an example, the CSA contracted with a behavioural insight consulting firm to advise on incorporating best practices for investment comprehension of financial disclosures related to a proposed redesign of the Management Report of Fund Performance (**MRFP**). We were pleased that in this case, the CSA published its research, and made efforts to tie the changes directly to research results. This level of transparency will improve stakeholders' confidence in proposed amendments and help to ensure that any proposed changes are proportionate and lead to desired outcomes.

## **2.5. Focus on quality of service obtained by investors and choices available to them**

PMAC supports the OSC's work on examining competition in the market and the choices available to investors. This includes concerns raised with respect to firms' product shelves. We look forward to reviewing the results of the OSC's work on this project. We also agree that registrant proficiency is an important priority, especially as it relates to conflicts of interest. We note that the SEC has emphasized broker-dealer distribution channels and related conflicts of interest in its [2025 examination priorities](#).

Our members have expressed concerns about the issue of PM fee negotiation raised in the Joint Canadian Securities Administrators / Canadian Investment Regulatory Organization – Staff Notice 31-363 Client Focused Reforms: *Review of Registrants' Conflicts of Interest Practices and Additional Guidance* (**COI Staff Notice**), which has the potential to reduce competition in the market. Similar to lawyers and other professionals, there are occasions where PMs negotiate fees for particular clients, depending on their circumstances. A prescriptive requirement to treat all clients the same despite individual circumstances, may result in all clients paying higher fees, and will not be commercially reasonable in all situations; our smaller PM members have indicated that an inability to negotiate fees with individual clients would undermine their ability to compete with larger full-service firms, and will impact the viability of their businesses.

In most instances when fees are negotiated, they result in lower fees for the client, and fees are not negotiated higher (for example, a fee that is reduced because a client may move to a firm that offers a lower fee, which is not necessarily in the client's best interest). As fiduciaries, our members are required to act in good faith and treat clients fairly. We encourage Staff to take a flexible and principles-based approach to the guidance with respect to the negotiation of fees. A prescriptive approach will reduce competition in the industry, contrary to the OSC's mandate.



## **2.6. Work with CIRO to clarify the ability of order execution only (OEO) firms to provide non-tailored advice**

We agree that “DIY” investors are at risk of investing on the basis of misinformation obtained from social media and other unregistered channels. The provision of non-tailored advice by OEO dealers, including educational information and self-help investing tools, may assist in reducing reliance on unregistered sources of information by DIY investors. We will review CIRO’s current consultation on this issue and consider providing comments.

We appreciate CIRO’s efforts “to ensure that such advice does not diminish the value of established, robust advisory channels, thereby preventing any potential confusion between the two.” While we firmly believe that investors should be informed about the value of obtaining tailored advice from registered individuals, we understand that not all investors can afford or want to work with a registered adviser.

We believe that any changes to allow OEO dealers to provide non-tailored advice should be based on empirical research and testing with investors, and examination of international precedent. Investor education and behavioural economic research should continue to be a primary focus for the OSC and CSA to diminish reliance on misinformation in the public sphere.

## **2.7. Consider whether and how to develop the long-term asset fund regime in Ontario**

PMAC was pleased to review the Ontario Long-Term Asset Fund (**OLTF**) proposal published this fall and intends to deliver comments in response. PMAC welcomes this consultation to explore the prospect of diversifying retail investor portfolios with assets that offer access to private market investments and liquidity over the long term.

As a preliminary point, PMAC strenuously believes that any OLTF regime be developed with investor protection as the primary focus. PMAC questions whether OLTFs could be appropriately structured to be suitable for retail investors investing through OEO channels, given the significant risks inherent in these kinds of investments.

The OSC should review the alternative mutual funds market and the prospectus exempt market to determine whether there are any lessons to be learned or changes that can be made to those regimes that would achieve the same goals as the OLTF consultation. The OSC should also consider how interval funds have performed in Canada, as those products also can offer access to private markets to retail investors.

### **3. Dynamically Right-Size Regulation Informed by Changing Needs, Risks, and Practices in Ontario and Globally**

As part of the OSC's mandate to foster fair, efficient and competitive capital markets and confidence in capital markets, and to foster capital formation, we encourage further focus on regulatory burden reduction. The OSC should apply a small business lens to review the impact of additional regulation and guidance on businesses and on competition in the marketplace, including barriers to new entrants. It is important that regulation remain principles-based and adaptable to different business sizes, models and client types.

In order to streamline compliance reviews and reduce regulatory burden, compliance review programs should be tailored to the specific type of business. Policies, procedures, business activities and client types vary greatly among different types of firms. For example, firms that focus on private (individual) clients will have different compliance requirements compared to firms with institutional clients or family offices. Review staff should also be trained on these differing business models, clients and their associated compliance requirements. PMAC would be pleased to facilitate this training if this would be of assistance.

The priorities described in the SoP do not refer to any specific initiatives aimed at reducing regulatory burden for small and mid-sized firms, or new entrants to the market, and do not reference specific desired investor protection outcomes to justify added burden.

#### **3.1. Leverage the pan-Canadian regulatory framework**

As noted above, registration is a key gatekeeper function and standards must not be diluted. We support the OSC's statement in the SoP that any functions delegated to CIRO will be subject to enhanced oversight. The OSC and CSA should also conduct oversight of CIRO's registration responsibilities and on-going registrant compliance review functions. There should be transparent public reporting with respect to this oversight activity, including details of what it includes.

We are aware that the [CSA has also announced](#) that it will study a delegation model similar to what the OSC has described as "Phase 1" in the SoP. However, we note that the CSA's model "may be restricted to **routine** applications of investment dealers and mutual fund dealers (firms and individuals) in **some jurisdictions**" [emphasis added]. Should some jurisdictions prefer not to delegate registration of the MFDA category, that function would no longer be harmonized, which we believe would be an undesirable outcome that could increase regulatory burden for the industry. It is not clear what further delegation is contemplated under "Phase 2" of the registration delegation project mentioned in the SoP and whether other CSA jurisdictions would consider the delegation of additional registration functions.

We strongly believe that the OSC and other CSA jurisdictions should have the power to review registration applications and refuse registration or impose terms and conditions where appropriate, and to impose terms and conditions, suspend or

terminate any firm or individual's registration or take other action necessary to protect investors and uphold securities laws, rules and regulations. In addition, we believe that the CSA should re-align its responsibilities with CIRO, such that the CSA would conduct compliance audits of all firms or individuals who exercise discretionary management over client accounts, regardless of their registration category, similar to the SEC model.

The CSA has stated that "portfolio managers, restricted portfolio managers, investment fund managers, exempt markets dealers, restricted dealers, and scholarship plan dealers (firms and individuals) would continue to be registered with, and be overseen by, their local securities regulator." We urge the OSC to similarly restrict this project, as contemplated by the CSA. PMAC has consistently advocated to maintain direct regulation of PMs, IFMs and EMDs by the CSA and to not delegate the regulation of these registrants (including registration) to CIRO, given the duplication that would result.<sup>2</sup> We cannot overstate the importance of this issue to our members – over 70% of which are registered as both PMs and IFMs.

PMAC supports additional cooperation and information sharing with the Canadian Public Accountability Board (**CPAB**) and the stated goals of protecting investors from the risk of improper financial reporting practices by public companies.

### **3.2. Advance access models for corporate finance and investment fund issuers**

Last year, PMAC [commented](#) on the CSA's *Notice and Request for Comment on Proposed Amendments and Proposed Changes to Implement an Access-Based Model for Investment Fund Reporting Issuers*. PMAC has long been in favour of an access-based delivery model. Our members raised some concerns with the proposal such as the need to build systems and technology to maintain standing instructions and/or deliver electronic documents to securityholders. This would add regulatory burden – we therefore recommended that the CSA allow investment fund reporting issuers the option of continuing to use the existing notification by mail,<sup>3</sup> and to provide a long transition period if new systems are required.

We emphasized that a true access-based model would be preferable and recommended that the CSA focus on educating investors with respect to the ability to access documents via the issuer's website and SEDAR+. PMAC supports moving to a true access-based system for investment fund reporting issuers, where notifications are not required, as recommended by the Ontario Capital Markets

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<sup>2</sup> PMAC submissions:

- [CSA Consultation Paper 25-404 – New Self-Regulatory Organization Framework](#)
- [CSA Consultation Paper 25-402 Consultation on the Self-Regulatory Organization Framework](#)
- [Canadian Capital Markets Modernization Taskforce \(CMMT\)](#)

<sup>3</sup> We noted that other notices are required to be provided by mail (such as the auto-switch notice and the redemption reminder), and questioned whether these documents would also be included in the proposed access model, which would be preferable to continuing to require that these be sent by mail.

Modernization Taskforce in its Final Report. We recommended that investor notification features be made available through SEDAR+.

### **3.3. Develop a revised climate-related disclosure rule for reporting issuers**

PMAC is pleased that the OSC is planning to develop a climate-related disclosure rule for reporting issuers and looks forward to reviewing the proposed rule when it is available for comment.

As PMAC commented this year on the [Federal Government's consultation into changes to the federal Competition Act](#), PMAC urges the CSA to work directly with the Competition Bureau when developing any proposed rule, to ensure harmonized standards between the securities regime and Canada's competition laws. Rules should also be harmonized to the greatest extent possible with the Canadian Sustainability Standards Board (**CSSB**) and international disclosure standards.

### **3.4. Consider feedback on proposed amendments to the corporate governance regime**

PMAC is supportive of the CSA's work on updating disclosure requirements including with respect to corporate governance disclosure and diversity. As we noted in [our response](#) to the consultation on Form 58-101F1 *Corporate Governance Disclosure of National Instrument 58-101 Disclosure of Corporate Governance Practices* and the changes to the corporate governance guidelines in National Policy 58-201 *Corporate Governance Guidelines*, this disclosure is important to our members, who manage assets on behalf of public bodies, pension plans and other institutional investors. These portfolio managers are required to consider information regarding governance and diversity in their investment decision-making, and need access to this type of information in a manner that is consistent and comparable.

### **3.5. Develop an OSC action plan for truth and reconciliation and work to engage Indigenous communities and organizations**

PMAC strongly supports the OSC priority of working towards reconciliation with Indigenous Peoples and organizations. We also support and applaud the creation of the CSA's Taskforce on Indigenous Peoples in the Capital Markets. We believe that the OSC's activities in this regard should provide transparency and accountability to the investment community. We therefore believe that the OSC should report publicly on these activities and on its progress on achieving the relevant goals. We look forward to reviewing the OSC's action plan for truth and reconciliation when it is published.

### **3.6. Advance a framework appropriate for the sustained growth and innovation in the exchange-traded fund (ETF) industry**

PMAC looks forward to reviewing this policy consultation and will consult with our members on any response or recommendations.

#### **4. Implement a Tougher and more Visible Response to Capital Markets Misconduct**

We agree that OSC resources should be directed at bad actors in the marketplace, which undermine investor confidence in the capital markets. We believe that in tandem with this priority, emphasizing investor outreach and education will also reduce incidences of securities fraud.

##### **4.1. Focus enforcement efforts on high-impact cases**

We agree with this focus and urge the OSC to employ a risk-based approach to allow it to pursue the most effective enforcement strategy and high-impact wrongdoers.

##### **4.2. Build new and enhance existing enforcement partnerships**

We strongly support this initiative. We believe that it is imperative that the OSC work with law enforcement and other agencies, including FINTRAC, to prevent larger networks of bad actors from going undetected. The scope and sophistication of these wrongdoers requires a multi-pronged approach across jurisdictional boundaries, making inter-agency collaboration and information-sharing crucial.

##### **4.3. Optimize technology and seek to strengthen OSC enforcement powers**

We agree that digital and data capabilities and processes are of increasing importance in the financial industry. OSC Staff have engaged with PMAC in numerous ways to leverage and improve existing technology and data collection to reduce regulatory burden. We believe that technology is an important tool for improving the OSC's efficiency and ability to be a data-driven regulator. We support all measures to strengthen digital capability and view this as beneficial for the OSC, registrants and the capital markets more broadly.

##### **4.4. Disrupt harm earlier and deter bad actors**

We agree that the OSC must employ additional strategies and tools to interrupt wrongdoing at the earliest possible stage and prevent further harm from occurring. The OSC should continually test and evaluate new methodologies to address and deter bad actors and learn from the experience and outcomes in other jurisdictions.

#### **5. Foster Conditions for Capital Formation and Innovation in both Public and Private Markets**

We agree that the OSC has a role to play in attracting investment to the province. Ontario is well-positioned to be a centre of innovation, and this should be encouraged by creating a stable and efficient market. However, innovation cannot come at the expense of investor protection. Caution must be exercised when considering new business models and investment opportunities to ensure that less experienced investors are not encouraged to invest in products that do not meet their risk profile and investment objectives.

### **5.1. Continue to use regulatory testing through OSC TestLab**

PMAC applauds the establishment of the Office of Economic Growth and Innovation, OSC LaunchPad and OSC TestLab. We believe that these initiatives can make Ontario a leader in modernizing regulation to keep pace with new developments in the industry.

### **5.2. Collaborate with government, external stakeholders and thought leaders to identify priority growth sectors to address financing gaps**

We agree that the OSC should collaborate with government, stakeholders and thought leaders when considering what role it should play in addressing financing gaps. We agree that the use of pilot programs could help with this mandate. However, any initiatives must continue to prioritize investor protection, and should not dilute staffing resources away from core functions.

### **5.3. Promote capital formation**

We agree that the OSC should continue to monitor the use of initiatives such as the listed issuer financing exemption (LIFE), the well-known seasoned issuer (WKSI) regime and the self-certified investor prospectus exemption, as well as the other initiatives mentioned in this section of the SoP. As noted above, any changes should be examined through the lens of investor protection first and foremost.

### **Short selling framework**

The CSA's work on the short selling framework is also an area of interest to PMAC. As we noted in our responses to the [Joint CSA/IIROC Staff Notice 23-329 Short Selling in Canada](#) consultation and the 2021 [CSA Consultation Paper 25-403 Activist Short Selling](#), in our view, any regulatory changes should be based on data, evidence and an investor protection rationale. We urge the regulators to consider the costs and benefits of various regulatory options and the experiences of other jurisdictions before deciding which route to take, and to narrowly focus on specific behaviours and desired outcomes.

Our members have indicated that unintended consequences could result if short sales are not permitted on an IPO. Short selling promotes liquidity, stabilizes markets and helps investors and companies manage risk in their portfolios. Some short sellers conduct in-depth research and analysis that exposes financial fraud and corruption. Limiting liquidity to market participants increases the probability of negative events.

Equity deals are a new piece of information for the manager to evaluate. Investors can choose to buy the deal, or shorts can choose to cover. The inability to short the security does not allow the investor to make this decision despite the new information. Long short funds are created to manage risk, and often securities are balanced between long and short, depending on the market. If an equity deal is priced down, the manager cannot manage the risk by closing out the short. As a result, the

IPO could be further priced down, which would negatively affect the cost of capital for the issuer.

PMAC has been working towards initiatives that we believe will support capital formation in Ontario and across Canada, including:

- **Support for Emerging Investment Managers**

PMAC, together with the Alternative Investment Management Association (AIMA) Canada, CFA Societies Canada, the Emerging Manager Board (EMB), recently contacted the Government of Ontario and Ministry of Finance Ontario to urge them to increase support for emerging investment managers in the province of Ontario. Doing so would foster a stronger, more diverse investment management industry in Ontario, enhance capital formation and productivity, provide economic diversification and high-quality job growth for the people of Ontario and attract capital investment to the provincial economy.

Specifically, we requested that the Government of Ontario, in concert with its investment management partners, consider creating an Emerging Manager Program that would fund and oversee direct capital allocations to selected emerging investment managers based in Ontario. We believe this initiative would achieve key economic policy objectives, including diversifying Ontario's economy, adding good-paying jobs to Ontario's economy, enhancing capital formation and productivity and fostering innovation in finance.

- **Add Ontario and the OSC to the Hong Kong SFC's AIR list**

PMAC continues to believe there is a real opportunity to foster competition and support Canadian asset managers by having Ontario and the OSC added to the Hong Kong Securities and Futures Commission (SFC)'s acceptable inspection regime (AIR) list. Adding Ontario and the OSC to the AIR list would enable Ontario asset managers to manage retail funds from any domicile intended to be sold to Hong Kong retail investors, opening avenues for new business and competition in Hong Kong. Further to the coming into force of China's Greater Bay Area Wealth Management Connect Scheme, retail Hong Kong funds may also qualify for offering across the Greater Bay Area which includes Hong Kong, Macau, and nine cities in Guangdong province. In other words, adding Ontario and the OSC to the AIR list would open a gateway for Ontario portfolio managers to Hong Kong and across the Greater Bay Area.

We believe that many Ontario asset managers would consider availing themselves of this international opportunity and note that this would be open to all asset managers, not only those with Hong Kong registered affiliates. This would align with the OSC's mandate of fostering capital formation and competition.

## **6. Strengthen OSC's Position as a Trusted and Influential Voice in Canadian Capital Markets**

We agree that the OSC's voice should be amplified, especially among less experienced and vulnerable investors, including young people, seniors and newcomers. These investors must be educated to understand Ontario's investment landscape, its registration regime and the risks and opportunities present in the market. The OSC is uniquely positioned to provide a strong and reasonable voice, with the potential to increase confidence, stability and attract capital to its markets.

### **CONCLUSION**

Subject to our comments above, PMAC is supportive of the key priorities set out in the SoP, as well the work plans set out in support of those goals. We look forward to continuing to work collaboratively with and assisting the OSC, where possible, in attaining the priorities set out in the SoP.

We are very appreciative of the collaboration, consultation and proactive problem-solving led by OSC Staff, and the continuous opportunities for transparent engagement with various stakeholders. We believe that the priorities set out in the SoP contribute to a successful 2025-2026.

If you have any questions regarding the comments set out above, please do not hesitate to contact Katie Walmsley at (416) 504-7018 or Victoria Paris at (416) 802-4347.

Yours truly,

### **PORTFOLIO MANAGEMENT ASSOCIATION OF CANADA**

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