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February 07, 2025

**VIA EMAIL**

Ontario Securities Commission

**Attention:**

The Secretary  
Ontario Securities Commission  
[comments@osc.gov.on.ca](mailto:comments@osc.gov.on.ca)

Dear Sirs/Mesdames,

**Re: Ontario Securities Commission Consultation Paper 81-737 - Opportunity to Improve Retail Investor Access to Long-Term Assets through Investment Fund Product Structures**

**Introduction**

We are writing to provide our comments on the Ontario Securities Commission Consultation Paper 81-737 - Opportunity to Improve Retail Investor Access to Long-Term Assets through Investment Fund Product Structures (the “**Proposal**”). Thank you for the opportunity to submit comments.

Invesco Canada Ltd. (“**Invesco Canada**” or “**We**”) is a wholly-owned subsidiary of Invesco Ltd. (“**Invesco**”). Invesco is a leading independent global investment management company, dedicated to delivering an investment experience that helps people get more out of life. As of December 31, 2024, Invesco and its operating subsidiaries had assets under management of approximately USD \$1.85 trillion. Invesco operates in more than 20 countries in North America, Europe and Asia. Invesco Canada operates Invesco’s Canadian business and maintains offices in Toronto, Montreal, Vancouver and Charlottetown.

**General Comments**

Invesco Canada is supportive of regulatory efforts to improve retail investor ability to access traditionally “private” asset classes. We believe the Proposal is a positive initiative in that regard but note that certain requirements in the Proposal may make it difficult for IFMs to effectively launch viable OLTFs. We note that the following requirements may be particularly problematic:

1. Cornerstone Investor requirement – we believe that there are better ways to protect OLTF investors than relying on a third-party with potentially conflicting interests and that the requirement may limit the ability of OLTFs to access CIVs (see our response to question 5 for further details).
2. Coordinated Canadian Approach – we believe that limiting distribution of OLTFs to Ontario investors will hamper the ability of OLTFs to achieve the scale necessary to be financially viable and that a unified Canadian approach is strongly preferable.
3. Access to CIVs – we believe that any regulatory regime should not place OLTFs on uneven footing vs other institutional investors. We note that a number of the requirements discussed in the Proposal (for example, the Cornerstone Investor requirement, percentage holding limits in CIVs or Long-Term Assets, independent valuation requirements, and leverage restrictions indirectly applying to CIVs) may function to limit the ability of OLTFs to access CIVs. Care should be taken to ensure that regulatory requirements do not (directly or indirectly) limit the pool of CIVs that OLTFs have access to.
4. Mandatory Wind Up – we disagree that a OLTF should be required to wind up if redemption requests exceed the redemption cap for two years. This requirement is potentially harmful to both securityholders and the OLTF, and there is no certainty that investors will receive redemption proceeds even if the OLTF is wound up (as the OLTF does not control the CIVs and CIVs may be unable or unwilling to sell Long-Term Assets).

We have structured our response below to include general comments on certain sections of the Proposal followed by responses to the specific questions included in the Proposal. Capitalized terms used but not defined in this letter shall have the meaning ascribed to them in the Proposal.

### **Objectives**

#### **Q1. Do you agree that retail investors could benefit from increased access to Long-Term Assets? Please explain.**

We agree with the Proposal in that retail investors could benefit from access to Long-Term Assets as both a portfolio diversification tool and an opportunity to generate higher returns than public market assets.

We note that the diversification benefit is more likely to be utilized by investors with larger portfolios and that accredited investors currently can invest in Long-Term Assets (directly or through private funds). As such, the Proposal would essentially open-up access to Long-Term Assets to investors with advisor accounts that are not fully managed (in the event that OLTFs will not be able to be held in execution-only accounts).

#### **Q2. Could investment fund product structures facilitate increased retail investor allocation to Long-Term Assets, while mitigating some of the risks of holding these illiquid assets? Please explain.**

We agree that the investment fund structure could help facilitate retail investors to access Long-Term Assets as it provides for portfolio diversification (provided that concentration limits are in

place at the OLTF level (as contemplated by the Proposal)) and ensures that assets are being managed by registered and competent professionals.

**Q3. What else could be done to increase retail investor interest in specific types of Long-Term Assets?**

As the Proposal contemplates that retail investors are required to use an advisor to purchase OLTFS, IFMs should be given additional flexibility to raise interest and awareness of OLTFS and the benefits of Long-Term Assets with financial advisors, who will in turn advise their clients on these types of assets. This could include a temporary exemption from certain requirements in section 5 of National Instrument 81-105 – *Mutual Fund Sales Practices* to increase the percentage of the costs (from 50% to 75%) that IFMs are permitted to pay participating dealers relating to OLTF sales communications, investor conferences or investor seminars.

**Q4. Would the investment fund structure be less attractive or not viable if the Proposal were to place some restrictions on minimum investments in Long-Term Assets located in Ontario? Please explain.**

We strongly disagree with putting restrictions in place relating to minimum investments in Ontario. IFMs should have flexibility to manage OLTFS in the best interest of securityholders and should not be forced to invest in Ontario if there are more attractive opportunities outside of Ontario. Further the requirement to invest a minimum amount in Ontario is potentially problematic as it may require the OLTF to: (a) temporarily suspend or cap purchases if it is unable to find suitable opportunities in Ontario; and (b) sell non-Ontario assets when faced with redemptions despite such assets being more attractive than Ontario assets. Effectively these restrictions would place the IFM in a difficult situation where it is required to comply with the law but also act in a manner that may not be in the best interests of the OLTF and its securityholders.

We note that retail mutual funds and ETFs do not require minimum investments in Ontario and believe a similar approach should be taken for OLTFS.

In addition, Canadian investors may already believe that their exposure to Canadian assets is high due to their ownership of other assets such as personal real estate or Canadian securities. Accordingly, a minimum investment requirement in Ontario or Canada may act as a disincentive for such investors to invest in OLTFS.

**Q5. Should the Proposal exclude certain types of Long-Term Assets (e.g., sensitive infrastructure projects in specific countries or Long-Term Assets that non-investment fund issuers would be prohibited from owning)? Please explain**

We believe that OLTFS should be permitted to invest in any Long-Term Assets that they are otherwise permitted to invest in under applicable laws.

**Overview**

We are generally supportive of the structure of OLTFS included in the Proposal. However, we believe that the Cornerstone Investor requirement is problematic for the reasons set out below and accordingly, should be removed.

- The presence of an IFM, PM and independent oversight body are sufficient to protect investors.
- The Proposal seems to assume that the interests of the Cornerstone Investor and the OLTF will be aligned but this may not always be the case. As such, relying on a third-party to protect the interests of investors in OLTFS is not appropriate.
- The requirement that a CIV has at least one Cornerstone Investor who owns at least 10% of the CIV is difficult to manage and makes OLTFS a less attractive potential investor for CIVs because (1) the CIV (and the Cornerstone Investor in the event that they have confidentiality rights in place with the CIV) would need to agree to the Cornerstone Investor's ownership levels in the CIV being disclosed to the OLTF, (2) if the Cornerstone Investor's 10% ownership requirement is an ongoing obligation: (i) the CIV would have to agree to disclose: (I) any intention by a Cornerstone Investor to decrease their ownership (which we believe Cornerstone Investors would be unwilling to agree to as their redemption would trigger the OLTF's redemption and thereby potentially increase the period over which the Cornerstone Investor's redemption proceeds will be paid), or (II) any investment by other investors in the CIV which would decrease the Cornerstone Investor's ownership of the CIV and (ii) the OLTF would be required to redeem its investment in the CIV should the Cornerstone Investor redeem some or all of its investment which would be highly disruptive to the OLTF and, in our view, may not be in the best interests of the OLTF, (3) if a CIV is well established it may have significant assets under management such that it is unrealistic to expect a single investor to own more than 10% of the CIV's assets, and (4) CIVs may impose ownership restrictions on investors due to tax or securities law requirements (e.g. in the US certain private funds do not permit an investor to own more than 9.9% of the assets as it would taint the funds' tax status as a real estate investment trust).
- The requirement that "[t]he exit rights of Cornerstone Investors would be proportional to the exit rights of OLTFS" is unclear but at the very least implies that the Cornerstone Investor's right to redeem is aligned with the OLTF's redemption rights. We are of the view that it is highly unlikely that a CIV or Cornerstone Investor would be willing to agree to this type of obligation, particularly if the Cornerstone Investor is a pension plan.

**Q6. Please explain your views on each of the following overview elements:**

**(i) OLTFS having the same restrictions on control that apply to investment funds under section 2.2 of NI 81-102.**

We believe that the 10% control restriction included in paragraph 2.2(1)(a) is problematic and should not apply to OLTFS. Instead, the restriction in paragraph 2.2(1)(b) which prohibits an investment fund from purchasing securities "for the purposes of exercising control over, or management of, the issuer" should apply to OLTFS.

The purpose of the control restriction in NI 81-102 is to ensure that investment funds "only hold passive stakes in the business in which they invest" and "do not become involved in the management of an investee company".<sup>1</sup> OTAFs will be restricted from investing directly in any Long-Term Assets and will only invest in CIVs. Where a CIV is structured as an

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<sup>1</sup> Companion Policy to NI 81-102, section 3.2.1.

investment fund, the relevant CIV would have a manager/investment advisor who would be responsible for making investment decisions on behalf of the CIV and managing any Long-Term Assets that it holds. Where a CIV is structured as a joint-venture or co-investment, the OLTF would negotiate management rights with other co-investors and could potentially hold more than 10% of a Long-Term Asset but defer all management rights to other investors. As such, given the potential benefits of holding more than 10% in a CIV or a Long-Term Asset, we believe that a concentration restriction limiting the control or management of a CIV is more appropriate than a percentage holding restriction.

In addition, if OLTFs are restricted to investing in CIVs, we believe that restrictions on control should not apply indirectly to the CIV's holdings. It is typically beneficial for CIVs that invest in private assets to hold a controlling interest in those assets (we note it's not uncommon for investors in private equity funds and venture capital funds to include majority ownership requirements as minority investments lack necessary control).

**(ii) OLTFs being subject to their own unique regulatory requirements.**

We agree that OLTFs should be subject to their own unique regulatory requirements as the current regulatory regime for investment funds would not translate well to OLTFs in several areas as identified in the Proposal (i.e. redemption rights, liquidity requirements, etc.).

**(iii) OLTFs distributing units through a prospectus-qualified offering.**

We agree that OLTF securities should be prospectus qualified. Prospectus qualification protects investors in a number of ways and ensures that investors are provided with adequate disclosure. We note that most private funds are currently offered under offering memorandums which are required to provide investors with "sufficient information to make an informed investment decision". This standard can be contrast with that of a prospectus which requires "full, true and plain disclosure of all material facts". The prospectus disclosure standard may be difficult to adhere to if OLTFs are required to invest through CIVs who may place confidentiality obligations on OLTFs or may not otherwise be required to provide all necessary information in order for an OLTF to meet the "full, true and plain" disclosure standard. This may be particularly difficult for continuous disclosure. As such, any ongoing disclosure requirements that OLTFs are required to make relating to CIVs and Long-Term Assets should be flexible to allow IFMs to adhere to any reasonable and customary confidentiality obligations that may be in place.

**(iv) The impact of OLTFs being only distributed to Ontario investors.**

We believe that limiting distribution of OLTFs to Ontario investors will limit the ability of OLTFs to achieve the scale necessary to be financially viable and that a unified Canadian approach would be preferable.

**(v) OLTFs being either fixed-term or evergreen investment funds.**

We agree that permitting both fixed-term and evergreen structures is desirable.

**(vi) The proposed CIV requirement.**

We are generally supportive of the CIV requirement provided that OLTFS have flexibility in the types of CIVs that they can invest in including CIV's that are managed by an OLTFS IFM or its affiliates.

We note that care should be taken to ensure that any rules and regulations applicable to OLTFS do not indirectly place unnecessary burdens or obligations on CIVs resulting in OLTFS being a less desirable investor from a CIV perspective. Private funds in high investor demand are often oversubscribed and can select the investors that they want to take on. If OLTFS effectively require CIVs to take on additional obligations/provide additional rights, CIVs may be unable or unwilling to take on OLTFS as investors. As such, every effort should be made to ensure that OLTFS are on the same footing as other Canadian and non-Canadian institutional investors (such as pension funds).

**(vii) OLTFS within a fund-on-fund structure under an investment fund subject to the requirements of NI 81-102.**

We believe that NI 81-102 investment funds ("**Retail Funds**") should be able to hold OLTFS and that OLTFS should be treated by Retail Funds as illiquid assets (provided that they would otherwise fall under the illiquid asset definition in NI 81-102) thereby limiting exposure to OLTFS and other illiquid assets to 10% of a Retail Fund's NAV. We also believe that Retail Funds should be able to directly hold CIVs as requiring OLTFS layering is unnecessary and likely increases costs. This would be particularly beneficial for asset allocation funds which aim to provide investors with a diversified portfolio of investments across various asset classes. Retail Funds should be required to disclose if they have the ability to invest in OLTFS and CIVs in their investment strategies and include risk factors if warranted.

**Q7. Are there other overview elements the Proposal should consider? Please explain.**

We note that any structuring considerations should also consider relevant tax laws to ensure that OLTFS are eligible for investment in registered plans.

**Threshold Issues**

**Q8. Do you agree that these are threshold issues? Are there any other threshold issues? Please explain.**

We agree that the main threshold issues are included in the Proposal.

**Redemptions**

We agree that it is appropriate for OLTFS to have the ability to place limitations on redemption rights. We think that IFMs should be permitted to utilize different approaches based on the structure of the OLTFS and the Long-Term Assets it holds. Careful consideration should be placed on the fact that any redemption rights in the OLTFS will be impacted by the redemption rights of the CIVs it holds and IFMs of OLTFS have no ability to make liquidity decisions relating to the relevant underlying Long-Term Assets.

**Q9. Please explain your views on each of the following redemption features:**

**(i) Frequency.**

We agree that flexibility in frequency of redemption would be a useful tool to assist in managing liquidity. Any limits on frequency should consider the difference between fixed-term funds and evergreen funds (i.e. fixed term funds may not need redemption rights).

**(ii) Discounts.**

We agree that discounts on redemptions would be a useful tool to assist OLTFs in managing liquidity.

**(iii) Caps.**

We agree that caps on redemptions would be a useful tool to assist OLTFs in managing liquidity. We strongly disagree with the proposed requirement that an OLTF be required to wind up where redemption requests exceed the cap for two consecutive years. This requirement is potentially harmful to both securityholders and the OLTF, and there is no certainty that investors will receive redemption proceeds even if the OLTF is wound up as the OLTF does not control the CIVs and CIVs may be unable or unwilling to sell Long-Term Assets. We suggest a more flexible approach where the liquidity issues are reviewed by the relevant governance body to determine how best to proceed. The governance body could look into a number of alternatives including selling some or all of a CIV in the secondary market (if permitted by the CIV).

**(iv) Notice.**

We agree that allowing OLTFs to maintain notice periods for redemptions would be a useful tool to assist in managing liquidity. We note that notice periods for private funds are typically longer than 30 days and suggest that the minimum notice period be extended to at least 90 days.

**(v) Payment.**

We agree that OLTFs should be provided with flexibility on the timing of paying out redemption proceeds.

**(vi) Suspensions.**

We agree that temporary suspensions of redemptions should be permitted where approved by both the relevant governance body and the OSC. Should the suspension extend past a temporary period, we do not believe that a mandatory wind up is appropriate and instead think that the issue should be considered and addressed by the relevant governance body (as discussed in the response to question 9(iii) above).

**Q10. What are the minimum redemption restrictions OLTFs would need to effectively manage their liquidity?**

We do not believe there should be a minimum redemption restriction and that IFMs should be provided with flexibility to manage liquidity and redemptions.

**Q11. Could there be investor demand for fixed-term OLTFs that do not offer any or very restrictive redemption rights to their securityholders? Please explain.**

Yes, private equity funds and venture capital funds are structured as fixed-term closed-end funds with very restrictive redemption rights. We note that certain investors have diversified portfolios and long-term objectives and accordingly, do not require liquidity for all investments.

**Q12. Are there other redemption issues the Proposal should consider? Please explain.**

We do not have any additional comments relating to redemption issues.

**Valuations**

In addition to the responses to the questions below, we believe that OLTFs should be required to retain independent auditors. Independent auditors audit the OLTF's annual financial statements and in so doing, are required to ensure that assets held by the OLTF are recorded in the financial statements at fair value. We believe that this requirement provides some comfort that the OLTF's assets are fair valued. To the degree that there is a material discrepancy between asset valuation under the financial statements and asset valuation for transactional purposes, the OLTF is required to explain the reasons for such discrepancy.

**Q13. Should OLTFs only be required to calculate NAV as often as the frequency of distributions and redemptions in addition to financial reporting periods? Please explain.**

We agree that OLTFs should only be required to calculate NAV as often as the frequency of distributions and redemptions in addition to financial reporting periods ("**NAV Calculation Dates**"). We believe that flexibility is required as CIV valuation dates and financial reporting dates may differ from the NAV Calculation Dates. The OLTF should be able to rely on valuations that were provided in advance of its NAV Calculation Date provided that they are not aware of factors that could impact those valuations or financial reporting figures. As Long-Term Assets are less likely to have large swings in value during short-term periods, we think that this approach is appropriate.

**Q14. Please explain if any of the following mitigate the difficulties of calculating fair and reasonable NAVs for Long-Term Assets:**

**(i) Experienced IFMs.**

We agree that an IFM with established valuation policies and processes is well equipped to deal with challenges relating to valuation of Long-Term Assets and CIVs. However, we do not believe that IFMs of OLTFs should be required to be "experienced" in order to manage OLTFs.

**(ii) Independent boards of directors (or an independent review committee with enhanced supervisory powers additional to reviewing conflict of interests).**



We believe that an independent board of directors would provide additional rigor to the valuations process, which could potentially mitigate valuation issues. An independent governance body could oversee an IFMs valuations policies and procedures and be provided with reporting on any issues or discrepancies that arise. This would ensure that investors best interests are being considered by an independent body.

**(iii) Cornerstone Investors.**

We do not believe that the presence of a Cornerstone Investor in a CIV mitigates valuation issues as it is unlikely that the Cornerstone Investor would independently value the assets held by the CIV.

**(iv) Independent valuers.**

We support independent valuations of Long-Term Assets. We believe OLTFs should be permitted to rely on independent valuations completed on behalf of CIVs and should not be required to arrange for their own independent valuations of Long-Term Assets as that would be duplicative and it is unlikely that the OLTF would have access to sufficient information to do so. We note that many CIVs retain independent valuers to value their assets.

**Q15. Are there other valuation issues the Proposal should consider? Please explain.**

We note that the CIV requirement may reduce the effectiveness of some of the mitigation strategies included in the Proposal. As CIVs will directly hold Long-Term Assets, the CIV (rather than the OLTF) will necessarily complete valuations and financial reporting, which the OLTF will rely on. As such, the role of the OLTF would be limited to negotiating appropriate rights relating to valuations and financial reporting, reviewing any CIV valuations and adjusting those valuations (if it deems appropriate) rather than directly valuing Long-Term Assets. We note that certain CIVs may themselves retain independent valuers to value certain assets.

**Monitoring, Review and Governance**

**Q16. Please provide your views on whether, given its unique purpose and structure, an OLTF should only have a majority-independent board of directors and no independent review committee or alternatively, whether it should have an independent review committee with enhanced supervisory powers additional to reviewing conflict of interests. Also, could an OLTF also be organized as another type of entity, such as a trust with a majority-independent board of trustees?**

We believe that a majority-independent governance body that is responsible for conflict-of-interest matters, valuations/financial reporting (functioning like an audit committee) and compliance matters, is the appropriate governance structure for OLTFs. This will bring independent review to what we believe are the areas that securityholders most require additional protections. We believe that additional governance protections are required given that redemption restrictions will limit investor's ability to "vote with their feet" and redeem out of the OLTF should they desire to do so. As part of its mandate to review conflict of interest matters, any redemption suspensions should be reviewed by the governance body.

We believe that OLTFs should not be required to be organized as corporations and alternative structures such as trusts and limited partnerships, should be permitted. Product structuring is often driven by tax considerations and as a result of changes to tax regulations, the mutual fund industry has generally moved away from corporate structures with a preference towards trusts or limited partnerships as corporations may not be as tax efficient.

It is unclear from the Proposal why a corporate structure would be more beneficial to investors. We surmise that the corporate structure was proposed as generally these structures have enhanced governance regimes. However, we do not believe that the potential adverse tax implications of those structures outweigh the enhanced governance regime particularly where an enhanced governance regime could be imposed by requiring independent review committees under NI 81-107 to embrace greater responsibilities.

**Q17. Are there other monitoring, review and governance requirements the Proposal should consider? Please explain.**

We do not have any additional comments relating to monitoring, review and governance requirements.

#### **Disclosure**

**Q18. Should the Proposal require a new form of Fund Facts for OLTFs? Please explain.**

We believe that utilizing the existing Fund Facts form is preferable as it would reduce compliance burden and simplify the process for IFMs that already have processes in place relating to Fund Facts.

**Q19. Should the Proposal require a new form of MRFP for OLTFs? Please explain.**

We believe that utilizing the existing form of MRFP is preferable as it would reduce compliance burden and simplify the process for IFMs that already have processes in place relating to MRFPs. We believe that flexibility should be provided to allow IFMs to maintain any reasonable and customary confidentiality obligations that may be in place with a CIV(s).

**Q20. Are there other disclosure requirements the Proposal should consider? Please explain.**

See response to question 6(iii) above.

#### **Investment Restrictions**

**Q21. Please explain your views on each of the following investment restrictions:**

**(i) Minimum level of Long-Term Assets.**

We agree that under normal conditions, OLTF should have at least 50 percent exposure to Long-Term Assets, but any minimum level of Long-Term Assets should include exemptions for: (a) ramp up periods or (b) investor activity. For example, depending on the manner in which an OLTF is structured, investors could purchase securities at month-end but CIVs may only call capital on quarter-

ends. In such situations, the OLTF would have lower than normal exposure to Long-Term Assets.

**(ii) Minimum level of liquid assets (maximum level of Long-Term Assets).**

We think that a flexible approach should be implemented whereby the IFM sets its own liquidity parameters. For example, a fixed-term OLTF with no redemption rights should not be required to hold liquid assets. We note further that liquidity parameters may be challenged when an OLTF faces unusually high redemption activity accordingly, we do not believe that a minimum level of liquid assets is desirable.

In addition, as mentioned in our response to question 23(i) (below), we believe setting liquidity minimums at the individual investor level is more appropriate than the fund level (i.e. a retail investor should only be able to hold a certain percentage of their investments in illiquid OLTFs).

**(iii) Concentration restrictions for evergreen OLTFs investing in pools of Long-Term Assets.**

We agree that a concentration restriction is appropriate for OLTFs to ensure that the underlying assets in the fund are appropriately diversified. We believe that the concentration restriction should apply at the time of purchase of the CIV rather than an ongoing obligation. This is because the CIV may not be controlled by the OLTF and potential issues may arise. For example, a CIV may want to increase its stake in a Long-Term Asset resulting in an OLTF breaching the concentration restriction. As the OLTF would not have control over this decision, it would need to either (i) divest some of its holding in the CIV or (ii) ensure that contractual provisions are in place to ensure that the CIV doesn't act in a way that would result in the OLTF breaching the concentration restriction. This could potentially result in CIVs being reluctant to accept OLTFs as investors.

We also encourage the OSC to consider whether certain asset classes are inherently less risky and therefor may warrant a higher percentage level concentration limit. For example, where an OLTF investment objectives provides that it will invest in high-quality infrastructure projects, there may be circumstances where, due to the required size of required investment or availability of projects, it may be desirable to hold a smaller number of investments. Given the lower level of risk associated with these types of investments, a 10% concentration restriction may be unduly restrictive.

**(iv) Concentration restrictions for fixed-term OLTFs investing in infrastructure or other development projects.**

See response to question 21(iii).

**(v) Concentration restrictions if there is a CIV requirement.**

We believe that any concentration restrictions should "look through" CIV holdings and only apply to the underlying Long-Term Assets.

**(vi) Limitations on debt, leverage, the use of specified derivatives, securities lending transactions and purchase or repurchase transactions.**

We agree with the direct limits on debt, leverage, the use of specified derivatives, securities lending transactions and purchase or repurchase transactions applicable to OLTFs that are included in the Proposal.

However, these requirements should not be imposed indirectly or on the underlying CIVs as that will result in OLTFs encountering difficulties in accessing certain CIVs as it is common for CIVs to engage in leverage as part of their investment strategies.

**Q22. Are there other investment restrictions the Proposal should consider? Please explain.**

We do not think that any other investment restrictions should be considered.

**Distributions**

**Q23. Please explain your views on each of the following distribution matters:**

**(i) Should there be limits on the amount that an investor can invest? If so, what should the limits be?**

We believe that the main benefits of investing in Long-Term Assets are portfolio diversification and the potential for higher returns. These two benefits should be balanced against the increased liquidity risks associated with Long-Term Assets discussed in the Proposal. We believe that a percentage limit on a retail investor's exposure to OLTFs is the best way to balance these risks and benefits.

The percentage limit should be set at the investor level at the relevant Dealer at the time of investment. The percentage limit would depend on whether the account is an advisor account (for which a higher percentage could be appropriate, for example 20-30%) or order-execution only (for which a lower percentage would be appropriate, for example 10%).

By limiting portfolio exposure to OLTFs, liquidity risk would be mitigated. As retail investors would only be permitted to hold a portion of their portfolio in illiquid OLTFs, the majority of their portfolio would be held in liquid assets which could be disposed of quickly should the need arise.

**(ii) Should a purchaser be required to receive investment advice from an adviser in order to invest in an OLTf? Should OLTf units be available through order-execution-only channels?**

Given the increasing number of "do-it-yourself" investors in Canada,<sup>2</sup> we believe that retail investors should be permitted to access OLTFs through order-execution

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<sup>2</sup> [Here's why DIY investing is on the rise | Financial Post](#)

only (“**OEO**”) accounts provided percentage limits are in place at the OEO investor level to ensure that investors are unable to invest more than 10% of their portfolio in OETFs.

**Q24. Are there other distribution matters, specifically other investor protection mechanisms, the Proposal should consider? Please explain.**

We believe that the OSC should consider whether the existing risk-ratings regime applicable to Retail Funds is appropriate for OETFs. We strongly believe that OETFs should not be rated as “high-risk” solely because of the liquidity risk inherent in OETFs; particularly if limits are in place (either at the dealer level or as a result of regulations) to restrict the percentage amount of OETFs that an investor can hold.

In addition, the OSC should consider whether the existing risk rating based on standard deviation is suitable for Long-Term Assets. As standard deviation seeks to measure volatility, it may be less suited to measure risk of Long-Term Assets because of lower pricing frequency. In addition, where an OETF does not have 10 years reporting history, there may not be appropriate benchmarks available for certain categories of Long-Term Assets. As such, a preferable approach may be to give all OETFs a distinct risk rating (i.e. “Illiquid Long Term”) or to establish a separate risk rating methodology for OETFs.

**Conclusion**

We would be pleased to discuss our responses in greater detail at your convenience. Thank you for the opportunity to comment on this important matter.

Yours truly,

**Invesco Canada Ltd.**

Per:           (Signed) “Patrick Lupa”            
Name: Patrick Lupa  
Title: AVP, Legal

Per:           (Signed) “Shalomi Abraham”            
Name: *Shalomi Abraham*  
Title: SVP, Head of Legal –  
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cc. Glenn Brightman, Chief Executive Officer, Invesco Canada Ltd.