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December 11, 2019

VIA EMAIL

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 Commissions 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
Superintendent of Securities, Nunavut

Attention:

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

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
consultation-en-cours@lautorite.qc.ca

Dear Sirs/Mesdames,

Re: CSA Notice and Request for Comment
Reducing Regulatory Burden for Investment Fund Issuers – Phase 2, Stage 1

We are writing in respect of CSA Notice and Request for Comments on Reducing Regulatory Burden for Investment Fund Issuers[1] (the "**Notice**") and related proposed amendments and consequential amendments as set out in the Notice (collectively, the "**Proposed Amendments**"). Thank you for the opportunity to submit comments.

[1] (2019), 42 O.S.C.B. at 7393.

Invesco Canada Ltd. is a wholly-owned subsidiary of Invesco, Ltd., a leading independent global investment management company, dedicated to helping people worldwide get the most out of life. As of November 30, 2019, Invesco and its operating subsidiaries had assets under management of approximately USD $1.2 trillion. Invesco operates in more than 20 countries in North America, Europe and Asia.

As a general comment, we are very supportive of the Proposed Amendments and thank the CSA for their hard work in finding opportunities to reduce burden for the investment fund industry in Canada. Unnecessary burden not only adds operational and legal costs, but it also slows innovation within our fast-changing industry.

Below we have provided responses to the specific questions raised by the CSA in the Notice.

General

1. *Are there any areas that would benefit from a reduction of undue regulatory burden or streamlining of requirements, while preserving investor protection and market efficiency, which we should consider as part of Phase 2, Stage 2 (and onwards)? Please prioritize any suggestions you may have*.

Response:

Invesco believes that there are several additional disclosure-related areas that were not raised in the Notice that would benefit from a burden reduction review. First, we believe a review of the current ETF disclosure requirements, as set out in Form NI 41-101F2, should be conducted. Clearly, a significant body of work has gone into reviewing and attempting to modernize the disclosure regime for mutual funds, with an emphasis on removing duplicative or superfluous disclosure. We submit that ETF disclosure requirements should undergo a similar review. The focus of the CSA's work in this regard should, in our view, be twofold. First, there should ideally be an effort to reduce unnecessary or repetitive disclosure from Form NI 41-101F2, with a view to making the document more readable for ETF investors. For example, the summary prospectus at the front of the document is duplicative, and trading data, MER and performance information becomes stale very quickly and is therefore of limited use to investors. Second, the CSA should consider whether it still makes sense to have materially different disclosure regimes as between ETFs and mutual funds. Invesco offers several investment strategies by way of both an ETF and a mutual fund vehicle. However, an investor trying to determine whether to purchase the exact same strategy as an ETF or as a traditional fund vehicle will see very different prospectus disclosure. While some differences are expected given the nature of ETFs and mutual funds, we believe that there are opportunities to streamline and simplify the disclosure, and would be happy to work with the CSA directly to identify those opportunities and improve the disclosure.

Invesco also believes that it is time to consider the disclosure in the Fund Facts documents and ETF documents holistically. For example, notwithstanding the helpful codification of Fund Facts-related relief set out in the Notice, in our view there are strong arguments as to why it would make more sense to create a single Fund Facts document for each fund, rather than each series. We acknowledge the challenges in doing so, but believe that this deserves a thorough review. We also believe that additional flexibility can and should be built into the form, with a view to allowing managers to remove information that is not applicable to a particular fund or series. We do not suggest allowing managers to change material aspects of Fund Facts documents or ETF documents, nor do we think that managers should be able to make drastic changes which remove the standardization that is helpful to investors, but rather, we argue that the time has come to consider whether there are improvements that can be made to the disclosure to increase simplicity and usability for all stakeholders.

Finally, we think that the CSA should review the disclosure requirements in the MRFPs with a view to considering how to increase they utility of these documents for investors. According to our internal data, readership of Invesco MRFPs is exceedingly low, and we suspect that ours is not a unique case.

Consideration can therefore be given to how changes to this document can drive relevance to investors, and whether the delivery of the opt-in card relating to annual instructions or annual reminder of standing instructions still makes sense in today's environment. As discussed elsewhere in our responses, we also believe that the CSA should consider continuous disclosure documents under an "access equals delivery" regime, which would eliminate the need for annual instructions and annual reminder of standing instruction notices.

2. *With the exception of Workstreams 1, 2 and 3, the Proposed Amendments and Proposed Changes do not introduce any new requirements for investment funds. Instead, we are either removing requirements or introducing exemptions that are permissive in nature. As a result, we do not contemplate any prolonged transition period following the in-force date of the proposals. Are there any specific elements of the Proposed Amendments and Proposed Changes which investment funds and their managers would require additional time to comply with? If so, please explain why and provide suggestions for an appropriate transition period*.

Response:

Invesco agrees that the removal of regulatory requirements and the introduction of exemptions that are permissive in nature do not require a prolonged transition period following the in-force date of the proposals. In making that statement, we assume that for the codification of frequently granted exemptive relief, current relief will not immediately expire upon the in-force date of the new rule. If that is not the case, it will be necessary for managers to conduct a review of applicable relief orders and consider whether any conditions have changed, which will require additional time.

With respect to Workstream 1, we suggest a long transition period of at least a full calendar year, and ideally 18 months, so that managers can take the necessary time to redraft simplified prospectuses and socialize them with their boards and other stakeholders. We also expect the CSA undertake a greater number of in-depth disclosure reviews, given the scope of the changes, and so it is critical that sufficient timelines be built into the process.

Workstream One: Consolidate the Simplified Prospectus and the Annual Information Form.

General Comment:

Invesco strongly supports the proposal to eliminate the AIF requirement and consolidate relevant information into a single, simplified prospectus. We agree that the rationale for preparing and filing an AIF that is separate from the prospectus is now removed, given the requirement to deliver Fund Facts Documents to investors at point of sale.

As a general comment, we wonder about the *order* in which the CSA proposes to set out disclosure in the new prospectus form. Under the current Form for simplified prospectuses, the first substantive areas of disclosure relate to what a mutual fund is and what the risks of investing are (both general and specific), and then the prospectus gets into how to buy and sell securities and the features and costs of ownership. Under the proposed form, the disclosure from the current AIF (that has very low readership) has been brought "front and centre", with disclosure about brokerage arrangements, directors and officers, the custodian, the IRC, affiliated entities and even policies and practices, all coming before disclosure about how to actually buy and sell the securities and the risks associated with purchasing securities. While we appreciate that the CSA is trying to provide information about the manager earlier rather than later in the document, and that the sections in the new form are related and should therefore be placed in proximity to one another, we do not think this reflects what investors would consider to be the most relevant to their decision-making process. As such, we urge the CSA to review the order in which it proposes to require items to be disclosed, with a view to having the most relevant points at the front of Part A of the document.

While we strongly endorse these changes, we once again note that the CSA should take the opportunity to review the efficacy of the disclosure requirements set out NI 41-101F2 with respect to exchange-traded funds. We believe that it is equally important to do so as soon as practicable, given the clear disconnect between the way the disclosure is set out for a mutual fund and an ETF.

3. *As described in footnotes 3 to 5 of the Notice, certain specific requirements from the existing Form 81-101F1 and Form 81-101F2 were not carried over into the proposed Form 81-101F1. Do you support or disagree with these changes? If so, please explain.*

Response:

Invesco is strongly supportive of the initiative to remove all duplicative disclosure from the new Simplified Prospectus form. Apart from potentially confusing readers, duplicative disclosure increases risk for investment fund managers and contributes nothing to investor protection. It is, we think, amongst the easiest areas of burden to eliminate, and benefits many stakeholders. As such, we have no concerns over the proposal to not carry forward the items listed in footnote 3 of the Notice.

Invesco is also supportive of the removal of disclosure that is not meaningful to investors. Footnote 4 of the Notice states that subsections (3)-(6) of Item 11.1 [Principal Holders of Securities] of Form 81-101F2 have not been carried over into the new Form. We are supportive of this particular removal, given the time associated with producing this disclosure. However, we also believe that the CSA should consider simply removing the Ownership of Securities chart completely (in other words, deleting Item 4.14 of the new Form). In our experience, obtaining, processing and vetting this information is very time consuming, and we do not believe that this data is used by investors when making investment decisions. Investors might be concerned about large transaction risk for a mutual fund as a whole, but are not likely to care if, say, another investor holds 11% of a particular series of units (particularly where such series otherwise constitutes a small percentage of the overall fund). Given that Item 9(2) of Part B of the new Form still requires disclosure of large transaction risk, we urge the CSA to simply delete this section. Alternatively, if there is a policy desire to require disclosure of real or perceived conflicts of interest or potential conflicts of interest, Item 4.14 of the new Form could be changed to require only such disclosure of 10% holders where more than 10% of any class or series of voting securities is held by the manager (including directors and officers of the manager) or its affiliates, or by any other investment fund managed by the manager.

Finally, Invesco supports the repealing of requirements for disclosure that are available in other regulatory documents, such as disclosure relating to the illustration of different purchase options and dealer compensation from management fees. We urge the CSA to undertake the same analysis with respect to Form 41-101F3.

4. *Are there any disclosure requirements from the proposed Form 81-101F1 that are redundant or unnecessary and that can be removed or modified without impacting investor protection or market efficiency? If so, what are the reasons why the disclosure requirements should be removed or modified and how will investor protection and market efficiency be maintained? Are there any significant cost implications associated with sourcing the required disclosure? If so, please explain. Please comment in particular on the proposed Item 4.14 (Ownership of Securities of the Mutual Fund and the Manager) of Part A and whether it should be narrowed in scope or removed entirely.*

Response:

Please see our response in Question 3 above regarding proposed Item 4.14 [Ownership of Securities of the Mutual Fund and the Manager] of Part A. We believe that this Item can be removed entirely, or, in the alternative, narrowed in scope to be more helpful to investors in evaluating potential conflicts of interest.

We have two additional suggestions of disclosure requirements that are redundant and unnecessary. First, we do not believe that a description of the policies and procedures that mutual funds follow when voting proxies of portfolio securities is particularly helpful to investors, especially in light of the requirement to provide copies of the complete proxy voting policies and procedures for the Funds upon request, and given the requirement to annually post proxy voting records for each of the Funds. As such, we would propose to delete this requirement in the new Form.

We also believe that it is time to remove the requirement to disclose legal proceedings that are known to be contemplated that impact a Fund. A literal reading of this means that if the manager receives a demand letter relating to the business or operations of a Fund, it needs to make a disclosure in its simplified prospectus. While we do not propose to remove the disclosure requirement where a proceeding has been initiated (and we understand that there is a materiality qualifier), requiring a detailed analysis of our disclosure obligations whenever we receive a demand letter is a burden that should be relieved, as it adds expense and risk for the manager, and is not meaningful to investors. As such, we would propose to delete item 4.20(3) in the new Form.

5. *As an alternative to complete removal, are there any disclosure requirements from the proposed Form 81-101F1 that could be relocated to another required disclosure document or to the proposed "designated website" for investment funds, while still maintaining investor protection and market efficiency? If so, why should these disclosure requirements be relocated and where should they be relocated to? Please comment in particular on any of the following proposed Items:*

   a. *Part A, Item 4 (Responsibility for Mutual Fund Operations);*

   b. *Part A, Item 7 (Purchases, Switches and Redemptions);*

   c. *Part A, Item 8 (Optional Services Provided by the Mutual Fund Organization);*

   d. *Part B, Item 8 (Name, Formation and History of the Mutual Fund).*

Response:

Invesco does not disagree with the argument that investors could potentially benefit from more timely disclosure under a proposal to move certain disclosure out of the simplified prospectus and into another document or a designated website. Today, for example, if a manager would like to implement a minor change to an optional service it offers investors, it may not disclose the change in its prospectus until the next renewal cycle, given that it is unlikely to be material and warrant the cost and effort of an amendment to the prospectus. As such, moving certain disclosure requirements to, say, the proposed "designated website" might incentivize managers to simply update the information without waiting, provided that no regulatory filings are required in respect of non-material disclosure changes.

On the whole, however, we do not believe that this minor investor benefit justifies relocating disclosure to another document or to the proposed "designated website", for two reasons. First, it will not reduce burden for investment fund managers. Rather, the opposite is likely true, since moving disclosure that is still required (and that still gives rise to potential exposure for misrepresentations or material omissions) from one document to another merely duplicates the internal review processes required to be undertaken by managers. In other words, investment fund managers will have to create a new process to review both the prospectus and the website disclosure when going through an annual renewal project or relevant amendment. Second, we do not generally believe that it is a good idea to split out disclosure relating to key features of a fund. The disclosure in these sections can be important to understanding the products offered by a manager, and therefore, it would not be appropriate to remove this disclosure from the prospectus. We note that moving language over from the prospectus would also result in some duplication, since the website disclosure would require some context before diving into, say, optional

services offered by the manager. We therefore do not think that this change should be implemented, albeit with one exception as described below.

We would be supportive of removing the disclosure relating to the history of the mutual fund, set out in Part B, Item 8 of the new Form, primarily because this disclosure is rarely read, rarely updated, requires no context to make sense and is lengthy. We do not believe that any investor will miss it if removed entirely but understand the policy reason why this should be kept up to date.

6. *The proposed Item 7(2) of Part A of Form 81-101F1 requires a description of the circumstances when the suspension of redemption rights could occur. We are considering, however, whether to require specific disclosure in the prospectus regarding any liquidity risk management policies that have been put in place for the investment fund. This would include a list of any liquidity risk management tools that have been adopted as permitted by securities regulations, along with a brief description of how and when they will be employed and the effect of their use on redemption rights. Would the prospectus be the most appropriate place for this type of disclosure, or are there other alternatives that we should consider?*

Response:

In light of recent high-profile and substantial liquidity issues faced by certain major investment funds around the world, Invesco strongly believes that liquidity management is a critical component of the investment management services offered by investment funds that are offered for sale to the retail public. As such, additional disclosure relating to liquidity management may be welcome, although the value of this disclosure should not be overstated. Indeed, our view is that disclosure that merely summarizes policies and procedures tends to not be meaningful for investors. Rather, thought should be given to how to make the disclose helpful and relevant for an investor.

7. *The current prospectus disclosure rules were drafted at a time when inventories of physically printed prospectuses were required to satisfy prospectus delivery requirements. In recognition of this, flexibility exists in terms of how to deal with amendments to avoid significant costs that might be associated with having to reprint large quantities of commercially prepared copies of the prospectus. With the transition to delivery of the Fund Facts and the ETF Facts documents in place of the prospectus, along with the advent of print-on-demand technology and electronic delivery, is it still necessary to maintain this flexibility? Would it be less burdensome for investment funds and investment fund managers to follow the approach taken with the Fund Facts document and ETF Facts document by requiring that all amendments be in the form of an amended and restated prospectus, prepared in accordance with the proposed Form 81-101F1? Why or why not?*

Response:

We do not understand how the removal of flexibility would advance the goals of burden reduction and would strongly urge the CSA to refrain from removing flexibility in how prospectuses are amended.

The requirement to only amend and restate a fund facts document (as opposed to merely amend the fund facts document) makes sense because the fund facts document are purposefully compact, with very tight space limitations. Allowing investment fund managers to amend those documents would necessitate a separate page of disclosure, which wouldn't make any sense relative to the alternative of simply amending and restating.

The same is not true for simplified prospectuses. For example, if a manager were to reduce the price of a single fund and needed to amend its prospectus, having to file the entire document rather than a short, one-page amendment would be an unnecessary deterrent. We note that any time a simplified

prospectus is filed, whether it is a renewal prospectus or an amended and restated prospectus, Invesco undertakes a rigourous and extensive disclosure review process to ensure all information meets the regulatory disclosure standard and is up to date, as do all other investment fund managers. Having to go through that full process and update the document in its entirety to facilitate a simple change would not reduce burden; rather, it would add significant burden.

Finally, we are not aware of investor confusion over the way prospectuses are amended, nor do we believe this is an area of concern where there is a problem to fix.

8. *Item 11.2 (Publication of Material Change) of NI 81-106 sets out requirements that an investment fund must satisfy where a material change occurs in its affairs. Can these requirements be streamlined or modified in any way while maintaining investor protection and market efficiency?*

Response:

The most meaningful requirement of Item 11.2 of NI 81-106 is the requirement to issue and file a news release that discloses the nature and substance of the material change. While subsequently filed material change reports are helpful tools for disseminating information to the market efficiently, our experience suggests that they are not as widely read as press releases. However, Invesco believes that material change reports are still helpful and should be retained as a requirement, and we are not aware of any significant burdens imposed by the requirements in Item 11.2.

9. *Will any exemptive relief decisions be rendered ineffective as a result of the repeal of Form 81-101F2? If so, are there any transitional issues that need to be considered? Please explain*.

Response:

We are not aware of relief decisions impacting Invesco or its Funds that would be rendered ineffective as a result of the repeal of Form 81-101F2.

10. *Are there any disclosure requirements in the proposed Form 81-101F1 that require additional guidance or clarity?*

Response:

As most of the disclosure requirements are not new, we do not currently require additional guidance or clarity.

11. *Currently a final prospectus must be filed within 90 days of receiving a receipt for a preliminary prospectus. We are of the view that this requirement is more relevant to non-investment fund issuers and is not necessarily applicable to investment funds, particularly to investment funds in continuous distribution. As a result, we are currently considering whether to either extend the final filing deadline or remove this requirement entirely. Do you have any views on the applicability of this provision to investment fund issuers? If you agree that the provision is not required, please explain whether it would be preferable to extend or eliminate the filing deadline, including the reason for your preference. If an extension is preferred, would 180 days be sufficient?*

Response:

Invesco agrees that the 90-day requirement is not as relevant to investment fund issuers than non-investment fund issuers. While it would not be typical for us to run up against the current 90-day

deadline, there are several foreseeable circumstances under which a fund manager would not be able to complete a final prospectus filing within that timeframe, and we are therefore supportive of a change to the rule. That being said, our preference would be to extend the deadline to 180 days, rather than eliminate the requirement, as we do not agree that shelf prospectuses that that are open indefinitely for investment funds that are intended to be sold in the retail market are in the best interests of investors. There could be a host of unintended consequences of fully eliminating this rule, and therefore, to alleviate burden, an extension of the timeframe should be more than adequate.

12. *Should investment funds not in continuous distribution that have already prepared and filed an AIF using Form 81-101F2 be permitted to continue using that Form? If so, why?*

Response:

Yes. Requiring investment funds not in continuous distribution to no longer be able to rely on AIFs already prepared and filed would cause undue burden with very little investor benefit.

13. *Should investment funds not in continuous distribution be relieved entirely of the requirement to file an AIF? If so, what impact would this have on an investor's ability to access an up-to-date consolidated disclosure record for an investment fund not in continuous distribution? Alternatively, please comment on whether elements from the current Form 81-101F2 should be incorporated into any of the following:*

    a. *Form 81-106F1 Contents of Annual and Interim Management Report of Fund Performance;*

    b. *a designated website;*

    c. *other forms of disclosure (please specify).*

Response:

We do not believe that investors are materially worse off if investment funds not in continuous distribution are relieved of the requirement to file an AIF, provided that, to the extent that any change occurs to the business or operations of the Fund that could cause a reasonable investor to redeem out of the fund, the requirement still exists to issue a press release and material change report in respect of such change. As such, we are in favour of eliminating the AIF requirement in its entirety for investment funds that are not in continuous distribution.

Workstream Two: Investment Fund Designated Website.

14. *The proposed Part 16.1 of NI 81-106 requires reporting investment funds to designate a qualifying website on which the investment fund must post regulatory disclosure documents. This proposal represents the first stage of a broader initiative to both improve the accessibility of disclosure to investors and enhance the efficiency with which investment funds can meet their disclosure obligations. The CSA, however, recognize that electronic methods of providing access to information and documents besides websites may be used to provide information regarding investment funds. As a result, we ask for specific feedback on the following questions related to the issue of making the proposed Part 16.1 more technologically neutral:*

    (a) *Should the proposed Part 16.1 be revised to provide investment funds with the option to designate other technological means of providing public access to regulatory disclosure besides websites? In your response, please comment on the following issues: any potential*

investor protection concerns, consistency with securities instruments outside of the investment fund regime, and the benefits of making such a change.

(b) *What other technological means of providing public access to regulatory disclosure should be captured by the proposed amendments? Please be specific. Of these means, please identify which are currently in use and which are expected to be used in the future.*

(c) *Should any parameters (e.g. free to access, accessible to the public) be applied to limit which technological means of providing public access to regulatory disclosure besides websites should be included in the proposed Part 16.1? If so, please state which parameters should apply and why.*

(d) *If you agree that technological means of providing public access to regulatory disclosure besides websites should be included in the proposed Part 16.1, what terms could be used to refer to these means? What are the benefits and drawbacks of each possible option? Some examples include "digital platform", "electronic platform", and "online platform".*

(e) *Are there any elements of the current proposed amendments and proposed changes under Workstream Two that would not work if an investment fund could designate other technological means of providing public access to regulatory disclosure besides websites?*

Response:

Invesco is supportive of the initiative to require reporting investment funds to designate a qualifying website on which the fund must post regulatory disclosure documents. We believe that today, freely accessible websites are the appropriate platform in which to address the requirement to post. We further agree with the clarification that supervision of the website and its content should be taken into account in the existing compliance systems of the investment fund and investment fund manager. Our hope is that the website requirement is a precursor to an "access equals delivery" regime with respect to certain documents such as financial statements and MRDPs, so that significant mailing costs and work flow processes can be significant reduced while ensuring that investors have access to important information regarding the funds they hold.

As stated elsewhere in this letter, we would caution the CSA to carefully assess the impact of taking required disclosure out of the simplified prospectus and onto a separate page on an investment fund's website. Not only will that often increase the burden on investment fund managers, it may be confusing to investors and necessitate duplicative disclosure.

Finally, we also appreciate the work that is being undertaken to modernize SEDAR. However, we note that if sedar.com had a robust search capability and provided a user-friendly experience, the rationale behind the proposal to post materials on a designated website would be significantly negated. As such, we hope that continued progress is made on this important modernization project.

15. *Are there unintended consequences arising from the proposed section 16.1.2 of NI 81-106 that we should consider? For example, under the proposed section, an investment fund may designate a website that is maintained by a Related Person. We are of the view that this would avoid circumstances where an investment fund would have to create an entirely new and separate website, where to do so would not be desirable. Are there any practical issues associated with this that we should consider?*

Response:

N/A.

16. *Are there any aspects of the proposed guidance provided in 81-106CP that are impractical or misaligned with current market practices?*

Response:

We are not aware of any aspects of the guidance that are impractical or misaligned with current market practices.

17. *Some investment funds may maintain a website that is accessible only by securityholders with an access code and a password (i.e. a private website). Would an investment fund currently maintaining a private website accessible only to its securityholders encounter any issues with the proposed requirement to post regulatory disclosure required by securities legislation on a designated website that is publicly accessible?*

Response:

N/A.

Workstream Three: Codify Exemptive Relief Granted in Respect of Notice-and-Access Applications

18. *Will participation rates for investment fund securityholder meetings change under the notice-and-access system? In particular, is it anticipated that participation rates would change? Please provide an explanation for your answer.*

Response:

Invesco is supportive of the proposal to codify relief granted in respect of notice-and-access applications. We do not anticipate that participation rates for investment fund securityholder meetings will materially change (in either direction) under the notice-and-access system. However, we would like clarification on the CSA's comment in proposed section 8.2(1) of NI 81-106CP with respect to when it would be appropriate (or not appropriate) to use notice-and-access in the context of a meeting of investment fund securityholders. In particular, the 3rd bullet point suggests that if there are material declines in beneficial owner voting rates, it may be inappropriate to use notice-and-access. Respectfully, we do not understand how we would be able to isolate the cause of a lower participation rate to the use of notice-and-access. It is entirely possible that one set of meetings is of greater interest or impact to investors, and we suspect that participation rates are driven by a variety of factors. As such, in our view, having to analyze whether it is appropriate or not to use notice-and-access seems like an odd requirement and will not reduce burden for investment fund managers.

Workstream Four: Minimize Filings of Personal Information Forms

General Comment:

Invesco is supportive of the proposal to minimize Personal Information Form filings by eliminating duplication. We urge the CSA to work with appropriate stakeholders (such as the stock exchanges) to consider whether it would be possible to further reduce PIF filings, particularly in respect of ETFs.

Workstream Five: Codify Exemptive Relief Granted in Respect of Conflicts Applications

19. *The Proposed Amendments include new exemptions in sections 6.3 and 6.5 of NI 81-107 to permit secondary market trades in debt securities of related issuers and secondary market trades in debt securities with a related dealer, respectively. The exemptions are based on discretionary relief granted to date that includes pricing conditions. The pricing conditions are not the same under each exemption and also differ from what is currently codified under section 6.1 of NI 81-107.*

    - *In accordance with subsection 6.1(2) of NI 81-107, for inter-fund trades of portfolio securities between related reporting investment funds, non-reporting investment funds and managed accounts, the portfolio manager may purchase or sell a debt security if, among other conditions, all of the following apply:*
        - *the bid and ask price of the security is readily available as provided under paragraph 6.1(2)(c);*
        - *the transaction is executed at a price, which is the average of the highest current bid and lowest current ask determined on the basis of reasonable inquiry as provided under paragraph 6.1(2)(e) and subparagraph 6.1(1)(a)(ii).*

    - *In accordance with the proposed paragraph 6.3(1)(d) of NI 81-107, reporting and non-reporting investment funds would be able to invest in non-exchange traded debt securities of a related issuer in the secondary market if, among other conditions, all of the following apply:*
        - *where the purchase occurs on a marketplace, the price is determined in accordance with the requirements of that marketplace as provided under the proposed subparagraph 6.3(1)(d)(i) of NI 81107;*
        - *where the purchase does not occur on a marketplace, as provided under the proposed subparagraph 6.3(1)(d)(ii), the price is either of the following:*
            - *the price at which an arm's length seller is willing to sell the security;*
            - *not more than the price quoted publicly by an independent marketplace or the price quoted, immediately before the purchase, by an arm's length purchaser or seller.*

    - *In accordance with the proposed subsection 6.5(1), reporting investment funds, non-reporting investment funds and managed accounts, may trade debt securities with a related dealer if, at the time of the transaction, among other conditions, all of the following apply:*
        - *the bid and ask price of the security transacted is readily available as provided under the proposed paragraph 6.5(1)(d);*
        - *the purchase is not executed at a price which is higher than the available ask price and the sale is not executed at a price which is lower than the available bid price, as provided in the proposed paragraph 6.5(1)(e).*

    Should these pricing conditions be revised? Should they be more harmonized? Are there any self-regulatory organization rules or guidance for pricing methods that we should consider in such cases?

Response:

Invesco is supportive of the proposal to codify relief granted in respect of conflicts applications. We do not have major issues or concerns with the proposed pricing conditions, and note that they are generally consistent with relief granted (and therefore are in use today).

Workstream Six: Broaden Pre-Approval Criteria for Investment Fund Mergers

20. *We propose to mandate new disclosure requirements in the Information Circular in subparagraph 5.6(1)(a)(ii) and paragraph 5.6(1)(b) of NI 81-102 as pre-approval criteria for investment fund mergers. Are there any additional disclosure elements that we should require beyond what has been proposed? If so, please provide details.*

Response:

Invesco is very supportive of the proposal to broaden the pre-approval criteria for mergers. We do not have additional suggestions for disclosure elements that should be included at this time.

Workstream Seven: Repeal Regulatory Approval Requirements for Change of Manager, Change of Control of a Manager, and Change of Custodian that Occurs in Connection with a Change of Manager

21. *Given the oversight regime in place for investment fund managers, we are proposing to repeal the requirement for regulatory approval of a change of manager or a change of control of a manager under Part 5 (Fundamental Changes) of NI 81-102. Does this proposal raise any investor protection issues? If so, explain what measures, if any, securities regulators should consider in order to mitigate such issues. Alternatively, should we maintain the requirements for regulatory approval of these matters and seek to streamline the approval process by eliminating certain requirements in subsection 5.7(1) of NI 81-102? If so, please comment on whether such an approach would be preferable to the existing proposal, which has been put forward with consideration given to the presence of the investment fund manager registration regime.*

Response:

Invesco agrees with the proposal to repeal the requirement to obtain regulatory approval of a change of manager or change of control of a manager. We believe that investor protection is not harmed by this modest proposal, given the current oversight of investment fund managers under the IFM registration regime.

22. *When there is a change of manager or a change of control of a manager, should securityholders have the right to redeem their securities without paying any redemption fees before the change? If so, what should be the period after the announcement of the change during which securityholders should be allowed to redeem their securities without having to pay any redemption fees?*

Response:

We acknowledge that there are strong arguments on both sides of this issue. On one hand, many investors would agree with the statement that they “buy a brand” when picking an investment fund, and the reputation of the manager is paramount to their investment decision. Therefore, a change of manager or change of control of a manager matters a great deal and may impact a reasonable investor’s decision to remain invested in the fund, notwithstanding their ability to vote no to the proposal. The argument goes that if the manager or the manager’s parent changes, it would be unfair to cause the investor to have to pay a redemption fee for holding a “brand” they did not want, and they should not be penalized for making a change.

On the other hand, there are many other changes that occur outside of investors’ control that could (and do) cause reasonable investors to wish to redeem out of funds they hold. This, of course, is

the entire basis of the material change regime, and investors do not receive the ability to redeem without paying a redemption fee (we note that doing so would be a strong deterrent to initiating any material changes, many of which are positive for investors).

Ultimately, we land closer to the argument that a change of manager or change of control of a manager ought not to trigger a free right to redeem. In our view, the right mechanism from an investor-protection perspective on a manager change is the right to vote, the disclosure required to implement such a change and the IFM registration regime. Further, it is foreseeable that "mere" material changes to the business and operations of a fund are far more impactful to an investor over who controls the manager. For example, a change of control of the manager may not actually cause a fund to alter direction if the PM, fund objectives and fund strategies do not actually change. And yet a wholesale change to a fund's strategies, along with the removal of the entire PM team, would not trigger the right to a free redemption. This would not make sense, and for this reason, we do not believe that this free right should be granted.

23. *We propose to add to subsection 5.4(2) of NI 81-102 certain disclosure requirements in the Information Circular regarding a change of manager. Is there any other disclosure in the Information Circular that we should mandate, beyond what has been proposed? If so, please provide details.*

Response:

We believe that the CSA have correctly identified the key disclosure points relevant to investors in the context of a change to the manager in the proposed changes to paragraph 5.4(2) of NI 81-102, although we would suggest that a materiality threshold be added to the requirement to disclose how the change of the manager will affect the business, operations and affairs of the investment fund.

24. *When a change of manager is planned, we are considering requiring that the related draft Information Circular be sent to securities regulators for approval before it is sent to securityholders in accordance with subsection 5.4(1) of NI 81-102. What concerns, if any, would arise from introducing this requirement? We expect that securities regulators would establish a process to review the Information Circular. If securities regulators took 10 business days to approve the Information Circular as part of the review process, would that create any issues with respect to the organization of the securityholder meeting?*

Response:

It would be helpful to understand the rationale behind why the CSA believe that Information Circular approval is necessary for investor protection. Are the CSA seeing information circulars that do not adequately meet the disclosure requirements or that do not provide sufficient details regarding a proposal to change an investment fund manager? Are investors complaining that the they are not receiving the details they need to make an informed decision?

Ultimately, Invesco believes that requiring approval of Information Circulars, especially over a 10-business day period, would increase burden and could potentially slow down the implementation of such transactions. We also worry that the CSA could hold up approval by requiring disclosure changes that may be helpful but is not strictly necessary under the applicable disclosure standards. As such, without details to justify this requirement, we do not believe it would be appropriate to add this requirement.

25. *Investment funds currently rely on the form of Information Circular provided for in Form 51-102F5 Information Circular of NI 51-102, which was developed primarily for non-investment fund issuers.*

    (a) Should Form 51-102F5 of NI 51-102 be replaced with an Information Circular form that is tailored to investment funds?

    (b) If investment funds had their own form of Information Circular, would this reduce costs or make it easier to comply with requirements to produce an Information Circular?

    (c) If investment funds had their own form of Information Circular, are there certain form requirements that should be added which would provide investors with useful disclosure that is not currently required by Form 51-102F5? Alternatively, are there disclosure requirements that could be removed? Please provide details.

    (d) Should investors receive additional tailored disclosure adapted to their needs? Would investors benefit from receiving a summary of key information from the Information Circular in a simple and comparable format, in addition to the Information Circular itself or as a distinctive part of the Information Circular (e.g. as a summary appearing at the front of the document)?

Response:

While we acknowledge that there may be benefits to creating a form of Information Circular that is tailored to investment funds, we do not believe that the disclosure provided to investors under the current form is inadequate or insufficient. As such, at least as a starting point, we would suggest that the CSA consider what disclosure in the Form is not applicable to investment funds (such as details regarding compensation of directors) and remove those items. That being said, if investors are receiving the right level of disclosure, we question the value of a new form, despite the fact that it may be slightly easier for investment fund managers over the longer term. We are not aware of investment fund managers being unable to meet their disclosure obligations under the current form.

As a general comment, we are not proponents of a summary document for information circulars. Often, the particulars of a fundamental change are complex and not easily summarized, and we would expect significant duplication of disclosure under a form that requires a summary. This would be contrary to the goal of reducing burden.

Workstream Eight: Codify Exemptive Relief Granted in Respect of Fund Facts Delivery Applications

General comment:

Invesco is supportive of the proposed change to Section 3.2.04 of NI 81-101 in respect of Fund Facts delivery requirements for managed accounts and permitted clients.

26. *Currently, a separate Fund Facts or ETF Facts must be filed for each class or series of a mutual fund or ETF that is subject to NI 81-101, or NI 41-101 respectively. The Proposed Amendments contemplate allowing a mutual fund to prepare a single consolidated Fund Facts that includes all the classes or series covered by certain automatic switch programs on the basis that the only distinction between the classes or series relates to fees.*

    (a) Should the CSA consider allowing the preparation and filing of consolidated Fund Facts and ETF Facts where there are no distinguishing features between classes or series other than fees, even in circumstances where there is no automatic switch program? Alternatively, should the CSA consider mandating consolidation in such circumstances? In either case, we

anticipate revising the form requirements of Form 81-101F3 to be consistent with paragraph 3.2.05(e) of NI 81-101 as set out in Appendix B, Schedule 8 of this publication.

(b) Are there other circumstances where consolidation should be allowed or mandated? If so, what parameters should be placed on such consolidation? Additionally, what disclosure changes would need to be made to Form 81-101F3 to accommodate the consolidation?

Response:

As we mentioned earlier in our responses, we believe that the CSA should consider allowing the preparation and filing of consolidated Fund Facts and ETF Facts, even in circumstances where there is no automatic switch program. In our view, investors would not be worse off with a single Fund Facts or ETF Facts Document for each series of a fund or ETF, provided that thought is put into how to make the disclosure clear and simple.

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Conclusion

We would be pleased to discuss our responses in greater detail with any CSA member at such CSA member's convenience.

Thank you for the opportunity to comment on this important matter.

Yours truly,

Invesco Canada Ltd.

Shalomi Abraham
Senior Vice President, Head of Legal – Canada

cc: Jasmin Jabri, Senior Vice President & Chief Compliance Officer, Invesco Canada Ltd.
John Zerr, President & CEO, Invesco Canada Ltd.