

CSA'S PROPOSED CONTINUOUS DISCLOSURE AMENDMENTS FOR INVESTMENT FUNDS: CALL FOR FEEDBACK

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On September 19, 2024, the Canadian Securities Administrators (the “**CSA**”) published a [series of proposed amendments](#) aimed at modernizing the continuous disclosure regime for investment funds (the “**Proposed Amendments**”). The key proposed change is to replace the existing form of Management Report of Fund Performance (the “**MRFP**”), which came into effect on June 1, 2005, with a new form of report – named the “**Fund Report**”. The Fund Report contains significant differences from the existing form of MRFP. The comment period deadline was extended to **January 31, 2025** from **January 17, 2025**, which was announced on December 17, 2024. This bulletin focuses on key aspects of the Fund Report and summarizes the questions raised by the CSA that may be of interest to investment funds, their investment fund managers (“**IFMs**”) and other industry stakeholders.

In addition to the new form of Fund Report, the Proposed Amendments also propose to streamline certain conflict of interest reporting requirements, to remove the requirement to prepare certain class or series levels of disclosure that is not required by IFRS from investment fund financial statements, and to implement certain minor updates to the form requirements of the Fund Facts or ETF Facts and simplified prospectus of investment funds.

The Fund Report

The new form of Fund Report contains significant changes from the existing form of MRFP, which aim to enhance the content of the disclosure while reducing the burden on reporting issuer investment funds to prepare such reports. The CSA engaged a third-party behavioural insights firm to assist in redesign efforts and also considered updates made by the U.S. Securities and Exchange Commission to its fund reporting requirements. The CSA considered the suggestion to change the frequency of reporting to an annual requirement but have decided to maintain the twice-per-year filing requirement: similar to the MRFP, the new Fund Report will be required to be filed on an annual and interim basis.

The disclosure in the new Fund Report consists of the following amendments:

- The required disclosure has been significantly streamlined.

- Information has been thematically chunked by topic.
- The use of bullets has increased while the use of narrative forms of disclosure has been minimized.
- Key terms have been defined and key concepts have been explained in call-out boxes.
- Opportunities to provide brief summaries of information have been provided.
- Directions to more detailed sections of information have been provided.

Table 1: Other Amendments to the New Fund Report

	Summary of Certain Key Changes
Streamlining of Disclosure	<p>The streamlining includes the elimination of the following requirements on the basis that most investors would not find practical use for them in the Fund Report:</p> <ul style="list-style-type: none"> • Several requirements in the “Results of Operations” and “Recent Developments” sections of the MRFP will be removed. Instead, the Fund Report will include a more concise “Investment Objectives and Investment Strategies” section, which will provide investors with a brief overview of the fund’s success in achieving its goals. • “The Fund’s Net Assets per [Unit/Share]” table in the “Financial Highlights” section will be removed. • Several metrics in the “Ratios and Supplemental Data” table in the “Financial Highlights” section (such as the number of units/shares outstanding and closing market price) will be removed. Additionally, instead of providing five years of data, the Fund Report will only include one year’s worth of information in a new “Costs” section, along with a requirement to provide information regarding any increase in costs from the previous year. • The “Management Fees” section will be removed from the MRFP. • The requirement to provide performance information in respect of each series or class of an investment fund will be removed. Instead, the Fund Report will focus on performance information of the series or class with the highest management fee and possibly other series or classes where performance may vary due to factors other than fees.

<p>Disclosure Moved from the MRFP to Other Locations in the Regulatory Disclosure Regime</p>	<p>The following information is not being carried forward into the Fund Report but instead is being moved to different locations in the regulatory disclosure regime for investment funds:</p> <ul style="list-style-type: none"> • Related party transactions disclosure is not included in the Fund Report. Instead, a new requirement has been developed as an appendix (to be prepared by the IFM) to the annual report to securityholders that an investment fund’s independent review committee (“IRC”) must prepare. The new requirement will only call for detailed disclosure on related-party transactions where they are not already available in existing conflicts of interest reports filed on SEDAR+. • The requirement to prepare quarterly portfolio disclosure will stay, but the investment fund will now prepare it on a standalone basis throughout the year, versus in the MRFP (or Fund Report) twice a year. The content requirements however are substantially the same.
<p>New Disclosure Requirements</p>	<p>The Fund Report will also contain new disclosure requirements as compared to the MRFP, including:</p> <ul style="list-style-type: none"> • A brief summary of the IFM's assessment of the investment fund’s success. Specific instructions for investment funds that have environmental, social and governance (“ESG”)-related aspects to their investment objectives and strategies have been provided. • Disclosure regarding the liquidity profile of the investment portfolio of the investment fund.

The Proposed Amendments include a form of sample Fund Report (see [Appendix C of the Proposed Amendments](#)).



Request for Comments: Key Consultation Questions Relating to the Proposed Fund Report

The CSA has issued twenty specific questions for comment across various topics related to the Proposed Amendments across the three workstreams, with a January 31, 2025 deadline. Industry stakeholders may wish to comment on several key areas relating to the proposed Fund Report, as outlined in the table below. Please note that other questions were raised on the other amendments, which have been included below for ease of reference.

The consultation includes requests for feedback on (a) whether the proposed new disclosure requirements are

clear to investors, (b) whether the removal of certain requirements does not inadvertently harm investors, and (c) verifying that the shifting of requirements from the Fund Report integrates well with the other elements of the disclosure framework. Overall, the CSA seeks to determine whether the Proposed Amendments strike a good balance between offering adequate information for investors' decision-making needs and maintaining an easily understandable Fund Report. Industry stakeholders may be particularly interested in providing feedback on the proposed implementation timelines, disclosure requirements with respect to disclosing MERs without waivers or absorptions, ESG-specific disclosures, the proposed approach of only disclosing performance information for the class or series with the highest management fee, and the new proposed "Liquidity Profile" section. The consultation also includes an open call for additional feedback on other areas of the continuous disclosure regime for investment funds that should be modernized and have not been addressed.

Topic	Commentary to Provide
General	
Other Areas for Modernization	Whether there are any other areas of the continuous disclosure regime for investment funds that should be modernized, and which have not been addressed as part of the Proposed Amendments.
Effective Dates and Exemptions	Whether the proposed effective date (of 3 months following the final publication date) is appropriate, and whether the 9-month exemption period for compliance is sufficient to enable investment funds to prepare for the new requirements. Also, whether an investment fund that prepared an interim MRFP using the current requirements should be allowed to file its subsequent annual MRFP using the same, even after the exemption period ends.
Workstream One - Fund Report	
Frequency of Preparation	Whether the proposed approach of maintaining the current frequency of preparing an annual and interim MRFP for an investment fund that is a reporting issuer (and an annual MRFP for scholarship plans) meets investor needs for remaining informed about the status of their holdings.
Forward Looking Information	Whether the proposed approach to forward looking information disclosure in the Fund Report, which includes standardized language at the beginning of the Fund Report, and an option for additional disclosure in the "Other Material Information" section, meets investor needs for transparency and provides sufficient flexibility for investment funds.
Years of FER Disclosure	Whether additional FER information to the "Costs" section should be required, and whether increases or decreases in FER, as compared to the last prepared Fund Report, should be displayed separately in the table in the Fund Report.
MER Without Waivers or Absorptions	Whether the proposed approach of disclosing MER without waivers or absorptions in the "Other Material Information" section, along with a cross-reference, in the "Costs" section, to that information, effectively assists in making the Fund Report easier to read and understand, or if an alternative approach would be better.
ESG-Specific Disclosure	Whether the detailed instructions on ESG-related disclosure would make it challenging to provide concise disclosure in the "Investment Objectives and Investment Strategies" section of the Fund Report, and if so, suggestions for an alternative approach.
Classes/Series of Performance Information	Whether the proposed approach of only disclosing performance information for the class or series with the highest management fee (and any others where performance varies based on factors besides fees) meets investors' needs for a Fund Report that is easy to navigate while providing sufficient decision-making information. Also, whether performance information for the class or series with the lowest management fee should be required, comments on alternative forms of disclosure if performance information is unavailable, and whether performance information should be required to be presented on an investment fund's designated website.

Related Party Transactions	Whether the proposed approach of providing related party transaction disclosures as an appendix to the IRC's annual report to securityholders (rather than in the Fund Report) is an effective method for informing investors while maintaining the appropriate amount of information and ease of navigation in the Fund Report.
Liquidity	Whether the new proposed "Liquidity Profile" section with disclosure regarding the liquidity of the investments held is understandable to investors and contains the appropriate amount of information for them.
Scholarship Plan MER	Whether an investor in a scholarship plan would find the requirement to provide the MER less useful compared to an investor in another type of investment fund. Also, whether scholarship plans will experience any unique challenges in preparing this information for the Fund Report.
Other Material Information	Whether there are alternative methods for presenting the information currently included in the "Other Material Information" section of the Fund Report.
Designated Website Disclosure	Whether any disclosure currently included in the Fund Report should be moved to an investment fund's designated website instead and, if so, any challenges regarding the website placement.
Cross-References to Designated Website	Whether any additional information disclosed on an investment fund's designated website should also be cross-referenced in the Fund Report, beyond the existing references that include quarterly portfolio disclosure and performance information.
Modifications for Specific Investment Funds	Whether additional modifications are needed for specific types of investment funds, particularly those less commonly held than conventional mutual funds and ETFs. Also, whether any proposed changes could impact the clarity and usability of the Fund Report for investors.
Additional Suggestions	Whether the content and format of the Fund Report can be further enhanced to support the needs of investors and other stakeholders.
Investor Education	Whether the Fund Report, its new features and content within the document would be sufficient to help investors' education and understanding of the Fund Report. Also, how IFMs and investment fund dealers can support such efforts to help investors understand the Fund Report.
Workstream Two - Conflicts	
Additional Disclosure Elements	Whether any stakeholders would be disadvantaged by sale information being left out of the Proposed Form 81-107A, which serves as a new, standardized form for the filing of related party transaction reports.
Workstream Three - Financial Statements	
Stakeholders that would Benefit from Maintaining Disclosure	Whether any stakeholders would benefit from the continuation of the class-or series-level disclosure requirements that are proposed to be eliminated, and how they currently use such information.
Additional Initiative – Implementation of Fund Expense Ratio into Fund Facts and ETF Facts	
Timing Considerations	Whether there are any timing issues to consider with the implementation of the Fund Expense Ratio into the Fund Facts and ETF Facts, given that the Proposed Amendments are expected to take effect on January 1, 2026 (subject to certain transition periods).

The new form of Fund Report is an important change to the investment fund regulatory disclosure regime. If you would like to discuss the proposed changes further, please contact any member of McMillan's Investment Funds & Asset Management Group who would be pleased to speak with you at your convenience.

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A Cautionary Note

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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