

Annex A

Summary of Public Comments and CSA Responses on the Proposed Amendments for Workstreams Two and Three and Additional Initiatives Relating to the Simplified Prospectus

BACKGROUND

This Annex summarizes the written public comments we received on the Proposed Amendments for Workstreams Two (including the Related Party Transactions Question), Workstream Three and the Additional SP Disclosure Initiative and together with our responses to those comments. The comments and responses on the Proposed Amendments for Workstream One and Additional FER Initiative will be published in a separate publication at a later date.

We received 13 comment letters with comments on the Proposed Amendments for Workstreams Two (including the Related Party Transaction Question), Workstream Three, and the Additional SP Disclosure Initiative. A list of commenters is provided at the end of this Annex.

We have considered the comments received, and in response to the comments, we have made some non-material changes to the Proposed Amendments.

Any comments we received that were related to other CSA policy initiatives were forwarded to the respective CSA working groups.

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1. WORKSTREAM TWO (INCLUDING THE RELATED PARTY TRANSACTION QUESTION)

Workstream Two

Issue	Comment	Response
Support	One industry association and two IFMs expressed support for the proposals in Workstream Two. The industry association noted that this change, together with the reduced filing frequency, will reduce burden for market participants, and one IFM noted the streamlined reporting and reduced reporting frequency.	The CSA thanks the commenters for their support.
Burden Reduction	One IFM noted that Workstream Two may involve some burden reduction, but that this would not represent a significant net burden reduction, considering that the commenter noted Workstream One will increase regulatory burden.	<p>The Ontario Securities Commission (OSC) prepared a detailed quantitative cost-benefit analysis of the Proposed Amendments and Proposed Changes as part of the local annex for the OSC's publication for comment, and this included an analysis of Workstream One.</p> <p>The CSA remains of the view that while Workstream One may involve an initial increase in burden, this will be outweighed by the ongoing benefits of producing more streamlined disclosure.</p>
Item 3(1) of Proposed Form 81-107A <i>Conflict Reporting Form for Related Issuer Purchases</i> (Proposed Form 81-107A)	<p>Two industry associations were of the view that the requirement to provide the date on which the report was prepared (Item 3(1) of Proposed Form 81-107A should be eliminated because:</p> <ul style="list-style-type: none"> (a) it is not relevant or meaningful to investors; (b) related party transaction reports are prepared over a period of time and it would be difficult to provide an accurate preparation date. <p>Another industry association commented that if the CSA intended that the date under this</p>	We agree. The CSA has removed the requirement to provide the date on which the report was prepared. Disclosure of the financial year covered by the report is required.

Issue	Comment	Response
	subsection (1) should be the date on which the report is filed on SEDAR+, then this should be clearly noted.	
Item 4(h) of Proposed Form 81-107A	<p>One industry association was of the view that the requirement to, in the case of an investment in a debt security, list “each source of any independent quote or independent pricing used to determine the price per security in which the investment is made” (Item 4(h) of Proposed Form 81-107A) should be eliminated because:</p> <ul style="list-style-type: none"> (a) it does not have utility for the average investor; (b) the added burden for IFMs to provide the information is not justified by its minimal utility to investors. 	We agree. The CSA has removed the requirement to disclose each source of any independent quote or independent pricing used to determine the price per security in which the investment is made.

Issue	Comment	Response
Item 4(j) of Proposed Form 81-107A	Two industry associations suggested revisions to the reference to a fee in Item 4(j) of Proposed Form 81-107A. One industry association suggested that the reference to “fee” should be replaced with a reference to “commission”, as IFMs would only know if a commission was paid in respect of the investment made and would not necessarily have insight into whether any other fees were paid. The other industry association commented that the CSA should clearly define the term “fee”, and note that this requirement would not apply to transactions involving fixed income securities, as there is no fee or commissions paid in such transactions by the IFM, only a spread (i.e., the price that dealer purchased the security and the price the dealer will sell such security). However, an IFM would not have access to any information relating to the “spread” in any event.	The reference to “fee” is not new as it is currently referred to in Item 117(1)3 of the <i>Securities Act</i> (Ontario), in Form 38 of Regulation 1015 and the equivalent in the applicable CSA jurisdictions. In response to comments, however, we have revised the requirement to provide greater clarity of the requested disclosure. The requirement now seeks disclosure of the name of any related person or company that has received, or will receive, a fee, commission or other form of compensation.
Related Party Transactions in Proposed Form 81-107A	One IFM commented that it did not have an objection to providing the reporting contained in Proposed Form 81-107A but did not agree with the requirement under paragraph (k) of Item 4 of Proposed Form 81-1017A that an investment fund disclose the dealer involved in a related	We thank the commenter for the comment. The CSA considers it appropriate for Form 81-107A <i>Conflict Reporting</i>

Issue	Comment	Response
	<p>party transaction, as it is not relevant to investors, is confidential, and is proprietary to an investment funds and IFMs.</p>	<p><i>Form for Related Issuer Purchases (Form 81-107A)</i> to provide some transparency concerning when a related dealer has been used to execute the transaction.</p> <p>Noting this and in consideration of the comment, we have removed the requirement to disclose the name of the dealer used to execute the transaction and replaced it with a requirement to specify only when a related dealer has been used to execute the transaction and the name of the related dealer.</p> <p>We consider this approach to be consistent with the goal of providing transparency in Form 81-107A concerning related party transactions.</p>
	<p>One industry association was of the view that Proposed Form 81-107A should not require any more than what is required under existing reporting requirements, noting that information not currently provided in reports should not be required as its utility to average investors is questionable and producing it is burdensome.</p>	<p>The intention of the new Form 81-107A is to ensure consistency across IFMs in the related party transaction disclosure that is provided by each fund. It is also meant to ensure consistency in the disclosure of material items relevant to related party transactions.</p>

Issue	Comment	Response
		<p>Several of the items included as requirements in Form 81-107A have been disclosed in various related party transactions reports filed by certain IFMs to date or have been requirements for related party transaction disclosure under provincial securities legislation. In this context, the CSA does not consider disclosure of such items, now prescribed in Form 81-107A, to be burdensome.</p>
	<p>One investor advocate was of the view that the CSA should carry out research to determine if retail investors understand related party transactions disclosure, and if it is not understood, then such disclosure should be made easier to understand and more useful using research and investor testing.</p>	<p>The CSA considers the disclosure requirements in new Form 81-107A and <i>Manager's Report on Related Party Transactions</i> in the appendix to the independent review committee (IRC) annual report to securityholders (IRC Report to Securityholders) to be plain language, high-level and to strike the right balance between the complexity of related party transactions and general information about related party transactions in a manner that will, or may, be useful to investors. As such, we do not consider further research to be necessary at this time.</p>

Question 9 - Related Party Transactions

The proposed Form 81-106A *Contents of Annual and Interim Fund Report* (Proposed Form 81-106A) does not include a section requiring disclosure pertaining to related party transactions. Instead, a different requirement has been developed and added as an appendix (to be prepared by the IFM) to the annual report to securityholders that an investment fund's IRC must prepare pursuant to section 4.4 of NI 81-107. This contrasts with the current Form 81-106F1 *Contents of Annual and Interim Management Report of Fund Performance* (Current Form 81-106F1) which includes a section entitled "Related Party Transactions" (see Item 2.5 of Part B of the Current Form 81-106F1). Please comment on whether this proposed approach to disclosure regarding related party transactions is an effective method of providing this information to investors while ensuring that the Fund Report contains the appropriate amount of information and is easy to navigate.

Issue	Comment	Response
Support	Two investor advocates expressed support for the proposal to consolidate related party transaction disclosure into an appendix to the IRC Report to Securityholders, saying that it is practical and expedient. The commenters noted, however, that retail investors should be easily able to access it, either through cross-references in the Fund Report or clear paths on the designated website of an investment fund.	<p>The CSA thanks the commenters for the support.</p> <p>Noting the comments, however, we have not added a requirement for a cross-reference to the appendix to the IRC Report to Securityholders to be included in the Fund Report or on a fund's designated website. Our view is that the new appendix is as relevant as all other required disclosure and accordingly, does not warrant a cross-reference. Further, we consider that the location of the new appendix will become more familiar to investors over time, making a cross-reference unnecessary.</p>
	One investor advocate noted that disclosure on conflicts of interest should be easy for investors to find and understand. The commenter also noted that while it made some sense to move the	Please refer to our response above.

Issue	Comment	Response
	<p>MRFP related party transaction disclosure to the IRC annual reports, the CSA should carry out research to confirm how visible IRC annual reports to securityholders are to investment fund securityholders and how to improve their visibility and the extent to which investors can understand the information in them. The commenter also suggested that the CSA should consider requiring a link to the IRC Report to Securityholders in the Fund Report.</p>	
	<p>One IFM noted that the ability to summarize related party transactions in a single report is welcome regulatory burden reduction, although the commenter expressed some requested revisions to the requirements which are set out in this summary.</p>	<p>The CSA thanks the commenter for the support.</p>
Proposed Location	<p>One industry association commented that given that the mandate of the IRC is to oversee the processes the IFM has in place to manage conflicts of interest, they did not believe this information should be added to the IRC Report to Securityholders.</p>	<p>The goal of locating the <i>Manager's Report on Related Party Transactions</i> in an appendix to the IRC Report to Securityholders is to streamline the MRFP while ensuring no loss of relevant information concerning related party transactions and conflicts of interest.</p> <p>The effect of the change will be to locate specific information relevant to conflict of interest matters pertaining to the fund in one location instead of multiple locations.</p> <p>Effectively, the IRC Report to Securityholders will continue to be a separate report from the IRC. The <i>Manager's Report on Related Party Transactions</i> in</p>

Issue	Comment	Response
		<p>an appendix to the IRC Report to Securityholders will be a separate report from the perspective of the fund manager.</p>
<p>“Related Party to an Investment Fund” Definition</p>	<p>One industry association and 4 IFMs noted that the proposed amendments added a new definition of “related party to an investment fund” through the proposed subsection 2.5(2) of NI 81-107, and identified the following concerns:</p> <ul style="list-style-type: none"> (a) the new definition of “related party to an investment fund” may create a broader definition of “related party”; (b) the existence of the term “entity related to the manager” in NI 81-107, which is also used with “related parties” in NI 81-106, creates a need to clarify or align these three variations of definitions; (c) the proposed amendments expand the scope of the definition of “related party to an investment fund” and may cause confusion, as the definition is contained in both the CPA Canada Handbook and the Proposed Amendments to NI 81-107; (d) this addition would not reduce regulatory burden to IFMs. If the proposal is adopted, firms will need additional time to review the requirements and to make any necessary changes to their IRC reporting processes; (e) the introduction of the defined term “party related to the investment fund” introduces unnecessary complexity given that NI 81-107 currently contains a definition of an “entity related to the manager”; (f) the CSA should maintain the “existing definition” which is in line with the CPA Canada Handbook 	<p>We thank the commenters for the feedback.</p> <p>In response to the comments, we have removed the reference in subsection 2.5(2) of NI 81-107 to “related party to an investment fund” and replaced it with a reference to the defined term of an “entity related to the manager” as contemplated by section 1.3 of NI 81-107. We expect this change to provide greater clarity on which entity or entities, in connection with the investment fund and its related party transactions, are captured by the reporting requirements of section 2.5 of NI 81-107.</p>
<p>New Requirement to Disclose Inter-Fund Trades</p>	<p>One industry association was of the view that Proposed Form 81-107A introduces a new requirement to disclose inter-fund trades. The commenter noted that the proposed requirement appears to be more onerous than current practices and it is unclear how this additional disclosure is relevant or beneficial to investors, given that NI 81-107 and the independent review committee</p>	<p>To ensure complete disclosure of related party transactions, the <i>Manager’s Report on Related Party Transactions</i> in an appendix to the IRC Report to Securityholders does</p>

Issue	Comment	Response
	<p>framework already governs such trades and imposes a robust compliance standard.</p>	<p>require high-level disclosure of any transaction involving the investment fund and an entity related to the manager for which a report is or is not filed on SEDAR+. The latter would include inter-fund trades. We consider this disclosure to be appropriate and to provide sufficient transparency concerning related party transactions and any related reports that disclose details of related party transactions.</p> <p>Form 81-107A requires disclosure of the particulars of related party transactions contemplated pursuant to sections 6.2, 6.3 and 6.4 of NI 81-107, none of which contemplate inter-fund trades.</p>
<p>Eliminate Requirement in Subparagraph 2.5(1)(c)(ii) to Provide Brief Description</p>	<p>One industry association and three IFMs recommended removing the requirement under subparagraph 2.5(1)(c)(ii) of NI 81-107 to provide a brief description of any provision in securities legislation or any order made under securities legislation that imposes a requirement to provide disclosure about the transaction or keep a record in respect of the transaction. Commenters submitted that the requirement is more burdensome than the requirements of the Current Form 81-106F1 and that the requirement is not relevant to investors, and does not provide any investor benefit.</p>	<p>We agree with the commenters.</p> <p>Accordingly, we have removed the requirement in subparagraph 2.5(1)(c)(ii) of NI 81-107 and maintained the requirement to provide a brief description of the type of transaction not otherwise covered by the requirements in paragraph 2.5(a).</p>

Issue	Comment	Response
Eliminate or Modify Related Party Transactions Disclosure	<p>Three industry associations and three IFMs were of the view that the requirement to prepare the related party transactions disclosure in the MRFP should be eliminated entirely instead of being relocated to an appendix to the IRC Report to Securityholders because:</p> <ul style="list-style-type: none"> (a) related party transactions disclosure is a requirement in the financial statements under IFRS (b) the disclosure in the financial statements is a more effective way of providing related party transactions information to investors; (c) the function of the IRC is to report on processes in place and it is misplaced to relocate the related party transactions disclosure to an appendix of the IRC Report to Securityholders; (d) this disclosure should be incorporated into the financial statements, where it is already largely addressed under IFRS, as IFRS requires substantive related party transactions to be disclosed and made publicly available in the financial statements, rendering duplication in another document unnecessary; also, related party transactions are not typically a high-priority concern for readers of the MRFP; (e) the information is available in the financial statements and repeating it in an appendix is redundant and increases regulatory burden. However, if it is to be moved into an appendix, the commenter suggests keeping the disclosure in boilerplate form <p>The commenters also noted that if the CSA chose to maintain the disclosure, it should maintain existing related party disclosure requirements in Part B, Item 2.5 of the existing MRFP instead of making proposed amendments to NI 81-107.</p>	<p>The CSA takes note of the comments indicating that disclosure of related party transactions in financial statements is sufficient to make unnecessary the relocation of such disclosure from the MRFP to an appendix to the IRC Report to Securityholders.</p> <p>Our view is that related party transaction disclosure in the financial statements is made for, and pursuant to, IFRS. Further, we understand that much of the related party transaction disclosure in financial statements occurs in the notes to the fund's financial statements.</p> <p>Among the goals of moving the related party disclosure from the MRFP to an appendix to the IRC Report to Securityholders is to ensure that relevant disclosure on related party transactions for securities law purposes, is in one general location. Further, the approach taken avoids the need to create a separate filing category on SEDAR+ for specifically, the <i>Manager's Report on</i></p>

Issue	Comment	Response
		<p><i>Related Party Transactions.</i></p> <p>The IRC Report to Securityholders and the <i>Manager's Report on Related Party Transactions</i> in an appendix to the IRC Report to Securityholders will allow the IRC and the IFM to have separate forums in which to discuss related party transactions. We do not consider this approach to be burdensome, but rather to provide appropriate transparency to investors and stakeholders seeking such information.</p>
Disclosure in Financial Statements	One IFM had no objection to moving related party transaction reporting to another regulatory reporting document, however, related party transaction reporting may already be provided in the financial statements of an investment fund, and it may be superfluous to disclose them in the IRC Report to Securityholders.	Please refer to our response above.

Question 18 - Additional Disclosure Elements

The Proposed Form 81-107A will serve as a new, standardized form to be used for the filing of related party transaction reports under subsections 6.2(2), 6.3(3) and 6.4(2) of NI 81-107. The types of transactions to which the Proposed Form 81-107A applies, include purchases by an investment fund but not transactions where the investment fund took part in the sale of securities. Please comment on whether any stakeholders would be disadvantaged by sale information being left out of the Proposed Form 81-107A. If any stakeholders are identified, please provide details on how they would use the sale information, if provided.

Issue	Comment	Response
No Stakeholders Disadvantaged by Leaving Out Sale Information	Two industry associations and one law firm did not believe any stakeholders would be disadvantaged by sale information being left out of Proposed Form 81-107A, with one industry association specifically noting that the proposals would not have a negative investor protection impact. Both industry associations were also of the view that it is likely that most IFMs do not report such information, either due to exemptive relief issued to them or through codified exemptive relief.	The CSA notes the commenters' views.

2. WORKSTREAM THREE

Issue	Comment	Response
General Comments	One IFM, one law firm and three industry associations expressed support for the Workstream Three proposals, noting that there will be burden reduction without negatively impacting investors.	The CSA thanks the commenters for their support.
Impact of IFRS 18 (Presentation and Disclosure in Financial Statements)	<p>Two industry associations noted that the impact of IFRS 18 should be considered with respect to the Proposed Amendments. One of the industry associations noted that this approach would reduce burden and eliminates the need for subsequent revisions to the Fund Report after IFRS 18 comes into effect.</p> <p>The other industry association noted that further amendments to Part 3 of NI 81-106 may be warranted to eliminate potential inconsistencies with IFRS 18 as the Proposed Amendments seek to eliminate class/series-level performance data, but IFRS 18 may require this information. The commenter also noted that management-defined performance measures may need to be incorporated into financial statements as a result of IFRS 18.</p> <p>One industry association requested that any changes made to the required disclosure be aligned with the timing of the new IFRS rules that will come into force on January 1, 2027.</p>	<p>The CSA is not aware that the IFRS 18 requirements would require the inclusion of class- or series-level disclosures that will be eliminated as part of Workstream Three. The CSA is also of the view that further modifications to Part 3 of NI 81-106 arising from the implementation of IFRS 18 are not currently warranted.</p> <p>See the earlier response.</p> <p>The January 1, 2027, effective date of the Workstream Three amendments will align with the timing of the implementation of IFRS 18.</p>
Website Disclosure of Statement of Investment Portfolio	One industry association expressed support to allow IFMs to provide Statement of Investment Portfolio disclosure on their designated website. The commenter also noted that most investors could access this information on a fund company's website, and providing access instead of delivery of these reports would reduce regulatory burden for IFMs.	<p>The scope of review for this initiative did not include any delivery requirements.</p> <p>On September 27, 2022, the CSA published proposed amendments and</p>

Issue	Comment	Response
		<p>changes to implement an access-based model for investment fund reporting issuers. Work on that initiative is ongoing.</p> <p>The delivery-related comments received in response to the Proposed Amendments and Proposed Changes have been provided to the CSA working on the access-based model for reporting issuer investment funds.</p>

Question 19 - Stakeholders that would Benefit from Maintaining Disclosure

As part of the Proposed Amendments for this Workstream, we are proposing to eliminate certain class- or series-level disclosure requirements under Part 3 of NI 81-106 that are not required by IFRS. Please comment on whether any stakeholders would benefit from these disclosure requirements remaining in place. If any stakeholders are identified, please provide details on how they currently use such information and comment on whether any alternative sources of information are available.

Issue	Comment	Response
Support	<p>One industry association and one investor advocate indicated that there are not any significant concerns with the proposal to eliminate certain class or series level disclosure.</p> <p>Two IFMs and one law firm were of the view that the disclosure of certain class- and series- level disclosure is not useful to investors and stakeholders would not benefit from these disclosure requirements remaining in place. The elimination of this disclosure would assist with the readability and overall utility of a fund's annual financial statements and interim financial reports.</p> <p>One IFM suggested that the CSA remove the disclosure requirements on an expedited basis, ahead of full implementation of its proposals.</p> <p>One investor advocate noted that while complexity is reduced by eliminating the class or series-level disclosure requirements, there is a risk of limiting transparency that may be to the detriment of retail investors who benefit from such disclosure. The commenter suggested that the disclosure should be retained elsewhere.</p>	<p>The CSA notes the commenters' views and submissions.</p> <p>The CSA is publishing the final amendments with respect to Workstream Two, Workstream Three and the Additional Initiative relating to the simplified prospectus, on an expedited basis, ahead of the final amendments for Workstream One.</p> <p>The CSA is of the view that the class or series level disclosures being eliminated from the Statement of Comprehensive Income and the Statement of Changes in Financial Position are of minimal</p>

		<p>utility to investors and unduly burdensome for investment funds to prepare. As such, the CSA is of the view the requirements should not be reproduced elsewhere. The CSA also notes with respect to the class or series level disclosures being eliminated from the notes to the financial statements, that class- or series-level disclosure regarding sales charges and management fees is available in other regulatory documents, such as the prospectus, the Fund Facts and the ETF Facts.</p>
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3. **ADDITIONAL SP DISCLOSURE INITIATIVE**

Issue	Comment	Response
	<i>No comments received.</i>	

4. LIST OF COMMENTERS

1. Borden Ladner Gervais LLP
2. Canada Life
3. Canadian Independent Finance and Innovation Counsel Inc.
4. Canadian Association of Retired Persons
5. Desjardins
6. FAIR Canada
7. Fidelity Investments Canada ULC
8. IGM Financial Inc.
9. Invesco Canada Ltd.
10. Investment Industry Association of Canada (now, Canadian Forum for Financial Markets)
11. Harvey S. Naglie
12. Portfolio Management Association of Canada
13. The Investment Funds Institute of Canada (now, Securities and Investment Management Association)