



For Immediate Release

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Canadian financial regulators propose total cost reporting for investment funds and segregated funds

Montreal – The Canadian Securities Administrators (CSA) and the Canadian Council of Insurance Regulators (CCIR) today published proposals that would enhance total cost reporting for investment funds and segregated funds. These proposed changes aim to improve the transparency of total fees and costs paid by mutual fund investors and segregated fund holders.

“The proposals are part of the Canadian securities and insurance regulators’ harmonized response to concerns we have identified relating to current cost disclosure and product performance reporting requirements for investment funds and segregated funds,” said Louis Morisset, CSA Chair and President and CEO of the Autorité des marchés financiers. “We seek to enhance investor protection by improving investors’ and policy holders’ awareness of the ongoing embedded costs of owning investment funds and segregated funds, which include management fees and trading expenses.”

The proposals would include periodic reporting to clients showing the ongoing costs of owning segregated funds and investment funds. For securities investors, account statements would be expanded to include the fund expense ratio for each of the investment funds that the client owns, expressed as a percentage. Additionally, annual cost and compensation reports for securities investors would be expanded to include the total dollar cost of owning investment funds over the past year. For segregated funds holders, comprehensive reporting of this information would be included in a new annual report.

The proposed changes would leverage existing requirements for account statements and annual compensation reports, rather than requiring additional documents be sent to clients.

The proposals were jointly developed by the CSA, CCIR, Canadian Insurance Services Regulatory Organizations (CISRO), Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA). They reflect advance consultations with investor advocates and market participants, and draw upon behavioural insights and the results of testing sample documents with investors.

The proposals follow the work securities regulators began after the completion of the Client Relationship Model, Phase 2 (CRM2) project and recommendations published by the CCIR in earlier position papers.

“We strongly encourage registrants and insurers to consider reviewing their systems and conduct advanced planning as soon as possible in order to have all of the necessary resources for implementation in place on time, following the final publication and subject to the required ministerial approvals,” added Morisset.

“Consumers will better understand the cost of advice and asset management and be able to assess and compare the performance of segregated funds and investment funds,” said Robert Bradley, Chair of CCIR. “As financial products intertwine and regulatory responsibilities overlap, by working closely and collaboratively, financial services regulators ensure the fair treatment of customers is maintained across sectors. This is a big step towards implementing the recommendations from our Position Paper.”

The proposals for the securities sector are for amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) and related guidance. IROC and MFDA rules would be amended to be uniform in substance with final amendments to NI 31-103.

The proposals for the insurance sector are for an Individual Variable Insurance Contracts (IVICs) Ongoing Disclosure Guidance, an enhanced disclosure framework for individual segregated fund contracts. The Guidance is designed to better harmonize the insurance sector and the securities sector. The CCIR expects that each of its member jurisdictions will adopt the framework by local guidance or, in certain jurisdictions, regulation.

Stakeholders are invited to provide comments in writing on or before July 27, 2022.

The CSA and CCIR Joint Notice and Request for Comment of the proposed amendments and proposed guidance can be found on [CSA members' websites](#) and on the [CCIR website](#).

About the CSA

The CSA, the council of the securities regulators of Canada’s provinces and territories, coordinates and harmonizes regulation for the Canadian capital markets.

About the CCIR

The CCIR is an inter-jurisdictional association of insurance regulators. The mandate of the CCIR is to facilitate and promote an efficient and effective insurance regulatory system in Canada to serve the public interest. CCIR members work together to develop solutions to common regulatory issues.

For media inquiries:

Canadian Securities Administrators
media@acvm-csa.ca

Sylvain Théberge
Autorité des marchés financiers
sylvain.theberge@lautorite.qc.ca
514-940-2176

Russ Courtney
Financial Services Regulatory Authority of Ontario
(For English insurance related - Toronto)
437-225-8551

For investor inquiries, please contact your [local securities regulator](#).