

Total Cost Reporting (“TCR”) Disclosure for Investors

The Canadian Securities Administrators (the “**CSA**”) and Canadian Council of Insurance Regulators (the “**CCIR**”) have published the [final enhanced cost disclosure requirements](#) for investment funds and new cost and performance reporting requirements for segregated funds.

The TCR amendments take effect on January 1, 2026. The regulators extended the transition period from the initial proposal in light of implementation issues and concerns identified in the consultation process. This means investors will receive their first annual report of charges and compensation (the “**Annual Report**”) with the new requirements in 2027 for the period ending December 31, 2026.

The amendments are part of the regulators’ response to concerns relating to current cost disclosure under the client relationship model reforms (“**CRM2**”) which took effect July 2016. CRM2 only required disclosure of commissions and fees paid to dealers, not fund fees paid to investment fund managers. The TCR requirements are intended to improve investor awareness of all embedded fees.

The Annual Report will be expanded to include:

- the total aggregated dollar value of fund expenses paid by the investor;
- any direct investment fund charges in dollars (e.g., short-term trading fees); and
- the fund expense ratio (“**FER**”), which is the sum of the management expense ratio and trading expense ratio, expressed as a percentage for each fund held.

The CSA and CCIR intend to establish an implementation committee, with participation from the New SRO, to provide guidance and assistance to the industry in operationalizing the new requirements.

The New Self-Regulatory Organization of Canada (“New SRO”)

After the CSA’s consultation on the regulatory framework for the Mutual Fund Dealers Association of Canada (“**MFDA**”) and Investment Industry Regulatory Organization of Canada (“**IIROC**”) beginning in 2019, the two combined on January 1, 2023 to establish one organization temporarily known as the New SRO. Members of the New SRO have approved the new name of Canadian Investment Regulatory Organization (“**CIRO**”), pending approval by securities regulators.

The New SRO is carrying on the regulatory functions of the MFDA and IIROC and will be working to integrate the activities and harmonize the rules of the previous SROs over the next two years. The New SRO is also looking at the issue of directed commissions being paid to personal corporations and allowing IIROC representatives the same benefits as MFDA representatives.

The interim rules for the New SRO provide for the continued jurisdiction over firms subject to the prior IROC and MFDA rules as well as transitional provisions. The interim rules consist of:

- the Investment Dealer and Partially Consolidated Rules;
- the Universal Market Integrity Rules; and
- the Mutual Fund Dealer Rules.

Key changes in the interim rules are those designed to:

- permit mutual fund dealers to introduce business to investment dealers, enabling greater mutual fund dealer client access to exchange traded funds; and
- revise the upgrade rule requirements to give mutual funds only registered representatives employed by firms registered as both investment dealer and mutual fund dealer (dual-registered firms) the option of conducting business primarily within the Investment Dealer and Partially Consolidated Rules on a permanent basis.

The New SRO provides an [FAQ on the interim rules](#) on its website.

Review of Mutual Fund Sales Practices

On September 22, 2022, the CSA announced the regulators are launching a review of sales practices for proprietary mutual funds. The first phase of the CSA's review includes surveying investment fund managers identified as using a "principal distributor" - defined as funds sold exclusively by a particular dealer - to provide a better understanding of sales practices and distribution structures. The review is intended to help the CSA determine whether regulatory amendments are needed in light of the CSA's recent work in developing its Client Focused Reforms (defined below).

Tied-Selling and Anti-Competitive Practices

As stated in its [2023-2024 Statement of Priorities](#), the Ontario Securities Commission ("OSC") will be continuing its analysis of tied selling and other anti-competitive practices in capital markets. This initiative will include receiving formal submissions together with supporting evidence from issuers, dealers and other market participants. The OSC will be establishing the extent that such conduct may be impeding competition.

Previously, the OSC reported findings and potential recommendations to the Minister of Finance following its inquiry into banks' activities regarding the availability of third-party investment funds on product shelves and the practice of tied-selling to corporate clients in February 2022.

TITLE PROTECTION

Ontario

On March 28, 2022, Financial Services Regulatory Authority's ("**FSRA**") [Financial Professionals Title Protection Rule](#) (the "**Titles Rule**"), outlining the minimum standards for the use of the "financial planner" (**FP**) and "financial advisor" (**FA**) titles in Ontario, came into force. In connection with the Titles Rule, FSRA also released updated guidance in its [Financial Professionals Title Protection - Supervisory Framework](#) and [Financial Professionals Title Protection - Administration of Applications](#).

Here are some significant highlights from the Titles Rule:

- Entities seeking approval as credentialing bodies to oversee the conduct of FP and FA title users need to be approved by FSRA.
- Approved credentialing bodies are required to provide FSRA with the information needed to create and maintain a public registry of title users.
- Individuals who currently use either title will not be “grandfathered” under the new rule that establishes minimum standards for those who want to use those titles; however, this is a transition period allowed for individuals using these titles prior to January 1, 2020.
- Minimum standards for FPs require them to have a credential that, among other things, has an educational component related to financial planning, such as estates and tax planning, retirement planning, technical knowledge, ethical practices and dealing with conflicts of interest.
- Minimum standards for FAs include similar components, as well as education on providing suitable financial and investment recommendations to clients.
- The transition period for individuals using these titles prior to January 1, 2020, is two years for FA title users and four years for FP title users. Individuals who commenced using these titles post January 1, 2020 must cease to use their title until they obtain an approved credential from an approved credentialing body.
- FSRA has authority to take enforcement action in various circumstances, including:
 - if an approved credentialing body fails to comply with the FPTPA, the Titles Rule or any terms and conditions associated with FSRA’s approval;
 - if an individual uses the FP or FA title without an approved credential;
 - if an entity is or appears to be representing as an approved credentialing body without valid approval;
 - if an entity is or appears to be representing that it can offer an approved FP or FA credential without FSRA approval of the credential;
 - utilizing a title that could reasonably be confused with FP or FA.

FSRA announced on December 22, 2022 that users of FA and FP titles in Ontario will be given more time to find a path to comply with the Titles Rule. FSRA is focusing its resources on approving credentialing bodies and assisting them with the implementation of the title protection framework, which will continue until June 30, 2023. Until then, FSRA’s enforcement activities with respect to non-compliant title users will focus on responding to consumer complaints and requesting non-compliant title users to voluntarily cease title use within 30 days.

As of the date this Regulatory Pulse is written, the following credentialing bodies and credentials have been approved by the FSRA:

Approved Credentialing Body	Approved Credential	Permitted Title
FP Canada	Certified Financial Planner	Financial Planner
	Qualified Associate Financial Planner	Financial Planner
Institute for Advanced Financial Education (IAFE), a subsidiary of Advocis	Chartered Life Underwriter	Financial Planner
	Professional Financial Advisor	Financial Advisor
Canadian Securities Institute	The Personal Financial Planner	Financial Planner
	Designated Financial Services Advisor (DFSATM)	Financial Advisor
The Canadian Institute of Financial Planning (CIFP)	Registered Retirement Consultant® (RRC®)	Financial Planner
	Registered Financial and Retirement Advisor® (RFRA®)	Financial Advisor
	Registered Retirement Analyst™ (RRA™)	Financial Advisor

The New SRO is currently working with FSRA to become a credentialing body for financial advisors.

Please refer to the FSRA’s [website](#) for an up-to-date list of all approved credentialing bodies and credentials.

Saskatchewan

On July 3, 2020, the Saskatchewan government passed the *Financial Planners and Financial Advisors Act* (the “**FPFA Act**”). The FPFA Act is modelled on the FPTPA Act in Ontario and restricts who in Saskatchewan may legally use the titles of “financial planner” and “financial advisor”.

On July 28, 2021, the Financial and Consumer Affairs Authority of Saskatchewan (“**FCAA**”) published for comment proposed regulations under the FPFA Act which closely reflected Ontario’s Titles Rule. In July 2022, the FCAA posted for comment changes to these regulations in response to comments received on the initial consultation. These changes reduce harmonization with Ontario in respect to certain aspects of the proposed framework.

A notable change is the FCAA is considering changing the competency profiles for the FA credential to be closer to that of a FP. Given the proposed changes to the FA credential:

- It is possible that approved FA credentialing bodies in Ontario will not qualify to be an approved FA credentialing body in Saskatchewan without expanding their education requirements.
- The FCAA has asked whether the transition period for FAs should be extended to match those that will be available to FPs (i.e. four years from the date the regulation comes into force).

The comment period on Saskatchewan’s proposed regulations ended September 20, 2022.

Other Provinces

Following the lead of Ontario and Saskatchewan, the Financial and Consumer Services Commission of New Brunswick has taken the next step in establishing a framework for title protection. Following its consultation in 2021, the government recently introduced Bill 29, the Financial Advisors and Financial Planners Title Protection Act. If the Bill is passed, the next step will be consulting on proposed rules for the use of FA and FP titles in the province.

Québec was the first province with title regulation in force by regulating the “financial planner” title and restricting other titles.

Ombudsman for Banking Services and Investments (OBSI) Governance Review

On November 1, 2022, OBSI released a request for public input on its organizational governance. The consultation follows OBSI’s 2021 Independent Evaluations which made a number of governance-related recommendations, including that OBSI’s board should undertake a strategic review of its governance structure to determine how best to ensure that key stakeholder interests are most effectively considered in board oversight and decision-making.

The comment period closes on January 31, 2023. OBSI will consider all submissions and work towards updating its organizational governance structure in consultation with the regulators on any proposed changes. The CSA also intend to develop and publish for comment a proposal to provide OBSI with the authority to make binding compensation decisions in 2023.

Access-Based Model for Investment Fund Reporting Issuers

On September 27, 2022 the CSA published proposed amendments that would provide an alternative to delivering financial statements and management reports of fund performance (“**MRFPs**”) for investment fund reporting issuers. The proposed changes would increase online availability and accessibility, providing investors access to information in a timely and environmentally friendly manner while also retaining the option to request documents in the form, paper or electronic, to best suit their needs

The amendments would require investment fund reporting issuers to post fund financial statements and MFRPs on their designated websites and alert investors when new documents are available by issuing a news release, which would also be posted to their designated websites and filed on the System for Electronic Document Analysis and Retrieval (“**SEDAR**”).

Although the proposed amendments do not extend an access-based model to documents other than fund financials and MRFPs, the CSA is looking to determine if there are other changes to delivery requirements that should be contemplated, that might facilitate broader adoption of electronic delivery of documents.

The consultation period ended on December 26, 2022.

Client Focused Reforms

On October 3, 2019, the CSA adopted amendments to NI 31-103 to implement reforms to enhance the client-registrant relationship (the “**Client Focused Reforms**”). The main objective of these reforms is for the registrants to put clients’ interests first when giving them investment advice and trading securities for them. You can visit our Regulatory Resource page on Fidelity.ca for a detailed summary of the Client Focused Reforms.

The Client Focused Reforms came into effect fully on December 31, 2021.

In connection with the Client Focused Reforms, IIROC published guidance to assist its dealer members in understanding and complying with the Client Focused Reforms and related changes to the IIROC Rules came into effect on December 31, 2021.

Similarly, the MFDA published its Client Focused Reform conforming changes to the MFDA rules which also came into effect on December 31, 2021.

The CSA has provided guidance on operational issues and questions shared by industry stakeholders relating to the implementation of these reforms in its [Client Focused Reforms - Frequently Asked Questions \(updated April 29, 2022\)](#).

Trailing Commissions Paid to Discount Brokerage Firms

The CSA has implemented its trailing commission ban to prohibit the payment of trailing commissions by fund organizations to dealers who do not make a suitability determination (the “**OEO Trailer Ban**”). Such dealers include, among others, order-execution only (“**OEO**”) dealers and dealers acting on behalf of a “permitted client” that has waived the suitability requirements. The OEO Trailer Ban took effect on June 1, 2022.

The CSA expects fund organizations and dealers to take “any necessary measures” to ensure that investors with deferred sales charge (“**DSC**”) holdings will not be required to pay redemption fees as a result of the OEO Trailer Ban, and to clearly communicate these measures to investors.

Following industry consultation, OEO dealers and fund organizations are temporarily exempt from the OEO trailer ban to facilitate dealer rebates of trailing commissions to clients holding mutual funds in OEO dealer accounts and to process client transfers. Under the exemption, clients will receive dealer rebates in cases where switches to an equivalent or substantially similar mutual fund series or class within the same fund isn't possible, and where a management fee rebate of the trailing commission is also not available. In Ontario, this exemption expires on November 30, 2023.

Insurance Regulators' Consultation on Potential Ban of Upfront Commissions

On September 8, 2022, the CCIR and the Canadian Insurance Services Regulatory Organizations ("**CISRO**") released for public consultation a discussion paper on upfront compensation paid for the sale and servicing of segregated funds.

On February 10, 2022, the CCIR and CISRO announced their position on the use of DSCs in segregated fund contract sales, and their intention to consult on other upfront commissions in segregated funds. The regulators are of the view that there is a high risk of poor consumer outcomes associated with DSCs and this form of sales charge is not consistent with treating customers fairly. Further, they urged insurers to refrain from new DSC sales in segregated fund contracts in line with the June 1, 2022 ban in securities, and expect a transition to an end of such sales by June 1, 2023.

The consultation period ended on November 7, 2022 and the CCIR and CISRO intend to move forward swiftly with a policy position and guidance on upfront commissions in sales of segregated funds.



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