Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA NOTICE AND REQUEST FOR COMMENT

PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 81-102 *INVESTMENT FUNDS*

AND

PROPOSED CHANGES TO COMPANION POLICY 81-102 *INVESTMENT FUNDS*

AND

CONSULTATION PAPER ON LIQUIDITY RISK MANAGEMENT TOOLS, LIQUIDITY CLASSIFICATION, AND REGULATORY DISCLOSURE AND DATA

November 27, 2025

Introduction

The Canadian Securities Administrators (the **CSA** or **we**) are publishing, for a 120-day comment period, proposed amendments (the **Proposed Amendments**) to National Instrument 81-102 *Investment Funds* (**NI 81-102**) and proposed changes (the **Proposed CP Changes**) to Companion Policy 81-102 *Investment Funds*. The Proposed Amendments and Proposed CP Changes pertain to the liquidity risk management (**LRM**) of all investment funds, including those that are reporting issuers and those that are not. The Proposed Amendments and Proposed CP Changes relate to the LRM framework of an investment fund, operational LRM matters, and oversight of the LRM framework.

The text of the Proposed Amendments and Proposed CP Changes is contained in Annexes A and B of this Notice and Request for Comment and will also be available on the websites of the following CSA jurisdictions:

www.bcsc.bc.ca
www.asc.ca
www.fcaa.gov.sk.ca
www.mbsecurities.ca
www.osc.ca
www.lautorite.qc.ca
www.fcnb.ca
nssc.novascotia.ca

Concurrently with this Notice and Request for Comment, we are also publishing a consultation paper (the **Consultation Paper**) that seeks feedback on potential additional changes to the regulatory framework to address other aspects of LRM. Specifically, the Consultation Paper addresses the following 3 areas of LRM: (a) LRM tools (**LMTs**); (b) liquidity classification of underlying portfolio assets; and (c) regulatory disclosure and data relating to LRM.

For LMTs, the Consultation Paper

- provides an overview of commonly used LMTs, including advantages and disadvantages of each LMT,
- seeks feedback from stakeholders on whether there is a need to permit, or even require, the use of LMTs that are not currently permitted in Canada, and
- solicits specific comments relating to certain LMTs.

For liquidity classification, the Consultation Paper

- sets out a potential liquidity classification framework, and
- seeks stakeholder feedback on the overall framework, as well as specific elements of the framework.

Finally, for regulatory disclosure and data, the Consultation Paper:

- sets out potential disclosure and confidential reporting requirements, and
- solicits stakeholder feedback on each of the requirements.

Any proposal to create new rules or amend existing rules to establish requirements relating to these 3 areas as a result of the Consultation Paper would require a further public comment process.

Substance and Purpose

The Proposed Amendments and Proposed CP Changes are intended to strengthen the LRM framework of all investment funds, in line with the CSA's objectives of protecting investors, promoting fair, efficient and transparent markets, and reducing systemic risk. A strengthened LRM framework will safeguard the interests of investors, including both redeeming investors and remaining investors in an investment fund. An investment fund that has a robust LRM framework will be able to better manage the liquidity of its portfolio in order to meet the redemption needs of its investors in an orderly fashion without disadvantaging remaining investors in the fund. Ensuring that all investment funds have strong LRM frameworks will contribute to fair and efficient markets and will reduce the risk of liquidity crises that may impact the entire financial system.

We are proposing that the Proposed Amendments and Proposed CP Changes apply to all investment funds, regardless of whether they are reporting issuers. In the CSA's view, both investment funds that are reporting issuers and those that are not are similarly susceptible to liquidity risk, and both types of funds should have a robust LRM framework to manage this risk.

In particular, the Proposed Amendments and Proposed CP Changes will codify the guidance in CSA Staff Notice 81-333 *Guidance on Effective Liquidity Risk Management for Investment Funds* (**SN 81-333**) relating to 3 of the elements of the LRM framework set out in SN 81-333, specifically: (a) strong and effective governance; (b) creation and ongoing maintenance; and (c) stress testing. In addition, the Proposed Amendments and Proposed CP Changes build upon the guidance in SN 81-333 by imposing more specific requirements relating to LRM-related policies and procedures, oversight, operations, and stress testing.

Background

(a) Domestic Developments

In September 2020, the CSA published SN 81-333, which provided guidance to investment fund managers (**IFMs**) on the development and maintenance of an effective LRM framework for investment funds. SN 81-333 covered the following 5 elements of an effective LRM framework: (a) strong and effective governance; (b) creation and ongoing maintenance; (c) stress testing; (d) disclosure of liquidity risks; and (e) use of LRM tools to manage potential and actual liquidity issues.

Since the publication of SN 81-333, the CSA have continued to monitor the LRM of investment funds to assess the adoption of good LRM practices set out in the guidance in SN 81-333 and promote LRM tools and disclosure.[1]

The Bank of Canada has consistently noted the risk associated with liquidity mismatches potentially faced by fixed income and money market mutual funds in its annual Financial Stability Report.[2]

(b) International Developments

There have been significant international regulatory developments relating to LRM, chiefly led by the International Organization of Securities Commissions (**IOSCO**) and Financial Stability Board (**FSB**) and there is currently significant international momentum involving securities regulators around the world to strengthen regulatory frameworks relating to LRM.

In 2013, IOSCO published its principles (the **2013 IOSCO Principles**) relating to the regulation of, and industry practices concerning, LRM for collective investment schemes (**CIS**).[3] In 2017, the FSB published policy recommendations (the **2017 FSB Recommendations**), most of which were directed at IOSCO, to address risks to global financial stability associated with the relevant structural vulnerabilities from asset management activities, including liquidity mismatch of open-ended funds (**OEFs**).[4] This was followed by IOSCO's 2018 recommendations for LRM for CIS (the **2018 IOSCO Recommendations**),[5] which replaced the 2013 IOSCO Principles, and accompanying good practices.[6]

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[1] See pg. 9 of the 2022-2025 CSA Business Plan, https://www.securities-administrators.ca/wp-content/uploads/2022/10/2022_2025CSA_BusinessPlan.pdf.

[2] See, for example, the Financial Stability Report 2024, https://www.bankofcanada.ca/2024/05/financial-stability-report-2024/.

[3] IOSCO, "Principles of Liquidity Risk Management for Collective Investment Schemes: Final Report" (March 2013), https://www.iosco.org/library/pubdocs/pdf/IOSCOPD405.pdf.

[4] FSB, "Policy Recommendations to Address Structural Vulnerabilities from Asset Management Activities, (January 12, 2017), https://www.fsb.org/wp-content/uploads/FSB-Policy-Recommendations-on-Asset-Management-Structural-Vulnerabilities.pdf.

[5] IOSCO, "Recommendations for Liquidity Risk Management for Collective Investment Schemes: Final Report" (February 2018), https://www.iosco.org/library/pubdocs/pdf/IOSCOPD590.pdf.

[6] IOSCO, "Open-ended Fund Liquidity and Risk Management – Good Practices and Issues for Consideration: Final Report" (February 2018), https://www.iosco.org/library/pubdocs/pdf/IOSCOPD591.pdf.

2022 IOSCO Thematic Reviews

In November 2022, IOSCO published a report titled *Thematic Review on Liquidity Risk Management Recommendations*,[7] which sets out the results and observations of thematic reviews conducted by IOSCO of 25 IOSCO member jurisdictions, including Canada, that were focused on the implementation of regulatory measures to address the 2018 IOSCO Recommendations (the **2022 IOSCO Thematic Reviews**).

The 2022 IOSCO Thematic Reviews found the Canadian regulatory framework with regard to LRM to be "fully consistent" for 6 of the 10 recommendations, and "broadly consistent" for the other 4. With regard to 2 of the 4 recommendations for which Canada was assessed as "broadly consistent", IOSCO noted that the LRM regulatory framework is based on guidance that is not legally enforceable and that does not, in some respects according to IOSCO, cover all relevant key elements of the recommendations.

On the recommendation relating to conducting liquidity assessment in different scenarios, IOSCO noted that the guidance does not explicitly require such ongoing assessments, resulting in the "broadly consistent" assessment. In addition, on the recommendation relating to the implementation of additional LMTs, IOSCO noted that there was a lack of flexibility in applying some of the LMTs, resulting in the "broadly consistent" assessment.

2022 FSB Assessment

In December 2022, the FSB published a report titled *Assessment of the Effectiveness of the FSB's 2017 Recommendations on Liquidity Mismatch in Open-Ended Funds* (the **2022 FSB Assessment**).[8] The report shares findings from the FSB's assessment of the implementation and effectiveness of the 2017 FSB Recommendations.

The FSB found that while the 2017 FSB Recommendations remain broadly appropriate, certain enhancements to the existing international recommendations and related guidance would significantly strengthen the current framework and OEF liquidity management practices.

The FSB and IOSCO agreed to revise the earlier FSB and IOSCO recommendations to address structural liquidity mismatch, promote greater inclusion and use of LMTs, and clarify the appropriate roles of fund managers and authorities in implementing the recommendations. They also agreed to develop detailed guidance on the design and use of LMTs, enhance the availability of OEF-related data for financial stability monitoring, and promote the use of stress testing.

[7] IOSCO, "Thematic Review on Liquidity Risk Management Recommendations: Final Report" (November 2022), https://www.iosco.org/library/pubdocs/pdf/IOSCOPD721.pdf.
[8] FSB, "Assessment of the Effectiveness of the FSB's 2017 Recommendations on Liquidity Mismatch in Open-Ended Funds" (December 14, 2022), https://www.fsb.org/wp-content/uploads/P141222.pdf.

2023 FSB Revised Recommendations

In December 2023, the FSB published a report titled *Revised Policy Recommendations to Address Structural Vulnerabilities from Liquidity Mismatch in Open-Ended Funds*.[9] The revised recommendations in the report (the **2023 FSB Revised Recommendations**) are addressed to financial regulatory and supervisory authorities and supersede the 2017 FSB Recommendations.

The 2023 FSB Revised Recommendations address the following areas:

- Adequacy of information and transparency
- Adequacy of liquidity management both at the design phase and on an ongoing basis, including a liquidity categorization approach
- Adequacy of LRM tools and measures to deal with stressed market conditions
- Additional market liquidity considerations.

2023 IOSCO Guidance

In December 2023, IOSCO published a report titled *Anti-dilution Liquidity Management Tools – Guidance for Effective Implementation of the Recommendations for Liquidity Risk Management for Collective Investment Schemes*.[10] The report sets out guidance (the **2023 IOSCO Guidance**) on the use of anti-dilution LMTs by OEFs to mitigate investor dilution and potential first-mover advantage arising from structural liquidity mismatch in OEFs.

2025 IOSCO Revised Recommendations

In May 2025, IOSCO published a report titled *Revised Recommendations for Liquidity Risk Management for Collective Investment Schemes* (the **2025 IOSCO Revised Recommendations**),[11] as well as accompanying guidance in a report titled *Guidance for Open-ended Funds for Effective Implementation of the Recommendations for Liquidity Risk Management* (the **2025 IOSCO Guidance**).[12]

The 2025 IOSCO Revised Recommendations update the 2018 IOSCO Recommendations to reflect the 2023 FSB Revised Recommendations and 2023 IOSCO Guidance. The major changes in the 2025 IOSCO Revised Recommendations relate to the liquidity categorization approach included in the 2023 FSB Revised Recommendations and anti-dilution and quantity-based LMTs and other liquidity management measures.

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[9] FSB, "Revised Policy Recommendations to Address Structural Vulnerabilities from Liquidity Mismatch in Open-Ended Funds" (December 20, 2023), https://www.fsb.org/wp-content/uploads/P201223-1.pdf.

[10] IOSCO, "Anti-dilution Liquidity Management Tools – Guidance for Effective Implementation of the Recommendations for Liquidity Risk Management for Collective Investment Schemes: Final Report" (December 2023), https://www.iosco.org/library/pubdocs/pdf/IOSCOPD756.pdf.

[11] IOSCO, "Revised Recommendations for Liquidity Risk Management for Collective Investment Schemes: Final Report" (May 2025), https://www.iosco.org/library/pubdocs/pdf/IOSCOPD798.pdf.

[12] IOSCO, "Guidance for Open-ended Funds for Effective Implementation of the Recommendations for Liquidity Risk Management: Final Report" (May 2025), https://www.iosco.org/library/pubdocs/pdf/IOSCOPD799.pdf.

The 2025 IOSCO Guidance sets out technical elements focusing on OEFs to facilitate effective implementation of the 2025 IOSCO Revised Recommendations.

2025 IMF Recommendations

In August 2025, the International Monetary Fund (**IMF**) published its Financial System Stability Assessment for Canada (the **FSSA**).[13] The IMF recommended that Canada align its regulatory framework relating to liquidity of assets held by publicly offered funds with FSB and IOSCO guidance in this area.[14] The IMF also recommended that Canadian authorities strengthen their approach to stress testing at the level of industry practice.[15]

Summary of the Proposed Amendments and Proposed CP Changes

The following is a summary of the Proposed Amendments and Proposed CP Changes:

(a) Liquidity Risk Management Framework

We are proposing to require an investment fund to establish and maintain an LRM framework.

As part of the LRM framework, we are proposing to require that the investment fund establish, maintain, and apply policies and procedures that address all matters relating to LRM, including, for example, compliance with the requirements set out in the Proposed Amendments.

(b) Operational Requirements

We are proposing a number of requirements addressing LRM throughout various stages of the lifecycle of an investment fund, including establishing a new investment fund, considering prospective portfolio transactions, and performing ongoing monitoring of the portfolio.

As part of the ongoing monitoring requirement, we are proposing requirements relating to liquidity thresholds and targets and stress testing. In addition, we are proposing requirements relating to contingency plans.

(c) Oversight

We are proposing that an investment fund be required to appoint an LRM supervisor or establish an LRM committee to provide oversight of the LRM framework.

The Proposed Amendments include requiring that, where an investment fund has an LRM committee, the committee include either the chief compliance officer (**CCO**) of the IFM or a person who reports directly to the CCO of the IFM. Where an investment fund has an LRM supervisor, the LRM supervisor must be the CCO of the IFM, an individual who reports directly to the CCO of the IFM, or an individual who reports directly to the CCO of the IFM in respect of LRM matters.

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[13] International Monetary Fund, "Canada: Financial System Stability Assessment – Press Release and Staff Report" (August 1, 2025), https://www.imf.org/en/Publications/CR/Issues/2025/07/31/Canada-Financial-System-Stability-Assessment-Press-Release-and-Staff-Report-569167.
[14] FSSA, pg. 24.
[15] FSAA, pg. 24.

The Proposed Amendments also outline requirements relating to the qualifications and functions of the LRM supervisor or LRM committee, as well as the frequency of meetings of the LRM committee, where applicable.

Transition/Coming into Force

Subject to the nature of comments we receive on the Proposed Amendments and Proposed CP Changes, as well as any applicable regulatory requirements, we are proposing that, if approved, the Proposed Amendments will come into force 3 months after the final publication date.

Local Matters

Annex D is being published in any local jurisdiction that is making related changes to local securities laws, including local notices or other policy instruments in that jurisdiction. It also includes any additional information that is relevant to that jurisdiction only.

Request for Comments

We welcome your comments on the Proposed Amendments and Proposed CP Changes.

We are seeking specific feedback on the following questions:

1. Do you have any comments pertaining to section 6.1.1 Liquidity Risk Management Framework?
2. Do you have any comments pertaining to section 6.1.2 Operational Requirements?
3. Do you have any comments pertaining to section 6.1.3 Oversight?
4. Are there any types of investment funds that should be carved out of the Proposed Amendments? Alternatively, are there any types of investment funds that should be carved out of certain requirements in the Proposed Amendments? Please explain.
5. Do you have any other comments pertaining to the Proposed Amendments and Proposed CP Changes?

Please submit your comments in writing on or before March 27, 2026.

Address your submission to all of the CSA as follows:

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 Commission, New Brunswick
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Office of the Superintendent of Securities, Service NL
Northwest Territories Office of the Superintendent of Securities
Office of the Yukon Superintendent of Securities
Nunavut Securities Office

Submit your comments here. Your comments will be distributed to the participating CSA members.

When submitting your comments from Québec through the link above, you are submitting your comments to:

Me Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour PwC
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1
Fax: 514-864-8381
E-mail: consultation-en-cours@lautorite.qc.ca

We cannot keep submissions confidential because securities legislation in certain provinces requires publication of the written comments received during the comment period. All comments received will be posted on the websites of each of the Alberta Securities Commission at www.albertasecurities.com, the Autorité des marchés financiers at www.lautorite.qc.ca and the Ontario Securities Commission at www.osc.gov.on.ca. Therefore, you should not include personal information directly in comments to be published. It is important that you state on whose behalf you are making the submission.

Content of Annexes

The text of the Proposed Amendments and Proposed CP Changes is contained in the following annexes to this Notice and Request for Comment and is available on the websites of members of the CSA:

Annex A: Proposed Amendments to National Instrument 81-102 *Investment Funds*

Annex B: Proposed Changes to Companion Policy 81-102 *Investment Funds*

Annex C: Consultation Paper on Liquidity Risk Management Tools, Liquidity Classification, and Regulatory Disclosure and Data

Annex D: Local Matters

Questions

Please refer your questions to any of the following:

British Columbia Securities Commission

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Corporate Finance
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E-mail: jleong@bcsc.bc.ca

Alberta Securities Commission

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E-mail: jan.bagh@asc.ca

Melissa Yeh
Legal Counsel
Corporate Finance
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Financial and Consumer Affairs Authority of Saskatchewan

Heather Kuchuran
Director
Corporate Finance
Phone: 306-787-1009
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Manitoba Securities Commission

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ANNEX A

PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 81-102 *INVESTMENT FUNDS*

1. ***National Instrument 81-102*** **Investment Funds** ***is amended by this Instrument.***

2. ***Section 1.1 is amended by adding the following definitions:***

"**liquidity risk management committee**" means a committee that provides oversight of a liquidity risk management framework;***,***

"**liquidity risk management framework**" means a system in respect of the management of liquidity risk;***, and***

"**liquidity risk management supervisor**" means an individual that provides oversight of a liquidity risk management framework;***.***

3. ***Section 1.2 is amended***

(a) ***by replacing subsection (2) with the following:***

(2) Despite subsection (1), this Instrument does not apply to a scholarship plan, except for Part 6.1.***,***

(b) ***by replacing subsection (2.1) with the following:***

(2.1) Despite subsection (1), section 2.5.1 and Part 6.1 apply to an investment fund that is not a reporting issuer.***, and***

(c) ***in subsection (3) by adding the following paragraph:***

(b.1) Part 6.1;***.***

4. ***The following Part is added:***

PART 6.1 LIQUIDITY RISK MANAGEMENT

6.1.1 Liquidity Risk Management Framework

(1) An investment fund must establish and maintain a liquidity risk management framework.

(2) For the purposes of subsection (1), an investment fund must establish, maintain and apply policies and procedures in respect of all of the following matters:

(a) compliance with this Part;

(b) identification of the following:

(i) if the investment fund appoints a liquidity risk management supervisor under subsection 6.1.3(1), the position within and specified by a manager for appointment as the liquidity risk management supervisor;

(ii) if the investment fund establishes a liquidity risk management committee under subsection 6.1.3(1), each position within and specified by a manager for appointment as a member of the liquidity risk management committee;

(c) any other matter relating to the management of liquidity risk of the investment fund.

6.1.2 Operational Requirements

(1) Before the filing of an initial prospectus of a newly established investment fund, a manager must ensure that the investment fund's investment objectives and investment strategies and permitted redemption frequency of the investment fund's securities align with the nature of the investment fund's expected portfolio assets and expected redemption activity of the investment fund's securities.

(2) Before the distribution for the first time of securities of a newly established investment fund for which the prospectus requirement does not apply, a manager must ensure that the investment fund's investment objectives and investment strategies and permitted redemption frequency of the investment fund's securities align with the nature of the investment fund's expected portfolio assets and expected redemption activity of the investment fund's securities.

(3) An investment fund must monitor, review and assess the investment fund's liquidity profile and relevant market conditions on an ongoing basis using qualitative and quantitative metrics and, if necessary, adjust the composition of the investment fund's portfolio assets.

(4) An investment fund must establish and maintain liquidity thresholds and targets to monitor, review and assess the investment fund's liquidity profile under subsection (3).

(5) An investment fund must conduct stress tests of the liquidity of the investment fund's portfolio assets to monitor, review and assess the investment fund's liquidity profile under subsection (3), including, for greater certainty, the application to the stress tests of historical and hypothetical scenarios that are relevant to the investment fund's liquidity profile.

(6) If market conditions are normal, an investment fund must conduct stress tests under subsection (5) at least quarterly.

(7) If market conditions are stressed, an investment fund must increase the frequency of the stress tests conducted under subsection (6) until market conditions are normal.

(8) An investment fund must assess the impact of a portfolio transaction on its liquidity profile before making a decision in respect of entering into the transaction.

(9) An investment fund must establish and maintain contingency plans that address liquidity risk, including, for greater certainty, contingency plans that include the use of liquidity risk management tools.

(10) An investment fund must periodically test contingency plans referred to in subsection (9) to ensure that, to a reasonable person, the contingency plans are suitable for the adequate management of liquidity risk.

6.1.3 Oversight

(1) An investment fund must appoint a liquidity risk management supervisor or establish a liquidity risk management committee.

(2) For the purposes of subsection (1), an investment fund that is required to appoint a liquidity risk management supervisor must appoint as the liquidity risk management supervisor one of the following:

(a) the chief compliance officer of the manager;

(b) an individual who reports directly to the chief compliance officer of the manager;

(c) an individual who reports directly to the chief compliance officer of the manager in respect of liquidity risk management matters.

(3) For the purposes of subsection (1), an investment fund that is required to establish a liquidity risk management committee must appoint as a member of the liquidity risk management committee one of the following:

(a) the chief compliance officer of the manager;

(b) an individual who reports directly to the chief compliance officer of the manager.

(4) An investment fund must ensure that a liquidity risk management supervisor or each individual who is a member of a liquidity risk management committee, as applicable, has sufficient knowledge of the management of liquidity risk.

(5) An investment fund must ensure the following:

(a) that a liquidity risk management supervisor or liquidity risk management committee, as applicable, approves a liquidity risk management framework referred to in subsection 6.1.1(1), periodically assesses the effectiveness of the liquidity risk management framework and, if applicable, approves any proposed updates to the liquidity risk management framework;

(b) that, before the filing of an initial prospectus referred to in subsection 6.1.2(1), a liquidity risk management supervisor or liquidity risk management committee, as applicable, reviews and approves the investment fund's investment objectives and investment strategies and the permitted redemption frequency of the investment fund's securities to ensure that the investment objectives, investment strategies and permitted redemption frequency align with the nature of the investment fund's expected portfolio assets and expected redemption activity of the investment fund's securities;

(c) that, before a distribution referred to in subsection 6.1.2(2), a liquidity risk management supervisor or liquidity risk management committee, as applicable, reviews and approves the investment fund's investment objectives and investment strategies and the permitted redemption frequency of the investment fund's securities to ensure that the investment objectives, investment strategies and permitted redemption frequency align with the nature of the investment fund's expected portfolio assets and expected redemption activity of the investment fund's securities;

(d) that a liquidity risk management supervisor or liquidity risk management committee, as applicable, reviews and approves the liquidity thresholds and targets referred to in subsection 6.1.2(4), and, if applicable, approves any proposed updates to those liquidity thresholds and targets;

(e) that a liquidity risk management supervisor or liquidity risk management committee, as applicable, reviews the results of the stress tests referred to in subsection 6.1.2(5) and, if applicable, approves proposed actions to address those results;

(f) that a liquidity risk management supervisor or liquidity risk management committee, as applicable, reviews and approves the contingency plans referred to in subsection 6.1.2(9) and, if applicable, approves proposed updates to those contingency plans;

(g) that a liquidity risk management supervisor or liquidity risk management committee, as applicable, reviews the results of the contingency plan testing referred to in subsection 6.1.2(10) and, if applicable, approves proposed actions to address those results;

(h) that a liquidity risk management supervisor or liquidity risk management committee, as applicable, reviews a referral by a manager of a matter under subsection (6) and, if applicable, approves proposed actions to address the matter.

(6) A manager must, as soon as reasonably possible, refer for review to the liquidity risk management supervisor or liquidity risk management committee, as applicable, a matter that would reasonably be expected to significantly impact the liquidity profile of the investment fund and provide, with the referral, information in respect of both of the following:

(a) actions taken to address the matter;

(b) whether other actions to address the matter, including obtaining approvals of the other actions, are necessary.

(7) An investment fund that is required to establish a liquidity risk management committee must ensure that the liquidity risk management committee meets to conduct the business of the committee as often as necessary and at least quarterly each consecutive 12-month period.

5. This Instrument comes into force on ●.

ANNEX B

PROPOSED CHANGES TO
COMPANION POLICY 81-102 *INVESTMENT FUNDS*

1. Companion Policy 81-102 Investment Funds is changed by this Document.

2. Part 2 is changed by adding the following:

"**liquidity risk management framework**"

2.8.1 A liquidity risk management framework should include all of the elements set out in the requirements in Part 6.1 and any other practices or mechanisms to manage liquidity risk, including, but not limited to, the disclosure of liquidity risk and liquidity risk management tools, as applicable.

3. Part 3 is changed by replacing section 3.3.1 with the following:

3.3.1 The Canadian securities regulatory authorities are of the view that illiquid assets are generally more difficult to value, for the purposes of calculating an investment fund's net asset value, than assets which are liquid. As a result, where a non-redeemable investment fund has a large proportion of its assets invested in illiquid assets, this raises concerns about the accuracy of the investment fund's net asset value and the amount of any fees calculated with reference to net asset value. Accordingly, staff of the Canadian securities regulatory authorities may raise comments or questions in the course of their reviews of the prospectuses or continuous disclosure documents of non-redeemable investment funds where such funds have a significant proportion of their assets invested in illiquid assets.

4. The following Part is added:

PART 8.1 LIQUIDITY RISK MANAGEMENT

8.1.1 Liquidity Risk Management Framework

(1) Subsection 6.1.1(1) requires that an investment fund establish and maintain a liquidity risk management framework.

The liquidity risk management framework should take into account

- the liquidity profile of the investment fund's assets and liabilities,
- current market conditions,
- redemption activity,
- investor behavior, and
- the unique characteristics of the investment fund.

As part of the establishment and maintenance of the liquidity risk management framework, the investment fund should consider how to obtain and assess information from various sources across different functions of the manager and portfolio adviser(s), where applicable, and consider whether new or enhanced reporting and other compliance mechanisms need to be implemented to ensure that the necessary information is being shared with relevant parties within the manager.

(2) Subsection 6.1.1(2) requires that the investment fund establish, maintain, and apply policies and procedures in respect of the management of liquidity risk. Such policies and procedures should be detailed and written.

(3) Paragraph 6.1.1(2)(c) provides that the matters to be addressed in policies and procedures relating to liquidity risk management must include any other matter relating to liquidity risk management that is not specified in paragraphs 6.1.1(2)(a) and (b). Such matters may include circumstances in which it is not possible to obtain reliable and independent valuations for portfolio assets, to the extent that this is not already addressed in the manager's policies and procedures relating to valuation.

Such matters may also include conflicts of interest between the investment fund and the manager that may arise due to liquidity issues for investment funds that are not required to have independent review committees pursuant to NI 81-107. For example, there may be a conflict of interest if the level of a portfolio adviser's compensation is based on the level of the portfolio's returns, as a portfolio adviser may be incentivized to invest in more illiquid assets that have the potential for higher returns relative to more liquid assets, even though the more illiquid assets may not be suitable for the investment objectives or redemption needs of the investment fund. The Canadian securities regulatory authorities remind investment funds that are required to have independent review committees pursuant to NI 81-107 that any conflicts of interest that may arise due to liquidity issues must be addressed pursuant to the applicable requirements in NI 81-107. In addition, the Canadian securities regulatory authorities remind managers that sections 13.4 and 13.4.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103") apply to managers in respect of an investment fund that is not subject to NI 81-107.

8.1.2 Operational Requirements

(1) Subsections 6.1.2(1) and (2) require a manager to, for a newly established investment fund, ensure that the investment fund's investment objectives and investment strategies and permitted redemption frequency of its securities align with the nature of its expected portfolio assets and expected redemption activity of its securities.

The permitted redemption frequency of the securities of an investment fund is the dealing frequency of the investment fund. For example, mutual funds generally have daily redemptions.

The nature of an investment fund's expected portfolio assets would include the types of assets held in the portfolio and the quantity of time required to dispose of and settle those assets.

The expected redemption activity of the securities of an investment fund may depend on the types of securityholders of the investment fund. For example, the expected redemption needs of an investment fund that primarily has retail investors will likely be different from the expected redemption needs of an investment fund that primarily has institutional investors. The expected redemption activity may also depend on the type of investment fund. For example, an investment fund that is targeted at investors with a longer time horizon will typically have different expected redemption activity compared to a money market fund.

(2) Subsection 6.1.2(3) requires an investment fund to monitor, review and assess the investment fund's liquidity profile and relevant market conditions on an ongoing basis.

The Canadian securities regulatory authorities are of the view that this requirement will help ensure adequate levels of liquidity exist to meet redemption needs and enable the early identification of the impact of market conditions on the portfolio of the investment fund.

The liquidity profile of an investment fund is the ability of the portfolio of the investment fund to be disposed of and settled quickly and easily without a significant loss in value. As part of the requirement to monitor, review and assess its liquidity profile and relevant market conditions, the Canadian securities regulatory authorities are of the view that an investment fund should regularly review the composition of its portfolio assets, including cash and short-term securities, with consideration of past redemption activity, distribution channels, investor base, fund performance, and any other special considerations, such as changing market or other economic factors. In particular, an effective assessment should incorporate the identification and monitoring of large redemptions by investors.

(3) Subsection 6.1.2(3) specifies the use of qualitative and quantitative metrics.

Examples of qualitative metrics may include

- the credit quality of underlying portfolio assets,
- investor concentration in the investment fund,
- investor profile,
- industry risk,
- geographic risk, and
- the specific terms and conditions of underlying portfolio securities.

Examples of quantitative metrics may include

- volume metrics,
- market depth,
- reasonably anticipated size of trade, and
- third party assessments of liquidity of the underlying portfolio assets.

Specifically, for fixed income funds, examples of quantitative metrics may include

- volume metrics provided by third-party trading platforms,
- broker-dealer quotes,
- volatility,
- bid-ask spreads,
- fund holdings relative to outstanding issue size, and
- other internal estimates such as market depth.

(4) Subsection 6.1.2(4) requires that an investment fund establish and maintain liquidity thresholds and targets. For example, in addition to ensuring compliance with the illiquid asset restrictions under the Instrument, an investment fund may elect to impose internal minimum and maximum limits for portfolio assets that could be convertible to cash in a certain number of days and classify those assets accordingly. Certain historical stress data points may be directly built into establishing liquidity thresholds and/or targets of the investment fund, such as largest redemptions or largest client redemptions.

(5) Subsection 6.1.2(5) requires that an investment fund conduct stress tests of the liquidity of the investment fund's portfolio assets. Stress testing is a risk management technique used to evaluate the potential effects of changes to certain factors that impact liquidity corresponding to exceptional but plausible events on the liquidity of an investment fund's portfolio. Stress testing simulates stressed events, market conditions and liquidity events in order to understand their implications on an investment fund's ability to meet redemption requests.

(6) Subsection 6.1.2(5) requires that the stress tests include the application to the stress tests of historical and hypothetical scenarios that are relevant to the liquidity profile of the investment fund. The use of such scenarios is often referred to as scenario analysis.

Historical scenario analysis is backward-looking and is based on the use of historical statistical events to assess risk, with the objective of quantifying the impact of an event on the liquidity of an investment fund. Factors to consider for historical scenario analysis may include

- a comparison of historical cash flows with industry-wide cash flows for investment funds of similar size and strategy,
- the redemption activity of the largest investor or group of investors in the investment fund,
- general redemption activity during stress conditions with varying percentages of redemption requests, and
- historical redemption patterns.

Hypothetical scenario analysis is forward-looking and measures the potential impact of an event which has not yet occurred. Factors to consider for hypothetical scenario analysis may include

- interest rate changes,
- increased redemption requests,
- decreases in fund sales,
- changes in investors, markets, and portfolio composition, and
- the potential for counterparty default.

The Canadian securities regulatory authorities are of the view that investment funds should consider including reverse stress testing as part of the stress tests. Reverse stress testing is a risk management technique where a predetermined outcome, usually a defined failure point, is used to identify the specific circumstances or scenarios that could lead to that outcome.

(7) Subsection 6.1.2(5) requires that the stress tests involve historical and hypothetical scenarios that are relevant to the liquidity profile of the investment fund. Stress tests should cover a range of scenarios that reflect a spectrum of events and severity levels. It is the view of the Canadian securities regulatory authorities that they should be diverse and reflect material risks relevant to the investment fund, such as credit risk, reputational risk, and geopolitical risk. When designing scenarios for a stress test, a manager may consider a number of factors, such as

- a downgrade of the credit rating of an underlying portfolio asset or of the issuer of the underlying portfolio asset,
- a change in interest rates,
- a widening of bid-ask spreads,
- a change in the value of foreign currency, and
- an economic shock.

For example, it may be appropriate for an investment fund for which collateral comprises a significant proportion of its portfolio assets to conduct stress testing that also covers the collateral. This is because collateral posted by the investment fund's counterparties in derivatives and securities lending transactions may affect the liquidity of the investment fund if the counterparties are unable to meet their obligations under stressed market conditions and the investment fund has to liquidate the collateral due to the counterparties' inability to meet their outstanding obligations to the investment fund.

Depending on the nature of the investment fund, the types of assets held by the investment fund, and market conditions, the complexity of the stress tests may range from a simple sensitivity test using a single factor to complex stress tests using multiple factors.

While the stress testing scenarios used should be consistent over a period of time so that the scenarios can be compared and analyzed over time, they should also be updated regularly to reflect changes in market conditions, the composition of the portfolio, and any other conditions that may impact liquidity. Investment funds should incorporate reliable and up-to-date market information in their stress tests.

(8) As part of the stress tests required under subsection 6.1.2(5), an investment fund should consider using a "pro-rata" methodology rather than a "most liquid first" methodology in all of the scenarios used. A "pro rata" methodology would involve all investors receiving a proportional share of the portfolio assets when the assets are sold to meet redemption demands, whereas a "most liquid first" methodology would involve the manager prioritizing the liquidation of the most liquid assets first to meet redemption demands.

(9) Subsection 6.1.2(6) requires that, if market conditions are normal, an investment fund conduct stress tests at least quarterly. However, an investment fund may determine that it is necessary to conduct stress tests on a more frequent basis. This determination may be based on specific attributes of the investment fund, including

- the size of the investment fund,
- the nature of its underlying portfolio assets,
- its redemption frequency,
- its investment strategy,
- the types of investors invested in the investment fund, and
- current market conditions.

(10) Subsection 6.1.2(7) requires that, if market conditions are stressed, an investment fund increase the frequency of the stress tests until market conditions are normal. The Canadian securities regulatory authorities are of the view that during stressed market conditions, there may be unexpected or unanticipated market changes, investor behaviour, etc., which could suddenly decrease the liquidity of the portfolio of an investment fund, and therefore, there is a need for more frequent stress testing to ensure the ability of the investment fund to satisfy redemption requests. Examples of stressed market conditions may include market-wide or economy-wide events, such as global pandemics, and events that are relevant for certain types of funds, such as significant changes in interest rates that would likely impact fixed income funds.

(11) Subsection 6.1.2(9) requires that an investment fund establish and maintain contingency plans that address liquidity risk, including, for greater certainty, contingency plans that include the use of liquidity risk management tools. Contingency plans are operational arrangements to address liquidity challenges during stressed market conditions. Liquidity risk management tools may include the suspension of redemptions, redemptions in kind, and the use of redemption fees.

8.1.3 Oversight

(1) Subsection 6.1.3(1) requires that an investment fund appoint a liquidity risk management supervisor or establish a liquidity risk management committee. In the case of an investment fund that establishes a liquidity risk management committee, the committee may be an existing committee that covers multiple areas within its mandate, one of which would be liquidity risk management.

The Canadian securities regulatory authorities recognize that it may not be appropriate for some smaller managers to establish a liquidity risk management committee due to resource limitations, and that it may be more appropriate for them to appoint a liquidity risk management supervisor instead.

(2) Subsection 6.1.3(2) sets out the individuals who can be appointed as a liquidity risk management supervisor. However, the liquidity risk management supervisor should engage with any individuals involved in decision-making relating to the purchase and sale of portfolio assets in order to obtain any necessary information or insights to better understand liquidity risks from the perspective of portfolio management. The engagement may take the form of involving such individuals as advisers to the liquidity risk management supervisor.

(3) Subsection 6.1.3(3) requires the involvement of either the chief compliance officer of the manager or an individual who reports directly to the chief compliance officer of the manager as a member of the liquidity risk management committee. The liquidity risk management committee should also either include an individual involved in decision-making relating to the purchase and sale of portfolio assets or engage with any individuals involved in decision-making relating to the purchase and sale of portfolio assets for the same reason. The engagement may take the form of involving such individuals as advisers to the liquidity risk management committee or including them in meetings on an as-needed *ad hoc* basis.

(4) Paragraphs 6.1.3(5)(a) to (h) set out specific functions of the liquidity risk management supervisor or liquidity risk management committee. The liquidity risk management supervisor or liquidity risk management committee should consult any individuals with relevant expertise or knowledge, as needed, in order to fulfill each such function. However, the Canadian securities regulatory authorities remind managers that the ultimate designated person and chief compliance officer of the manager are still responsible for the compliance of the manager with securities legislation under sections 5.1 and 5.2 of NI 31-103.

(5) Paragraphs 6.1.3(5)(a) to (h) refer to approvals granted by the liquidity risk management supervisor or liquidity risk management committee, as applicable. The liquidity risk management supervisor or liquidity risk management committee should consult any individuals with relevant expertise or knowledge, as needed, in order for the liquidity risk management supervisor or liquidity risk management committee to grant approval. In addition, the liquidity risk management supervisor or liquidity risk management committee should maintain proper books and records relating to the decision-making process with regard to the approval.

(6) Subsection 6.1.3(6) references a matter that would reasonably be expected to significantly impact the liquidity profile of the investment fund. An example of such a matter is a significant redemption request.

5. These changes become effective on ●.

ANNEX C

CONSULTATION PAPER ON LIQUIDITY RISK MANAGEMENT TOOLS, LIQUIDITY CLASSIFICATION, AND REGULATORY DISCLOSURE AND DATA

November 27, 2025

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A. Introduction

I. Purpose and overview

As part of the CSA's work to strengthen the regulatory framework for LRM in Canada, we are publishing this Consultation Paper for a 120-day comment period to seek feedback on potential additional changes to the regulatory framework to address aspects of LRM that are not included in the Proposed Amendments and Proposed CP Changes.

Specifically, we are seeking comments on the following three areas of LRM:

1. LMTs

2. Liquidity classification of underlying portfolio assets

3. Regulatory disclosure and data relating to LRM

Any proposal to create new rules or amend existing rules to establish requirements relating to any of the above three areas as a result of this consultation would require a further public comment process.

For LMTs, this Consultation Paper provides an overview of commonly used LMTs, including advantages and disadvantages of each LMT, and seeks feedback from stakeholders on whether there is a need to permit, or even require, the use of LMTs that are not currently permitted in Canada, and solicits specific comments relating to certain LMTs.

With regard to liquidity classification of underlying portfolio assets, this Consultation Paper sets out a potential liquidity classification framework and seeks stakeholder feedback on the framework as a whole, as well as specific elements of the framework.

For regulatory disclosure and data relating to LRM, this Consultation Paper sets out potential disclosure and confidential reporting requirements and solicits stakeholder feedback on each of them.

II. Background

As discussed in the accompanying Notice and Request for Comments, the FSB and IOSCO have been developing recommendations and guidance relating to LRM over the past decade, and there is currently significant international momentum involving securities regulators around the world to strengthen regulatory frameworks relating to LRM.

In particular, there have been significant recent international regulatory developments relating to the three areas covered in this Consultation Paper, which are discussed in greater detail in each of the subsequent sections relating to each topic.

B. Liquidity risk management tools

I. Background

(a) What are LMTs?

LMTs, which are techniques and tools used to manage liquidity needs and risks, form an important part of an IFM's LRM framework. LMTs can be used by IFMs to manage liquidity needs in both normal and stressed market conditions.

There are different types of LMTs, often divided into two groups: (a) anti-dilution or price-based LMTs; and (b) quantity-based LMTs.

Anti-dilution or price-based LMTs aim to pass on the estimated costs of liquidity associated with fund subscriptions and redemptions to the subscribing or redeeming investors by adjusting the net asset value (**NAV**) of the fund or the price at which securities of the fund transact. These types of tools do not preclude an investor from subscribing or redeeming.

Quantity-based LMTs reduce the liquidity obligations of funds through delaying or deferring payments to investors and are seen as more disruptive because they restrict investor access to their invested capital either proportionally or in its entirety. In addition, there are other LMTs that are neither price-based nor quantity-based, such as redemptions in kind and borrowing.

(b) International developments

Recently, there has been significant international momentum regarding the need to increase the availability of LMTs in both normal and stressed market conditions.

In the 2022 IOSCO Thematic Reviews, IOSCO assessed the Canadian regulatory framework with regard to the recommendation relating to LMTs as "broadly consistent".[1] IOSCO noted that there is a lack of flexibility in Canada in applying some of the LMTs and, other than redemption fees, in-kind redemptions, and suspension of redemptions, the use of LMTs in Canada requires exemptive relief from the CSA.

The 2022 FSB Assessment found that most jurisdictions permit OEF managers to implement a broad range of LMTs and that there has been a gradual increase in the inclusion of LMTs in the constitutional documents of OEFs since the publication of the 2017 FSB Recommendations.[2] The FSB found that the use of anti-dilution LMTs increased during the COVID-19 shock in response to increased redemption requests. The FSB found that there is room for greater uptake of LMTs, in particular anti-dilution LMTs. When LMTs are available, cost, competitive or reputational concerns, as well as operational hurdles, may have prevented OEF managers from both including them in the constitutional documents of OEFS and using them.

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[1] IOSCO, "Thematic Review on Liquidity Risk Recommendations: Final Report" (November 2022), https://www.iosco.org/library/pubdocs/pdf/IOSCOPD721.pdf. See also "2022 IOSCO Thematic Reviews" in the Notice and Request for Comment.

[2] FSB, "Assessment of the Effectiveness of the FSB's 2017 Recommendations on Liquidity Mismatch in Open-Ended Funds" (December 14, 2022), https://www.fsb.org/wp-content/uploads/P141222.pdf.

The 2023 FSB Revised Recommendations updated the 2017 FSB Recommendations relating to LMTs.[3] One of the major changes was an emphasis on the need for authorities to ensure the availability of a broad set of anti-dilution and quantity-based LMTs for use by OEF managers in normal and stressed market conditions, rather than only focusing on meeting redemptions under stressed market conditions. In addition, the FSB further elaborated on the need to include anti-dilution LMTs in fund constitutional documents and greater use and consistency in use of anti-dilution LMTs in both normal and stressed market conditions, with a focus on imposing on redeeming investors the explicit and implicit costs of redemptions.

In addition, the 2023 IOSCO Guidance, which relates to the use of anti-dilution LMTs by OEFs, addresses the following areas:

- use of appropriate anti-dilution LMTs for OEFs
- imposition of estimated cost of liquidity on subscribing and redeeming investors
- need for responsible entities[4] to demonstrate to authorities the appropriate calibration of the LMT for both normal and stressed market conditions
- appropriate and sufficiently prudent activation thresholds for anti-dilution LMTs
- adequate and appropriate governance arrangements for decision-making processes for the use of anti-dilution LMTs
- clear disclosure to investors of the objectives and operation of anti-dilution LMTs.[5]

The 2025 IOSCO Revised Recommendations updated the 2018 IOSCO Recommendations relating to LMTs.[6] Firstly, with regard to consistency between an OEF's investment strategy and liquidity with the terms and conditions of fund subscriptions and redemptions, IOSCO included guidance relating to notice periods, lock-up periods, settlement periods, and redemption caps for structuring OEFs that allocate a significant proportion of their portfolio to illiquid assets.[7]

Additionally, IOSCO recommended that the responsible entity consider and implement a broad set of LMTs and measures to the extent allowed by local law and regulation for each OEF under its management, for both normal and stressed market conditions.[8] IOSCO also recommended that the responsible entity consider and use anti-dilution LMTs to mitigate material investor dilution and potential first-mover advantage arising from structural liquidity mismatches in the OEFs it manages.[9]

IOSCO also updated the recommendation in the 2018 IOSCO Recommendations relating to governance to specifically include governance relating to the use of LMTs and other liquidity

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[3] FSB, "Revised Policy Recommendations to Address Structural Vulnerabilities from Liquidity Mismatch in Open-Ended Funds" (December 20, 2023), https://www.fsb.org/wp-content/uploads/P201223-1.pdf.
[4] In Canada, the responsible entity of an investment fund is the IFM.
[5] IOSCO, "Anti-dilution Liquidity Management Tools – Guidance for Effective Implementation of the Recommendations for Liquidity Risk Management for Collective Investment Schemes: Final Report" (December 2023), https://www.iosco.org/library/pubdocs/pdf/IOSCOPD756.pdf.
[6] IOSCO, "Revised Recommendations for Liquidity Risk Management for Collective Investment Schemes: Final Report" (May 2025), https://www.iosco.org/library/pubdocs/pdf/IOSCOPD798.pdf.
[7] Recommendation 3 of 2025 IOSCO Revised Recommendations.
[8] Recommendation 6 of 2025 IOSCO Revised Recommendations.
[9] Recommendation 7 of 2025 IOSCO Revised Recommendations.

management measures.[10] IOSCO recommended that responsible entities have adequate and appropriate governance arrangements in place for their LRM processes, including clear decision-making processes for the use of LMTs and other liquidity management measures in normal and stressed market conditions.

In addition, IOSCO updated the recommendation in the 2018 IOSCO Recommendations relating to the disclosure of liquidity risk and a collective investment scheme's (**CIS**) LRM process to specifically include disclosure about the availability and use of LMTs and liquidity management measures.[11] Finally, IOSCO also added a new recommendation that the responsible entity publish clear disclosures of the objectives and operation, including design and use, of anti-dilution LMTs, quantity-based LMTs and other liquidity management measures.[12]

In August 2025, the IMF recommended in the FSSA that Canada align its regulatory framework relating to liquidity of assets held by publicly offered funds with FSB and IOSCO guidance in this area,[13] which would include FSB and IOSCO guidance and recommendations relating to LMTs.

II. Purpose

LMTs are an important part of an investment fund's LRM framework and serve two main purposes.

Firstly, LMTs protect the remaining investors in a fund from "first mover advantage" and the dilutive effects of redemptions by other investors. When investors in a fund redeem out of the fund, there are costs of liquidating portfolio assets to meet those redemption requests. In particular, in stressed market conditions, there may be a run on redemptions as investors rush to redeem out of the fund to avoid potential losses. Without effective LMTs, those costs are generally borne by the remaining investors rather than redeeming investors. Price-based or anti-dilution LMTs are intended to mitigate this issue and are generally used as maintenance tools to prevent liquidity issues before they occur.

Secondly, LMTs help IFMs better manage redemptions in an orderly fashion during stressed market conditions or periods of unusually high redemptions. Quantity-based LMTs, which are typically emergency tools that are used in stressed market conditions, assist IFMs in such circumstances by limiting the number of redemptions that need to be met during a certain period of time, so that a fund does not need to urgently dispose of assets at discounted prices, which would be detrimental to all unitholders. The use of such LMTs can give an IFM additional time to try to dispose of portfolio assets at a price that is not significantly discounted.

Currently, there are generally only three LMTs that are used by investment funds that are reporting issuers: suspension of redemptions, redemption fees, and redemptions in kind. The CSA is considering permitting other LMTs to be used by investment funds that are reporting

[10] Recommendation 13 of 2025 IOSCO Revised Recommendations.

[11] Recommendation 16 of 2025 IOSCO Revised Recommendations.

[12] Recommendation 17 of 2025 IOSCO Revised Recommendations.

[13] International Monetary Fund, "Canada: Financial System Stability Assessment – Press Release and Staff Report" (August 1, 2025), https://www.imf.org/en/Publications/CR/Issues/2025/07/31/Canada-Financial-System-Stability-Assessment-Press-Release-and-Staff-Report-569167, pg. 24.

issuers in both normal and stressed market conditions in order to strengthen the ability of investment funds to manage liquidity and better protect investors.

III. Regulatory considerations around the use of additional LMTs

This section provides an overview of some regulatory considerations around the use of additional LMTs.

There are different potential regulatory approaches to permitting funds to use additional LMTs. One approach would be to amend the existing rules to permit the use of certain LMTs by investment funds that are reporting issuers without requiring that funds adopt or use those LMTs. This approach would allow IFMs to have access to a broader range of LMTs to help manage their liquidity and would ultimately allow IFMs to decide which LMTs, if any, to adopt for their particular funds. Arguably, IFMs would be best positioned to make this determination, since there may be different strategies and methods for the use of LMTs for different investment funds in different circumstances. However, this approach could result in different LMTs being adopted by different IFMs for similar types of funds.

A different approach would be to amend the existing rules to not only permit the use of additional LMTs, but to require funds to adopt a minimum number of LMTs or even specific LMTs. This approach addresses the potential issue of IFMs choosing not to adopt any LMTs because of a perceived competitive disadvantage. Specifically, some IFMs may choose not to adopt any LMTs at all because they fear that investors may choose funds that do not have LMTs over those that do. This could be because some investors may perceive funds that have adopted LMTs to be more susceptible to liquidity issues than those that do not, or because some investors may prefer funds that do not have the ability to adjust their redemption prices or prevent or delay redemption requests in exceptional circumstances. By requiring funds to adopt a minimum number of LMTs or specific LMTs, this approach would potentially level the playing field.

It is worth noting that an investment fund will realistically not be able to adopt all types of LMTs as the implementation of some LMTs would conflict with others. In particular, since price-based or anti-dilution LMTs have different methodologies for calculating the redemption price of a fund, it would likely not be possible for a fund to adopt multiple price-based or anti-dilution LMTs. As such, even if funds were permitted to use a wide range of LMTs, they would not be able to use all of them, and IFMs would need to select the appropriate LMTs for their specific funds.

In addition, some LMTs, including many of the price-based or anti-dilution LMTs, may need to be built into a fund at the product design phase. For existing funds, since the adoption of LMTs may impact the price that an investor receives upon redemption or the ability of the investor to redeem out of the fund in exceptional circumstances, there may be a need for unitholder notification, consent or approval.

Finally, depending on the type of LMT, there may be a need for internal governance and oversight by an IFM before activating the use of an LMT.

IV. Types of LMTs

To provide a more comprehensive picture of potential LMTs that could be made available by the CSA, this section provides an overview of each of the most commonly used LMTs, including the advantages and disadvantages of each LMT.

Price-based or anti-dilution LMTs

(a) Swing pricing

Swing pricing is the process by which the fund's NAV is adjusted by applying a swing factor that reflects the liquidity cost of net subscriptions or redemptions. All investors would pay or receive the same swung price. Generally, swing pricing is not used during an initial ramp-up period of a fund, or during termination of the fund.

For the purpose of this Consultation Paper, the CSA refers to swing pricing in the context of applying a swing factor that reflects the liquidity cost of net redemptions, not subscriptions.

There are two main forms of swing pricing. The first is known as "full" swing pricing, and involves the NAV being adjusted down on each day that NAV is calculated if there are net outflows on that day.

The second form of swing pricing is known as "partial" swing pricing and is only used when the net outflows of the fund are greater than a predetermined threshold, often referred to as the swing threshold. The swing threshold is usually set as a percentage or a number of basis points. One type of partial swing pricing is a tiered swing pricing model, whereby the fund's NAV is adjusted based on multiple predetermined threshold and factors. In a tiered swing pricing model, when the net outflows reach certain thresholds, the fund applies a different corresponding swing factor.

In some jurisdictions, there is often a maximum swing factor that would be disclosed in a fund's prospectus, such as a maximum of 2% of NAV.

Advantages	Disadvantages
• As with other price-based LMTs, swing pricing protects against dilution by passing on transaction costs to redeeming investors and mitigates first-mover advantage • Swing pricing is a relatively cost-effective anti-dilution LMT, in comparison to other anti-dilution LMTs • Swing pricing is a widely adopted and established LMT in certain jurisdictions • Swing pricing can be used as a deterrent against frequent trading activity and market timing activity • Swing pricing can be used as a deterrent against potential large redemptions when liquidity costs increase • Compared to full swing pricing, tiered	• Swing pricing is relatively complex, requiring a high level of expertise to set up and operate • Since swing pricing is activated by net outflows of the fund, individual investors may be disadvantaged when swing pricing is activated by a large redemption from a single redeeming investor • Swing pricing may be perceived to be too complex to investors who are not familiar with the concept of swing pricing • Swing pricing may be perceived to be non-transparent to investors, as the redemption price may be subject to information that is not available to the redeeming investor (e.g. a redeeming investor may not know if there are net

swing pricing better reflects the trading curve by taking into account different potential dilution impacts of different trade sizes	outflows on the relevant calculation date) • While swing pricing does not actually make the NAV more volatile, the NAV may appear to be volatile for the purpose of NAV calculation due to the NAV changing as a result of the application of the swing factor

(b) Dual pricing

Dual pricing is the system by which there are two NAVs calculated for each point in time in which NAV is calculated. Subscribing investors would subscribe using the higher NAV and redeeming investors would redeem using the lower NAV. The spread between the two prices could be dynamic to reflect the liquidity costs during real-time market conditions.

One common form of dual pricing is for one NAV to reflect the ask prices of the underlying assets and the other NAV to reflect the bid prices of the underlying assets. Another common form of dual pricing is to use an adjustable spread around the fund's NAV under which assets are priced on a mid-market basis. In this type of dual pricing, the spread is between a bid price at which fund redemptions are conducted and an ask price at which fund subscriptions are transacted.

Advantages	**Disadvantages**
• As with other price-based LMTs, dual pricing protects against dilution by passing on transaction costs to redeeming investors and mitigates first-mover advantage • Dual pricing can be used as a deterrent against frequent trading activity and market timing activity • Dual pricing can be used as a deterrent against potential large redemptions when liquidity costs increase • Dual pricing based on bid and ask prices fully reflects market movements • Dual pricing based on an adjustable spread is dynamic and reflects liquidity costs based on real-time market conditions	• Dual pricing is relatively complex, requiring a high level of expertise to set up and operate • Dual pricing imposes additional operational burdens and complexity on fund intermediaries, service providers and other third parties as they would need to be able to handle two different unit prices on each trade date • Dual pricing imposes operational costs on intermediaries due to necessity of submitting purchase and redemption orders separately • Dual pricing based on bid and ask prices does not naturally take into account any significant market impact or explicit transaction costs, which would need to be accounted for separately through an additional adjustment to the NAV

(c) Redemption or liquidity fees

A redemption or liquidity fee is a fee charged to the transacting investor by a fund when the investor redeems units of the fund and is usually deducted from the net asset value per unit.

The redemption or liquidity fee is intended to cover the liquidity costs associated with the redemption.

In Canada, while redemption fees were commonly charged by investment funds that had a deferred sales charge option prior to the ban on deferred sales charge options,[14] such redemption fees were typically charged if an investor sold units of the fund within a specified time frame and were not necessarily intended to address liquidity costs.

Outside of redemption fees charged as part of the deferred sales charge option, redemption or liquidity fees in Canada have often taken the form of large transaction or sizable transaction fees (whereby investors are charged a fee where a redemption or switch to another fund exceeds a certain value threshold) and short term trading fees (whereby investors are charged a fee for redeeming or switching out of the fund within a specified short period of time after subscribing or switching into the fund).

However, IFMs may charge redemption or liquidity fees in the case of redemptions to explicitly pass on liquidity costs to redeeming unitholders, and such redemption or liquidity fees may be mandatory or discretionary. Where the redemption or liquidity fee is mandatory, it is applicable to each redemption. Where the redemption or liquidity fee is discretionary, the applicability of the fee is at the discretion of the IFM.

Advantages	**Disadvantages**
• As with other price-based LMTs, redemption or liquidity fees protect against dilution by passing on transaction costs to redeeming investors and mitigate first-mover advantage • Redemption or liquidity fees are a relatively straightforward and cost-effective anti-dilution LMT, in comparison to other anti-dilution LMTs • Redemption or liquidity fees can be used as a deterrent against frequent trading activity • Redemption or liquidity fees can be used as a deterrent against potential large redemptions when liquidity costs increase • Unlike other price-based LMTs such as swing pricing and dual pricing, redemption or liquidity fees do not involve adjustments to NAV and therefore do not impact performance • Unlike other price-based LMTs such as swing pricing and dual pricing, redemption or liquidity fees are more	• High redemption or liquidity fees may harm unitholders who need to redeem during a period of investor hardship • If redemption or liquidity fees are applied on a discretionary basis, they may cause unfair advantages or disadvantages for certain investors • If redemption or liquidity fees are applied on a discretionary basis, investors may not know when such fees will be charged and the amount of such fees • If fund managers have discretion over the applicability of a redemption or liquidity fee, they may hesitate to impose the fee for fear of investor complaints or for reputation-related reasons

[14] See Multilateral CSA Notice of Amendments *to National Instrument 81-105 Mutual Fund Sales Practices and Related Consequential Amendments relating to Prohibition of Deferred Sales Charges for Investment Funds* and OSC Staff Notice 81-731 *Next Steps on Deferred Sales Charges*.

transparent and understandable for investors • Unlike other price-based LMTs such as swing pricing and dual pricing, redemption or liquidity fees can be structured to only apply to individual redeeming investors whose redemptions trigger a certain threshold	

(d) Anti-dilution levies

An anti-dilution levy is a variable levy or fee that investment funds impose on investors who buy or redeem units of the fund. For the purpose of this Consultation Paper, the CSA refers to anti-dilution levies in the context of redeeming investors rather than subscribing investors. In the context of redemptions, an anti-dilution levy is an amount deducted from the proportion of the NAV received by a redeeming securityholder, which is meant to cover the transaction costs associated with the redemption, such as trading and administrative expenses.

There are different ways to impose anti-dilution levies; they can be based on the fund's net outflows and be imposed on all redeeming securityholders, or they can also be based on an individual investor's outflows and charged to each investor accordingly.

While anti-dilution levies are similar to redemption fees in that they both involve reducing the proportion of the NAV received by a redeeming securityholder, redemption fees generally involve a fixed rate, while anti-dilution levies involve variable rates and can be adjusted based on market conditions. For example, the rate of an anti-dilution levy may be increased during stressed market conditions or during a period of higher redemptions.

Advantages	**Disadvantages**
• Unlike other price-based LMTs such as swing pricing and dual pricing, anti-dilution levies do not involve adjustments to NAV and therefore do not impact performance • Unlike other price-based LMTs such as swing pricing and dual pricing, anti-dilution levies are more transparent and arguably more understandable for investors. • Unlike other price-based LMTs such as swing pricing and dual pricing, anti-dilution levies can be structured to only apply to individual redeeming investors whose redemptions trigger a certain threshold • Anti-dilution levies can be used as a deterrent against frequent trading activity and market timing activity	• Compared to redemption fees, anti-dilution levies are relatively complex and difficult to implement, as they are variable and take into account different conditions and factors • If anti-dilution levies are applied arbitrarily, they may cause unfair advantages or disadvantages for certain investors • Transparency of limits associated with anti-dilution levies may lead to some redeeming investors "gaming" the system • If fund managers have discretion over the applicability of an anti-dilution levy, they may hesitate to impose the levy for fear of investor complaints or for reputation-related reasons

• Anti-dilution levies can be used as a deterrent against potential large redemptions when liquidity costs increase	• High anti-dilution levies may harm unitholders who need to redeem during a period of investor hardship

(e) Valuation at bid or ask prices

Valuation at bid or ask prices is an asset valuation procedure that consists of switching from valuation at mid-price to valuation according to bid or ask price, depending on the net fund flows, which would result in adjustments to net asset value calculations that reflect the transaction costs of redemptions. Where there is a net inflow, the net asset value is based on the ask-price. Where there is a net outflow, the net asset value is based on the bid-price.

A variation of this procedure involves setting a threshold, which would be used to determine whether to value assets at the bid or ask price.

In the case of valuation at bid or ask prices, the net asset value is the same for all investors.

Advantages	**Disadvantages**
• Valuation at bid or ask prices takes into account the actual transaction costs of redemptions • As with other price-based LMTs, valuation at bid or ask prices protects against dilution by passing on transaction costs to redeeming investors and mitigates first-mover advantage • Valuation at bid or ask prices can be used as a deterrent against frequent trading activity and market timing activity • Valuation at bid or ask prices can be used as a deterrent against potential large redemptions when liquidity costs increase	• Since valuation at bid or ask prices is activated by net outflows of the fund, individual investors may be disadvantaged when valuation at bid or ask prices is activated by a large redemption from a single redeeming investor • Valuation at bid or ask prices is more complex for investors to understand • Valuation at bid or ask prices may be perceived to be non-transparent to investors, as the redemption price may be subject to information that is not available to the redeeming investor (e.g. a redeeming investor may not know if there are net outflows on the relevant calculation date) • While valuation at bid or ask prices does not actually make the NAV more volatile, the NAV may appear to be volatile for the purpose of NAV calculation due to the valuation of assets changing between bid and ask prices

Quantity-based LMTs

(f) Expansion of suspension of redemptions

The suspension of redemptions involves a fund suspending the right of investors to redeem their securities for a period of time. It is generally intended to be used for short periods of times during exceptional market conditions and is commonly seen as a last resort.

In Canada, the suspension of redemptions is permitted where normal trading is suspended on a stock exchange, options exchange, or futures exchange and a number of other conditions exist.[15] An IFM must obtain the approval of the applicable securities regulatory authority for the suspension of redemptions in any other circumstances.[16]

Some jurisdictions outside of Canada permit the suspension of redemptions in other circumstances or leave the suspension of redemptions to the discretion of the fund manager. In some jurisdictions, the suspension of redemptions may be required by the regulator if the regulator deems it to be necessary for the public interest, including for financial stability reasons.

There may be circumstances in which a fund manager may believe that the suspension of redemptions is required beyond the suspension of normal trading on a stock exchange, such as when daily redemption requests of a fund exceed a predefined threshold or in the event of a cyber-security incident.

The expansion of the ability to suspend redemptions in Canada could involve expanding the types of circumstances in which the suspension of redemptions is permitted without regulatory approval.

Advantages	**Disadvantages**
• The suspension of redemptions allows for a fund to address liquidity challenges quickly and effectively • The suspension of redemptions prevents a sudden outflow of cash that could force the sale of assets under unfavourable conditions or leave remaining investors with the least liquid or riskier portfolio assets by enabling the fund to spread out redemptions over time	• Suspension of redemptions should be a last resort, and expanding the ability to suspend redemptions may lead to overuse of this tool • The suspension of redemptions may signal to the market that the fund is in “trouble”, which may lead to broader negative consequences, such as contagion effects and reputational damage for the IFM

[15] Subsection 10.6(1) of NI 81-102 states the following:

> An investment fund may suspend the right of securityholders to request that the investment fund redeem its securities for the whole or any part of a period during which either of the following occurs:
>
> (a) normal trading is suspended on a stock exchange, options exchange or futures exchange within or outside Canada on which securities are listed and posted for trading, or on which specified derivatives are traded, if those securities or specified derivatives represent more than 50% by value, or underlying market exposure, of the total assets of the investment fund without allowance for liabilities and if those securities or specified derivatives are not traded on any other exchange that represents a reasonably practical alternative for the investment fund;
>
> (b) in the case of a clone fund, the investment fund whose performance it tracks has suspended redemptions.

[16] See subsection 5.5(1) of NI 81-102.

• The suspension of redemptions treats all investors equally • The suspension of redemptions provides additional time for communication among IFMs, investors and other market participants, potentially leading to investors changing their intentions to redeem	• The suspension of redemptions may harm unitholders who need to redeem during a period of investor hardship

(g) Redemption gates

A redemption gate is a mechanism that allows an investment fund to limit the amount of the fund's net asset value that can be redeemed by investors on a specific trading day when redemption requests exceed a predefined threshold, often set as a percentage of the fund's total assets. Redemption gates are generally imposed after a predefined threshold is crossed. Once a redemption gate is activated, only a *pro rata* portion of each investor's redemption request is processed immediately, while the remaining amount is deferred to the next trading day, or, in some cases, cancelled.

In some cases, redemption gates are only used on a temporary basis, and after a certain period of time has passed, the IFM would remove the redemption gate.

Advantages	**Disadvantages**
• Redemption gates prevent a sudden outflow of cash that could force the sale of assets under unfavourable conditions or leave remaining investors with the least liquid or riskier portfolio assets by spreading out redemptions over time • Redemption gates provide additional time for communication among IFMs, investors and other market participants, potentially leading to investors changing their intentions to redeem	• Redemption gates may signal to the market that the fund is in "trouble", which may lead to broader negative consequences, such as contagion effects and reputational damage for the IFM • Unless redemption gates are implemented on a *pro rata* basis, they can still reward first movers who redeem before the redemption gate is implemented • If redemption gates are not temporary, they restrict the ability of investors to redeem

(h) Notice periods

A notice period is the period of advance notice that investors must give to an investment fund when redeeming their securities in the fund. The notice period does not include the settlement period and may not include the time period from which the redemption request is submitted to a dealer, for example, to the request being received by the investment fund. A notice period is generally applicable to all investors in the fund. In some cases, notice periods may only apply during certain periods of time.

Advantages	Disadvantages
• Notice periods allow the fund to satisfy redemption requests in an orderly manner without the need to sell portfolio assets at discounted prices, which would be disadvantageous to the remaining investors in the fund • Notice periods give the fund the ability to align redemption needs with the underlying liquidity of the investments • Notice periods enable a smooth and orderly sale of portfolio assets to meet redemption requests in the case of a significant number of redemptions without sending a negative signal to the market	• Notice periods extend the length of time that it takes for an investor to receive the proceeds of the investment that they're redeeming, which is particularly disadvantageous in the case where the investor needs the capital as soon as possible • The delay in receiving their redemption proceeds may dissuade an investor from investing in the fund • For a fund with daily redemptions, the existence of a notice period could be seen as misleading by investors who expect to be able to redeem on-demand • Notice periods may incentivize some IFMs to invest in less liquid assets

(i) Extension of settlement periods

A settlement period is the time period between the date of the redemption request and the date on which the redemption is completed and settled. An extension of the settlement period for a redemption would provide a fund manager with more time to dispose of portfolio assets to meet redemption requests in an orderly fashion.

In some cases, the extension of a settlement period may only be applicable under certain circumstances, such as when redemptions exceed a predetermined threshold.

Advantages	Disadvantages
• The extension of settlement periods allows the fund to satisfy redemption requests in an orderly manner without the need to sell portfolio assets at discounted prices, which would be disadvantageous to the remaining investors in the fund • The extension of settlement periods gives the fund the ability to align redemption needs with the underlying liquidity of the investments • The extension of settlement periods enables a smooth and orderly sale of portfolio assets to meet redemption requests in the case of a significant number of redemptions without sending a negative signal to the market	• The extension of settlement periods extends the length of time that it takes for an investor to receive the proceeds of the investment that they're redeeming, which is particularly disadvantageous in the case where the investor needs the capital as soon as possible • The delay in receiving their redemption proceeds may dissuade an investor from investing in the fund • For a fund with daily redemptions, the extension of the settlement period could be seen as misleading by investors who expect to be able to redeem on-demand • The extension of settlement periods may incentivize some IFMs to invest in less liquid assets • Compared to notice periods, the net asset value for redeeming investors is determined before managers begin to sell

	assets, which can introduce unfair treatment between investors, as exiting investors are artificially locking in the price at which they will exit the fund, leaving the remaining investors to carry larger market risk than usual

(j) Side pockets

A side pocket is a mechanism by which a fund manager segregates specific illiquid assets from liquid assets in the fund's portfolio within a separate account or fund, often referred to as the illiquid pocket. Side pockets are often used when the valuation of illiquid assets is temporarily difficult or even impossible, affecting the ability of the fund manager to dispose of such assets.

Where a side pocket is in place, existing investors in the fund receive a *pro rata* share in the illiquid pocket. Existing investors that redeem out of the fund remain invested in the illiquid pocket until the assets in the illiquid pocket can be sold, while new investors do not receive a share in the illiquid pocket. The liquid pocket remains open to subscriptions and redemptions.

While side pockets may take the form of a separate account in some jurisdictions, if side pockets were to become permitted in Canada, the side pocket would likely need to be a separate fund given the requirement under subsection 1.3(1) of NI 81-102 that each section, part, class or series of a class of securities of an investment fund that is referable to a separate portfolio of assets is considered to be a separate investment fund.

Advantages	**Disadvantages**
• Side pockets protect investors by mitigating first-mover advantage and avoiding the "last man standing" scenario • Side pockets ensure that only existing investors will be impacted by the performance of the illiquid investments in the side pocket, and not new investors • Side pockets prevent the forced sale of illiquid assets under unfavourable conditions • Side pockets provide access to the liquid component of a portfolio without compromising the integrity of the entire portfolio • Side pockets ensure fair treatment among investors as investors receive *a pro rata* share of the illiquid portion of the portfolio • Side pockets allow a fund to continue to grow and operate the liquid portion of the portfolio without being impacted by the illiquid portion of the portfolio	• Side pockets limit when and how investors can withdraw their investment in the fund • Side pockets may harm unitholders who need to redeem during a period of investor hardship • Side pockets increase the opportunity cost of investing for investors as it removes their ability to withdraw capital from poorly performing funds • Side pockets may lead to different performance for new vs. existing investors • The creation of a side pocket may require the creation of a separate investment fund, which will have costs and operational burdens • Side pockets may create conflicts of interest, in that illiquid assets may be segregated into side pockets for reasons other than liquidity risk management,

	such as to protect manager fees on the liquid portion of the portfolio

Other LMTs

(k) Increased temporary borrowing limit

Currently, investment funds are subject to the borrowing limits in NI 81-102.[17] The rules permit an investment fund to borrow cash or provide a security interest over any of its portfolio assets if the transaction is a temporary measure to: (a) accommodate requests for the redemption of securities of the investment fund while the investment fund effects an orderly liquidation of portfolio assets; or (b) permit the investment fund to settle portfolio transactions; and in both cases, so long as the outstanding amount of all borrowings of the investment fund does not exceed 5% of its NAV at the time of the borrowing.

Permitting funds to temporarily increase their borrowing limit can help a fund meet its redemption needs on a temporary basis. An increased temporary borrowing limit could involve increasing the limit beyond 5% of a fund's NAV.

Exemptive relief to increase, or exempt funds from, the borrowing limits has previously been granted in certain circumstances. For example, in April 2020, the CSA provided mutual funds that invested in fixed income securities with a temporary exemption from the borrowing limits in order to accommodate requests for redemptions for a period of approximately 3 months during the COVID-19 pandemic.[18] Specifically, the temporary exemption was intended to facilitate an orderly liquidation of fixed income securities to address the short-term dislocation in the fixed income securities market due to the COVID-19 pandemic.

Advantages	Disadvantages
• Relative to more complex LMTs, borrowing can be done fairly quickly • Borrowing does not affect the ability of investors to redeem or explicitly and directly change the redemption price, as compared to other LMTs	• Borrowing costs and risks would ultimately be borne by the remaining investors in the fund • Unless disclosure is provided about each borrowing transaction, investors may not be aware of the use of borrowing to manage liquidity needs

[17] See s. 2.6 of NI 81-102.

[18] CSA, "Canadian securities regulators temporarily increase short-term borrowing limits for mutual funds investing in fixed income" (April 17, 2020), https://www.securities-administrators.ca/news/canadian-securities-regulators-temporarily-increase-short-term-borrowing-limits-for-mutual-funds-investing-in-fixed-income/.

Question 1: For investment funds that are reporting issuers, is there a need for the CSA to permit the use of LMTs that are not already currently permitted? Please explain, and if applicable, identify any specific LMTs that the CSA should permit the use of.

Question 2: For IFMs of investment funds that are reporting issuers, have there been past situations in which one of your investment funds would have benefited from being permitted to use an LMT that is not already currently permitted? If so, please explain, including an explanation for why you did not apply for exemptive relief from the applicable securities regulatory authority to use the LMT.

Question 3: Are there any LMTs that the CSA should not permit to be used by investment funds that are reporting issuers? If so, please identify the specific LMTs and explain.

Question 4: Should the CSA be requiring investment funds that are reporting issuers to adopt LMTs, including by requiring that such investment funds adopt a minimum number of LMTs or for example, a minimum number of price-based LMTs? Please explain, and if applicable, identify any specific LMTs that the CSA should require investment funds that are reporting issuers to adopt.

Question 5: Should the CSA expand the circumstances in which an investment fund that is a reporting issuer can suspend redemption rights without regulatory approval beyond the circumstances set out in subsection 10.6(1) of NI 81-102? If so, please explain and identify the circumstances.

Question 6: Should the CSA increase the temporary borrowing limit beyond what is currently permitted under section 2.6 of NI 81-102? If so, please explain and identify any potential parameters around the increased temporary borrowing limit.

Question 7: For investment funds that are reporting issuers, are there any LMTs that are not discussed in this Consultation Paper that the CSA should consider permitting or requiring the use of? Please explain.

Question 8: Are there any types of investment funds that are reporting issuers that should: (a) be carved out of any requirements relating to LMTs; (b) be subject to different requirements relating to LMTs; or (c) not be permitted to use any specific LMTs? Please explain.

C. Liquidity classification of underlying portfolio assets

I. Background

The 2023 FSB Revised Recommendations include the recommendation that authorities outline their approach to defining assets as liquid, less liquid or illiquid, or comparable categories.[19] The FSB recommended that such an approach be based on the liquidity of the funds' assets in normal and stressed market conditions. The 2023 FSB Revised Recommendations also include guidance for authorities to consider classifying entire fund portfolios by liquidity, such that a fund may be considered to invest mainly in liquid assets, invest mainly in less liquid assets, or allocate a significant proportion of its assets to illiquid assets.

[19] Recommendation 3 of 2023 FSB Revised Recommendations.

The 2025 IOSCO Revised Recommendations echo the FSB recommendation relating to both the classification of assets and classification of the fund's portfolio as a whole.[20]

As discussed earlier, in the FSSA, the IMF recommended that Canada align its regulatory framework relating to liquidity of assets held by publicly offered funds with FSB and IOSCO guidance in this area,[21] which would include the FSB and IOSCO recommendations relating to liquidity classification.

II. Purpose

The CSA is of the view that the classification of portfolio assets into liquidity buckets serves 4 purposes.

Firstly, it allows the IFM to construct a portfolio for the investment fund that meets the fund's liquidity needs by matching the expected redemption needs of the investor base with the appropriate mix of portfolio assets based on the time that it would take to convert the asset into cash without adversely impacting value of the asset.

Secondly, classification would allow the IFM to ensure, on an ongoing basis, that the liquidity profile of the portfolio continues to meet the liquidity needs of the fund. Specifically, the classification framework would enhance the fund's ability to adjust its portfolio composition in situations where the IFM must either anticipate or react to adverse events.

The classification requirement would enable investment funds to manage their ability to meet redemptions based on specific time periods by categorizing their investments in terms of the time period needed to dispose of and settle such investments without adverse impact on the price of the investment. This benefit is equally applicable during both the design phase and on an ongoing basis.

Thirdly, public disclosure of the classification of the portfolio assets of a fund into liquidity buckets would provide investors with transparency into the liquidity of the fund's portfolio, enabling investors to assess a fund's relative liquidity and therefore make more informed investment decisions.

Finally, the classification framework would facilitate meaningful and useful reporting to the applicable securities regulatory authority on the liquidity characteristics of an investment fund's portfolio, which would enable the securities regulatory authorities to monitor for system-wide liquidity trends and risks.

In both the case of public disclosure and reporting to securities regulatory authorities, the CSA is of the view that a standardized liquidity classification framework would ensure consistency across the investment fund industry, benefiting both investors for comparability purposes and the securities regulatory authorities for monitoring purposes.

III. Potential classification framework

The CSA is considering establishing new requirements for all investment funds, including those that are not reporting issuers, to classify the liquidity of each of the fund's investments as part of

[20] Recommendation 3 of 2025 IOSCO Revised Recommendations.
[21] FSSA, pg. 24.

the design phase of the fund, as well as for each new investment. This would also include requiring investment funds to review the liquidity classification of each of the fund's investments on an ongoing basis.

The potential requirements would also include, for investment funds that are reporting issuers, disclosing to investors the percentage of the fund's portfolio assets that belong to each liquidity category. Additionally, this would also require all investment funds, including those that are not reporting issuers, to report on a confidential basis to the relevant securities regulatory authorities the liquidity classification of each investment held by the fund. The potential disclosure and reporting requirements are further discussed below under "Regulatory disclosure and data relating to LRM".

(a) Classification categories

The classification framework would be based on the number of business days within which a fund's portfolio asset would be readily disposed of and its disposition would be settled. The disposition would need to be at an amount that at least approximates the amount at which the asset is valued in calculating the net asset value per security of the fund.

The classification framework would be made up of the following categories:

1. Highly liquid assets: Assets that would be readily disposed of, and their disposition would be settled, within 3 business days during both normal and stressed market conditions at an amount that at least approximates the amount at which the asset is valued in calculating the net asset value per security of the fund
2. Moderately liquid assets: Assets that would be readily disposed of, and their disposition would be settled, in either 4 or 5 business days during both normal and stressed market conditions at an amount that at least approximates the amount at which the asset is valued in calculating the net asset value per security of the fund
3. Less liquid assets: Assets that would be readily disposed of in 5 or less business days during both normal and stressed market conditions at an amount that at least approximates the amount at which the asset is valued in calculating the net asset value per security of the fund, but where the settlement of the disposition is reasonably expected to take more than 5 business days
4. Illiquid assets: Assets that would be readily disposed of, and their disposition would be settled in more than 5 business days during both normal and stressed market conditions at an amount that at least approximates the amount at which the asset is valued in calculating the net asset value per security of the fund

The definition of each of the above classification categories requires that the timeline include an assessment of the time needed for both disposition and settlement. The CSA's view is that the timeline used to measure the liquidity of an asset would need to take into account the settlement period because it is the actual conversion of the asset into cash that enables an investor to receive their redemption proceeds.

Question 9: Do you agree with the four classification categories? If not, please explain.

Question 10: Do you agree with including the settlement period in the timeline set out in each of the four classification categories? If not, please explain.

Question 11: Should any of the four classification categories be revised to distinguish between the timeline required to readily dispose of and settle an asset during normal market conditions and the timeline required to do so during stressed market conditions? If so, please explain the distinction that should be made.

(b) Illiquid asset restrictions

The potential requirements would not change the existing illiquid asset restrictions under NI 81-102.[22] However, in order to align the definition of illiquid asset with the above classification categories, the definition of illiquid asset would need to be revised accordingly. Specifically, the definition of illiquid asset would need to be revised to include the words "within 5 business days" between "readily disposed of" and "through market facilities", as follows:

(a) a portfolio asset that cannot be readily disposed of ***within 5 business days*** *through market facilities on which public quotations in common use are widely available at an amount that at least approximates the amount at which the portfolio asset is valued in calculating the net asset value per security of the investment fund, or*

(b) a restricted security held by an investment fund.

The CSA notes that a liquidity classification framework serves a related but different purpose than the illiquid asset restrictions. In the CSA's view, the illiquid asset restrictions are intended to limit an investment fund's exposure to assets that cannot be readily disposed of quickly. However, the illiquid asset restrictions do not address the overall liquidity of the portfolio, particularly the allocation of the remainder of the portfolio among highly liquid assets, moderately liquid assets, and less liquid assets, and does not assist the IFM in aligning the types of investments held in the portfolio with redemption obligations. In addition, the illiquid asset restrictions do not provide transparency for investors and the regulatory securities authorities into the rest of the portfolio beyond the illiquid assets held by the fund, preventing investors from having a complete picture of the liquidity profile of the fund and securities regulatory authorities from monitoring for systemic liquidity risks.

Question 12: Do you agree with the potential change to the definition of illiquid asset? If not, please explain.

Question 13: Are there other aspects of the current definition of illiquid asset that should be revised? If so, please explain.

(c) Classification of assets with similar characteristics

The potential classification framework would allow for IFMs to use a classification method that groups together portfolio assets that have similar characteristics, such that the IFM would not need to conduct a separate assessment for each individual portfolio asset. For example, if an IFM determined that all equity securities of publicly listed Canadian large cap companies are highly liquid assets, the IFM could classify each such security held by the fund as a highly liquid asset. However, if the IFM or portfolio adviser became aware of any information that would reasonably be expected to significantly impact the liquidity of that portfolio asset such that the liquidity of that portfolio asset would be different from the liquidity of other assets with similar

[22] See section 2.4 of NI 81-102.

characteristics, the IFM would need to take this factor into account as part of the ongoing review of the classification of that portfolio asset.

However, the CSA notes that, even when an IFM classifies each portfolio asset based on the classification of other assets that have similar characteristics, IFMs would still need to identify the liquidity category for each portfolio asset individually and report on a confidential basis to the relevant securities regulatory authorities the liquidity classification of each portfolio asset held by the fund, as discussed further below.

The CSA does not intend to prescribe the liquidity classification category of specific asset classes or asset types as part of the potential classification framework. In the CSA's view, it is the IFM who is best equipped to assess and review the liquidity classification of each of the fund's portfolio assets.

Question 14: Do you agree that IFMs should be permitted to use a classification method that groups together portfolio assets that have similar characteristics? If not, please explain.

Question 15: Do you agree that the CSA should not prescribe the liquidity classification category of specific asset classes or asset types as part of the classification framework and should leave such classification to the IFM?

(d) Factors

The classification framework would include requiring the IFM, in classifying and reviewing the classification of a fund's portfolio assets, to consider both quantitative and qualitative factors, such as:

- Existence and nature of the market for the asset, including whether the market is active, whether the asset is listed on an exchange, and the number, diversity, and quality of market participants
- Anticipated trade size, as further discussed below
- Relative size of the fund's position in the asset, market depth and impact of large transactions, as further discussed below
- Market conditions and turnover, including the frequency of trades or quotes for the asset, average daily trading volumes and volatility of trading prices
- Bid-ask spreads
- Efficiency and effectiveness of the pricing mechanism
- Calculation certainty
- For fixed income securities, maturity and date of issue, and credit quality
- Restrictions on trading of the asset and limitations on transfer of the asset
- Political, social, and economic events and conditions

The IFM would need to classify and review the classification of a portfolio asset assuming the reasonably anticipated size of its dispositions of the asset. If the IFM does not reasonably anticipate the disposition of its entire holding in a portfolio asset, but rather, reasonably anticipates disposing only a portion of that holding, the IFM's classification and review of the classification of the portfolio asset would need to reflect the timeline expected for the disposition and settlement of that portion of the holding.

In both the initial classification and ongoing review of the classification of the fund's portfolio assets, the IFM would need to consider market depth by assessing whether the sale of portions or all of a position in an investment would be so sizable as to significantly affect the liquidity of that investment. If so, the IFM would need to take this factor into account as part of the classification and ongoing review of the classification of that investment.

As part of the classification and review process, the IFM would need to consider factors in both normal and stressed market conditions.

Question 16: Do you agree with the examples of factors included above? If not, please explain why you disagree, and if there are other factors that should be included as examples, please indicate.

Question 17: If the classification framework requires that the IFM take into account the reasonably anticipated trade size for a portfolio asset in classifying the portfolio asset, should the framework require that the entire holding of that portfolio asset be classified into a single liquidity classification category, or should it allow for different portions of that portfolio asset to be classified into multiple liquidity classification categories?

(e) Ongoing review of classifications

As indicated above, the classification framework would include requiring investment funds to review the liquidity classification of each of the fund's investments on an ongoing basis. The frequency of the review would be, at a minimum, monthly, and the ongoing review would need to be more frequent if there are changes in the aforementioned classification factors that would be reasonably expected to change the classification category of the portfolio asset.

Question 18: Do you agree with a minimum monthly frequency for the requirement to review the liquidity classification of each of the fund's investments? If not, please explain.

(f) Policies and procedures

The classification framework would include a requirement for the IFM to establish, maintain, and apply policies and procedures relating to the classification of the fund's portfolio assets into the aforementioned four categories. In addition, such policies and procedures would also need to address the ongoing review of the classification of the fund's portfolio assets, including to identify any developments or information that would reasonably be expected to significantly impact the liquidity of an investment such that the classification of that investment would need to change.

Question 19: Are there any types of investment funds that should be carved out of the liquidity classification framework or be subject to different liquidity classification requirements? Please explain.

D. Regulatory disclosure and data relating to LRM

I. Background

There have been a number of recent international developments relating to regulatory disclosure and data pertaining to LRM.

The 2022 FSB Assessment found that while many jurisdictions enhanced their regulatory reporting requirements following the publication of the 2017 FSB Recommendations, there was variance in the scope, frequency and content of periodic reporting. The FSB also found that while many jurisdictions have the ability to collect more frequent *ad hoc* supervisory information from fund managers where necessary and this data is useful during times of market stress, it is less suited to preventative monitoring for vulnerabilities. The 2022 FSB Assessment also encountered challenges in obtaining and analyzing data to support its assessment, suggesting that measuring and monitoring liquidity mismatch as well as evaluating the availability, use and effectiveness of LMTs continue to be challenging for authorities. Finally, the FSB also found that while all surveyed jurisdictions require disclosure of fund liquidity risk to investors, more could be done to enhance such disclosure.

The 2023 FSB Revised Recommendations updated two of the disclosure-related recommendations from the 2017 FSB Recommendations. Firstly, the FSB recommended that authorities enhance existing investor disclosure requirements and determine the degree to which additional disclosures should be provided by OEFs to investors regarding the availability and use of LMTs.[23] Secondly, the FSB recommended that clear decision-making processes for OEFs' use of quantity-based LMTs and other liquidity management measures, particularly in stressed market conditions, be made transparent to investors and the relevant authorities.[24]

In addition, the 2023 IOSCO Guidance included the principle that responsible entities should publish clear disclosures of the objectives and operation, including design and use, of anti-dilution LMTs.[25]

The 2025 IOSCO Revised Recommendations updated the earlier 2018 IOSCO recommendation relating to the disclosure of liquidity risk and the LRM process. The updated recommendation is that the responsible entity should ensure that liquidity risk and the CIS' LRM process, including the availability and use of LMTs and liquidity management measures, are effectively disclosed to investors and prospective investors.[26]

In addition, IOSCO expanded the aforementioned anti-dilution LMT principle from the 2023 IOSCO Guidance into a new recommendation for all LMTs. The recommendation is that the responsible entity should publish clear disclosures of the objectives and operation, including design and use, of anti-dilution LMTs, quantity-based LMTs and other liquidity management measures.[27]

Finally, in the FSSA, the IMF recommended that, in the context of the regulation and supervision of investment funds, Canadian authorities strengthen their approach to stress

[23] Recommendation 2 of 2023 FSB Revised Recommendations.
[24] Recommendation 7 of 2023 FSB Revised Recommendations.
[25] Guidance 6 of 2023 IOSCO Guidance.
[26] Recommendation 16 of 2025 IOSCO Revised Recommendations.
[27] Recommendation 17 of 2025 IOSCO Revised Recommendations.

testing at the level of authority-led exercises.[28] The IMF also recommended that sector-wide data on liquidity be collected quarterly.[29]

II. Purpose

Both public disclosure and reporting to securities regulatory authorities about liquidity would contribute to the CSA's goal of strengthening the regulatory framework for LRM in Canada.

Public disclosure about liquidity-related matters provides investors with transparency into both the liquidity of the fund's portfolio and the fund's liquidity risk management framework. Such disclosure is important in that it enables investors to make more informed investment decisions about whether a fund is suitable for their needs and to assess a fund's liquidity and ability to manage its liquidity.

Reporting to securities regulatory authorities on liquidity-related matters enables them to effectively monitor for system-wide liquidity trends and risks, ultimately protecting both investors and participants in the investment fund industry, as well as the financial system as a whole.

III. Potential requirements

The CSA is considering establishing new requirements relating to both public disclosure and confidential reporting to securities regulatory authorities with regard to liquidity and LRM issues. The public disclosure requirements would be applicable to investment funds that are reporting issuers, while the confidential reporting requirements would be applicable to all investment funds, including those that are not reporting issuers.

Each of the potential new requirements is discussed below.

(a) Public disclosure

Annual and interim fund report

In September 2024, the CSA published for comment a series of proposed amendments aimed at modernizing the continuous disclosure regime for investment funds.[30] As part of the proposed amendments, the CSA proposed to replace the existing annual and interim management report of fund performance with a new annual and interim fund report that includes a section relating to the liquidity profile of the fund (the **Proposed Fund Report**).

The liquidity profile information in the Proposed Fund Report would include the following:

- a pie chart that presents the percentage of the investment fund's portfolio that can be sold for cash in certain periods of time, organized into liquidity classification categories (e.g. one day, 2 to 7 days, 8 to 30 days, 31 to 90 days, etc.)
- if the investment fund faced any material liquidity issues during the applicable period, a discussion of the fund's liquidity profile, including the fund's ability to satisfy redemptions on a timely basis

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[28] FSSA, pg. 24.
[29] FSSA, pg. 25.
[30] CSA, "Canadian Securities Administrators Propose Amendments to Modernize Continuous Disclosure Regime for Investment Funds" (September 19, 2024), https://www.securities-administrators.ca/news/canadian-securities-administrators-propose-amendments-to-modernize-continuous-disclosure-regime-for-investment-funds/.

- if the investment fund did not face any material liquidity issues during the applicable period, a statement to that effect.

If the CSA were to proceed with implementing the aforementioned liquidity classification framework and including liquidity profile information in the Proposed Fund Report, the liquidity classification buckets referenced in the Proposed Fund Report would be replaced with the liquidity classification categories set out above in this Consultation Paper.

The CSA has reviewed stakeholder comments on the proposed liquidity disclosure for the Proposed Fund Report.[31] While some commenters supported the inclusion of the proposed liquidity disclosure, some were of the view that such disclosure should not be included in the Proposed Fund Report. For example, some stakeholders noted that it may result in investor confusion, that investors in certain types of investment funds may not find it useful, and that the disclosure is as of a point in time. Some stakeholders also noted that the requirements could be burdensome and identified methodological challenges in preparing the proposed liquidity disclosure. In addition, some stakeholders noted that the CSA should consider the proposed liquidity disclosure as part of a liquidity risk management-focused CSA policy initiative.

Question 20: Should liquidity profile information be disclosed in the Proposed Fund Report? Please explain and if applicable, identify the liquidity-related information that should be included in the Proposed Fund Report and the format in which it should be disclosed.

Prospectus, fund facts, and ETF facts

If the CSA permits or requires the use of LMTs that are not already currently permitted or required, as discussed above, the CSA is considering requiring that the investment fund disclose in its prospectus information relating to all LMTs that may be used by the fund, including how the LMT works, the circumstances (such as thresholds) that would trigger the use of each LMT, and any parameters around the use of such LMT.

In addition, the CSA is considering requiring that funds that may use any LMT that impacts redemption prices or an investor's ability to redeem out of the fund disclose information about such LMTs in their fund facts or ETF facts, as applicable. This may require adding a new section to the fund facts and ETF facts forms.

Question 21: If the CSA permits or requires the use of LMTs that are not already currently permitted or required, should the CSA require that all information about LMTs be disclosed in a new, separate section of the prospectus relating to LMTs or in an existing section of the prospectus, such as the "Purchases, Switches and Redemptions" section of the simplified prospectus? Please explain.

[31] CSA, "Comment Letters for CSA Notice and Request for Comment – *Proposed Amendments to National Instrument 81-101 Mutual Fund Prospectus Disclosure, National Instrument 81-102 Investment Funds, National Instrument 81-106 Investment Fund Continuous Disclosure, National Instrument 81-107 Independent Review Committee for Investment Funds; and Related Proposed Consequential Amendments and Changes; Modernization of the Continuous Disclosure Regime for Investment Funds*", https://www.osc.ca/en/securities-law/instruments-rules-policies/8/81-101-81-101cp/csa-notice-and-request-comment-proposed-amendments-national-instrument-81-101-mutual-fund/comment-letters.

Question 22: Is there any other liquidity-related information that should be disclosed in the prospectus, fund facts or ETF facts? Please explain.

(b) Confidential reporting to securities regulatory authorities

Periodic reporting of liquidity classification of each investment held by the fund

As discussed above, reporting to securities regulatory authorities on liquidity-related matters enables them to effectively monitor for system-wide liquidity trends and risks. In order to facilitate system-wide monitoring, the CSA is considering requiring that all investment funds, including those that are not reporting issuers, confidentially disclose to the applicable securities regulatory authority on a quarterly basis the liquidity classification category of each investment held by the fund.

Question 23: Do you agree with requiring that investment funds disclose on a confidential basis to the applicable securities regulatory authority the liquidity classification category of each investment held by the fund? Please explain.

Question 24: If the answer to question 23 is yes, do you agree with a quarterly reporting frequency? Please explain.

Question 25: Is there any other liquidity profile-related information that the CSA should require investment funds to report to securities regulatory authorities on a confidential and periodic basis? Please explain.

Question 26: Should investment funds be required to publicly disclose the liquidity classification category of each investment held by the fund and if so, what would be the appropriate frequency and timing of such disclosure? Please explain.

Question 27: Should investment funds that are not reporting issuers be subject to this periodic reporting requirement? Please explain.

Reporting on occurrence of liquidity-related events

In order to facilitate real-time monitoring of liquidity-related events in the investment fund industry and the financial system as a whole, the CSA is considering requiring that all investment funds, including those that are not reporting issuers, promptly report to the applicable securities regulatory authority when the following liquidity-related events occur:

- When the fund receives redemption requests above a certain threshold
- When the fund breaches its applicable illiquid asset restriction under NI 81-102
- When the fund suspends redemptions
- When the fund activates LMTs that impact the redemption price or an investor's ability to redeem out of the fund
- When the fund borrows cash or provides a security interest over any of its portfolio assets as a temporary measure to accommodate requests for the redemption of securities of the fund while the fund effects an orderly liquidation of portfolio assets

The reporting would include an explanation of how the event has impacted the fund's liquidity profile and in the case of redemption requests above a certain threshold and breaches of the illiquid asset restriction, how the fund is managing the liquidity-related event.

Question 28: Do you agree with requiring that investment funds promptly report to the applicable securities regulatory authority when the above liquidity-related events occur? Please explain.

Question 29: Are there any other liquidity-related events for which the CSA should require prompt reporting to the applicable securities regulatory authority? Please explain.

Question 30: Should the occurrence of any of the above liquidity-related events also require public disclosure beyond the current material change reporting requirements? Please explain.

Question 31: Should investment funds that are not reporting issuers be subject to these liquidity-related event reporting requirements? Please explain.

E. Conclusion

This Consultation Paper seeks comments on:

1. LMTs
2. Liquidity classification of underlying portfolio assets
3. Regulatory disclosure and data relating to LRM.

Specifically, the CSA is seeking feedback on the following questions:

1. For investment funds that are reporting issuers, is there a need for the CSA to permit the use of LMTs that are not already currently permitted? Please explain, and if applicable, identify any specific LMTs that the CSA should permit the use of.
2. For IFMs of investment funds that are reporting issuers, have there been past situations in which one of your investment funds would have benefited from being permitted to use an LMT that is not already currently permitted? If so, please explain, including an explanation for why you did not apply for exemptive relief from the applicable securities regulatory authority to use the LMT.
3. Are there any LMTs that the CSA should not permit to be used by investment funds that are reporting issuers? If so, please identify the specific LMTs and explain.
4. Should the CSA be requiring investment funds that are reporting issuers to adopt LMTs, including by requiring that such investment funds adopt a minimum number of LMTs or for example, a minimum number of price-based LMTs? Please explain, and if applicable, identify any specific LMTs that the CSA should require investment funds that are reporting issuers to adopt.
5. Should the CSA expand the circumstances in which an investment fund that is a reporting issuer can suspend redemption rights without regulatory approval beyond the circumstances set out in subsection 10.6(1) of NI 81-102? If so, please explain and identify the circumstances.

6. Should the CSA increase the temporary borrowing limit beyond what is currently permitted under section 2.6 of NI 81-102? If so, please explain and identify any potential parameters around the increased temporary borrowing limit.

7. For investment funds that are reporting issuers, are there any LMTs that are not discussed in this Consultation Paper that the CSA should consider permitting or requiring the use of? Please explain.

8. Are there any types of investment funds that are reporting issuers that should: (a) be carved out of any requirements relating to LMTs; (b) be subject to different requirements relating to LMTs; or (c) not be permitted to use any specific LMTs? Please explain.

9. Do you agree with the four classification categories? If not, please explain.

10. Do you agree with including the settlement period in the timeline set out in each of the four classification categories? If not, please explain.

11. Should any of the four classification categories be revised to distinguish between the timeline required to readily dispose of and settle an asset during normal market conditions and the timeline required to do so during stressed market conditions? If so, please explain the distinction that should be made.

12. Do you agree with the potential change to the definition of illiquid asset? If not, please explain.

13. Are there other aspects of the current definition of illiquid asset that should be revised? If so, please explain.

14. Do you agree that IFMs should be permitted to use a classification method that groups together portfolio assets that have similar characteristics? If not, please explain.

15. Do you agree that the CSA should not prescribe the liquidity classification category of specific asset classes or asset types as part of the classification framework and should leave such classification to the IFM?

16. Do you agree with the examples of factors included above under “Factors”? If not, please explain why you disagree, and if there are other factors that should be included as examples, please indicate.

17. If the classification framework requires that the IFM take into account the reasonably anticipated trade size for a portfolio asset in classifying the portfolio asset, should the framework require that the entire holding of that portfolio asset be classified into a single liquidity classification category, or should it allow for different portions of that portfolio asset to be classified into multiple liquidity classification categories?

18. Do you agree with a minimum monthly frequency for the requirement to review the liquidity classification of each of the fund’s investments? If not, please explain.

19. Are there any types of investment funds that should be carved out of the liquidity classification framework or be subject to different liquidity classification requirements? Please explain.

20. Should liquidity profile information be disclosed in the Proposed Fund Report? Please explain and if applicable, identify the liquidity-related information that should be included in the Proposed Fund Report and the format in which it should be disclosed.

21. If the CSA permits or requires the use of LMTs that are not already currently permitted or required, should the CSA require that all information about LMTs be disclosed in a new, separate section of the prospectus relating to LMTs or in an existing section of the prospectus, such as the "Purchases, Switches and Redemptions" section of the simplified prospectus? Please explain.

22. Is there any other liquidity-related information that should be disclosed in the prospectus, fund facts or ETF facts? Please explain.

23. Do you agree with requiring that investment funds disclose on a confidential basis to the applicable securities regulatory authority the liquidity classification category of each investment held by the fund? Please explain.

24. If the answer to question 23 is yes, do you agree with a quarterly reporting frequency? Please explain.

25. Is there any other liquidity profile-related information that the CSA should require investment funds to report to securities regulatory authorities on a confidential and periodic basis? Please explain.

26. Should investment funds be required to publicly disclose the liquidity classification category of each investment held by the fund and if so, what would be the appropriate frequency and timing of such disclosure? Please explain.

27. Should investment funds that are not reporting issuers be subject to this periodic reporting requirement? Please explain.

28. Do you agree with requiring that investment funds promptly report to the applicable securities regulatory authority when the above liquidity-related events under "Confidential reporting to securities regulatory authorities" occur? Please explain.

29. Are there any other liquidity-related events for which the CSA should require prompt reporting to the applicable securities regulatory authority? Please explain.

30. Should the occurrence of any of the above liquidity-related events under "Confidential reporting to securities regulatory authorities" also require public disclosure beyond the current material change reporting requirements? Please explain.

31. Should investment funds that are not reporting issuers be subject to these liquidity-related event reporting requirements? Please explain.