Canadian Securities Administrators
Tour de la Bourse
2010-800, Square Victoria
Montréal (Québec) H3C 0B4

Submitted via the consultation portal

AIMA Canada
56 Temperance Street,
7th Floor,
Toronto, ON,
M5H 3V5
+1 416 364 8420
canada@aima.org

March 26, 2026

Dear Sir/Madam,

Canadian Securities Administrators ("CSA") Notice and Request for Comment: Proposed Amendments to National Instrument 81-102 Investment Funds and Companion Policy 81-102 Investment Funds and Consultation Paper on Liquidity Management Tools, Liquidity Classification and Regulatory Disclosure and Data

The Alternative Investment Management Association ("AIMA") welcomes the opportunity to respond to the CSA Notice and Request for Comment: Proposed Amendments to National Instrument 81-102 Investment Funds and Companion Policy 81-102 Investment Funds (the "Proposed Amendments") and Consultation Paper on Liquidity Management Tools, Liquidity Classification and Regulatory Disclosure and Data (the "Consultation"). We appreciate the very clearly stated motivation of the CSA which is to ensure Canadian regulations are fully consistent with international standards such as the International Organization of Securities Commissions ("IOSCO") Revised Recommendations for Liquidity Risk Management for Collective Investment Schemes (the "IOSCO Recommendations")[1] as well as to strengthen Canada's domestic funds regime.

Scope Intended by the IOSCO Recommendations

While the stated goal is consistency with the IOSCO Recommendations, we do not believe that more substantial and restrictive regulations than the IOSCO Recommendations is necessary or warranted. Unfortunately, the Proposed Amendments as they are currently drafted extend far beyond the scope of the IOSCO Recommendations, particularly in their inclusion of private funds. The IOSCO Recommendations are specifically intended to apply

[1] The final report is at https://www.iosco.org/library/pubdocs/pdf/IOSCOPD798.pdf.

solely to registered/authorised/public collective investment schemes ("CIS"), not all types of Canadian funds, including prospectus-exempt or private funds[2]

Broadly, there are four characteristics of funds that affect their liquidity risk profile:

1. The types of assets permitted for investment;

2. The types and amounts of leverage, whether via borrowing, derivatives or otherwise;

3. The fund's dealing frequency and terms, including liquidity risk management tools; and

4. The types of investors and their likely behaviour.

Registered/authorised/public open-end CIS, as defined by IOSCO, will often be subject to prescriptive rules on eligible assets, diversification and concentration which significantly restrict the types of assets permitted for investment. They are also typically restricted quite heavily on the types of leverage permitted and the amounts of leverage permitted. Moreover, the open-end CIS envisioned by the IOSCO Recommendations are also typically daily dealing funds without the types of long notice periods, gates, lock ups, side pockets and other liquidity management tools most commonly found in prospectus-exempt and private funds. These limits are all imposed in the name of investor protection because these open-end CIS are typically open to all investors. Open-end CIS, as defined by the IOSCO Recommendations, include UCITS but not AIFs in the EU, and include publicly-offered mutual funds but not "private funds", the common structure for privately offered hedge funds and private equity funds, in the United States.

The restricted universe of vehicles covered by the IOSCO Recommendations can allow for a certain uniformity in the way in which liquidity management tools may be applied. More flexibility is required in the prospectus-exempt and private funds world because eligible assets are less constrained, greater leverage is permitted and greater flexibility on dealing frequency and terms is permitted. Not all prospectus-exempt and private funds will experience similar vectors. Moreover, those types of funds are marketed to institutional and wholesale investors with a far more sophisticated understanding of risk, including liquidity risk. For these reasons, the mechanistic processes and governance proposed by the CSA are not appropriate for such funds.

---

[2] See IOSCO Recommendations which state that: "Liquidity risk management is critical to the orderly functioning of CIS, particularly, ***open-ended CIS***, and to safeguarding the interests of and protecting investors" (Emphasis added). While we agree with the sentiment states as relates to "open-end CIS" as defined in the IOSCO Recommendations, we do not believe it was recommended by IOSCO that the IOSCO Recommendations should be applied beyond "open-end CIS". Specifically, footnote 8 defines an "open-ended CIS" as: "a registered / authorised / public CIS which provides redemption rights to its investors from its assets, based on the net asset value of the CIS, on a regular periodic basis during its lifetime - in many cases on a daily basis, although this can be less frequently (e.g. weekly, monthly or even less frequently, depending on the jurisdiction)." The footnote also goes on to exclude money market funds and exchange-traded funds, which would otherwise be considered open-end CIS under that jurisdiction. IOSCO Recommendations, *supra* note 1, at 7. It is also noteworthy that open-end CIS under IOSCO's limited definition are typically funds that are established in that jurisdiction.

This "one-size fits all" approach also ignores the significant amount of disclosure and know your customer requirements already in place which, for institutional investors at least, provide appropriate information on liquidity and investors' appetite for balancing potential returns and liquidity risk.[3]

The Consultation lacks a rationale for expanding the regulation significantly beyond what the IOSCO Recommendations intend. There is no clear reasoning provided by the CSA on why all types of funds are in scope, nor is there any draft legal text explaining how the Proposed Amendments would interact with other requirements of NI 45-106.

Specific requirements

Requirement to have an LRM supervisor or committee. This is an unnecessary and duplicative requirement. The use of LMTs is already typically undertaken by the portfolio manager and overseen by the investment and valuation committees of a registrant as part of their duty to ensure all investors are treated fairly.

Liquidity buckets. The CSA also proposes to have four "liquidity buckets" for funds, yet the IOSCO Recommendations suggest only three such categories. AIMA is unaware of any other jurisdiction creating a new and entirely unjustified category in this way.

AIMA has long-standing concerns over the "bucketing" approach proposed by the CSA. Adding a superfluous fourth category will only serve to increase confusion for investors and introduce unneeded complexity for managers and their governance processes. It is unclear whether imposing a significant additional classification and reporting burden will provide any measurable benefit to investors, while the increased cost associated with a monthly classification of every instrument in a portfolio would increase the costs associated with management of investment funds. Nor do the Proposed Amendments discuss why the current definition of "illiquid asset" is inadequate.

Portfolio Construction. Many prospectus-exempt funds construct portfolios of instruments that seek to take advantage of a liquidity premium, or may invest in instruments whose liquidity characteristics may be an important component of their attractiveness. The liquidity characteristics of such instruments may change suddenly, without impacting the overall liquidity of the entire portfolio. Indeed, prospectus-exempt funds often seek to take advantage of liquidity-related situations to generate returns for their investors, providing an opportunity for investors constrained by liquidity needs to exit positions at attractive prices for the prospectus-exempt funds. Funds investing in distressed assets may also proactively agree to reduce the liquidity of underlying investments for a period of time in connection with restructurings, refinancings or other extraordinary transactions. These choices may not coincide with the proposed reporting schedule of a prospectus-exempt fund's overall liquidity, leading to the risk of misleading information subject to misinterpretation. Requiring managers of prospectus-exempt funds to conduct a monthly inventory of these changes at the instrument level ultimately risks disclosing potentially

[3] See NI31-103 13. 3(1) Suitability determination at 31103-NI-September-13-2023.pdf.

confusing information to investors and provides little obvious benefit, particularly where a prospectus-exempt fund's liquidity terms are designed to account for such fluctuations. This is an even greater risk where the re-categorization of certain investments is temporary.

Disclosure. We fully support clear disclosure of intended portfolio liquidity to investors and potential investors, but through the offering memorandum, in regular manager-designed and controlled reports and, when necessary, on an *ad hoc* basis. Any new requirements should draw a distinction between the information needs of retail and non-retail investors and their very different levels of understanding. Furthermore, as noted above, many prospectus-exempt funds intentionally construct portfolios of instruments whose liquidity characteristics may change suddenly, without impacting the overall liquidity of the entire portfolio, or, importantly, impairing the liquidity that such funds' investors expect.

Reporting. Quarterly reporting of the use of LMTs will be a new, and at such frequency, excessive requirement. If there needs to be reporting, then it should be included in funds' annual reports.

Cost-benefit analysis

Other than the explanations noted above, the Consultation does not give a clear and evidenced cost-benefit analysis ("CBA") on either the need for the changes or why they are proposed to be applied in the way the Consultation suggests, i.e., in a broad-brush manner across both the NI 81-102 and NI 45-106 regimes. The lack of CBA is a significant shortcoming in the Consultation as a thorough CBA is a cornerstone of effective regulation.

We are also concerned that the proposals in places are duplicative. It is already common industry practice for non-reporting funds to make effective disclosures on portfolio and fund liquidity in their offering memoranda and PPMs, as well as to take account of investors' liquidity risk appetites. This is not mentioned in the Consultation.

Competitiveness and other considerations

Canada will be an outlier internationally if the Proposed Amendments are adopted. The Proposed Amendments seek to apply retail-oriented regulations to an entire segment of the investment management industry in an overbroad and unnecessarily complicated fashion. We are concerned that no other jurisdiction has seen fit to take such a prescriptive and rigid approach to non-retail funds. The CSA risks putting the Canadian private funds industry at a meaningful international disadvantage.

The Proposed Amendments also contradict a key plank on the CSA's Strategic Goal 1, Focus on the capital markets:

> "Our initiatives will aim to reduce regulatory complexity and improve clarity, enabling issuers to thrive and contribute meaningfully to the overall health and dynamism of Canada's capital markets. As our markets evolve, so too must our

> approach to regulation. We will work to ensure that our regulatory requirements reflect the competitive circumstances of Canadian market participants."[4]

Yet here the CSA proposes to increase rather than reduce barriers for firms and to introduce unnecessary and duplicative requirements – all of which will further erode Canada's international competitiveness.

The use of CBAs or Impact Assessments to quantify the expected effect of proposals is common practice for financial and other regulators globally. In many cases, including the UK and the USA, it is a statutory requirement. While AIMA understands that the CSA is bound to review any changes to IOSCO standards, it has considerable latitude in how this is done. As we have noted some of the Proposed Amendments impose significant obligations well beyond the scope of the IOSCO Recommendations., the CSA should withdraw the Proposed Amendments in order to conduct a thorough cost-benefit analysis, and to revise the Proposed Amendments such that they match the scope and scale of the international community's proposed responses to the IOSCO Recommendations. We would be happy to elaborate further on any of the points raised in this response.

Yours faithfully,

4 *See* the CSA 2025 – 2028 CSA Business Plan page 7 at https://www.securities-administrators.ca/wp-content/uploads/2025/06/CSA_BusPlan_Jun23_Eng.pdf.

Annex

AIMA's responses to the individual questions are below. Where there is no response, the question has been deleted, but the original question numbering has been retained for ease of reference.

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.

As we have noted above, AIMA supports the widest availability of LMTs for funds and their managers to use to help ensure the ongoing fair treatment of all investors. This needs to reflect the nature of the funds they apply to. As AIMA has already discussed, registered/authorised/public CIS which are designed to be available to all categories of investors will deal very frequently, if not daily, and will have a range of asset diversification and eligible asset rules attached to them. This can create a situation where LMTs are capable of being applied with some degree of consistency. However, funds that may look similar can often make use of very different underlying financial techniques, have different time horizons and attract investors with very different appetites to risk and a willingness for their money to be less frequently available.

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.

No. The widest range of LMTs should be made available. It is for the managers of funds to decide which are appropriate to be used and to disclose clearly that in their offering memoranda. We note that some jurisdictions now allow for side-pocketing to be used for retail investors under some circumstances which was previously not the case.[5] This illustrates the need for the widest range of LMTs to be available. It is for fund managers to choose the most appropriate tools, depending on the structure of the funds, the profile of their investors, and the situations which the fund manager foresees in the life cycle of a particular fund. For example, redemption in kind is rarely suitable for retail investors.

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.

As we discuss in our response to question 3, it is important that the widest range of LMTs are available. It is then the responsibility of the manager to select the most appropriate ones for the fund in question. Setting an arbitrary number may force managers to select inappropriate and possibility unusable LMTs to meet an inflexible regulatory requirement.

---

[5] See, for example, the UK Financial Conduct Authority Policy Statement PS22/8: Protecting investors in authorised funds following the Russian invasion of Ukraine at https://www.fca.org.uk/publications/policy-statements/ps22-8-protecting-investors-authorised-funds-following-russian-invasion-ukraine.

This will be confusing for investors and may also put pressure on managers to use tools that are not in the best interests of investors or the market as a whole.

AIMA suggests that the revised rule should require managers to consider the most appropriate LMTs for an individual fund and explain the circumstances in which they expect they may be used.

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.

The current rule is oriented towards the suspension of the redemption rights of funds holding listed assets or those on exchanges. It would be helpful to refer to unlisted and other assets such as real estate, commodities or infrastructure. This would allow for circumstances during which accurate valuation is not possible and so suspending a fund's redemption rights would be in the best interests of investors.

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.

The Consultation does not mention "in specie" redemptions, which allows redemptions to be made in the underlying assets of a fund rather than in cash. This is usually only suitable for institutional investors. Funds should also be able to use "slow pay" provisions. These allow capital to be returned to the investor in line with maturity of the asset, that is, on a run-off basis, rather than by reference to the NAV at the point of redemption. This is generally achieved by segregating an investor's share of the assets and such provisions are increasingly used by investors in illiquid assets such as private credit.

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.

AIMA does not believe that mandating the use of LMTs is a helpful way forward. As we have already noted, jurisdictions should make the widest range of LMTs available, but it is for the manager to decide how they should be applied in the best interests of investors. It is not clear why this is being applied to both NI 81-102 and NI 45-106 in the manner proposed. A CBA is needed to demonstrate why these changes are needed and the costs they are likely to impose on managers, funds and ultimately their investors.

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

No. AIMA has stated its concerns to other organizations in a number of recent responses that the "bucketing" approach to portfolio liquidity is flawed. In our response to IOSCO's consultation papers CR/07/2024 Revised Recommendations for Liquidity Risk Management for Collective Investment Schemes and CR/07/2024 Guidance for Open-ended Funds for Effective Implementation of the Recommendations for Liquidity Risk Management in February 2025 we said:

> "Regardless of the scope of application, the proposal to "bucket" funds into cohorts or liquidity categories based on their investment strategies as described in the CP is unhelpful. As we explained in our response to the Central Bank of Ireland ("CBI") discussion paper on macroprudential regulation, this is an unsophisticated proposal which does not take account of the different financial techniques used by, and different types of investors in, funds that may look superficially similar. It does not take account of the wide variety of underlying financial techniques such as hedging used by funds which may seem to be superficially similar. depending on the techniques used. They will also have very different degrees and types of counterparty exposures which will not be captured by this approach. We request IOSCO removes this concept from the recommendations and guidance."

AIMA's comments here are on IOSCO's proposed three liquidity categories. It is very hard to understand why the CSA wants to add a further fourth liquidity category. This will simply make a confused and shifting picture more uncertain. AIMA's full responses to both the IOSCO and European Commission CBI consultations are in the annexes.

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.

No. The proposed classification framework has significant shortcomings, and we encourage the CSA to re-evaluate not only the settlement periods associated with each category, but also to consider whether simply varying the settlement periods to distinguish between categories is an appropriate liquidity framework for all asset classes. AIMA notes that the liquidity classification framework in the IOSCO Recommendations was significantly more nuanced than the Proposed Amendments. For example, the IOSCO Recommendations did not require identical conclusions about settlement to be drawn in both "normal and stressed market conditions." Indeed, it would be unusual to expect most asset classes to behave in similar ways during both "normal and stressed market conditions." As a result, fund managers will be forced to estimate settlement timeframes in stressed market conditions in framing their responses, which timeframes may be highly uncertain and ultimately unhelpful to any stakeholder in the fund.

Furthermore, the CSA should note the challenges that would arise in asking registrants to assess whether they could dispose of assets 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" in both normal and stressed market conditions. During stressed market conditions in

particular, a responsible investment manager should expect that disposal of an asset would ordinarily result in a lower price being received by the fund than the price at which it is valued. This is precisely the set of circumstances that creates a stressed market and causes liquidity to decrease, as managers do not want to liquidate assets at prices that do not reflect their economic fundamentals. Furthermore, the Proposed Amendments create a reasonable risk of unnecessary litigation by creating categories of liquidity that investors would interpret only by reference to the settlement dates referenced. As noted above, it is a difficult, and perhaps impossible, task to assign fund managers the liability for accurately assessing settlement timeframes in all stressed market conditions.

In addition to the shortcomings of the proposed framework, it is unclear what type of asset would ordinarily fall into a 4-to-5 business-day settlement period, or the purpose of including such a liquidity category as distinct from "within 3 business days" and in "5 or less business days." AIMA notes that the current definitions unhelpfully overlap, as every investment in the "moderately liquid assets" category also meets the definition of "less liquid assets".

We note that certain categories of financial instrument have uncertain settlement periods, notably assignments and participations in syndicated bank debt. It is unclear what purpose would be served by classifying or highlighting the settlement period as a component of liquidity, particularly in circumstances where such instruments constitute a relatively small proportion of an overall portfolio.

Perhaps more significantly, the Proposed Amendments depart from the IOSCO Recommendations, in which only the "liquid" category refers to the price ultimately received for the disposal of an asset as a relevant consideration. By definition, part of the challenge with assessing and managing "less liquid" or "illiquid" assets is the lack of absolute certainty concerning the price that could be received for their disposal. By requiring managers to assert that an asset can be disposed of "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 Proposed Amendments do not take account of the nature of less liquid asset classes, as well as stressed market conditions. This becomes more acute for prospectus-exempt funds that calculate net asset value on a less frequent basis, often monthly. Intra-month changes to an asset's liquidity may have a significant impact on such asset's net asset value, but the Proposed Amendments imply that a manager must be certain that the net asset value on the first of the month continues to apply at all times during such month for the purposes of the liquidity framework. Furthermore, by requiring fund managers to assess an asset's liquidity by reference to the last calculated net asset value, the Proposed Amendments create an impossible task that carries a very substantial litigation risk.

As we have already noted, there is no discussion of why the Proposed Amendments depart so substantially from the framework outlined by the IOSCO Recommendations.

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.

AIMA does not believe that anticipated settlement periods are the correct framework for assessing liquidity. As a result, AIMA does not perceive a significant benefit in distinguishing between specific settlement periods in normal and stressed market conditions. Stressed market conditions are often accompanied by very uncertain trading and settlement dynamics. The other significant shortcomings in the classification categories in the Proposed Amendments should be addressed in parallel. Please see our responses to questions 9 and 10.

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

No. Please see our response to question 10.

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.

AIMA welcomes the CSA's position that, "it is the IFM who is best equipped to assess and review the liquidity classification of each of the fund's portfolio assets." The proposal appears to be a restatement of managers' existing practices when managing fund portfolios' liquidity. This reinforces our earlier observation that the new categories are unnecessary. It is unclear what benefit is derived from grouping and classifying subsets of a portfolio's assets, as opposed to assessing the liquidity of the portfolio taken as a whole.

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?

Please see our responses to questions 9 and 14.

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.

We do not object to the list of factors. However, any list should be indicative rather than that prescriptive to allow managers to exercise the appropriate degree of discretion needed if a novel or unexpected factors should arise. As drafted, each factor listed is required to be considered, effectively providing a "floor" often required factors, while leaving the manager to consider other, unspecified "quantitative" and "qualitative" factors.

Some of the factors listed are vague, such as "efficiency and effectiveness of the pricing mechanism." It is unclear how a manager should assess this. Similarly, assessing "calculation certainty" could be a cumbersome exercise for many asset classes.

"Anticipated trade size" creates a significant issue for any manager that trades instruments in an over-the-counter or "by appointment" market that may not have readily available data about executable trades at a particular point in time. Many assets are traded in international capital markets via negotiation between buyer and seller.

Furthermore, in both the above context and otherwise, the Proposed Amendments do not outline how a fund manager should evaluate the liquidity of an asset that it does not contemplate disposing of during the classification period. Assessing the liquidity of an instrument inherently requires an assessment of the disposability of a particular quantity of such instrument. The Proposed Amendments seems to permit a manager to contemplate only disposing "a portion" of a position. It is not obvious how a manager should determine what "portion" is appropriate for the assessment.

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?

Please see our response to Question 16. As we have noted above, the proposed classifications and settlement timelines will create unnecessary complexity which ultimately will translate into further costs for funds and therefore investors. Furthermore, other than liquid, exchange-traded instruments for which there is publicly-available price and volume data, asking investment fund managers to classify every instrument across multiple liquidity categories will be a highly speculative exercise of dubious value to fund investors, the manager, or any regulator.

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.

This is a highly burdensome proposal that will impose new costs with no clear purpose. There is no clear explanation of why such frequent review is needed of information that is likely to be largely uninformative and/or helpful. This is particularly true for all funds whose redemption terms are less frequent than monthly.

There is no logical connection between a monthly review and other components of a fund's operations. For example, monthly reviews are likely irrelevant and unduly burdensome for a prospectus-exempt fund that only permits annual or semi-annual redemptions. For a fund that permits daily liquidity, monthly reviews are unlikely to provide any actionable data that assists managers in exercising their duties on behalf of investors.

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.

AIMA believes that the Proposed Amendments should not apply to investment funds that are not reporting issuers. Please see our responses above for further clarification. The classifications proposed are needlessly complex, of dubious benefit to the market or to investors in these vehicles and will result in extra costs and confusion for investors. The CSA should also consider explicitly discussing and excluding closed-end investment funds, which usually have multi-year investment and harvest periods, and for which the Proposed Amendments serve no identifiable purpose.

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

As we have already discussed, the Consultation does not take account of the significant requirements in NI 31-103, for example, section 13.2 on know your customer ("KYC") obligations, 13.3 on suitability and 13.3.1 on waivers from certain KYC and suitability obligations for permitted clients as defined in NI 31-103). These sections lay out adviser/dealer obligations to collect KYC information including determining a client's risk profile - the combination of their risk tolerance and risk capacity (capacity for loss) which includes considering their personal liquidity needs.

The suitability obligation requires the individual registrant to select/recommend/advise on a security that is suitable for the client taking into consideration, among a variety of things, the liquidity needs of the client. Therefore, the registrant must determine that a product, given its nature and structure and liquidity profile, is suitable for the client based on the client's KYC.

Permitted clients such as institutional clients or ultra-high net worth clients can waive in writing the suitability and KYC obligations. There are also extensive disclosure requirements for an offering memorandum. These existing rules address many of the disclosure issues the CSA seeks to tackle in the Proposed Amendments. We question why the Proposed Amendments are seeking to impose additional liquidity management obligations on registrants serving permitted clients, who are expressly permitted to waive a registrant's suitability determination as to their liquidity needs.

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.

No. It is unclear what benefit would be derived from such reporting, and the accumulation by the regulator of significant amounts of portfolio-level data increases the risk to managers should the applicable securities regulatory authority experience a data breach. Canada has already seen the significant impact of the CIRO data breach in 2025, where large amounts of sensitive information were compromised. Furthermore, reporting in this way would be a very expensive exercise that would ultimately provide securities regulators with very large volumes of data, the value of which is not clear.

In addition, we question the utility of liquidity classifications that are disclosed on a quarterly or other periodic basis. We expect that most investment fund managers, when disclosing liquidity terms to prospective investors in a prospectus, anticipate that in the ordinary course of business the portfolio of the investment fund will be constructed in a manner that permits the timely satisfaction of the redemption terms of the investment fund. As a result, reporting in ordinary market circumstances would overwhelmingly match these expectations. It is hard to see how filing regular reports that simply confirm normal market circumstances would be beneficial or the best use of a manager's resources.

Given the significant adverse reputational and business effects that are incurred when a manager fails to satisfy redemptions or implements one or more LMTs in an unforeseen or sudden manner, we believe that the marketplace provides an important control on the liquidity construction of investment funds' portfolios. Furthermore, the principal issues that arise with liquidity risk management come about when an unusual event causes the ordinary liquidity of one or more asset classes or financial instruments to change suddenly and substantially, resulting in an unforeseen situation that a manager must navigate while treating all investors fairly. The act of filing reports with a regulator will not change this dynamic, and it is unclear what benefit would be derived from such reporting function in the midst of unusual or stressed market conditions.

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.

AIMA fully supports disclosure of all relevant information to investors based on their sophistication and needs. It would be helpful to understand what consumer testing and CBA has been carried out by the CSA to support this proposal and help inform the way in which it would be presented.

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

No. The arbitrary classification of financial instruments into categories that may change dynamically with operational and financial changes in the underlying issuers or in the market generally risks giving a misleading view of a fund's portfolio liquidity at any given point in time. Please see the other responses above for additional context concerning the inappropriateness of the Proposed Amendments for investment funds that are not reporting issuers.

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.

No. We do not believe that all investment funds should be required to report to the applicable securities regulator when these enumerated events occur. Such reports imply that the regulatory authority may feel compelled to take some form of action. This may

impair an investment fund manager's ability to respond to the situation effectively and in the best interests of a fund's investors. Furthermore, any public announcement or awareness of regulatory involvement with an investment fund manager or its funds is likely to have a substantial negative effect on the operations and prospects of an investment fund manager and their funds. In over-the-counter markets or markets where assets are thinly traded, other market participants may seek to take advantage of a fund's stressed liquidity position should they become aware of it.

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

Any such list of events should be indicative rather than prescriptive. It would be very difficult to formulate a definitive list of events and the severity needed to trigger a liquidity-related event. CSA rules should not undermine the principle that the manager is ultimately responsible for ensuring fair treatment of all investors in a fund, and any required reporting to a securities regulatory authority should only be imposed after a thorough CBA process to assess both the costs and the benefits of such additional regulatory requirements.

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.

No. The current requirements remain appropriate.

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

No. We believe that there is no obvious need to compel investment funds that are not reporting issuers to make liquidity-related event reports. It is unclear what purpose such reports would serve. Please also see our response to question 28.

Links

1. AIMA-EC-NBFI-consultation-response

2. AIMA-submission-IOSCO-open-ended-funds-consultation