CSA/ACVM Canadian Securities Administrators | Autorités canadiennes en valeurs mobilières

For Immediate Release

April 17, 2020

Canadian securities regulators temporarily increase short-term borrowing limits for mutual funds investing in fixed income

Toronto – The Canadian Securities Administrators (CSA) today issued temporary blanket relief that permits mutual funds to engage in additional short-term borrowing from April 17, 2020 to July 31, 2020. The conditional temporary relief is available to any mutual fund in Canada that invests a portion of its assets in fixed income securities, including equity funds holding a portion of fixed income securities.

The CSA recognizes that fund managers for mutual funds that invest in fixed income securities face unique challenges caused by the COVID-19 pandemic. This relief is intended to provide fund managers with additional resilience as they navigate the market volatility created by the pandemic.

"Investment fund managers are currently dealing with liquidity challenges in the fixed income markets," said Louis Morisset, CSA Chair and President and CEO of the Autorité des marchés financiers. "This relief gives fund managers greater flexibility to manage their portfolios in the best interests of all investors, while continuing to meet investor expectations for liquidity."

Under securities legislation, a mutual fund can engage in temporary borrowing to accommodate redemption requests. However, all borrowings must not exceed five per cent of a fund's net asset value at the time of borrowing. Given the extraordinary circumstances created by the pandemic and their impact on fixed income markets, the CSA is temporarily increasing this limit to 10 per cent to help facilitate a more orderly liquidation of any fixed income securities that might be required to accommodate redemption requests.

Mutual funds that engage in additional short-term borrowing provided by this relief must comply with a number of conditions. These include, but are not limited to, ensuring the additional borrowing is in the best interest of all investors, having strict controls around its use, and disclosing the use of any additional borrowing to investors.

Prior to making use of this relief, the CSA expects fund managers to consider all available tools and techniques that can be employed to manage liquidity during the current stressed market conditions. Investment fund managers must exercise due care, skill and diligence in managing the liquidity of their funds. Investment fund managers are encouraged to contact CSA staff in their principal jurisdiction to discuss any questions or concerns.

The CSA encourages investment fund managers to consult the global liquidity risk management recommendations developed by the International Organization of Securities Commissions (IOSCO). These recommendations are designed to help fund managers respond to stressed market conditions.

Investors seeking information about this relief and how it may impact their investments should consult the disclosure provided by their fund manager.

The CSA is implementing the relief through local blanket orders that are substantially harmonized across the country. Market participants can view these orders on CSA members' websites and are encouraged to contact their principal regulator with any questions.

The CSA is closely monitoring the situation and will consider whether further relief or an extension is necessary.

The CSA, the council of the securities regulators of Canada's provinces and territories, co-ordinates and harmonizes regulation for the Canadian capital markets.

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For investor inquiries, please refer to your respective securities regulator. You can contact them here.

For media inquiries, please refer to the list of provincial and territorial representatives below or contact us at media@acvm-csa.ca.

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