

Understanding the OSC's Investment Management Division's 2025 priorities: Insights from Staff Notice 81-739

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On November 5, 2025, the Ontario Securities Commission (OSC) published [OSC Staff Notice 81-739](#) Investment Management Division Annual Summary Report (the Staff Notice), summarizing the activities and regulatory focus of the OSC's Investment Management Division for the fiscal year ended March 31, 2025.

In this bulletin, we share key insights from the Staff Notice and conclude with five key action items for Canadian fund managers.

Canadian fund managers are facing rapid shifts in technology governance, product disclosure expectations, exemptive relief opportunities and compliance oversight. The Staff Notice provides a timely snapshot of how these pressures are evolving and where regulatory attention is likely to focus in the year ahead.

Emerging product trends: CLOs, crypto and cash alternatives take the spotlight

This year's prospectus activity highlights how innovation in investment products continues to shape Canada's fund landscape.

- **Collateralized Loan Obligation ETFs** made their debut, offering retail access to securitized corporate loan portfolios, a space long limited to institutional investors.
- **Solana ETFs** became the first in North America to provide direct spot exposure to Solana, reflecting regulators' evolving approach to crypto-asset funds.
- **High Interest Savings Accounts ETFs** remained in focus as regulators examined disclosure practices following new liquidity requirements introduced by the Office of the Superintendent of Financial Institutions.

BLG is pleased to have supported clients in the launch of several of these innovative products, reflecting our continued involvement in the evolution of Canada's investment fund market.

Evolving exemptive relief applications: Addressing operational, structural and cross-border realities

Short-Term borrowing relief and T+1 settlement adjustments

Following the transition to a T+1 settlement cycle in North American markets, [exemptive relief](#) was granted to allow certain mutual funds to borrow up to 10 per cent of NAV on a short-term basis to bridge timing gaps in purchases and redemptions. The relief helps funds manage exposure to non-T+1 foreign markets (e.g., the EU, U.K., Japan, Brazil, Australia, New Zealand) and will remain in place for three years.

BLG is proud to have represented our clients in securing this novel relief, which supports funds in effectively navigating the challenges presented by the T+1 settlement cycle and cross-border market exposures.

Financial statement filing extensions for pooled funds

To accommodate pooled funds investing heavily in foreign underlying funds, the OSC granted fund-specific relief from financial statement filing deadlines. The extension **allows time for foreign underlying fund audits to be completed. This relief must be tailored to the filer's circumstances and will not be granted prospectively without full supporting context.** These exemptions support access for qualified Canadian investors to the investment strategies of global asset managers that are not otherwise available in Canada.

Underlying fund relief for U.S. ETFs and exchange-traded products

Building on prior precedent, the OSC and the British Columbia Securities Commission granted relief permitting Canadian investment funds to invest substantially all their assets in U.S. listed ETFs or exchange-traded products. The relief enhances diversification and cost efficiency for Canadian funds, but brings into focus concerns regarding an uneven playing field for the ability of Canadian funds to access the U.S. market.

Bulk transfer applications

OSC staff highlighted ongoing use of bulk transfer relief, which allows firms to transfer large groups of registered individuals following a business transaction without filing forms for each individual. Relief is generally available for transfers involving 25+ individuals, and applicants are reminded to account for the National Registration Database (NRD) blackout period from December 15 to late January when transfers cannot be processed. As the industry continues to see consolidation of registered firms and advisor book acquisitions, this relief is a helpful mechanism to facilitate an efficient transfer of registered individuals amongst firms.

Regulatory continuous disclosure reviews: From AI claims to crypto fund monitoring

Throughout fiscal 2025, OSC staff undertook several focused reviews aimed at enhancing disclosure integrity and market transparency across the investment fund industry.

AI-Washing review

A thematic review of “AI” branded funds found no evidence of misleading claims about the use of artificial intelligence in portfolio management. Most issuers referenced AI only as an investment theme rather than as a core strategy. The OSC will continue monitoring for “AI washing” to ensure claims remain accurate.

Small fund manager review

Staff reviewed funds with assets under management (AUM) below \$100 million (and funds under \$10 million) for compliance and disclosure consistency. While most deficiencies were minor, the OSC reminded managers of smaller funds to file required reports via SEDAR+ on time and to ensure Management Reports of Fund Performance (MRFPs) and website disclosures are clear and complete.

Outlier analysis of fund data

Through its Investment Fund Survey, the OSC conducted data-driven risk analysis on liquidity, leverage, and borrowing metrics. Most funds were compliant; outliers were reviewed on a case-by-case basis to confirm compliance or understand deviations, such as exemptive relief or transitory conditions.

Fund risk rating discretion

A continuous disclosure review found that over 60% of investment fund managers (IFMs) **use discretion to increase a fund’s risk rating under the CSA methodology**. The OSC reiterated expectations that IFMs adopt written policies governing the use of discretion, referencing [OSC Staff Notice 81-338](#) for guidance.

Sales communications oversight

The OSC identified continued non-compliance in marketing materials, including yield disclosures, rankings and selective performance claims on websites and social media. Non-compliant materials were required to be corrected or withdrawn, and repeat offenders referred for further regulatory action.

Crypto asset fund monitoring

The OSC observed \$627 million in net redemptions across crypto asset funds in fiscal 2025, largely due to December 2024 outflows, though overall AUM remained stable as bitcoin values rose. Funds with exposure to bitcoin continue to account for the majority of the sector, representing approximately 86 per cent of total crypto fund AUM.

Emerging regulatory priorities: Long-Term asset access, AI governance and global coordination

The Investment Management Division is increasingly focused on the intersection of innovation, investor access and regulatory modernization. Several high-impact initiatives launched or advanced in fiscal 2025 will materially influence the investment funds landscape in the coming years.

Other policy developments

Recent regulatory initiatives reflect ongoing modernization efforts across the capital markets. Notably:

- The OSC advanced a proposal for an Ontario Long-Term Asset Fund to expand retail access to private market investments. Feedback from stakeholders resulted in the launch of the [Long-Term Asset Fund Project through OSC LaunchPad](#), and the OSC promises expanded support for applications for novel relief for investment fund solutions that give retail investors access to long-term assets **while maintaining appropriate investor protections**. The OSC's November 20, 2025 update on the [Long-Term Asset Fund Project](#) evidences that they remain engaged in working with stakeholders to find solutions that benefit retail investors and the broader capital markets. We understand that other members of the CSA are monitoring these developments but time will tell whether other jurisdictions decide to participate in these initiatives.
- The CSA issued guidance on the [use of artificial intelligence by registrants](#), emphasizing transparency, accountability and conflict management.
- The OSC issued guidance providing flexibility for the use of cash collateral in ETF market-making activities to prevent settlement failure. This guidance, which addressed a key concern raised by industry associations, was developed through constructive collaboration between the OSC and industry advocates. BLG was pleased to act for the Canadian ETF Association (CETFA) on this matter, supporting efforts to achieve a practical solution that benefits ETF market participants and strengthens market resilience.
- The OSC granted a temporary blanket exemption from the requirement to transmit a Form 45-106F1 Report of Exempt Distribution through SEDAR+ for distributions of eligible foreign securities to permitted clients.

Financial sector assessment program

OSC staff actively contributed to Canada's 2025 International Monetary Fund (IMF) Financial Sector Assessment Program (FSAP), an independent review of national financial-sector resilience and regulatory effectiveness. The OSC detailed its fund oversight framework and risk-monitoring processes, with the IMF offering several enhancement recommendations. The OSC is assessing and implementing follow-up actions pending the IMF's final report.

International engagement through the FSAP highlights Canada's commitment to global best practices in fund regulation. Stakeholders can expect further refinements to risk-surveillance tools and supervisory coordination in response to IMF recommendations.

Action items for fund managers

1. **Prepare for Enhanced Technology and AI Governance** - The OSC is increasing its expectations around technology risk management and the use of AI. Fund managers should:
 - Review and update internal policies for AI use, ensuring transparency, accountability and conflict management.
 - Monitor for “AI-washing” in fund marketing, ensuring all claims about AI are accurate and substantiated.
2. **Stay Current on Product Innovation and Disclosure Requirements** - New products are under regulatory scrutiny, particularly regarding disclosure and liquidity. Consider what additional disclosure is required to address valuation, liquidity or underlying asset risks.
3. **Monitor and Use Exemptive Relief Opportunities** - Assess whether your funds could benefit from the types of exemptive relief recently granted by the OSC.
4. **Strengthen Compliance and Disclosure Practices** - Fund managers should:
 - Audit all marketing materials, websites and social media and consider the potential impact of making any corrections or withdrawals of non-compliant content.
 - Ensure timely and accurate filings via SEDAR+.
 - Review MRFP and website disclosures for clarity and completeness.
5. **Engage with Emerging Regulatory Initiatives and Data-Driven Oversight** - Participate in consultations and stay informed about new frameworks.
 - Prepare for increased quantitative data submissions and closer coordination with domestic and international regulators.
 - Monitor cross-border developments, especially for investments in U.S. ETFs.

Canada’s investment management landscape continues to evolve in response to technological innovation and shifting regulatory priorities. BLG’s [Investment Management](#) team is recognized as a leader in the Canadian fund industry, providing comprehensive, forward-thinking advice across every stage of the investment fund lifecycle. Our extensive experience spans fund formation, structuring, and the meticulous preparation and review of offering and continuous disclosure documents. We are trusted partners to our clients, known for delivering innovative solutions in emerging and complex areas, including ESG integration, digital assets and crypto-related products.

For more information, please contact any of the authors below or your usual member of BLG’s [Investment Management](#) Group.

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