

Legislation blocking ammunition investments could limit overall investment landscape in Canada: PIAC

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The Pension Investment Association of Canada, alongside the Canadian Life and Health Insurance Association and the Portfolio Management Association of Canada, is asking the Senate to consider the impact of Bill C-281 on institutional investors and pension plan members.

The legislation being reviewed by the Senate aims to restrict investments connected to the creation of a variety of munitions and explosives. Collectively, the representative organizations speak on behalf of about 500 financial organizations overseeing \$7 trillion in assets for Canadian pensioners, individual and institutional investors.

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The policy would prevent a shareholder or lender to acquire a “pecuniary interest” in a person who has infringed in the use, development, acquisition, possession, import, export and transpiration of cluster munitions, explosive submunitions and explosive bomblets.

In an open letter to Peter Boehm, the chair of the Senate Standing Committee on Foreign Affairs and International Trade, the trio of organizations said the legislation would have serious and significant unintended consequences on the financial security of Canadians, as well as hinder the ability of Canadian institutional investors to deploy capital.

In particular, the organizations cited language that would effectively prevent Canadian investors and financial institutions from purchasing or selling low-cost investments or passive investment vehicles like exchange-traded funds.

“It’s unclear exactly which companies are engaged in aiding and abetting the prohibited activities outlined in the amendments,” the letter said.

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The letter said this amendment would also restrict investors from participating in government debt investments, such as U.S. treasuries, which they noted are “safe-haven investments that play a key role in the functioning of global financial markets.”

According to the organizations, the policy would restrict companies with an incidental business relationship to the manufacturing of manufacture of cluster munitions from raising capital in Canada.

“Given that aiding and abetting a prohibited activity . . . can be applied to such a broad range of companies, Canadians will not be able to reliably invest in a wide range of financial products critical to managing and building their retirement savings, including pension plans, and investment portfolios because they could be investing in a company that produces a good or service that could aid and abet a prohibited activity.”

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