



Interactive Ontario Comments and Short-Term Recommendations to the CMF – Fiscal 2025-2026

Scope of the comments and recommendations

These comments and recommendations aim to provide the Canada Media Fund (CMF) with actionable strategies for implementation in the 2025-2026 fiscal year.

Separately, Interactive Ontario is collaborating with the Canadian Interactive Alliance (CIAIC) to advocate for doubling CMF funding for Interactive Digital Media (IDM), in order to unlock the full economic and techno-creative potential of Canada's IDM sector. Such an additional injection of funds would also help address the underinvestment in Canadian content for youth, leveraging IDM's unique ability to engage this audience through interactive, immersive, and participatory experiences.

Broader advocacy efforts and recommendations for significant program changes that could be undertaken with an expanded budget for the IDM sector (eg. regional distribution, company vs project support), fall outside the scope of this document.

Table of content

1. Comments and short-term recommendations – addressing the impact of the current limited CMF funding envelope for IDM in Canada (pages 1 to 4)
2. Comments and short-term recommendations on the CMF recoupment policy – encouraging lower-budget applications and supporting emerging/new applicants (page 5)
3. Comments and short-term recommendations on CMF Streams (pages 5 and 6)
4. Comments and short-term recommendations on insurance requirements (page 6)
5. Comments and short-term recommendations on diversity of teams (page 7)
6. Additional comments and short-term recommendations (page 7)

1. Comments and short-term recommendations – addressing the impact of the current limited CMF funding envelope for IDM in Canada

CMF Suggestion 1

Considering the current oversubscription and lack of additional funding at the CMF for IDM projects, it would be acceptable to limit holding companies to one application per program / round. Currently they can apply with multiple projects.

Interactive Ontario's response to CMF Suggestion 1

- Given the current financial constraints at the CMF, it is reasonable to limit holding companies to one application per program/round. However, it is crucial that this limitation applies specifically to the applicant company and not to IDM studios that may perform service work for one or more applicants.

CMF Suggestion 2

Limit the number of open contracts an applicant company can have per phase of work. Currently there is no set restriction for open prototyping or production contracts per company. They would not be able to apply with a new project until the previous open contract is closed.

Interactive Ontario's response to CMF Suggestion 2

- Interactive Ontario does not support limiting the number of open contracts per phase of work, as this approach does not align with the realities of our industry. Prototyping is a critical step in securing funding for future projects, and studios cannot afford to delay starting new prototypes until the completion of a production project. Prototyping is inherently high-risk, and delays in completion could jeopardize a studio's eligibility for future funding. Furthermore, raising funds is a time-intensive process, and studios must ensure new projects are well-financed before their current projects are completed or released.
- Additionally, the CMF has only two application deadlines per year, and it takes at least two months for funding decisions to be announced. Requiring studios to wait until a prototyping contract is fully closed before applying for production funding could result in delays of eight months or more between stages. This would severely impact the continuity of studio operations and project pipelines, particularly for those without opportunities to work on additional prototyping projects during this time.

CMF Suggestion 3

Remove software application as an eligible content type. Note: software applications are currently directly referenced in the CMF contribution agreement, so there may be complications in removing it.

Interactive Ontario's response to CMF Suggestion 3

- Interactive Ontario believes that software applications should be removed as an eligible content type. It is generally much easier to secure financing for software from investors such as tech angels and venture capitalists, as they tend to view software as a lower-risk investment compared to content. In contrast, content creation is often perceived as too risky, making it far less attractive to most tech and traditional financiers. By focusing on

content rather than software, the fund can better address the needs of studios that struggle to secure traditional financing for content-related projects.

CMF Suggestion 4

Reduce the total amount that can be requested per phase of work. For example, reduce Prototyping to \$150,000; reduce Production to \$1million. This would allow the CMF to spread the money to more projects / companies.

Interactive Ontario's response to the CMF Suggestion 4

- **Prototyping:** Considering the increasing importance of prototyping to raise funds, and the fact that the CMF Prototyping Program also finances market research and testing as well as marketing and promotion, reducing it would limit the ability of studios to create and promote high-quality prototypes, potentially impacting their overall viability and competitiveness in the market.

2025-2026 Short-term recommendation

Invest more funds into prototyping, potentially reducing funds allocated to Production if there is no short-term injection of additional funds for IDM projects.

- **Production Commercial Program:** Given that one of the CMF's primary objectives is to generate revenue from supported projects to help replenish its fund, maintaining the current maximum funding cap of \$1.5M is justifiable for commercial projects with strong potential to at least recoup the CMF's investment. In these cases, lowering the cap could limit the ability of studios to develop high-quality projects capable of achieving commercial success, ultimately reducing the likelihood of a return on investment for the CMF.

2025-2026 Short-term recommendation

Specialized Expert Assessment: To assess the commercial potential and risks of each project effectively, the CMF should leverage independent industry experts who specialize in specific types and genres of IDM content. These experts would evaluate projects within their areas of expertise, ensuring a more accurate and relevant assessment. After individual evaluations, the experts would collaborate with the CMF to make final funding decisions. This would lead to better-informed investment choices and a stronger alignment with market trends.

- **Innovation and Experimentation Program:** One of the CMF's core objectives is to foster innovation and experimentation, making it essential to continue supporting projects in this category. While such projects may not generate revenue sufficient to recoup CMF's investment, they can play an important role in creating long-term value for IDM studios and the industry. At the same time, this program should not act as a substitute for funding from arts councils for purely artistic IDM expression.

2025-2026 Short-term recommendation

Specialized Expert Evaluation and long-term value evaluation criteria: To assess each Innovation and Experimentation project effectively, the CMF should leverage independent industry experts who specialize in specific types and genres of IDM content. These experts would evaluate projects within their areas of expertise, based on their potential to deliver long-term value to the applicant. Potential criteria for evaluation, which do not all need to apply simultaneously, could include:

- **Award-winning potential:** Ability to achieve recognition at prestigious national or international competitions.
- **Leadership in emerging genres:** Role in positioning the applicant as a leader in a type or genre of content that is considered innovative or emerging.
- **Entry into new high-potential markets:** Potential for the project to open opportunities in growing markets or industries.
- **Long-term commercial potential:** Capability to drive future revenue or secure significant contracts based on the innovative groundwork established.

The CMF could consider implementing a post-launch follow-up evaluation to examine the broader impact of funded Innovation and Experimentation projects.

CMF Suggestion 5

Prioritization or additional points in the decision grid for projects with third party investment (not applicant, bank loans or interim financing), publishers or distributors already attached.

Interactive Ontario's response to the CMF Suggestion 6

Interactive Ontario does not support the prioritization or additional points for projects with third-party investment, such as publishers or distributors, as this does not accurately reflect the current realities of the video game industry. For example, a growing number of studios are successfully self-publishing their games, making publishing less essential for developers. Additionally, early-stage studios with marginalized or underrepresented senior staff don't necessarily have the depth of third-party contacts with publishers, platforms and investors. The prioritization of third party investment could then lead to less diversity in the studios supported by the CMF.

Moreover, the commercial viability of projects, including demonstrating the interest of publishers/distributors or the viability of self-publishing (e.g. wishlists, community size and engagement) is already a key factor in the assessment criteria for CMF funding programs. This ensures that projects with strong market potential are appropriately recognized, mitigating risks for the CMF without needing to prioritize third-party investment.

If this prioritization were applied to the Prototyping stream, it would defeat the purpose of the stream itself. IDM studios typically require a prototype to pitch to publishers or distributors.

2. Comments and short-term recommendations on the CMF recoupment policy – encouraging lower-budget applications and supporting emerging/new applicants

The CMF aims to encourage applicants to submit projects with lower budgets. However, the current recoupment policy incentivizes applicants to submit projects at the maximum allowable budget. Over a period of 7 years, the CMF recoups 15% of gross revenues regardless of the amount invested. As a result, there is little financial incentive for applicants to propose lower-budget projects.

Regarding Conceptualization, it is designed to support emerging studios and/or studios that have never received CMF production funding. Having a recoupment debt is daunting for emerging studios – including studios lead by marginalized or underrepresented teams – and prevents many of them from applying to the program.

2025-2026 Short-term recommendations

- **Conceptualization: Drop recoupment requirements for Conceptualization and make it a grant.**
- **Prototyping Funding: Consider introducing a Tiered Recoupment Policy with Deferred Reimbursement. For example:**
 - First \$100K funded: Grant (no recoupment).
 - Balance up to \$250K: 2.5% recoupment on gross revenues.
 - The default for projects that are not funded for Production by the CMF would be to apply this tiered recoupment model rather than requiring immediate reimbursement at the start of production, unless the studio prefers to buy out the portion over the first \$100K in grant.
- **Production Funding: Consider implementing a Tiered Recoupment Policy. For example:**
 - First \$100K funded: 1% recoupment on gross revenue.
 - Second \$100K funded: 2% recoupment on gross revenue.
 - Add 1% per \$100K tier funded, up to 15% recoupment on gross revenue.

Interactive Ontario and its members would welcome the opportunity to engage in further discussions with the CMF regarding potential changes to its recoupment policy.

3. Comments and short-term recommendations on CMF Streams

There is a common misperception that all video games possess high commercial potential. In reality, video games, like television series or films, encompass a wide range of genres—some catering to niche markets and others appealing to broader audiences. Additionally, experimental forms of video games often have untested market potential.

Creating a fund exclusively for video games, while placing immersive experiences, interactive documentaries, and other emerging interactive formats in a separate category, could lead to significant challenges. Niche video games would struggle to compete for funding alongside more commercially established genres. Similarly, in an “Other IDM” category, interactive formats such as immersive documentaries or experimental installations would face difficulties competing with more commercial XR entertainment.

2025-2026 Short-term recommendations

- **Maintain two streams of production programs:** Continue offering two streams of production programs — Innovation and Experimentation and Commercial — including marketing support. Do not separate video games from other IDM formats unless the CMF identifies an efficient way to mitigate the challenges outlined above.
- **Refine Program Distinctions:** Further refine the distinctions between the two streams by implementing improved evaluation criteria for the Innovation and Experimentation Stream as outlined on pages 3-4.

4. Comments and short-term recommendations on insurance requirements

Ontario recipients of CMF Experimental funding often spend an excessive amount of time negotiating with brokers and insurers. Many insurers refuse to provide coverage for CMF projects, citing the excessive and vague nature of the requirements, especially given the low-risk nature of many funded projects. For instance, most projects are hosted on secure third-party platforms such as Steam, Xbox, and app stores, which enforce strict compliance with laws. Additionally, IDM studios typically do not have access to personal user or player data on these platforms, further reducing liability risks for the CMF.

Although the CMF insurance policy is positioned as a maximum requirement, it has led to confusion among IDM studios. Many end up overpaying for insurance, diverting funds that could otherwise be invested in creating intellectual property (IP).

2025-2026 Short-term recommendations

- **Align insurance requirements:** Adjust insurance requirements to align with those of other IDM agencies, such as Ontario Creates, including the removal of the crime insurance requirement. Apply these revised requirements retroactively to CMF projects currently in progress.
- **Clarify minimum insurance guidelines:** Provide clear guidelines on minimum insurance requirements based on project risk profiles. For example: “For projects using established platforms (e.g., Steam, Xbox, App Stores), without user-generated content or direct access to user payment or personal data, producers can expect the following minimum insurance policy.”

5. **Comments and recommendations on diversity of teams**

The IDM sector is committed to encouraging an increasingly diverse and inclusive workforce. The CMF current point system that rewards gender parity and diversity with bonus points is well-intended but has inherent deficiencies. It doesn't take into consideration the positive impact of the more diverse new generation of workers (generally more juniors). The latter stimulates the development of more inclusive work environments and content.

Additionally, it is worth noting that point systems encourage applicants to structure their teams according to points they can earn, which can conflict with the needs of their companies and projects.

2025-2026 Short-term recommendations

- **Reward studios for the diversity of their whole team including juniors.** For example:
 - 2% could be allocated to parity and the diversity of the senior team.
 - 2% could be allocated to the diversity of the whole team.

6. **Additional comments and short-term recommendations**

- **Streamline final drawdown requirements:** Remove the requirement for projects to have launched in order to access the final drawdown, allowing IDM studios more flexibility in strategically planning their project release.
- **CMF pre-application webinars:** Offer hands-on pre-application webinars, similar to those provided by Ontario Creates, to simplify budget and financial document preparation. These sessions would help identify and address common errors or requirements frequently flagged at the contracting stage.
- **Task Force on administrative and policy improvements:** Interactive Ontario and its members would welcome the opportunity to contribute to task forces aimed at exploring potential administrative and policy improvements, such as improved templates, removing the need for signatures on some documents, portal usability, and audience metrics.

Conclusion

Interactive Ontario and its members appreciate the opportunity to share comments and recommendations. As outlined in the Scope section of this document, our focus has been on identifying actionable short-term changes.

We welcome the opportunity to provide further feedback on these or other topics, as the CMF prepares for the 2025-2026 fiscal year and beyond.