



INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

Ian C.W. Russell
President & Chief Executive Officer

November 10, 2011

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Superintendent of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Nunavut

Attention:

Mr. John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8
Email: jstevenson@osc.gov.on.ca

- And -

Ms. Anne-Marie Beaudoin, Directrice du secrétariat
Autorité des marchés financiers
Tour de la Bourse
800, square Victoria
C.P. 246, 22 étage
Montreal, Québec
H4Z 1G3
Email: consultation-en-cours@lautorite.qc.ca

Dear Sirs and Mesdames:

RE: Canadian Securities Administrators Notice and Request for Comments on Proposed Amendments to NI 81-101 regarding Implementation of Stage 2 of Point of Sale Disclosure for Mutual Funds (the Notice)

The Investment Industry Association of Canada (IIAC) is writing on behalf of our membership to respond to the request for comments issued on August 12, 2011 by the Canadian Securities Administrators (CSA) on the proposals to implement Stage 2 of Point of Sale Disclosure Requirements for Mutual Funds in NI 81-101 (the Proposed Rules).

This comment letter has been drafted with the assistance of the IIAC Point of Sale Working Group (the Working Group or we), which consists of members from across Canada, representing a cross-section of firms. The industry professionals on this Working Group are knowledgeable and experienced and many of them have been involved for numerous years in the rule-making process.

The IIAC has commented on earlier versions of the point of sale initiative including October 2007, December 2008 and October 2009.

The IIAC and our members are in favour of the point of sale initiative and agree it will provide investors with a more meaningful and simplified form of disclosure. While we are generally supportive of Stage 2 which does not impact current systems, we continue to have concerns over Stage 3 with respect to how the fund facts document will be delivered at or before the point of sale. As outlined in our numerous submissions, having to deliver a fund facts document at or before the point of sale will be a challenge for dealers. Our main concern is the timing of delivery which may not be practical for the way many of our members conduct their business. We request that the CSA refer to our previous submissions in which we provided detailed information to assist as you continue to review Stage 3 and we would be pleased to provide any additional detail as required.

With respect to Stage 2, the IIAC Working Group has a number of comments, which are outlined below that we request the CSA consider before Stage 2 is finalized.

The Proposed Rules specify what can be attached to and bound with the fund facts document. Section 5.1.1 of the Proposed Rules sets out that a confirmation of purchase, another fund facts document, a simplified prospectus as well as the annual information form, management reports and financial statements are the only documents that can be bound with the fund facts. The Working Group has a number of concerns over the limited number of documents that can be attached to the fund facts as this is significantly reduced as compared to what can be attached to a simplified prospectus under section 5.1(3) of National Instrument 81-101.

Limiting what can be attached to the fund facts document will create a difficult and costly situation for dealers. For example, if a client were to make both a purchase and a sale of funds on the same day or more than one purchase in a day, it would appear from the language in section 5.1.1 that the sale and purchase confirmation would have to be separated and that only the purchase confirmation or one confirmation could be attached to the fund facts. Since many of our members currently use systems that bind the confirmations together, changes in systems would be required. Limiting what can be attached to the fund facts document will create a situation where information sent to clients will need to be split and sent in multiple packages. The direct result will be an increase in both production costs as well as mailing costs. As such, the Working Group requests that at minimum, the wording in section 5.1.1(1)(1) be amended to read “transaction confirmations” so that it would encompass both the purchase and sale confirmations. The Working Group also suggests that those documents that can currently be attached to and mailed with a simplified prospectus as well as all required or permitted documents related to activities in an account processed on the same day be able to be bound and mailed with the fund facts documents.

Paragraph 16 of National Instrument 81-101F3, states that each fund facts document must start on a new page. The Working Group would appreciate clarification as to whether this means that the fund facts must start on a new page which is one sided or whether it only has to start at the top of a page so that it may be double sided?

The Working Group also has concerns under National Instrument 81-101F3 - Instruction (2) to Item 1.4. The Proposed Rules seek to replace Instruction (2) to Item 1.4 “Other Fees” of Part II (2) which states, “Provide a brief description of each fee disclosing the amount to be paid as a percentage (or, if applicable, a fixed dollar amount) and state who charges the fee. If the amount of the fee varies so that specific disclosure of the amount of the fee cannot be disclosed, where possible, include the highest possible rate or range for that fee”.

The Working Group is of the view that the requirement to describe the amount of fees payable where investors have entered into a fee-based arrangement with third party dealers, including the highest possible rate or range for that fee if it is variable, is problematic. Fund companies typically have no control over the fees charged by third-party dealers for these types of fee-based arrangements, and may not know the range of some fees. The Working Group suggests that the scope of the required disclosure should be limited to management fees or other fees charged by a mutual fund or its manager, and that the required disclosure should not apply to fee-based arrangements.

The Working Group would also appreciate further information regarding transition periods for the implementation of Stage 2. While the industry is working towards being ready, we would still require at least a year following the time the requirements are finalized to ensure that production changes can be met.

In closing, we welcome the opportunity for an ongoing dialogue with the CSA on this important initiative and would be pleased to discuss this submission should you have any questions.

Yours sincerely,

“Ian Russell”