



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

August 12, 2008

Mr. Bob Christie, Chair, Joint Forum
Financial Services Commission of Ontario
5160 Yonge Street
Box 85, 17th Floor
Toronto, ON
M2N 6L9

Dear Mr. Christie:

Re: Point of Sale Disclosure for Mutual Funds and Segregated Funds

The Investment Industry Association of Canada (IIAC or Association) appreciated the invitation to attend the Joint Forum of Market Regulators' Point of Sale Stakeholder Presentation (the Presentation) on June 18, 2008. Both the Association and the member firms that attended found the Presentation to be extremely informative, outlining the comments received on the Proposed Framework released on June 15, 2007 (the Proposed Framework), proposed revisions and next steps in the process.

While the IIAC recognizes that the Joint Forum is not seeking formal comments at this time, we would like to take this opportunity to provide some feedback on some of the issues and points raised during the Presentation, which the Joint Forum may wish to consider during the final stages of the development of the point of sale project.

In general, the IIAC and its members are pleased that many of our concerns raised in our submission of October 5, 2007 were considered by the Joint Forum and will be reflected in the revised Framework.

Specifically, there is more clarity and certainty to both investors and member firms now that the trigger point for the cooling off right occurs at the receipt of the trade confirmation. In addition, the removal of the perpetual right of rescission by the investor in the event of non-delivery of the Fund Facts will reduce the potential challenges of developing a suitable compliance framework, audit trail and adequate record keeping.

It is also welcome news that a Fund Facts will no longer be required for any subsequent purchases of the same fund unless a copy of the Fund Facts is requested by the investor and that a **waiver** for **acknowledgement of** receipt of the Fund Facts is available for money market funds.

We also appreciate that the content of the Fund Facts will be revised to provide clarity surrounding information on fees and compensation. The IIAC supports the Joint Forum's recognition of the need to balance the degree of prescription with flexibility to ensure that the content of the Fund Facts is relevant and clear.

We understand that the Joint Forum has recognized that a one-size-fits-all approach is not always workable and has incorporated flexibility for different business models. The Association is pleased that the Joint Forum has attempted to differentiate between trades recommended by the advisor and trades initiated by the investor. However, we have some concerns with the amendments contained in the revised Framework.

While the revised Framework would permit an investor to waive receipt of the Fund Facts when the purchase has been initiated by the investor, there can be a great deal of uncertainty as to when a purchase has, in fact, been recommended by the advisor or initiated by the investor. Moreover, there are significant operational challenges surrounding audit trails and supervision with respect to client or advisor initiated purchases. Furthermore, at this point in time, there has been no consideration to provide any guidance or definitions in the Framework surrounding "recommendations" by the advisor or investor "initiated" trades.

Many of our members have indicated that with this uncertainty and accompanying operational challenges, members will continue to deliver a Fund Facts prior to or at the point of sale. For members, this will avoid any doubts and potential repercussions for non-compliance with the requirements if an investor contends after the fact, that a purchase was not investor initiated.

The result would be that despite two options in the revised Framework, members firms would not recognize this distinction and continue to provide a Fund Facts to every single client, regardless of the client's desire to waive acknowledgement of receipt.

Furthermore, this distinction will put our full service firms at a competitive disadvantage with the discount brokerage firms who will generally be exempt from the requirement to deliver a Fund Facts.

Our members are currently facing significant operational issues with respect to the new Principal Protected Notes (PPNs) legislation, which came into force on July 1, 2008. They have indicated major challenges that this new legislation has placed not only on member firms from a compliance perspective, but also new burdens and requirements that ultimately impact clients. Our members have told us that they will face similar hurdles in implementing the requirements of the revised Framework. As a result, one member firm in particular has suggested that we extend an invitation to the Joint Forum to visit this member and observe how the PPN requirements are impacting member business and servicing of clients. The IIAC would be happy to arrange a visit with the Joint Forum if they wish to gain a better practical understanding of the challenges that members are facing.

The IIAC is also somewhat concerned that there appears to have been no discussion regarding the implementation of the revised Framework with the relevant regulators, such as the Investment Industry Regulatory Organization of Canada or the Mutual Fund Dealers Association of Canada. If, presumably, these self-regulatory organizations will be implementing and enforcing these requirements, their input is required earlier in the process of point of sale disclosure requirements rather than later.

We urge the Joint Forum to engage in discussions and rule review with the self-regulatory organizations as soon as possible.

Lastly, we request some clarification regarding the discussion of the method of delivery of the Fund Facts that occurred at the Presentation. At that time, it was made clear that the Joint Forum would not consider adopting an “access equals delivery” approach to the Fund Facts. However, during the Presentation the regulators stated that there would be the ability to e-mail to the investor a link to the Fund Facts located on a fund company’s website. To the Association, this would accomplish an access equals delivery approach. However, as there were no written documents accompanying the Presentation, we would like to ensure that our understanding of this widening of the definition of electronic delivery is correct.

In closing, we commend the Joint Forum for incorporating many of the suggestions provided by the IIAC and our members in the revised Framework. We further welcome the opportunity for an ongoing dialogue with the Joint Forum on this important initiative.

We would be pleased to discuss this submission should you have any questions.

Yours truly,

Morag MacGougan
Vice President

C: Patricia Callon, Legal Counsel, Investment Funds, Ontario Securities Commission
Larry Ritchie, Vice Chair, Ontario Securities Commission
David Wild, Chair, Saskatchewan Financial Services Commission