



BY ELECTRONIC MAIL: comments@osc.gov.on.ca, consultation-en-cours@lautorite.qc.ca

May 26, 2014

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumers Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission (New Brunswick)
Office of the Superintendent of Securities, Prince Edward Island
Nova Scotia Securities Commission
Office of the Superintendent of Securities, Newfoundland and Labrador
Office of the Superintendent of Securities, Northwest Territories
Office of the Yukon Superintendent of Securities
Office of the Superintendent of Securities, Nunavut

Attention:

The Secretary
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, ON, M5H 3S8

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3

Dear Sirs / Madames:

Re: Second Publication of the Proposed Amendments for Implementation of Stage 3 of Point of Sale Disclosure for Mutual Funds

We are writing to provide you with the comments of the members of The Investment Funds Institute of Canada ("IFIC") with respect to the proposed amendments for Implementation of Stage 3 of Point of Sale Disclosure for Mutual Funds: Proposed Amendments to National Instrument 81-101 Mutual Fund Prospectus Disclosure and Companion Policy 81-101CP (collectively, the "Proposed Amendments"), published on March 26, 2014.

IFIC members are appreciative that the broad consultations held by the Canadian Securities Administrators ("CSA") in connection with the point of sale project resulted in a proposed rule that is streamlined and straightforward. By moving away from the complexity of the 2009 draft rules and by permitting electronic pre-sale delivery, the primary concerns we expressed on behalf of mutual fund companies and dealers have been allayed. In addition, by providing a limited exemption from pre-sale delivery, the rule alleviates our members' concerns about their ability to accommodate the legitimate wishes of their investors, who may, on occasion, require or wish to purchase units of a fund before pre-sale delivery can take place.

In response to the specific questions in the Notice, we provide comments below. In several parts of the rule we recommend streamlining some of the more prescriptive and detailed elements – this will be particularly helpful to smaller firms as it allows them to implement the rule more cost-effectively.

Exceptions from Pre-Sale Delivery of the Fund Facts: Allowing post-sale delivery of the Fund Facts in certain limited circumstances and requiring clear verbal disclosure is appropriate. The very specific detail outlined in section 3.2.1.1(3)(e) of the Proposed Amendments seems to be prescribing the reading of the entire Fund Facts. In the interests of providing efficient customer service, we recommend this section be revised to require the information be provided to the investor in a summary form along with a reminder of their rescission rights and that they should take the time to review the Fund Facts when they receive it and call if they have any questions. It is also important to remember that the investor would have been provided with much of the information, particularly about costs, through the account opening process, and as CRM2 provisions are implemented, will receive it regularly through their statements. In addition, as the self-regulatory organizations (“SRO”) will be monitoring compliance with the delivery requirements, if any changes are required these can be made in due course.

With respect to pre-authorized purchase plans (“PAC”), we find the draft rule somewhat unclear and may be overly complex, and therefore difficult to implement in its current form. We believe the following process would meet the CSA objective while at the same time being easier to implement: For existing PACs, firms will send a notice to the holders, at least annually, advising that a Fund Facts is available, and how and where it may be obtained. The requirement of a form to be filled out by the PAC owner appears to be overly prescriptive and likely to be ignored by investors; a clear notice as referred to above should suffice. For new PACs set up after the rule is in place, the investor will receive a Fund Facts when the PAC is set up and be asked at the time of set-up whether they want to receive the Fund Facts on an ongoing basis. Thereafter, these investors will receive the annual notice. We recommend the rule be simplified in this manner.

Compliance: The CSA’s expectation that dealers will follow current practices regarding evidencing prospectus delivery to evidence Fund Facts delivery is fully workable. In that regard, it’s important to underline that the SROs will be actively monitoring these practices in the normal course of their audits of firms and can be expected to issue guidance as needed.

Anticipated Costs and Benefits of Pre-Sale Delivery of the Fund Facts: Research canvassing the views of investors and advisors has indicated that the Fund Facts will be beneficial in providing clear and useful information to the investor, including the costs associated with owning a fund, and should improve the level and depth of dialogue between the investor and advisor. That being said, the costs of implementation will be substantial. While certain service providers may be able to facilitate access to the Fund Facts itself, the use of these services must be integrated into internally managed systems. Building the systems, developing and implementing new business rules, executing effective staff training, and testing all of the component parts to ensure all systems and processes work well, will require considerable financial resources – they will also require adequate implementation time, this is discussed further below.

Rationalization of Disclosure Documents: With the introduction of Stage 3, the final stage in the implementation of point of sale disclosure for mutual funds, we strongly urge the CSA to review all current disclosure requirements and documents with a view to rationalizing and eliminating duplication. With the addition of Fund Facts there will now be five (the other four are the Prospectus, the AIF, the MRFP and the financial statement) separate documents that need to be produced. Most of these are not utilized by the investor, and contain overlapping information. Streamlining the requirements will help reduce costs, a major concern for the smaller firms in the industry. We would welcome the opportunity to work with the CSA on such an initiative.

Withdrawal Rights: We believe that there are technical issues with withdrawal rights resulting from the Proposed Amendments. For instance, NI 81-101 F3, Part II, Item 2 still references a right of withdrawal linked to receipt of the simplified prospectus or Fund Facts; effective June 13, 2014, the reference to simplified prospectus is no longer applicable since the Fund Facts becomes the main disclosure document. In addition, the Proposed Amendments do not specify when the Fund Facts must be delivered; instead, the proposed amendments to Companion Policy 81-101CP indicate that delivery of the Fund Facts should occur within a reasonable timeframe before the purchaser’s

instruction to purchase. This could lead to the odd result that the withdrawal rights expire before the trade is made in instances where Fund Facts is delivered more than two days prior to the trade. In short, it is clear that withdrawal rights need to be re-conceived in the context of pre-delivery. It has also long been recognized that there are jurisdictional differences in time periods and trigger points which should be harmonized if we are to provide investors with a consistent experience across the country. Furthermore, these differences and complexities are costly to administer. We therefore recommend that the CSA include a review of withdrawal rights in its priorities for the coming year.

Transition Period

The greatest challenge the industry sees in connection with the proposed rules is the time-frame required to build all of the component parts and ensure they will work as intended. The one year time frame suggested will not suffice for many members, particularly those who offer their products through a range of distribution channels. For business models with multiple delivery channels, each channel will have its own unique systems and processes that will require modification. Aside from the financial resources required to implement the changes, the greater challenge is finding the human capital required. Over the next several years there are a number of major projects – including FATCA and CRM2 implementations - competing for those resources and stretching the internal capacities. We ask therefore that a longer period of eighteen months to two years from the finalization of the rule be provided. This does not of course mean that investors will have to wait to access the Fund Facts – in fact they are already broadly available through fund firms and advisors alike. Longer implementation timelines for Stage 3 will not deny investors access to the Fund Facts documents, it will merely change the timing of delivery of the required disclosures by a few business days.

We do not ask for this period lightly, as we appreciate the anticipation in the market to put a pre-sale delivery regime in place. We have worked with members to have them set out the specific requirements and attach a schematic outlining the time and resources required by industry stakeholders to implement the pre-sale delivery regime of Fund Facts.

With respect to a switch-over date, we would recommend an early summer change-over period. This would avoid conflicting time and resources that would arise in RRSP season, the prospectus renewal period, year-end trading and financial reporting periods for many funds, which occur from November to April each year.

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Thank you for providing our Members with an opportunity to comment on the Proposed Amendments. Should you have any questions or wish to discuss these comments, please contact me directly by phone at 416-309-2300 or by email at jdelarentiis@ific.ca.

Yours truly,

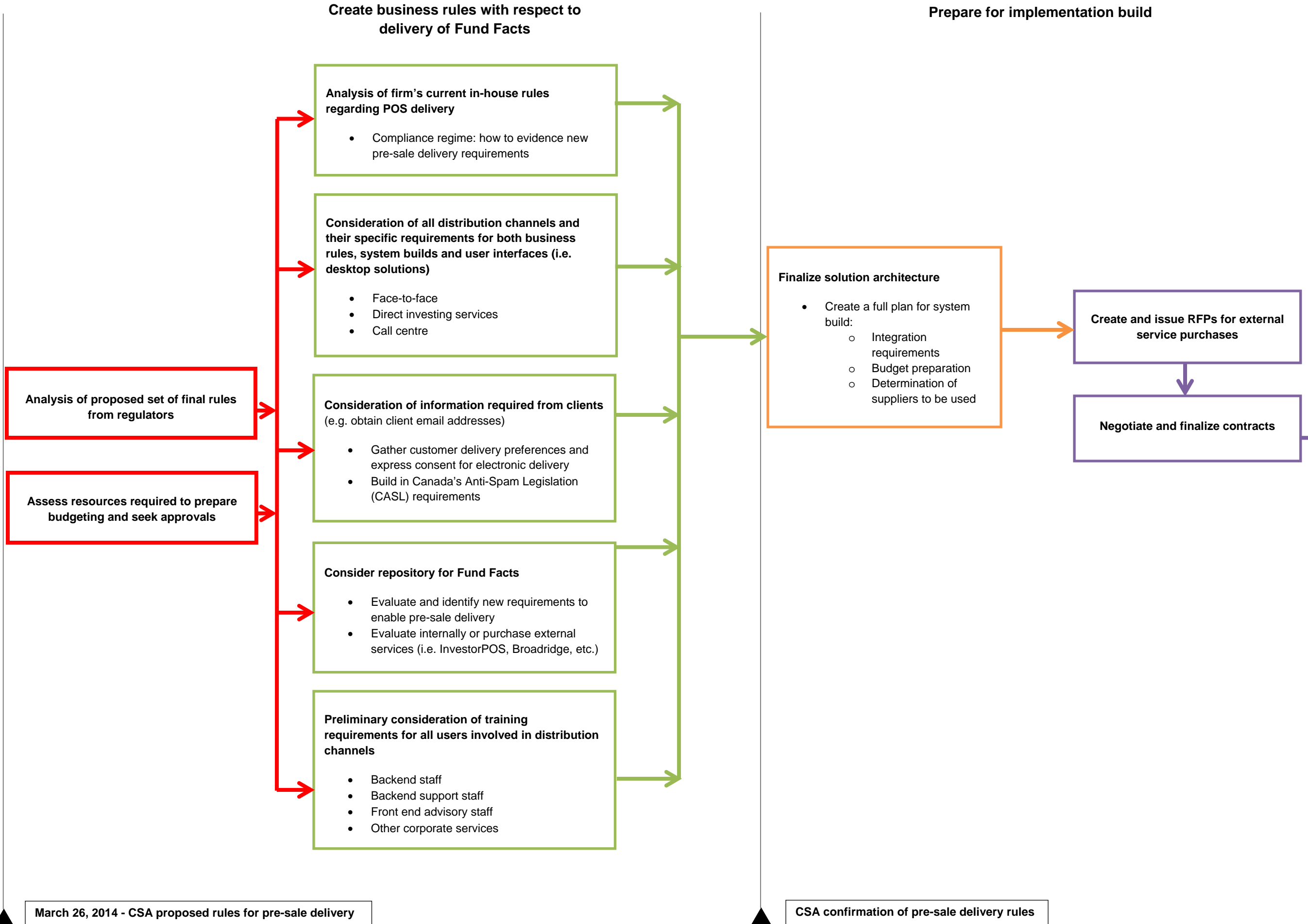
THE INVESTMENT FUNDS INSTITUTE OF CANADA



By: Joanne De Laurentiis
President & CEO

PHASE 1: DEVELOPING REQUIREMENTS AND SPECS

[6 month time frame to implement]



PHASE 2: BUILD
[12 month time frame to implement]

Build proprietary components and translate all requirements into systems build activities and action plan

Pre-Launch

Integrate external services/programs into proprietary systems by distribution channel

- Face-to-face
- Direct investing services
- Call centre

Quality Assurance – required to test both technology solutions and system integration

- Bugs
- Functionality
- Test business rules execute as required through all delivery channels
- User experience
 - Front office
 - Back office
 - Advisor
 - Client

Confirmation of firm's system's change window

- Twice annually (spring and fall)
- Must be sized and scheduled

Create training programs by distribution channel

- Scripts
- Systems use
- Quality measurements

Create materials and test communications to clients /investors

All issues addressed and fixed in development environment (through multiple pre-testing and refinements made as necessary)

PHASE 3: GO LIVE
[6 month time frame to implement]

Ongoing monitoring and execution

