



THE INVESTMENT FUNDS INSTITUTE OF CANADA  
L'INSTITUT DES FONDS D'INVESTISSEMENT DU CANADA

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October 14, 2009

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  
Registrar of Securities, Prince Edward Island  
Nova Scotia Securities Commission  
Superintendent of Securities, Newfoundland and Labrador  
Registrar of Securities, Northwest Territories  
Superintendent of Securities, Yukon Territory  
Registrar of Securities, Nunavut

**Attention:** John Stevenson, Secretary  
Ontario Securities Commission  
20 Queen Street West, Suite 1903, Box 55  
Toronto, ON M5H 3S8

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

Dear Sir/Madame:

**Re: CSA Notice and Request For Comment on Implementation of Point of Sale Disclosure for Mutual Funds**

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We are writing to provide comments of The Investment Funds Institute of Canada (“IFIC”) with respect to the *Canadian Securities Administrators (“CSA”) Notice and Request for Comment on Implementation of Point of Sale Disclosure for Mutual Funds* (the “Rule”).

CSA

Re: CSA Notice and Request for Comment on Implementation of Point of Sale Disclosure for Mutual Funds  
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In August we wrote to you to provide our preliminary comments on the Rule, expressing support for some of its features and outlining at a general level the continuing concerns of our Members with respect to others, including the compliance, transition and harmonization issues raised by the proposed delivery requirements. At that time we indicated we would follow in October with a more detailed response to the request for comments, which is the purpose of the current submission.

This submission is organized to both respond to the specific questions posed by the CSA and to raise other issues which we believe should be addressed in the next draft of the Rule. Material is organized in the following attachments:

- Attachment #1 – Summary of recommendations.
- Attachment #2 – Detailed comments and related recommendations.
- Attachment #3 – Flowcharts showing transaction and compliance processes.
- Attachment #4 – Sample template for Fund Facts – multiple series.
- Attachment #5 – Cost/Time/Complexity issues by stakeholder.

We have tried to be as specific as possible but in some areas we believe that through consideration of our concerns and constructive recommendations, the next draft of the Rule published subsequent to this comment period will provide a better basis to estimate more precisely a number of the requested timing and cost considerations.

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Thank you for providing us with an opportunity to provide comments on the Rule. If you have any questions regarding this submission, please contact me directly by phone at 416-309-2300 or by email at [jdelautentiis@ific.ca](mailto:jdelautentiis@ific.ca) or Jon Cockerline, Director - Policy, Dealer Issues by phone at 416-309-2327 or by email at [jcockerline@ific.ca](mailto:jcockerline@ific.ca).

Yours truly,

**THE INVESTMENT FUNDS INSTITUTE OF CANADA**



By: Joanne De Laurentiis  
President & Chief Executive Officer

cc: Susan Wolburgh Jenah, President and CEO, IIROC  
Larry Waite, President and CEO, MFDA

## SUMMARY OF RECOMMENDATIONS

Flowing from the analysis documented in Attachments 2-5 in response to questions raised by the CSA when they published the Rule in June, there are a number of recommendations that we believe would make the Rule more workable and more efficient for the ultimate benefit of investors.

### Enhancing the Utility of Fund Facts – Avoiding Investor Confusion

#### *Format*

1. We agree that the Rule should be flexible enough to allow for the bundling of Fund Facts where it will enhance the flow and quality of information to the investor. The decision on whether or not bundling takes place should be left to the discretion of the firm, provided that the manufacturer and/or dealer has a rationale for the bundling and adheres to the principles of simplicity, accessibility and comparability. We recommend the removal of the limitation of 10 funds per bundle as an unnecessary and arbitrary limit. (II.5, p.14)<sup>1</sup>
2. We recommend applying the same provisions for bundling in paper format to bundling in electronic format, permitting both multiple attachments to a single e-mail and multiple Fund Facts in a single PDF file, provided that the manufacturer and/or dealer has a rationale for the bundling and adheres to the principles of simplicity, accessibility and comparability. (II.5, p.14)
3. We recommend that the Rule allow for the disclosure with respect to series of a fund that are predominantly the same be included in the same Fund Facts document provided that the resulting document adheres to the principles of simplicity, accessibility and comparability. (See Attachment 4) (III.1, p.17)
4. We recommend that Index fund disclaimers be exempt from the 3 page limit and plain language requirements for the Fund Facts due to the fact that Index fund managers are required to include a lengthy disclaimer wherever they name an Index, including on regulatory materials. (III.1, p.19)
5. We recommend that the manager have discretion in accordance with the principles of Fund Facts with respect to the requirement of *Form 81-101F3 Contents of Fund Facts Document* Part 1, Item 4, Past Performance, that the x and y axes for the year-by-year returns bar chart must intersect at '0'. This will remove a requirement which could otherwise impair the readability of the charts in certain instances. (III.1, p.20)
6. We recommend that the CSA provide clarification with respect to addressing situations in which one or more of the fields in the Quick Facts section are not relevant to a particular fund or series or class of a fund. (III.1, p.20)

#### *Risk Disclosure*

7. We recommend that the risk disclosure required to be provided in Fund Facts be the same as that provided in the Simplified Prospectus (SP), in the interest of providing investors with a simple and comparable presentation of the level of investment risk. (III.3, p.22)

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<sup>1</sup> The number in brackets following each recommendation refers to the related CSA question topic, followed by the page number of Attachment 2 where a detailed IFIC comment is provided.

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8. We recommend including a statement in the Fund Facts that clarifies that what is being disclosed is the manager's reasonable assessment of the fund's historic volatility risk and does not address investor risk tolerance, and that the investor needs to consider the investment in the context of their entire portfolio rather than in isolation. (See Attachment 4) (III.3, p.24)
9. We recommend changing the nomenclature of the risk bands from low, low to medium, medium, medium to high and high, to a 6-point scale of very low, low, below average, average, above average and high to correspond with the six clusters of fund standard deviations which have been determined by the Fund Risk Classification Task Force as best representing the standard deviation groupings of Canadian Investment Funds Standards Committee ("CIFSC") category benchmark returns. (III.3, p.24)
10. We recommend against the adoption of alternative risk measures which could have the potential for bias or substantial annual variation, and thereby would have serious impacts on investors. (III.3, p.25)
11. We recommend the inclusion of a clear and specific reference to the Simplified Prospectus ("SP") of the fund for investors who would like more information regarding key risks, together with a statement that the Fund Facts document does not address all of the risks of investing in the fund. (III.6, p.26)

***Content***

12. We recommend that the Rule be amended to allow for the Fund Facts to be drafted in plain language, consistent with the existing disclosure regimes in place for other transaction-related documents, and that the Companion Policy specify that the manager will, on a best efforts basis, achieve a standard of readability equivalent to a 6.0 grade level. (III.1, p.18)
13. We recommend that the Rule adopt a standard of proof of compliance for plain language that is consistent with practice worldwide by requiring evidence that a process exists as opposed to requiring certification of the grade level for every Fund Facts. (III.1, p.18)
14. We recommend presentation of Management Expense Ratio (MER) on a net basis, as disclosed in the Management Report of Fund Performance (MRFP), as this is considered to be the most consistent with the objectives of the Fund Facts document. (III.2, p.21)
15. We recommend that daily Net Asset Value (NAV) be used to calculate total value of the fund and total percentage holding of the top 10 investments for consistency with the requirement in Part 1, Item 3, Investments of the Fund, section 4(c) that the total percentage holding in the top ten positions be calculated based on their share of NAV of the fund. (III.1, p.19)
16. We recommend against requiring disclosure of sales charges and ongoing fund expenses in dollars and cents in addition to disclosure in percentage terms as this would not add to the utility or ease of comprehension of the document. (III.7, p.26)
17. We recommend that trading expenses be identified as an additional source of cost associated with a mutual fund and that, for further information, the client be referenced to the MRFP where a more fulsome disclosure of Trading Expense Ratio (TER) can be provided. (III.8, p.27)

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18. We recommend replacing the prescribed wording on Page 1 under the heading “For more information” with the statement “Much more information is available to you and you will be deemed to have read that information even if you choose not to do so. You can request this information by contacting the manager”, followed by the manager’s contact information. This proposed wording provides a better description of the scope of what else is available to the client and clarifies the meaning of incorporation by reference. (See Attachment 4) (III.1, p.18)

***Comparability***

19. We recommend that the Rule not be revised to allow for greater flexibility on the frequency of filing a Fund Facts as it would complicate rather than enhance the consistency with other disclosures and the comparability of the document for investors.(II.1, p.7)

20. We recommend that the number of different dates mandated in respect of the currency of information in the Fund Facts document be kept to a minimum to ensure consistency with other filed information. Our preference would be to require disclosure of data that is the same as that disclosed in the most recently filed annual MRFP. (II.1, p.8)

**Fund Fact Approval and Filing**

21. We recommend that the CSA streamline the process of Section 2.1 (1)(d)(iii) concerning filings for the creation of a new class of securities of a mutual fund. As currently drafted, it implies significant additional workload to launch a new class across a series of funds. (II.1, p.8)

22. We recommend that requirements for the filing of the black-lined amended version of the Fund Facts in Section 2.3 (3) (b)(ii.1) be consistent with requirements for SP and AIF renewals. (II.1, p.9)

23. We recommend that consistency be provided between *Section 5.4 (4)* and *Section 5.1 (3)* with regard to the ordering of documents in a package. (II.1, p.9)

24. We recommend that consistency be provided between the requirements of Section 2.3.2 and the requirements for the SP and AIF with regard to the date of posting the final Fund Facts to a website. (II.1, p.9)

25. We recommend that the CSA confirm that all of the Fund Facts for all classes of all funds contained in the same SP can be filed in a single document with SEDAR. (II.1, p.10)

**Delivery Requirements and Operational Efficiency**

26. We agree with the principle of exempting money market funds from the requirement to deliver or send Fund Facts before entering into an agreement to purchase. We believe, however, that the requirement for the client to elect not to receive Fund Facts prior to the sale for each Money Market fund transaction would add unnecessary complexity and would result in significant client frustration. We recommend applying the Money Market fund exemption universally to all Money Market fund sales. (I.2, p.4)

27. We recommend extending the waiver of delivery obligations for subsequent purchases, including purchases made under a pre-authorized purchase plan and switches under an asset allocation plan, of Section 7.4 in the Companion Policy to 81-101 to trades that result from fund merger activity that occur from time to time and are manufacturer initiated. (I.2, p.4)

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28. We recommend that the Rule allow for a dealer to meet its delivery obligation by delivering or sending the most recently filed Fund Facts. (II.2, p.11)
29. We agree with the Rule as drafted with respect to the delivery requirements for subsequent purchases and recommend no further revisions. (II.3, p.12)
30. We agree with the proposal to allow delivery of the Fund Facts document with the confirmation of trade in instances where the investor expressly communicates they want the purchase to be completed immediately, and it is not reasonably practicable for the dealer to deliver or send the Fund Facts before the purchase is completed. (II.4, p.13)

**Adopting a Feasible Plan for Transition**

31. We recommend that Fund Facts be made available during the Transition period under the current delivery requirements and propose that the manufacturer be required to produce and make available Fund Facts within 12 months of the MRFP date for applicable funds following the effective date of the Rule. (II.7, p.16)
32. We recommend that discussions regarding a transition period for delivery of the Fund Facts be deferred until such a time as the final form of the Rule are known and the timeframe for the development of a fully functioning, universally available, cost effective Fund Facts clearing house/central repository/delivery mechanism has been established. (II.6, p.15)
33. We recommend that the Rule be reviewed for potential duplication or conflict with other National Instruments (e.g. NI 81-101, NI 81-105, NI 81-106, NI 81-107, and NI 31-103) and that this review take place simultaneously with the development of the Rule. (II.1, p.6)
34. We recommend that the CSA work with the SROs to ensure that SRO guidance as to the evidence of delivery, waivers etc. is available to their members prior to the effective date of the Rule. (I.2, p.4)
35. We recommend that the CSA conduct additional investor research in assessing the benefits and any aggravations experienced by investors due to this regulatory initiative. (I.1, p.3)
36. We recommend that a final review of the Rule be undertaken after all policy directions are determined and prior to publication to assess their implications from a cost and compliance standpoint for all stakeholders. (I.2, p.5)

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I. Issues for Comment on the Notice and Request for Comment

CSA Question	IFIC comment
<p><b>1. We seek feedback on whether you agree or disagree with our perspective on the benefits of the Instrument. We particularly seek feedback from investors.</b></p>	<p>We see many benefits of the proposed Rule for the implementation of Point Of Sale Disclosure For Mutual Funds (the “Rule”). We support the plain-language Fund Facts disclosure document as a method of providing key information to investors in a simple, accessible and comparable format. We support the proposed staged implementation which will get the Fund Facts out to investors with a minimum of delay. We recognize the importance of allowing investors and advisors to become comfortable with the new Fund Facts document as soon as possible, and not hold up its availability while some of the more complex aspects of the Rule, such as delivery requirements, are being developed. We are also encouraged that the CSA has recognized that some investors will want their purchase completed immediately and have added provisions to the Rule that will allow for this.</p> <p>We are equally pleased that the CSA is seeking feedback from investors themselves as to the benefits of this initiative. Reliable sources of such information are available in research conducted by third parties, some of which has been sponsored by regulatory authorities.</p> <p>Sample top-line findings of this research include:</p> <ul style="list-style-type: none"> <li>• In July 2009, the Joint Standing Committee on Retail Investor Issues (“JSC Survey”) reports that 84% of investors said they had been provided the right information to make their investment decisions, and only 5% said they did not.</li> <li>• In September 2009, Pollara Research, in a report prepared for the Investment Funds Institute of Canada, reports that 90% of investors who last used an advisor to buy mutual funds are satisfied with the advice received</li> <li>• In October 2009, the CSA Investor Education Committee reports in its CSA Investor Index that “Do-it-Yourselfers”, or investors who research and transact investments without the assistance of an advisor, are the most likely group to be approached by and be victims of fraudulent investments.</li> </ul> <p>It will be important to ensure that the final Rule and implementation does not create unintended frustrations</p>



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	<p>for investors due to barriers to easily transact or in available choices of mutual funds.</p> <p><b>Recommendation:</b></p> <p><b>35. We recommend that the CSA conduct additional investor research in assessing the benefits and any aggravations experienced by investors due to this regulatory initiative.</b></p>
<p><b>2. We seek feedback on whether you agree or disagree with our perspective on the cost burden of the Instrument. Specifically, we request specific data from the mutual fund industry and service providers on the anticipated costs and savings of complying with the Instrument for the mutual fund industry.</b></p>	<p>Many aspects of the Rule need to be clarified before reliable cost estimates can be determined. It has been suggested that there will be cost savings for fund managers by allowing the Simplified Prospectus delivery obligation to be met through the delivery of Fund Facts. This anticipated cost saving however may be more than eclipsed by the creation, printing and distribution of multiple individual Fund Facts documents. It will not be possible to make a full assessment of the net effect until it is known whether or not multiple series will be allowed per Fund Facts. Likewise, it is costly to seek information on an ‘ad-hoc’ basis, as might be required if funds must include information mid-month in order to meet the requirement for Top 10 holdings within 30 days of the date of the Fund Facts document, or if it is necessary to use multiple mailings to deliver annually the most recently updated Fund Facts for each fund as their prospectuses are renewed throughout the year.</p> <p>The industry has significant concerns about the pre-trade delivery requirement, both from a competitive standpoint (as such a requirement does not exist for ETFs and other mutual funds not subject to NI 81-102, and other competitive products), and from a compliance standpoint given that it may not be feasible to provide the Fund Facts at the time an investor wishes to make a purchase (such as telephone orders or orders taken away from the dealer’s office). Such limitations on the ability to trade, and the resulting inconvenience and risk to investors of adverse price movements, are difficult, if not impossible, to cost. Since other competing products would not be subject to the same disadvantage, this could prove to be the most significant cost of the initiative over time.</p> <p>The compliance procedures and back-office systems of most funds and dealers do not presently facilitate tracking the orders for purposes of determining whether a pre-trade delivery exemption applies (i.e. orders received from execution-only brokers for example), or whether post-trade delivery is necessary (i.e. where the investor has requested an immediate trade after having been advised of the Fund Facts pursuant to section 3A.3 of NI 81-101). To date, we have not received assurances to our satisfaction that such 3<sup>rd</sup> party service</p>

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	<p>providers will be able to accommodate the various delivery options. This depends upon there being in place a reliable interface mechanism between the dealer, fund manager and service provider that details the nature of the order beyond what is currently provided by the trade confirm. This mechanism does not presently exist, and likely will not be available until dealers engage in expensive system rebuilds that can indicate through which means orders have originated and whether any pre-trade delivery exemptions apply. How extensive and costly this system rework might be will vary by dealer, as well as by fund manager.</p> <p>It is quite clear that the implementation of the Rule, as drafted, will impact all stakeholders. There are significant initial setup costs and ongoing costs to manufacturers and dealers. While an accurate dollar accounting of these costs must await greater clarity in the Rule, and whether or not there will exist for example an industry repository for Fund Facts, it is clear from the analysis of Attachment 5 of this submission that there will be costs, both soft and hard, systems, and initial and maintenance, for investors, advisors, dealers and manufacturers. It is also worth noting that incremental costs of implementing the Rule may be borne in whole or in part by investors.</p> <p>Compliance complexities implied by the Rule are illustrated in the process flowcharts of Attachment 4, and some of the resulting costs in Attachment 5. Recommendations for mitigating some of these cost sources are as follows:</p> <p><b>Recommendations:</b></p> <p><b>26. We agree with the principle of exempting money market funds from the requirement to deliver or send Fund Facts before entering into an agreement to purchase. We believe, however, that the requirement for the client to elect not to receive Fund Facts prior to the sale for each Money Market fund transaction would add unnecessary complexity and would result in significant client frustration. We recommend applying the Money Market fund exemption universally to all Money Market fund sales.</b></p> <p><b>27. We recommend extending the waiver of delivery obligations for subsequent purchases, including purchases made under a pre-authorized purchase plan and switches under an asset allocation plan, of Section 7.4 in the Companion Policy to 81-101 to trades that result from fund merger activity that occur from time to time and are manufacturer initiated.</b></p>

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	<p><b>34. We recommend that the CSA work with the SROs to ensure that SRO guidance as to the evidence of delivery, waivers etc. is available to their members prior to the effective date of the Rule.</b></p> <p><b>36. We recommend that a final review of the Rule be undertaken after all policy directions are determined and prior to publication to assess their implications from a cost and compliance standpoint for all stakeholders.</b></p>

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II. Issues for Comment on the Instrument

CSA Question	IFIC comment
<p><b>1. We are considering allowing fund managers greater flexibility to provide more current information to investors, by not restricting how frequently a fund manager may file an updated fund facts document. What are your views? How would this impact compliance with the requirement to deliver the most recently filed fund facts document?</b></p>	<p>Without rationalization (including elimination as appropriate) of disclosure documents now required to be filed by mutual funds, there will be an enormous strain on the time, effort and resources of firms for the compilation, editing, translation and approval of Fund Facts. Fund Facts document preparation could be significantly facilitated through a review of the overall disclosure regime for mutual funds to reduce unnecessary duplication between the Fund Facts and the AIF, Simplified Prospectus and MRFP.</p> <p><b>Recommendation:</b></p> <p><b>33. We recommend that the Rule be reviewed for potential duplication or conflict with other National Instruments (e.g. NI 81-101, NI 81-105, NI 81-106, NI 81-107, and NI 31-103) and that this review take place simultaneously with the development of the Rule.</b></p> <p>Although it might seem logical that there would be a number of benefits to greater flexibility on the frequency of filings, with no restriction on the frequency of updates for different funds, it would be difficult for dealers to determine if and when each of the funds they sell has filed an updated Fund Facts. The more frequently updates occur the more difficult it will be for dealers to ensure that they are referencing the most current version. We believe that this is summarized well by the SEC in its explanation as to why it did not require more frequent updates be made to each fund’s Summary Prospectus (at page 79 of the SEC Release), as follows:</p> <p>“In addition, many commenters from the fund industry also stated that the costs and operational difficulties associated with implementing the quarterly updating requirement would discourage funds from using the Summary Prospectus. The commenters noted that updating of Summary Prospectuses would likely require an entirely new process that would be more complex than the one used for existing quarterly fund facts sheets. Moreover, these commenters noted that a quarterly updating requirement would essentially require them to move to an ‘on demand’ printing model for distribution of Summary Prospectuses, which would entail changes in business practices, new or amended vendor contracts, and,</p>

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	<p>for a few fund families, significant initial outlays that could substantially delay implementation of the Summary Prospectus.. Financial intermediaries similarly expressed concern about “the ability of even large intermediaries to maintain and track a hard copy inventory of prospectuses which change multiple times per year.” Some commenters also noted that updated performance information is already widely available for other sources. ... We have determined not to require quarterly updating of performance information in the Summary Prospectus because we are persuaded that this requirement could confuse investors and would discourage funds for using the Summary Prospectus and thereby undermine our goal of encouraging concise, user-friendly disclosure to investors.”</p> <p>Any updating of fund facts other than annually or where there is a material change will prove to be problematic for investors in comparing Fund Facts across companies insofar as some companies may choose to update more frequently than annually, while other companies will limit their fund facts to an annual update.</p> <p><b>Recommendations:</b></p> <p><b>19. We recommend that the Rule not be revised to allow for greater flexibility on the frequency of filing a Fund Facts as it would complicate rather than enhance the consistency with other disclosures and the comparability of the document for investors.</b></p> <p>There are a number of dates being prescribed the Fund Facts in <i>Section 2.3.1 (3) and Form 81-101F3 Contents of Fund Facts Document</i> which will unnecessarily add to the complexity of the Fund Facts document and impair the ability for a reader to understand and comprehend the information presented. In the example provided, the “document date” is June 30, 2009. Total net assets and investment portfolio are as of a date within 30 days of document date (in example June 1, 2009). Performance data is based on two different dates: the average return is based on a date within 30 days of the document date; and year by year returns are based on calendar years. MER is presented as of the most recently filed MRFP.</p> <p>The industry has two primary concerns with the proposed timing for the content. First is the unnecessary complexity and confusion that multiple “as of” dates within the document will create. This is contrary to the concept of simplicity and ease of comprehension. Secondly, our membership feels the requirement for</p>

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	<p>presenting certain components, specifically the investment portfolio and performance data, within 30 days of the document date is too short a period to permit the compilation, review and approval procedures necessary for producing an offering document. In some cases, it may also be a shorter period than currently permitted under a fund’s portfolio dissemination policy.</p> <p><b>Recommendation:</b></p> <p><b>20. We recommend that the number of different dates mandated in respect of the currency of information in the Fund Facts document be kept to a minimum to ensure consistency with other filed information. Our preference would be to require disclosure of data that is the same as that disclosed in the most recently filed annual MRFP.</b></p> <p>A new class of securities of a mutual fund can currently be created by way of an amendment to the simplified prospectus (SP) and annual information form (AIF). <i>Section 2.1 (1)(d)(iii)</i> of the Rule indicates that, in addition to the SP/AIF amendments, it will be necessary to file a preliminary Fund Facts. This implies that for a new product launch a manufacturer will be required to file the SP and AIF amendments and preliminary Fund Facts, wait for a review and a clearance to file the final Fund Facts, file the final Fund Facts, and then await the receipt for all three documents.</p> <p><b>Recommendation:</b></p> <p><b>21. We recommend that the CSA streamline the process of <i>Section 2.1 (1)(d)(iii)</i> concerning filings for the creation of a new class of securities of a mutual fund. As currently drafted, it implies significant additional workload to launch a new class across a series of funds.</b></p>

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	<p><i>Section 2.3 (3)(b)(ii.1)</i> requires that, for a final Fund Facts, the black-lined amended version is against the “most recently filed fund facts document”, which implies the previous final Fund Facts. This is inconsistent with the requirements for SP and AIF renewals, which are filed as black-lined against the preliminary or pro forma documents.</p> <p><b>Recommendation :</b></p> <p><b>22. We recommend that requirements for the filing of the black-lined amended version of the Fund Facts in <i>Section 2.3 (3)(b)(ii.1)</i> be consistent with requirements for SP and AIF renewals.</b></p> <p><i>Section 5.4 (4)</i>, which outlines the order in which documents have to go if the FF is included in a package, contradicts the earlier <i>Section 5.1 (3)</i>, which similarly outlines the order in which documents have to go if the SP is included in the package.</p> <p><b>Recommendation:</b></p> <p><b>23. We recommend that consistency be provided between <i>Section 5.4 (4)</i> and <i>Section 5.1 (3)</i> with regard to the ordering of documents in a package.</b></p> <p><i>Section 2.3.2</i> requires that the final Fund Facts be posted to a website no later than the date it is filed. However, since receipting by the regulators will occur at a later date, this early posting would expose the manufacturer to liability if the regulator requested changes prior to issuing a receipt and advisors had used the posted version in a sale to a client in the meantime. This is inconsistent with the requirements for the SP and AIF.</p> <p><b>Recommendation:</b></p> <p><b>24. We recommend that consistency be provided between the requirements of <i>Section 2.3.2</i> and the requirements for the SP and AIF with regard to the date of posting the final Fund Facts to a website.</b></p>

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	<p><i>Section 5.4 (5)</i> seems to suggest that all of the Fund Facts for all classes of all funds contained in the same SP will be allowed to be filed as one document with the regulators.</p> <p><b>Recommendation:</b></p> <p><b>25. We recommend that the CSA confirm that all of the Fund Facts for all classes of all funds contained in the same SP can be filed in a single document with SEDAR.</b></p>



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<p><b>2. The intention of the requirement to ‘bring the fund facts document to the attention of the purchaser’ is to link for the investor the information in the fund facts document to a particular purchase. In subsection 7.3(3) of the Companion Policy we have provided guidance on this requirement. Is this guidance sufficient?</b></p>	<p>The guidance provided in subsection 7.3(3) of the Companion Policy is insufficient as to what is meant by evidence that disclosure about the fund facts document has been brought to the attention of investors and any subsequent action required by the dealer. Further we maintain that the concept of "bringing the fund fact to the attention of the client" has no precedent in this form in the current disclosure regime (i.e. there is no requirement to bring the prospectus or the MRFP to the attention of the purchaser on delivery). We are concerned that such precedent is being contemplated as a mandatory legal requirement, particularly given that dealers already have suitability obligations. Dealers have to ensure that suitability obligations are met by already-imposed know-your-client and know-your-product requirements. The delivery of the Fund Facts coupled with suitability obligations should suffice as "bringing the fund fact to the attention of the client".</p> <p>Application of this concept will also be very complicated to prove from a compliance perspective, especially given that there is no precedent provided in the Rule or by the SROs.</p> <p><b>Recommendation:</b></p> <p><b>28. We recommend that the Rule allow for a dealer to meet its delivery obligation by delivering or sending the most recently filed Fund Facts.</b></p>

CSA NOTICE AND REQUEST FOR COMMENT: IMPLEMENTATION OF POINT OF SALE DISCLOSURE FOR MUTUAL FUNDS

DETAILED COMMENTS AND RELATED RECOMMENDATIONS

CSA Question	IFIC comment
<p><b>3. In response to comments, we are considering requiring delivery of the fund facts document for subsequent purchases – either in instances where the investor does not have the most recently filed fund facts document, or in all instances with the confirmation of trade. What are your views? Would this approach make it easier to comply with the delivery requirements? What if this could result in the removal of the annual option to receive a fund facts document? Would this approach be more useful for investors? More practical for dealers?</b></p>	<p>We agree with the Rule as drafted with respect to the delivery requirements for subsequent transactions. Investors are often overwhelmed (and annoyed) by the number of documents that are sent to them that they do not want, and they often do not feel that the associated costs are justifiable. Accordingly, under no circumstances should delivery of the Fund Facts be mandated for subsequent purchases.</p> <p>The requirement to deliver a Fund Fact for a subsequent transaction in the same fund overlaps with continuous disclosure requirements that are satisfied by: i) the availability of the MRFP; ii) company website material; and iii) the ability for an investor to request from their advisor or distributor an updated summary of their holdings and related fund materials on demand. The requirement to deliver a Fund Facts with a subsequent purchase of the same fund is not reflected in any requirements for other investment products, and is specifically excluded in the Discussion Paper released by the Canadian Council of Insurance Regulators in June 2009.</p> <p><b>Recommendation:</b></p> <p><b>29. We agree with the Rule as drafted with respect to the delivery requirements for subsequent purchases and recommend no further revisions.</b></p>

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<p><b>4. In response to comments, we are considering allowing delivery of the fund facts document with the confirmation of trade in instances where the investor expressly communicates they want the purchase to be completed immediately, and it is not reasonably practicable for the dealer to deliver or send the fund facts document before the purchase is completed. We request comment on this approach.</b></p> <p><b>If we made this change, what information should an investor receive before the purchase? In addition to delivery of the fund facts document with the trade confirmation, we think that at least some type of oral communication about the fund facts document would be necessary. What specific information should be conveyed in each instance to satisfy this aspect of delivery? Are there alternatives to this approach?</b></p>	<p>We agree with allowing for delivery of the Fund Facts document with the confirmation of trade in instances where the investor expressly communicates they want the purchase to be completed immediately and it is not reasonably practical to deliver the Fund Facts prior to the transaction. This will reduce the level of frustration that would otherwise exist for many clients. In such cases the investor should be informed of the existence of the Fund Facts, and ways that this Fund Facts can be viewed and delivered.</p> <p><b>Recommendation:</b></p> <p><b>30. We agree with the proposal to allow delivery of the Fund Facts document with the confirmation of trade in instances where the investor expressly communicates they want the purchase to be completed immediately, and it is not reasonably practicable for the dealer to deliver or send the Fund Facts document before the purchase is completed.</b></p>

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CSA Question	IFIC comment
<p><b>5. In response to comments, we are proposing some limited binding of fund facts documents. In section 4.1.5 of the Companion Policy we have provided guidance on this provision. Is this guidance sufficient? Do you agree with this approach?</b></p>	<p>Section 4.1.5(1) of the Companion Policy suggests a limitation on the bundling of Fund Facts of no more than 10 documents. We believe that 10 is artificially constraining, and that there may be cases where the provision of information about more than 10 funds of a single fund family, or the comparison of more than 10 funds of a similar type from different families, would not compromise the principles of simplicity, accessibility and comparability. Further examples where bundling may be desirable from the client’s perspective may be for the top and underlying funds of a fund of funds structure, funds of an asset class, funds by country, or across a group of assets with like risks from which to choose a portfolio. Given that each Fund Facts must follow the format (headings and sub-heading) and contain only the information found in Form 81-101F3 (as per the requirements of section 4.1(3) of NI 81-101), we do not believe that binding more than 10 documents together will detract from comparability or the other principles of the Rule.</p> <p>We understand that Section 5.4(2) of the Rule was not intended to prevent multiple links or multiple attached Fund Facts from being sent to an investor via e-mail, but rather to limit to a single document the number of Fund Facts contained in a PDF attachment. We argue that this is an unnecessary limitation and that the Rule should allow for the same bundling in a PDF document that is allowed in paper format. In any event, Section 5.42 of the Rule should be clarified to reflect the intent of the CSA.</p> <p><b>Recommendations:</b></p> <ol style="list-style-type: none"> <li><b>1. We agree that the Rule should be flexible enough to allow for the bundling of Fund Facts where it will enhance the flow and quality of information to the investor. The decision on whether or not bundling takes place should be left to the discretion of the firm, provided that the manufacturer and/or dealer has a rationale for the bundling and adheres to the principles of simplicity, accessibility and comparability. We thereby recommend the removal of the limitation of 10 funds per bundle as an unnecessary and arbitrary limit.</b></li> <li><b>2. We recommend applying the same provisions for bundling in paper format to bundling in electronic format, permitting both multiple attachments to a single e-mail and multiple Fund Facts in a single PDF file , provided that the manufacturer and/or dealer has a rationale for the bundling and adheres to the principles of simplicity, accessibility and comparability.</b></li> </ol>

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<p><b>6. Is the transitional period for delivery of the fund facts document appropriate? If not, what period would be appropriate and why?</b></p>	<p>At this stage it is premature to determine the appropriate time line for implementation of all the required delivery and related documentation and compliance issues. Once the CSA and the SROs have had a chance to consider all the ramifications of the Rule based on submissions received in October 2009 and dialogue with stakeholders, we believe a number of suitable adjustments to the Rule will be made (to deal with practical considerations as opposed to fundamental principles). At that point, we will be in a better position to predict the appropriate period to allow for implementation of all the delivery requirements, likely as part of the response to the next draft Rule and associated comment period.</p> <p><b>Recommendation:</b></p> <p><b>32. We recommend that discussions regarding a transition period for delivery of the Fund Facts be deferred until such a time as the final form of the Rule are known and the timeframe for the development of a fully functioning, universally available, cost effective Fund Facts clearing house/central repository/delivery mechanism has been established.</b></p>

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<p><b>7. Depending on the comments we receive, we may decide to proceed with finalizing some parts of the Instrument while continuing to consult on other parts. For example, we may be able to move forward sooner with the requirement to prepare and file a fund facts document and have it posted to the website. If this were to occur, we would provide a reasonable transition period before anyone has to comply with the fund facts document requirements and we would consider a shorter transitional period for delivery. What are your views on this approach? What period would be appropriate?</b></p>	<p>Until the pre-trade delivery problems are resolved, including the establishment of compliance procedures and back-office systems that will enable interfaces with 3<sup>rd</sup> party service providers to facilitate delivery in accordance with the pre-trade delivery exemptions, it is uncertain at this time whether two years will be sufficient, but we do agree that it is best to allow funds to make use of the Fund Facts during the Transition Period under the current delivery requirements.</p> <p><b>Recommendation:</b></p> <p><b>31. We recommend that Fund Facts be made available during the Transition period under the current delivery requirements and propose that the manufacturer be required to produce and make available Fund Facts within 12 months of the MRFP date for applicable funds following the effective date of the Rule.</b></p>

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III. Issues for Comment on Form 81-101F3 *Contents of Fund Facts Document*

CSA Question	IFIC comment
<p><b>1. In response to comments, we have provided some flexibility in the proposed amendments to National Instrument 81-101 <i>Mutual Fund Prospectus Disclosure</i> for a fund facts document to be attached to, or bound with, one or more fund facts documents of other mutual funds. To date, however, we have not seen a sample fund facts document that contains multiple class or series disclosure that meets the principle of providing investors with information in a simple, accessible and comparable format as set out in <i>Framework 81-406: Point of Sale Disclosure for Mutual Funds and Segregated Funds</i> (Framework). App. B: Issues for Comment Supplement to the OSC Bulletin June 19, 2009 51 (2009) 32 OSCB (Supp-1)</b></p> <p><b>For us to consider allowing flexibility to permit a single fund facts document per mutual fund, we request sample fund facts documents that demonstrate multiple class or series information presented in a manner consistent with the principles of the Framework.</b></p>	<p>There may be natural groupings of retail series of a mutual fund, such as for example T series funds, or series of the same fund with different minimum investment amounts, which could be beneficially shown on a single Fund Facts document. We believe that the Rule should be drafted flexibly to allow for series of a fund that are predominantly the same to be included in the same Fund Facts document as long as the resulting document adheres to the principles of simplicity, accessibility and comparability. We believe that extending this further, for example allowing for the inclusion of series that are not all predominantly the same would risk presenting information that is not fully explained, such as significant differences in returns or management expenses, or easily comparable with that of other Fund Facts. An illustrative template showing a Fund Facts with multiple series that are predominantly the same is provided in Attachment 4.</p> <p><b>Recommendation:</b></p> <p><b>3. We recommend that the Rule allow for the disclosure with respect to series of a fund that are predominantly the same be included in the same Fund Facts document provided that the resulting document adheres to the principles of simplicity, accessibility and comparability. (See Attachment 4)</b></p> <p><i>Section 4.1 (3)(f)</i> requires the document not to exceed a grade 6 reading level on the Flesch-Kincaid scale. This requirement prescribes an arbitrary metric for plain language, and goes far beyond any previous guidance regarding transaction-related disclosure documents. In addition to the fact that a grade 6 level may be too low a level for accurate description of some of the financial concepts requiring disclosure, there is considerable uncertainty around the standard itself. Different versions of Word, for example, display different Flesch-Kincaid levels for the same document. It is also problematic for translated documents, as the English version of a translated document typically registers at a lower Flesch-Kincaid level than its corresponding French version.</p>

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	<p><b>Recommendation:</b></p> <p><b>12. We recommend that the Rule be amended to allow for the Fund Facts to be drafted in plain language, consistent with the existing disclosure regimes in place for other transaction-related documents, and that the Companion Policy specify that the manager will, on a best efforts basis, achieve a standard of readability equivalent to a 6.0 grade level.</b></p> <p><i>Section 2.3 (1)(b)(iv), s.2.3 (2)(b)(v), and s.2.3 (3)(b)(iv) require, with the filing of a preliminary, pro forma, or final Fund Facts, a letter attesting to the grade level of the content of the Fund Facts (content cannot exceed grade 6 on the Flesch-Kincaid scale). This standard for compliance goes well beyond what is required for other similar disclosures, and adds to the compliance burden of the Rule with no corresponding benefit to investors.</i></p> <p><b>Recommendation:</b></p> <p><b>13. We recommend that the Rule adopt a standard of proof of compliance for plain language that is consistent with practice worldwide by requiring evidence that a process exists as opposed to requiring certification of the grade level for every Fund Facts.</b></p> <p><i>Form 81-101F3 Contents of Fund Facts Document, Part II, Item 3 prescribes certain wording under the Fund Facts heading “For more information”. We are concerned that the suggested wording is not broad enough regarding the scope of what else is available to the client (i.e. not just the Simplified Prospectus) and does not make it clear that the person will be treated as if they have read the other documents (i.e. incorporation by reference).</i></p> <p><b>Recommendation:</b></p> <p><b>18. We recommend replacing the prescribed wording on Page 1 under the heading “For more information” with the statement “Much more information is available to you and you will be deemed to have read that information even if you choose not to do so. You can request this information by contacting the manager”, followed by the manager’s contact information. This proposed wording provides a better description of the scope of what else is available to the client and clarifies the meaning of incorporation by reference. (See Attachment 4)</b></p>



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	<p>Instruction 2, with regard to Part 1, Item 2, Quick Facts, requires “the total net assets as at a date within 30 days before the date of the fund facts document”. “Net assets” is a term specific to the financial statements and MRFPs and is not regularly available. It would make more sense to report total “net asset value”, which is the total value of the fund based on the daily NAV and which is more easily obtained. It would also be more consistent with the later requirement (Part 1, Item 3, Investments of the Fund, section 4c) that the total percentage holding in the top ten positions be calculated based on their share of net asset value of the fund.</p> <p><b>Recommendation:</b></p> <p><b>15. We recommend that daily Net Asset Value (NAV) be used to calculate total value of the fund and total percentage holding of the top 10 investments for consistency with the requirement in Part 1, Item 3, Investments of the Fund, section 4(c) that the total percentage holding in the top ten positions be calculated based on their share of NAV of the fund.</b></p> <p>Part 1, Item 3, Investments of the Fund, section 2a) requires the disclosure of the name of the index on which investments of an index fund are based. For many index funds, managers are required to include a lengthy disclaimer anytime they name the index, including on regulatory materials. This could severely affect a manager’s ability to meet maximum length restrictions and to satisfy the plain language requirement if the proposed grade 6 Flesch-Kincaid standard is maintained.</p> <p><b>Recommendation:</b></p> <p><b>4. We recommend that Index fund disclaimers be exempt from the 3 page limit and plain language requirements for the Fund Facts due to the fact that Index fund managers are required to include a lengthy disclaimer wherever they name an Index, including on regulatory materials.</b></p>

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	<p>Instruction 3, with regard to Part 1, Item 4, Past Performance, requires that the x and y axes for the year-by-year returns bar chart must intersect at ‘0’. Apart from the fact that this would make the labels for the x axis very confusing, that’s not how the chart in the sample Fund Facts included in the proposal is rendered. It uses a linear scale on the y axis for percentage returns, but the x axis intersects it at a value lower than the lowest of the negative annual returns during the period – this approach makes sense.</p> <p><b>Recommendation:</b></p> <p><b>5. We recommend that the manager have discretion in accordance with the principles of Fund Facts with respect to the requirement of Form 81-101F3 Contents of Fund Facts Document Part 1, Item 4, Past Performance, that the x and y axes for the year-by-year returns bar chart must intersect at ‘0’. This will remove a requirement which could otherwise impair the readability of the charts in certain instances.</b></p> <p>Generally, clarification is required regarding what to do if one or more of the fields in the Quick Facts section are not relevant to a particular fund or class of a fund. For example, many products don’t have sub-advisors. Similarly, Instruction 5 indicates that distributions should only be disclosed if they’re a “fundamental feature” of the fund. When a field is not relevant, should managers include the label and mark the field “N/A” or omit the label entirely?</p> <p><b>Recommendation:</b></p> <p><b>6. We recommend that the CSA provide clarification with respect to addressing situations in which one or more of the fields in the Quick Facts section are not relevant to a particular fund or series or class of a fund.</b></p>

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<p><b>2. We are considering whether it is more appropriate to require disclosure of the MER without any waivers or absorptions, since there is no guarantee such waivers or absorptions will continue. Do you agree with this approach?</b></p>	<p>Presentation of MER on a net basis, as disclosed in the MRFP, is judged to be the most consistent with the objectives of the Fund Facts document. Additional information on gross or waived amounts could confuse readers as to their expected indirect costs, and in most cases would not be relevant. Generic caveats could be added that MERs can and do change, and that a client's actual experience might be higher or lower than the amount presented. In addition, cross referencing to other available documents such as the MRFP could be provided where further information on waivers and history could be found.</p> <p><b>Recommendation:</b></p> <p><b>14. We recommend presentation of Management Expense Ratio (MER) on a net basis, as disclosed in the Management Report of Fund Performance (MRFP), as this is considered to be the most consistent with the objectives of the Fund Facts document.</b></p>

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<p><b>3. In response to comments, including concerns raised by investors and the Investment Funds Institute of Canada (IFIC) of the use of its risk scale, we are proposing for the manager to identify the mutual fund's risk level on a prescribed scale set out in the fund facts document, based upon the risk classification methodology adopted by the manager.</b></p> <p><b>We request comment on whether this approach achieves our objective to provide investors with a simple and comparable presentation of the level of investment risk associated with the mutual fund. Are there alternatives to achieve this objective?</b></p>	<p>We agree with the CSA's proposal to require that the methodology used to disclose risk in the Fund Facts document be consistent with that used by the fund manager to disclose risk in the prospectus. We believe that in the interest of providing investors with a simple and comparable presentation of the level of investment risk, it is essential that comparability be maintained across disclosure documents – the risk disclosure in the prospectus must match that in the Fund Facts document.</p> <p>We believe that the Fund Risk Classification Task Force's risk disclosure process remains the best methodology for disclosing risk, and that it has gone a long way towards standardizing risk disclosure in the prospectus and improving comparability across funds in the industry. We also note that in practice the majority of fund managers in the industry either use our recommended approach or a methodology similar to our approach to disclose risk in the prospectus. We have, however, requested the removal of the mandatory reference to the Fund Risk Classification Task Force's recommendation from the rule since it is only a guideline and not mandatory in the industry or among our members.</p> <p><b>Recommendations:</b></p> <p><b>7. We recommend that the risk disclosure required to be provided in Fund Facts be the same as that provided in the Simplified Prospectus (SP), in the interest of providing investors with a simple and comparable presentation of the level of investment risk</b></p>

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<p><b>4. We would like feedback on whether the band we've prescribed for the scale is appropriate. Are there better ways to describe the range of investment risk for a mutual fund?</b></p>	<p>We are very concerned about the proposed investment risk level scale and how this scale will be interpreted by users of the Fund Facts document. We feel this scale may exacerbate the commonly confused concepts of fund volatility risk and overall investor risk tolerance suitability. Note that the former concept requires information specific to the individual investment while the latter requires information regarding the interaction of this investment with the other investments in the investor's portfolio as well as information about the investor's unique circumstances – the variability of their income, their investment time horizon, and attitude to risk.</p> <p>One of the main challenges fund managers face with respect to the use of their current risk disclosure in the prospectus has been its application by the SROs and in particular the MFDA in their suitability reviews. Although MFDA Member Regulation Notice MR-0069 allows the advisor the option of taking a portfolio approach to suitability and risk tolerance (keeping with modern portfolio theory) we understand that, in practice, suitability reviews have sometimes required that client risk tolerance as captured on the KYC form be aligned with the prospectus risk rating for each investment included in the client's portfolio.</p> <p>By including the proposed investment risk level scale in the Fund Facts document, it will be all too easy for users to continue making this one-to-one association between the volatility risk scale and an investor's or portfolio's overall risk tolerance level which may lead to less diversification and, paradoxically, to investors taking on relatively higher levels of overall portfolio risk.</p> <p>According to modern portfolio theory, any decision-rule which does not imply the superiority of diversification must be rejected because it can be shown to lead to sub-optimal investment decisions. We believe that the inclusion of the proposed risk scale in the Fund Facts document will encourage just such a rule of behavior and it is for this reason we believe it should be removed from the document.</p> <p>If the CSA chooses to proceed with the proposed risk scale, we believe at the very least a statement needs to be added to the Fund Facts document that clarifies that what is being disclosed is the manager's reasonable assessment of the fund's historic volatility risk not risk tolerance, and that the investor needs to consider the investment in the context of their entire portfolio rather than in isolation.</p> <p>Further clarification on this last point should be provided to the fund manager in the companion policy to the</p>

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	<p>final rule, that the manager’s assessment of risk be reasonable from a forward-looking perspective and that it is not to be used as a standard of risk ex-post.</p> <p>In addition, we believe that if the CSA wants to minimize the confusion between fund volatility risk and investor risk tolerance it should consider changing the nomenclature of the risk bands from low, low to medium, medium, medium to high and high, to low, below average, average, above average and high. It was to minimize this type of confusion that IFIC recently changed the nomenclature used in its own risk classification methodology, using the term “average” in place of terms often used to denote client risk tolerance such as “moderate” or “medium.”</p> <p>Finally, we believe the risk bands as proposed are likely too few in number resulting in each risk band being too large in size. During the course of the Fund Risk Classification Task Force’s research on standard deviations of CIFSC category benchmark returns, which forms the basis of IFIC’s risk classification methodology, the Task Force found that there were six natural clusters of fund standard deviations and, as such, we prefer a six point system to a five point system. This change would result in an additional band being added for funds with very low volatility risk and would tighten up the remaining five bands.</p> <p><b>Recommendation.</b></p> <p><b>8. We recommend including a statement in the Fund Facts that clarifies that what is being disclosed is the manager’s reasonable assessment of the fund’s historic volatility risk and does not address investor risk tolerance, and that the investor needs to consider the investment in the context of their entire portfolio rather than in isolation. (See Attachment 4)</b></p> <p><b>9. We recommend changing the nomenclature of the risk bands from low, low to medium, medium, medium to high and high, to a 6-point scale of very low, low, below average, average, above average and high to correspond with the six clusters of fund standard deviations which have been determined by the Fund Risk Classification Task Force as best representing the standard deviation groupings of CIFSC category benchmark returns.</b></p>

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<p><b>5. We recognize that managers with similar type mutual funds may adopt different methodologies to identify the mutual fund’s risk level on the scale prescribed. We would like your view on whether this will detract from our objective to provide a simple and comparable presentation of the level of investment risk. Should we consider requiring a particular type of risk classification methodology be used? If so, what methodology would be appropriate?</b></p>	<p>While historically, there has always been the potential for substantial variation among fund managers with respect to their risk disclosure in the fund prospectus, in practice, risk disclosure across similar fund types tends to be remarkably similar. An industry practice has evolved regarding fund risk disclosure in the prospectus based around the IFIC fund risk recommendations. Once again, simply allowing the fund manager to use the same methodology to disclose risk in the Fund Facts document as is used in the prospectus will allow the standard that has evolved to carry over to the new disclosure document.</p> <p>We caution the CSA regarding some of the alternative measures for risk that have been proposed by other stakeholders. We note that many of these alternative risk measures suffer from various types of bias and substantial annual variation. In considering the viability of alternative risk measures, we ask that the CSA consider not just whether a particular risk measure is simple and comparable but also more importantly, whether it will remain consistent through time. Poor investment decisions will be made if the mandated risk classification methodology produces classifications that change from year-to-year.</p> <p><b>Recommendation:</b></p> <p><b>10. We recommend against the adoption of alternative risk measures which could have the potential for bias or substantial annual variation, and thereby would have serious impacts on investors.</b></p>

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<p><b>6. In response to comments, we are considering allowing the disclosure in this section to be supplemented with a brief description of the key risks associated with an investment in the mutual fund. We request feedback on this approach. Should we limit this risk disclosure? If so, how?</b></p>	<p>We are in agreement with providing disclosure of other risks beyond fund volatility risk; however, we do not believe this can be achieved simply within the confines of a two-page document. Depending on the fund, the length and complexity of this disclosure may vary. The alternative, listing the key risks of the fund by title only, would be of little use to those not familiar with the particular risk factors named.</p> <p><b>Recommendation:</b></p> <p><b>11. We recommend the inclusion of a clear and specific reference to the SP of the fund for investors who would like more information regarding key risks, together with a statement that the Fund Facts document does not address all of the risks of investing in the fund.</b></p>
<p><b>7. To better convey the impact on the investor of sales charges and ongoing fund expenses, we are considering requiring an illustration of the amounts payable in dollars and cents. What are your views?</b></p>	<p>The inclusion of amounts payable in dollars and cents would not add meaningfully to the utility of the disclosure or ease of comprehension of the document. The percentage amount is easily understood, and the dollar amount easily derived from it – the inclusion of both would, in our view, use up valuable space on the Fund Facts document and add unnecessarily to its length.</p> <p><b>Recommendation:</b></p> <p><b>16. We recommend against requiring disclosure of sales charges and ongoing fund expenses in dollars and cents in addition to disclosure in percentage terms as this would not add to the utility or ease of comprehension of the document.</b></p>



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<p><b>8. We are also considering whether to require disclosure in the fund facts document of the trading expense ratio (TER), to provide investors with a more complete picture of the costs associated with an investment in a mutual fund. We request feedback on this proposal.</b></p>	<p>The Trading Expense Ratio (TER) will be a difficult concept to convey accurately in simple language in the space available. We recommend that TER be defined and described as an additional indirect cost and that it be cross-referenced for further information to the MRFP.</p> <p><b>Recommendation:</b></p> <p><b>17. We recommend that trading expenses be identified as an additional source of cost associated with a mutual fund and that, for further information, the client be referenced to the MRFP where a more fulsome disclosure of Trading Expense Ratio (TER) can be provided.</b></p>

**FLOWCHARTS SHOWING TRANSACTION AND COMPLIANCE PROCESSES**

This Attachment illustrates the process flows that would be associated with implementation of the Rule as seen by Integrated Firms, Independent Dealers and Independent Fund Managers. Since the processes will differ and will involve different system builds depending on a firm's business model multiple charts are provided.

The flowchart titled "Integrated Dealer/Bank Point of Sale Process Flow" (Page 2) is a depiction of the major activities and interactions between the various participants involved in a mutual fund sale fulfilled via a bank or an integrated dealer (i.e. both manufactures mutual funds and distributes them via their dealer exclusively as well as to the market in general).

The tracking and compliance requirements that are to be borne by the advisors and the dealers to ensure timely delivery of the Fund Facts document creates additional cost in terms of time and effort which is not captured in the high level chart on Page 2. In order to illustrate this, we have developed the chart titled "Delivery of Fund Facts Decision Tree" shown on Page 3.

Client name business allows for accounts to be set up with a manufacturer directly in the clients' name. This impacts several aspects of the transaction flow, including account opening, trade initiation and trade confirmation delivery, as illustrated in the chart "Independent Dealer Process Flow – Client Name" of Page 4.

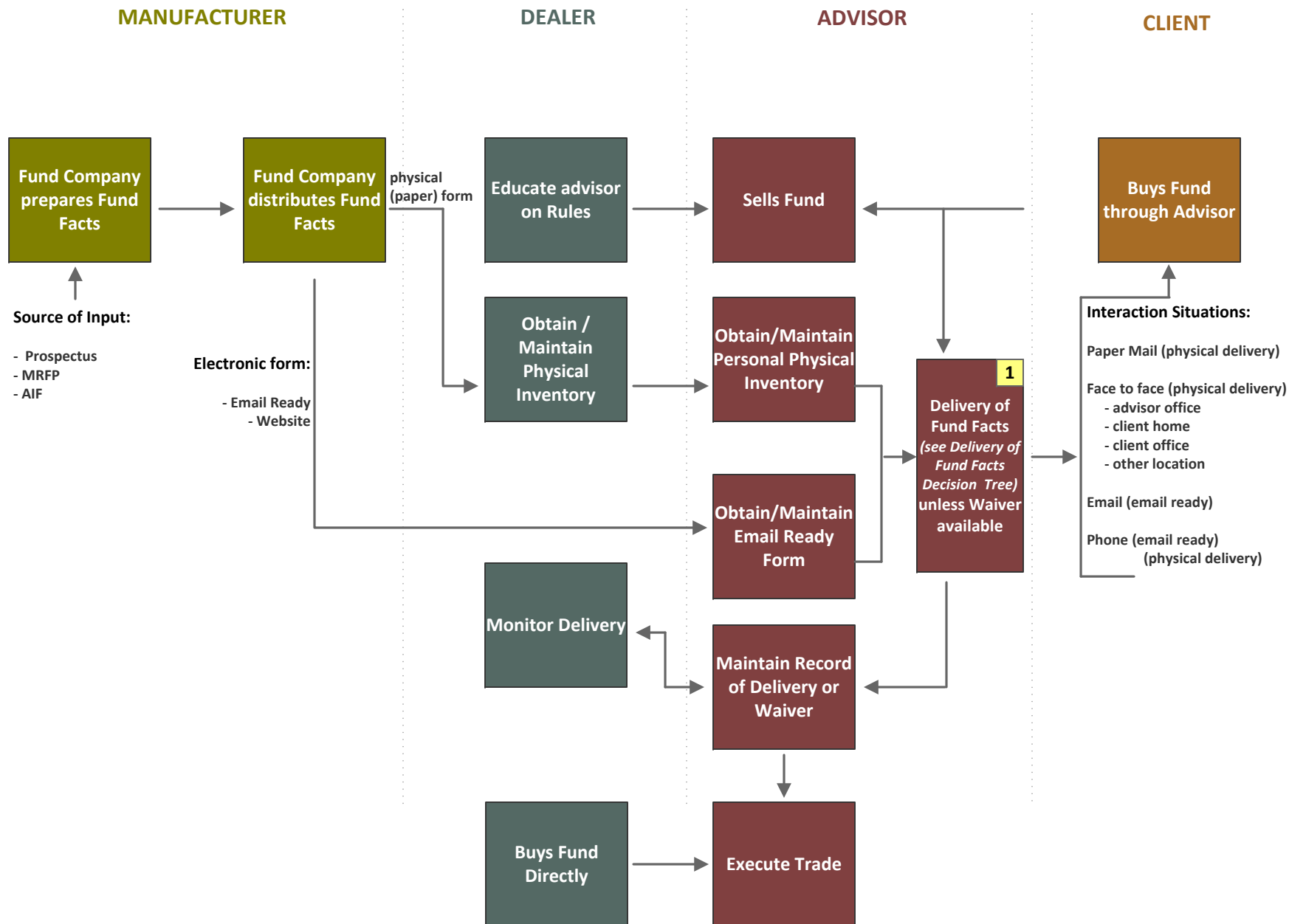
Comparable processes for participants involved in a mutual fund sale fulfilled through the independent dealer in a nominee account are shown in the flowchart titled "Independent Dealer Process Flow - Nominee" of Page 5.

The flowchart "Independent Fund Manager – Fund Fact Creation" of Page 6 shows the sequential steps involved in the creation of Fund Facts as seen from the perspective of an independent fund manager.

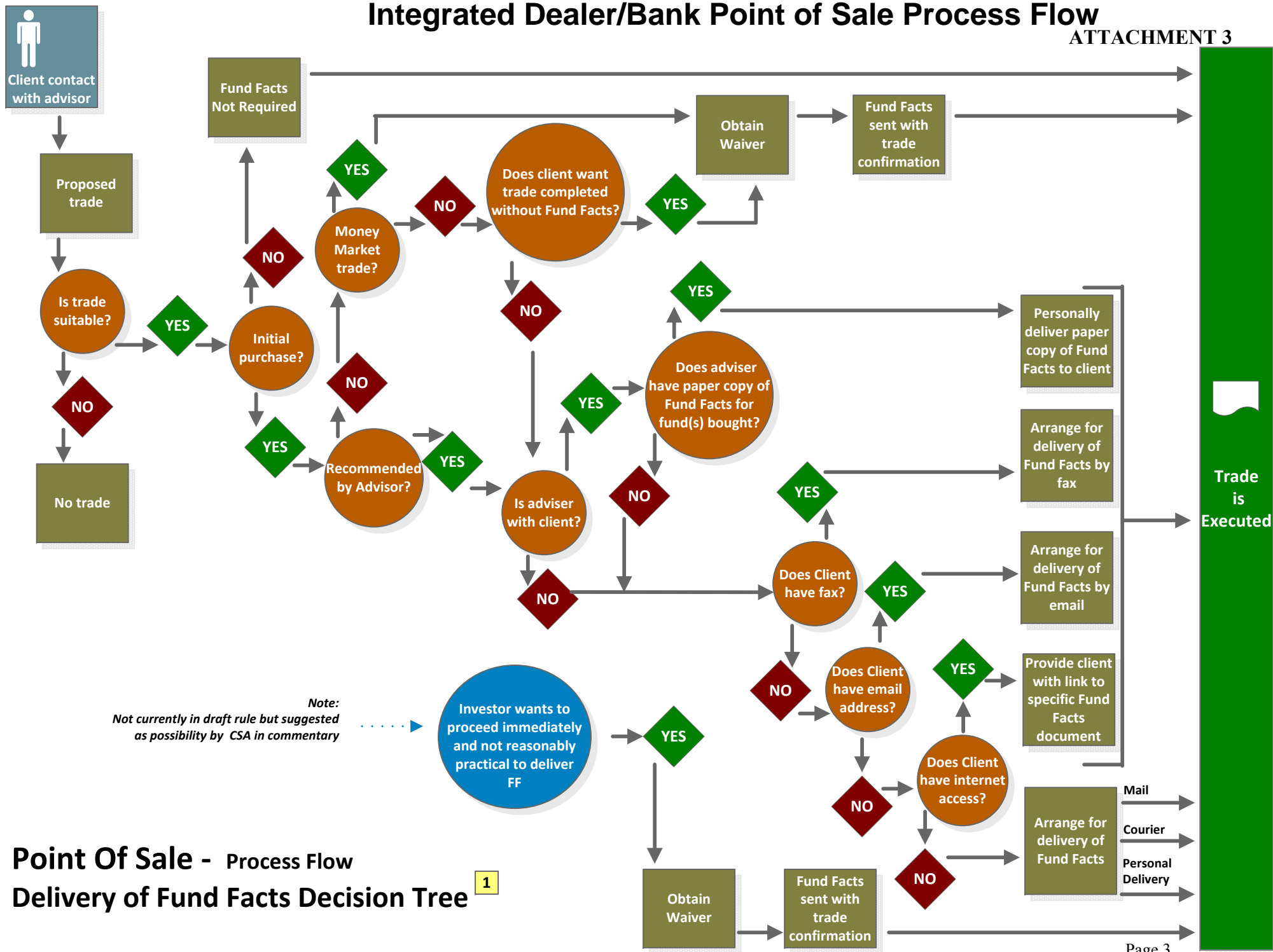
The flowchart "Independent Fund Manager – SEDAR Filing, Interface with Dealer" of Page 7 describes the activities involved in the filing of Fund Facts and interface with dealers.

The flowchart "Independent Fund Manager – Interface with Back-Office Trade Confirms" of Page 8 depicts a process for fulfillment with the trade confirm.

# Integrated Dealer/Bank Point of Sale Process Flow

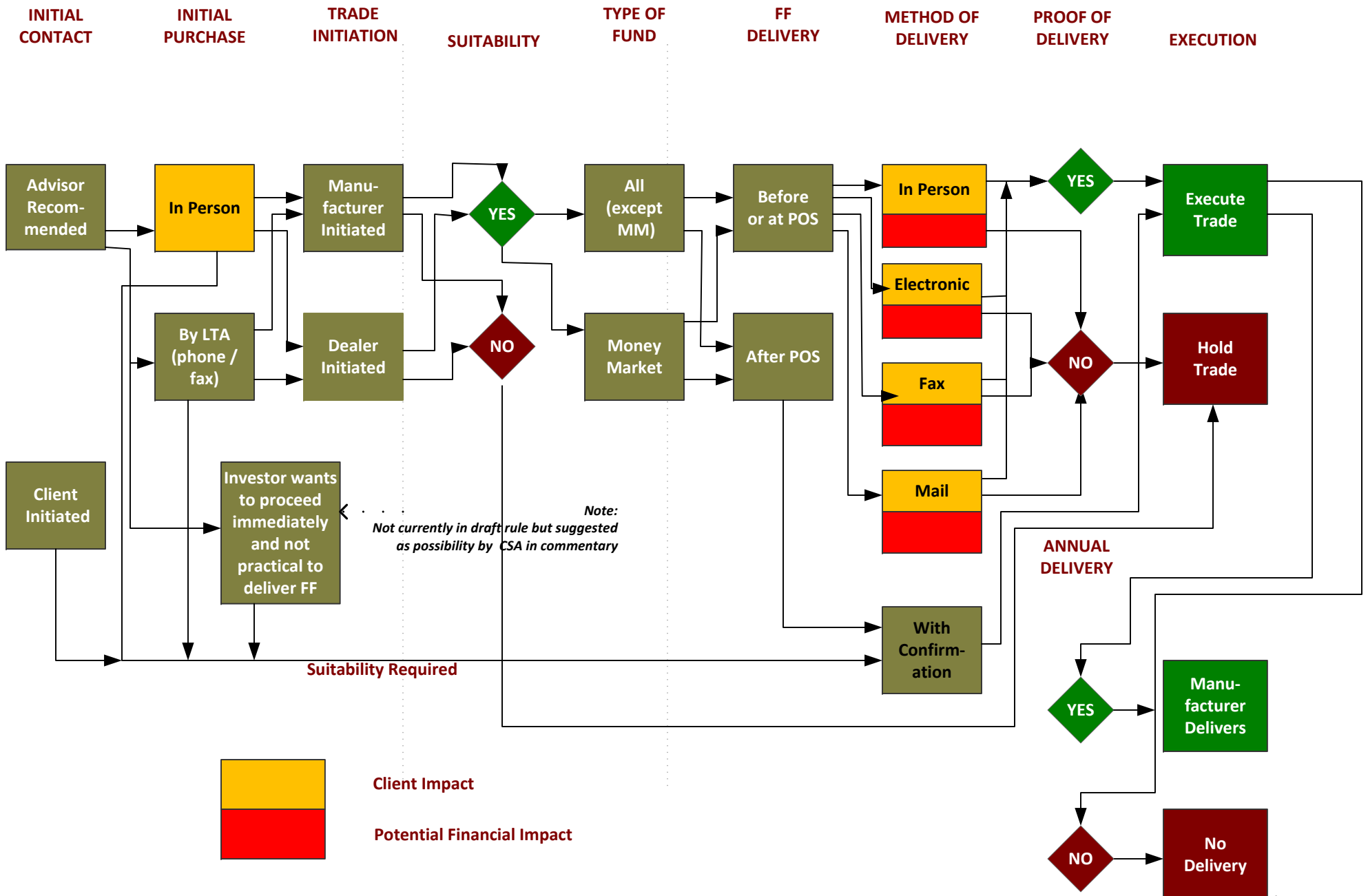


# Integrated Dealer/Bank Point of Sale Process Flow

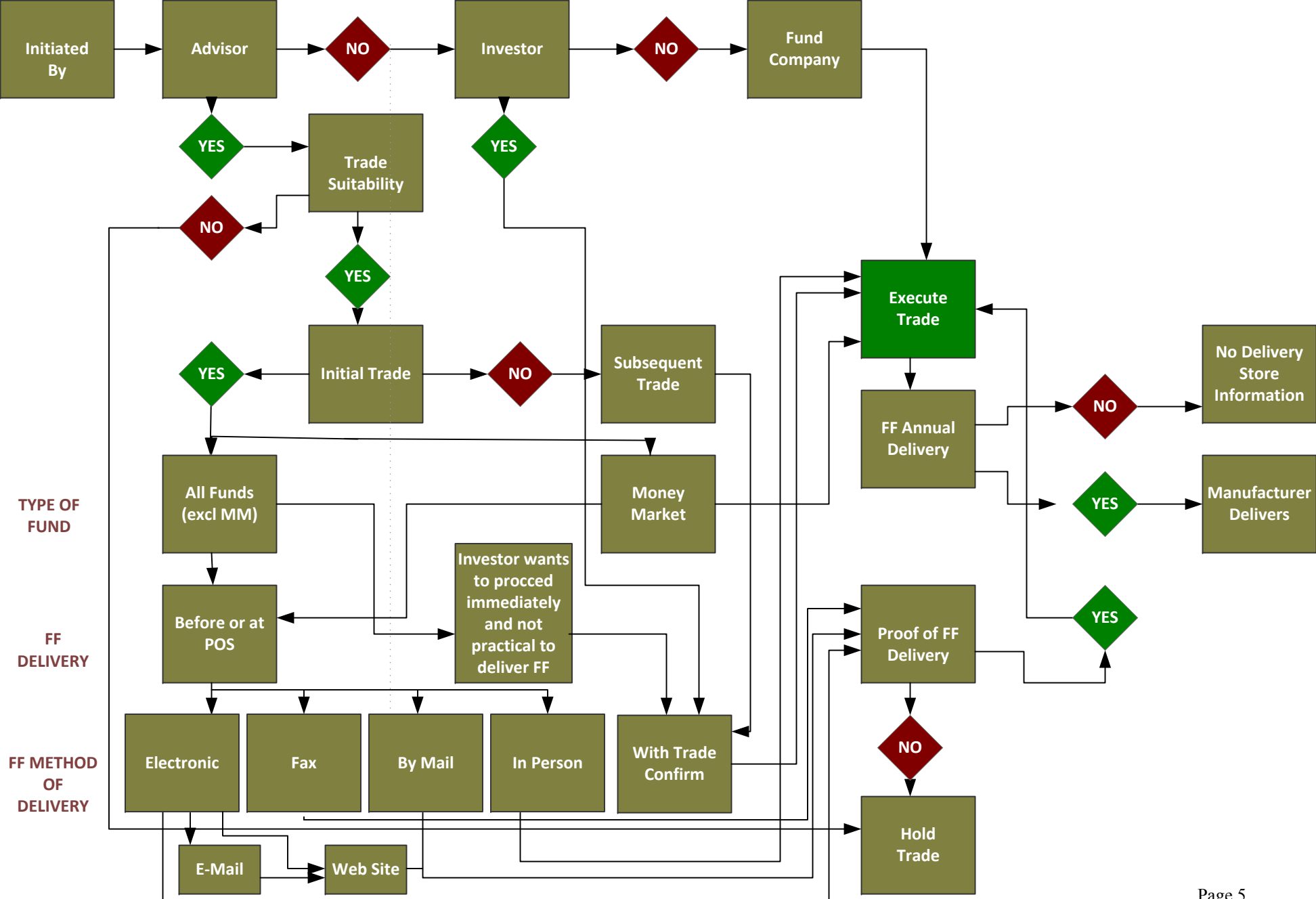


Point Of Sale - Process Flow  
 Delivery of Fund Facts Decision Tree 1

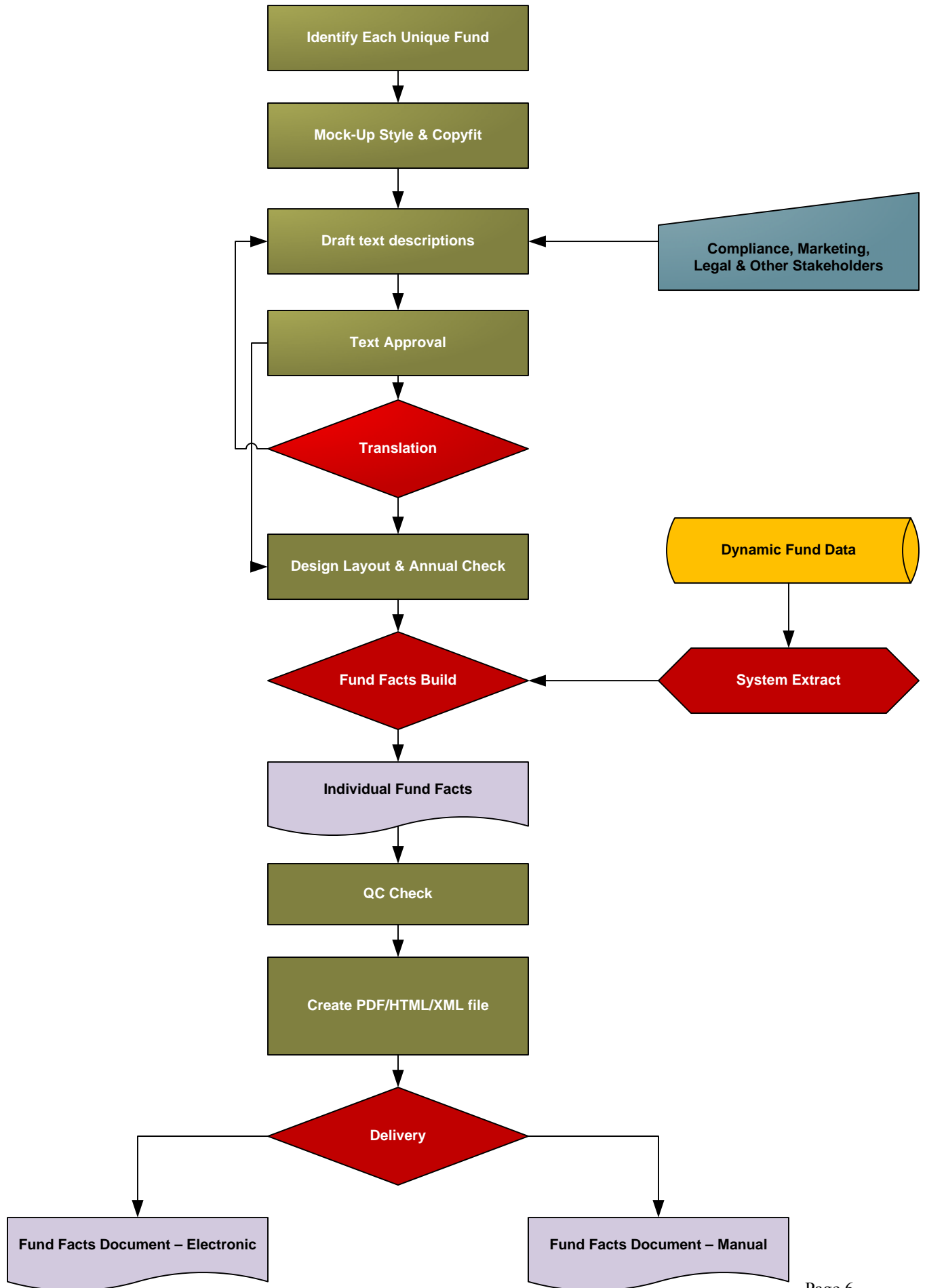
# Independent Dealer Process Flow – Client Name

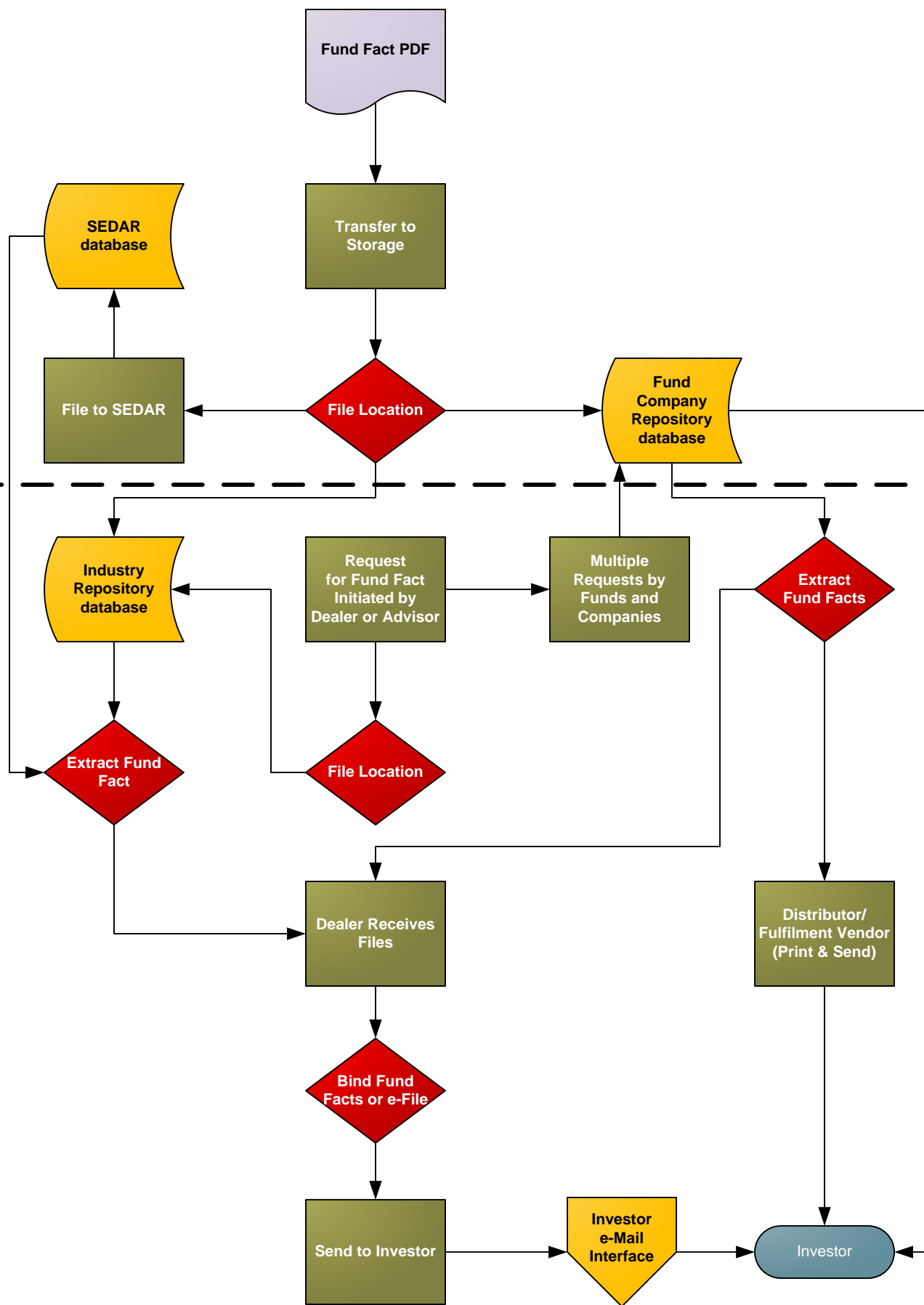


# Independent Dealer Process Flow – Nominee



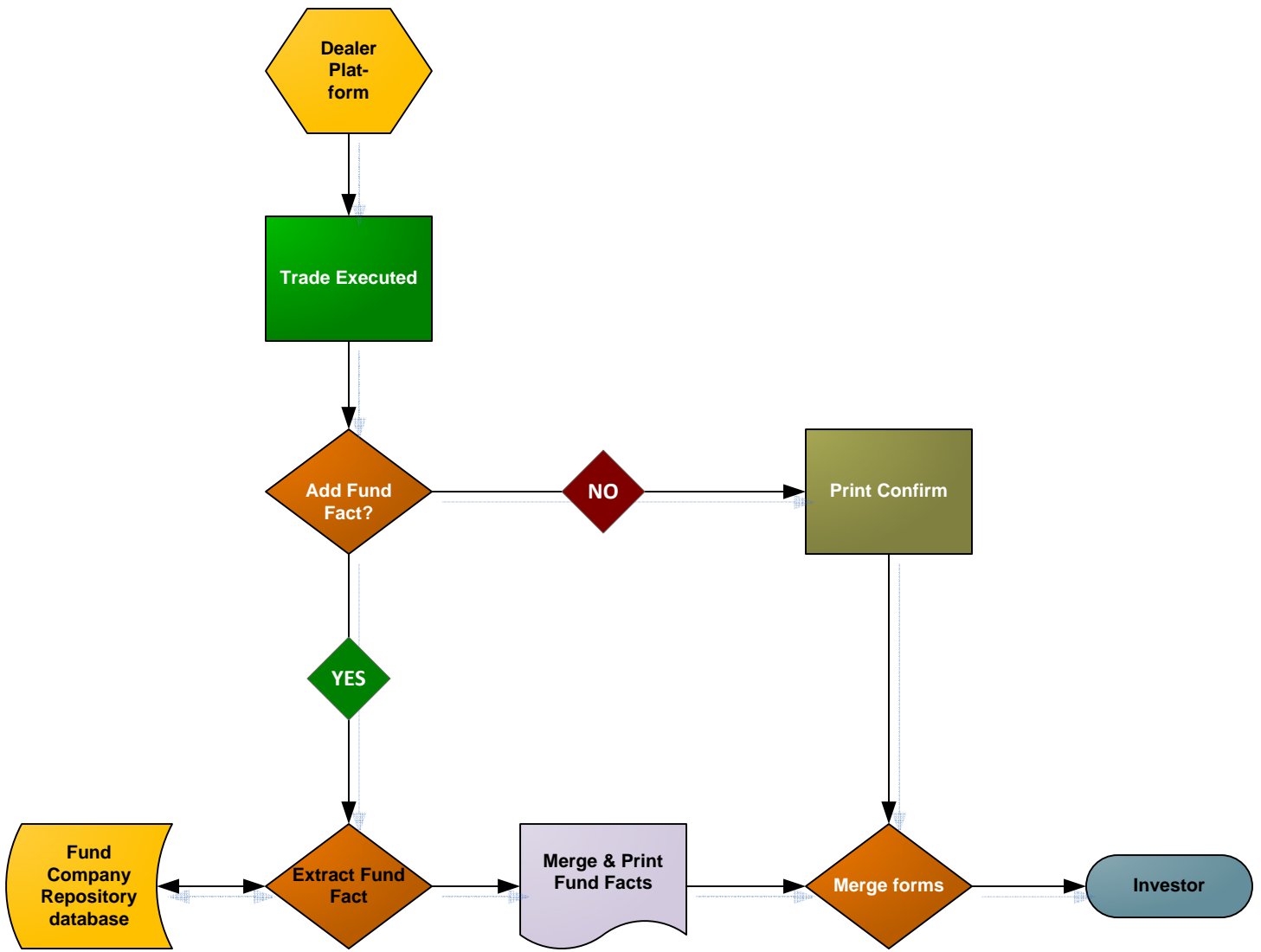
# INDEPENDENT FUND MANAGER – FUND FACT CREATION







INDEPENDENT FUND MANAGER – INTERFACE W/ BACKOFFICE TRADE CONFIRMS  
ATTACHMENT 3



**SAMPLE TEMPLATE FOR FUND FACTS – MULTIPLE SERIES**

An illustrative Template is provided in this Attachment in response to the CSA’s request III.1 for a sample Fund Facts that demonstrates multiple class or series information presented in a manner consistent with the principles of the Framework.

We believe there are natural groupings of retail series of a mutual fund, such as for example T series funds, or series of the same fund with different minimum investment amounts, which could be beneficially shown on a on a single Fund Facts document.

The attached Template shows a Fund Facts with seven series that are predominantly the same. To enable the presentation of additional information related to each series it has been necessary to extend the layout to a third page, consistent with provisions of the Rule.

For ease of comprehension and simplicity of layout, the attached Template proposes the following adjustments to the specified layout:

- All information pertaining to the fund itself, including “Quick facts”, “What does the fund invest in?”, “How risky is it?”, “Are there any guarantees?”, “Who is this fund for?”, “What if I change my mind?”, and “For more information”, which would be common to all included series, are shown on Page 1.
- Series specific information, including “Series offered”, “How has the series performed?”, “Average return”, “Year-by-year returns”, and “How much does it cost?” are shown on Pages 2 and 3.

**Quick facts**

**Date fund created:** October 16, 1992  
**Total value on June 30, 2009:** \$ 1,935 million

**Portfolio manager:** Portfolio Manager Inc.  
*Manager 1, Manager 2*

**What does the fund invest in?**

The fund invests in a concentrated portfolio of fewer than 30 stocks, with the majority of the companies located in the United States although it can invest in other international markets.

The charts below give you a snapshot of the fund's investments on June 30, 2009. The fund's investments will change.

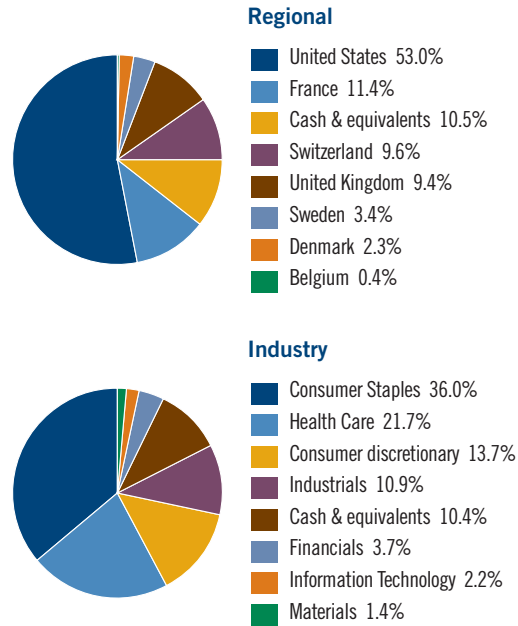
**Top 10 Investments (June 30, 2009)**

1. Reckitt Benckiser Group PLC
2. Becton Dickinson and Co.
3. McDonald's Corp.
4. Henry Schein Inc.
5. Colgate-Palmolive Co.
6. Nestle SA
7. Danone
8. PepsiCo Inc./NC
9. Danaher Corp.
10. Staples Inc.

**The top 10 investments make up 52.0% of the fund.**

**Total investments: 27**

**Investment mix (June 30, 2009)**



**How risky is it?**

When you invest in a fund, the value of your investment can go down as well as up. ABC Fund Co. has rated the fund's risk as average.



The above risk rating is an assessment of how much the fund's performance has varied over time, and is subject to change. When looking at the risk for this or any fund, you should also consider how the fund would work with your other investment holdings.

**What if I change my mind?**

- You can cancel most investments up to two days after you receive the trade confirmation.
- You have to tell your investment firm in writing that you want to cancel.
- You'll get back the amount you invested, or less if the value of the fund has gone down.
- If you paid cash, you'll get cash back. If you switched from another fund, you'll be switched back to that fund.
- You'll also get back any sales charges and fees you paid.

**Are there any guarantees?**

Like most mutual funds, this fund doesn't have any guarantees. You may not get back the amount of money you invest.

**For more information**

This Fund Facts may not have all the information you want. Much more information is available to you and you will be deemed to have read that information even if you choose not to do so. You can request this information by contacting us.

**Who is this fund for?**

Investors who:

- are looking for a global equity fund
- want to invest in long-term growth
- can handle the ups and downs of the stock market

ABC Fund Co.  
 555 Any Street  
 City, Province A1A 1A1

Phone: (555) 555-5555  
 Toll-free: 1-555-555-5555  
[www.abcfundco.com](http://www.abcfundco.com)

# XYZ Mutual Fund

## ATTACHMENT 4

Retail Series – A, T4, T5, T6, T7, T8 and T9

July 25, 2009

### Series Offered

Various retail series of the Fund offered for sale. Please consult with your advisor to determine which series is appropriate for you.

**Series A:** For retail investors investing a minimum of \$500 in the Fund.

**Series T:** For retail investors investing a minimum of \$5,000 in certain ABC-sponsored funds who want to receive a regular monthly cash flow as noted below.

**Series T4:** 4% per annum

**Series T6:** 6% per annum

**Series T8:** 8% per annum

**Series T5:** 5% per annum

**Series T7:** 7% per annum

**Series T9:** 9% per annum

The minimum additional investment for each series is \$100.

### How has the series performed?

This section tells you how each series has performed over the past 10 years. Returns are after the MER has been deducted. These expenses reduce the returns you get on your investment. It's important to note that this doesn't tell you how the fund or series will perform in the future. Also, your actual return will depend on your personal tax situation.

#### Average return

The table below shows what a person who invested \$1,000 in the particular series of the fund 10 years ago, or since inception, now has.

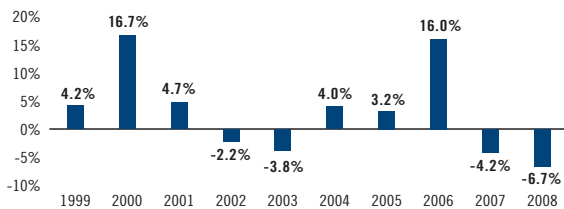
	Series A	Series T4	Series T5	Series T6	Series T7	Series T8	Series T9
Series start date	Oct. 16, 1992	Jul. 31, 2007	Apr. 5, 2007	Oct. 16, 1992	Oct. 16, 1992	Apr. 5, 2007	Jul. 31, 2007
What your investment is worth	\$1,186	\$901	\$840	\$1,186	\$1,186	\$840	\$901
Average return per year	2.14%	-4.15%	-5.68%	2.14%	2.14%	-5.68%	-4.15%

#### Year-by-year returns

This chart shows how each series has performed in each of the past 10 years.

There were four years when people who owned series of this fund lost some of the money they had at the start of the year.

Series A



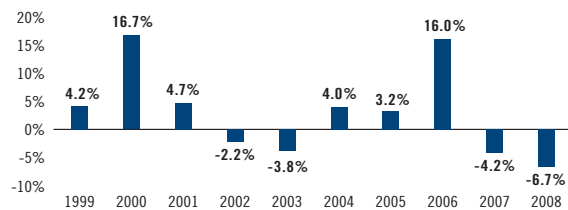
Series T4



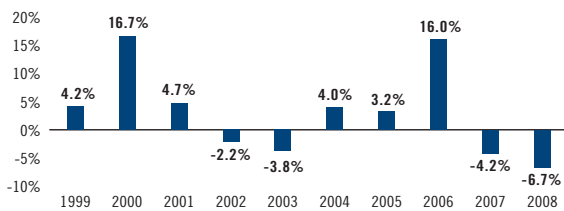
Series T5



Series T6



Series T7



Series T8



Series T9



**How much does it cost?**

The following tables show the fees and expenses you could pay to buy, own and sell units of the fund. The fees and expenses are different for each series. Ask about other series that may be suitable for you.

**1. Sales charges**

You have to choose a sales charge option when you buy the fund. Ask about the pros and cons of each option.

Sales charge option	What you pay	How it works
<b>Initial sales charge</b>	0% to 5% of the amount you buy	<ul style="list-style-type: none"> <li>You and your adviser decide on the rate.</li> <li>The initial sales charge is deducted from the amount you buy. It goes to your investment firm as a commission.</li> </ul>
<b>Deferred sales charge</b>	<b>If you sell within:</b> 1 year of buying 5.5% 2 years of buying 5.0% 3 years of buying 5.0% 4 years of buying 4.0% 5 years of buying 4.0% 6 years of buying 3.0% 7 years of buying 2.0% After 7 years 0.0%	<ul style="list-style-type: none"> <li>The deferred sales charge is a set rate. It is deducted from the amount you sell.</li> <li>When you buy the fund, ABC pays your investment firm a commission of 5%. Any deferred sales charge you pay goes to ABC.</li> <li>You can sell up to 10% of your units each year without paying a deferred sales charge.</li> <li>You can switch to the same series of units of other ABC Mutual Funds at any time without paying deferred sales charge.</li> <li>The deferred sales charge schedule will be based on the date you bought the first fund.</li> </ul>
<b>Low load sales charge</b>	<b>If you sell within:</b> 1 year of buying 3.0% 2 years of buying 2.5% 3 years of buying 2.0% After 3 years 0.0%	<ul style="list-style-type: none"> <li>The low load purchase option is a set rate. It is deducted from the amount you sell.</li> <li>When you buy the fund, ABC pays your investment firm a commission of 2.5%. Any deferred sales charge you pay goes to ABC.</li> <li>The low load charge schedule will be based on the date you bought the first fund.</li> </ul>

**2. Ongoing fund expenses**

You don't pay these expenses directly. They affect you because they reduce the return you get on your investment.

The table below shows the management fees (paid by the series to ABC for providing investment management and distribution services), administration fees (paid by the series to ABC for providing services in relation to the operations of the Fund) and management expense ratio (MER), which is the total of the management fee, administration fee and other costs such as taxes and interest.

Series	Management Fee	Administration Fee	Taxes	MER
Series A	2.00%	0.28%	0.11%	2.39%
Series T4	2.00%	0.28%	0.11%	2.39%
Series T5	2.00%	0.28%	0.11%	2.39%
Series T6	2.00%	0.28%	0.11%	2.39%
Series T7	2.00%	0.28%	0.11%	2.39%
Series T8	2.00%	0.28%	0.11%	2.39%
Series T9	2.00%	0.28%	0.11%	2.39%

ABC pays trailing commissions of 0.50% to 1.00% to your investment firm for as long as you own the Fund. This is for services and advice your investment firm provides to you. Investment firms may pay part of the trailing commission to their advisors. The rate depends on the purchase option you choose. The trailing commission is paid out of the management fee.

**3. Other fees**

You may have to pay other fees when you sell or switch units of the fund.

Fee	What you pay
<b>Short-term trading fee</b>	A fee of 1-2% will be charged for excessive or inappropriate short-term trading. This fee is paid to the Fund.
<b>Switch fee</b>	If you switch between series of the Fund or to another ABC Fund, you may pay your investment firm a switch fee of 0-2%.

**COST/TIME/COMPLEXITY ISSUES BY STAKEHOLDER**

It is clear from the analysis presented in Attachment 3 of this submission that new processes and systems not existing today will need to be created for the implementation of the Rule as drafted. This will create costs for stakeholders. While an accurate dollar accounting of these costs must await greater clarity in the Rule, and whether or not there will exist for example an industry repository for Fund Facts, there will be costs, time and complexities involved in the implementation of this Rule for investors, advisors, dealers and manufacturers.

Some of these costs are identified in Pages 2 and 3 of this Attachment, together with our assessment as to whether they would be of high, medium or low concern to the four stakeholder groups.

## ATTACHMENT 5 COST/TIME/COMPLEXITY ISSUES BY STAKEHOLDER

POINT OF SALE COST ESTIMATES		INVESTOR			ADVISOR			DEALER			MANUFACTURER		
#	Activity	Time	Expense	Complexity	Time	Expense	Complexity	Time	Expense	Complexity	Time	Expense	Complexity
1	Transaction Processing / Execution	High	High	High	High	High	High	High	High	High	N/A	Low	Medium
2	Mutual Fund Product Shelf Selection	Low	Low	High	Medium	Medium	High	High	High	High	Low	Low	Low
3	Methods for Fund Fact Delivery by Client												
	Electronic (Web or Email)	High	Medium	High	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Mail	Medium	Medium	Low	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Fax	Medium	Medium	High	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	In Person	Low	N/A	Low	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
4	Annual Delivery Mailings	Medium	Medium	Medium	Medium	Low	Low	High	High	High	High	High	High
5	Education of new delivery requirements	High	Low	Medium	High	High	High	Medium	Medium	Medium	Low	Low	Low
6	Fund Fact Preparation (Initial)												
	Development	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	High	High	Medium
	Infrastructure	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	High	High	Medium
	Systems Development	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	High	High	Medium
	External Systems / Data Interfaces	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	High	High	Medium
	Create online repository on website	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Medium	Medium	Low
	Links to PDF document creation	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Medium	Medium	Low
	Content Creation for Initial Fund Fact	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Medium	Medium	Low
	Review, Approval and Filing	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Medium	Medium	Low
7	Fund Fact Preparation (Post Implementation)												
	Maintenance of Fund Fact Versions	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Medium	Medium	Medium
	Content Management	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Medium	Medium	Low
	Review, Approval and Filing	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Medium	Low	Low
	Print	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Low	Low	Low
	Website updates (internal)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Medium	Medium	Low
	Website updates (industry repository)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	High	High	Medium
	Mail/Courier to Dealers or Mailing Vendors	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Low	Low	Low
8	Delivery and Receipt of Fund Facts												
	Initial System Build	N/A	N/A	N/A	N/A	N/A	N/A	High	High	High	Medium	Medium	Medium
	Create tracking and receipt mechanism	N/A	N/A	N/A	N/A	N/A	N/A	High	High	High	High	High	High
	Vendor Costs	N/A	N/A	N/A	N/A	N/A	N/A	High	High	High	N/A	N/A	N/A
	Actual Delivery Costs	N/A	N/A	N/A	N/A	N/A	N/A	High	High	High	N/A	N/A	N/A
	Ongoing Production Costs	N/A	N/A	N/A	N/A	N/A	N/A	Medium	Medium	Low	Medium	Medium	Medium
	Legal Fees/Costs	N/A	N/A	N/A	N/A	N/A	N/A	Medium	Medium	Medium	Low	Low	Low
9	Central Repository Inventory of Fund Facts												
	Establish inventory standards/protocol	N/A	N/A	N/A	High	High	High	N/A	N/A	N/A	Medium	Medium	Low
	Create links to Fund Co's and Dealers	N/A	N/A	N/A	High	High	High	N/A	N/A	N/A	Medium	Medium	Low
	Develop charge back system - industry solution	N/A	N/A	N/A	High	High	High	N/A	N/A	N/A	Medium	High	Medium
	Create dealer inventory management facilities	N/A	N/A	N/A	Medium	High	Medium	N/A	N/A	N/A	N/A	N/A	N/A
	Hard copy creation	N/A	N/A	N/A	Medium	Medium	Medium	Medium	Medium	Medium	Low	Low	Low
	Identify manufacturers	N/A	N/A	N/A	Low	Low	Medium	N/A	N/A	N/A	N/A	N/A	N/A

## ATTACHMENT 5 COST/TIME/COMPLEXITY ISSUES BY STAKEHOLDER

POINT OF SALE COST ESTIMATES		INVESTOR			ADVISOR			DEALER			MANUFACTURER		
#	Activity	Time	Expense	Complexity	Time	Expense	Complexity	Time	Expense	Complexity	Time	Expense	Complexity
10	Electronic Delivery Costs												
	System Development	N/A	N/A	N/A	N/A	N/A	N/A	High	High	High	High	High	High
	Website Development	N/A	N/A	N/A	N/A	N/A	N/A	Medium	Medium	High	Medium	Medium	Medium
	Storage and Retrieval	N/A	N/A	N/A	N/A	N/A	N/A	High	High	High	Medium	Medium	Medium
	Operational Support	N/A	N/A	N/A	N/A	N/A	N/A	Medium	Medium	Medium	Low	Low	Low
11	Face to Face Delivery Costs												
	Production and Printing	N/A	N/A	N/A	High	High	High	High	High	High	Low	Low	Low
	Most Current Fund Fact Inventory	N/A	N/A	N/A	High	High	High	High	High	High	Low	Low	Low
	Bundling of Fund Facts	N/A	N/A	N/A	High	High	High	High	High	High	Low	Low	Low
12	Mail Delivery Costs												
	Production and Printing	N/A	N/A	N/A	Medium	Medium	Medium	N/A	N/A	N/A	Low	Low	Low
	Mailing and Postage	N/A	N/A	N/A	High	High	High	N/A	N/A	N/A	Low	Low	Low
	Operational Support	N/A	N/A	N/A	Medium	Medium	Medium	N/A	N/A	N/A	Low	Low	Low
13	Fax Delivery Costs												
	Production and Printing	N/A	N/A	N/A	Medium	Medium	Medium	N/A	N/A	N/A	Low	Low	Low
	Storage and Retrieval	N/A	N/A	N/A	High	High	High	N/A	N/A	N/A	Low	Low	Low
	Operational Support	N/A	N/A	N/A	Medium	Medium	Medium	N/A	N/A	N/A	N/A	N/A	N/A
14	Compliance, Monitoring and Record Keeping Costs												
	Operational Support	N/A	N/A	N/A	N/A	N/A	N/A	Medium	Medium	Medium	Medium	Medium	Medium
	Compliance/Audit	N/A	N/A	N/A	N/A	N/A	N/A	Medium	Medium	Medium	Medium	Medium	Medium
	Evidence of Delivery / Waiver	N/A	N/A	N/A	N/A	N/A	N/A	Medium	Medium	Medium	Medium	Medium	Medium
	Evidence of Fund Facts brought to client attention	N/A	N/A	N/A	N/A	N/A	N/A	Medium	Medium	Medium	Medium	Medium	Medium
	Investor vs Advisor Initiated Transactions	N/A	N/A	N/A	N/A	N/A	N/A	Medium	Medium	Medium	Medium	Medium	Medium
	Policies and Procedure Manuals	N/A	N/A	N/A	N/A	N/A	N/A	Medium	Medium	Medium	Medium	Medium	Medium
	Records Management	N/A	N/A	N/A	N/A	N/A	N/A	Medium	Medium	Medium	Medium	Medium	Medium
	Training	N/A	N/A	N/A	N/A	N/A	N/A	Medium	Medium	Medium	Medium	Medium	Medium