

OVERVIEW OF THE SITUATION

Question 1 Do you agree with our description of the disconnect between theory and practice in this part of the consultation paper? Are there any differences between segregated funds and mutual funds that we should keep in mind as we work to improve their respective disclosure regimes?

We fully understood the analysis of the present situation you present. We can immediately confirm that the practices and documents in force are inadequate and do not meet our consumers' needs, in addition to generating substantial costs.

The differences between segregated funds and mutual funds will involve adjustments in the texts but, in our opinion, should not affect the organization of the documents as such.

Question 3 Our proposals will require operators to post the foundation document and the continuous disclosure documents for each fund they manage on their web-sites. The IVIC used by an insurance company for its segregated funds would also have to be available electronically and in paper (on demand). Please comment on the pros and cons of this approach.

We agree to consider that making a document available on the web-site is equivalent to distributing it. The Internet will allow more frequent updates of the information presented and will reduce printing costs.

The main benefit of this proposal is monetary and concerns the abolition of mailing of financial statements to the consumers. In addition, more frequent updates will be possible on the web-site. Sales representatives and consumers will thus be assured that they obtain the most recent and the most accurate possible information.

However, we wonder whether the IVIC legally implies that the investment policies (included in the foundation document) are delivered in paper format upon signing of the contract. It would be necessary for the regulators concerned to rule on this point to validate the legality of the contract when the policies are made available without being delivered in person.

THE FOUNDATION DOCUMENT

Question 4 We recommend that consumers have access (either electronically or if they wish, in paper) to an individual foundation document for the fund of their choice. Would it be possible or advisable to allow a foundation document to describe more than one fund -- for example, all of the funds in a fund family? Why or why not? How would such a document work?

We consider it excessive to produce a document for each fund, given that some of the information will be identical for different funds (the purchase and buyback method, risks, suppliers and coverage can be summarized for each asset class).

Since this document will mainly be a practical element for the sales representative and a reference tool on our web-site, we prefer that there be only one document with a section common to all funds and a section that summarizes, in tabular form, for example, the features of each fund (the objectives and detailed strategies). This method would avoid unwieldy and useless repetition.

We hope to have the possibility of bringing this document into line with the legal documents we must use (contracts) and of including a section on guaranteed deposits. Even though these products are not subject to the same regulations, it would be much more practical for a consumer to obtain information on his purchase in a single document that encompasses all the other products offered.

THE FUND SUMMARY

Question 6 Please give us feedback on the practical issues we outline in the text box above. Please explain how marketing brochures or other sales communications are distributed and kept up-to-date today, both at the operator and sales representative levels.

This summary will certainly be a practical and complete sales tool. However, it would be useful to establish a reasonable frequency that will adequately inform the sales representative, in the first place, but will avoid overly frequent updates of documents and web-sites.

It will be possible to find the summary on the web-site and download it in PDF format. Thus, the sales representative and the consumer will both have access to the most recent information. In our opinion, it is unrealistic to produce paper copies of each summary and provide them to the sales representatives. This practice would be extremely complex and would increase our costs considerably. Moreover, we doubt that the sales representatives can easily manage dozens of different summaries for each operator with which they do business.

However, we could periodically provide the sales representatives (twice a year, for example) with a copy of the "general guide to available funds", which we describe in Question 9 below. This guide would include all the summaries. In these mailings, we would instruct the sales representatives to throw out the previous version of the document.

However, nothing would prevent more frequent updates on our web-site (quarterly, for example), and both sales representatives and consumers could download these versions or call our Customer Service to obtain paper copies.

Question 7 Please tell us about your business practices now using the existing disclosure documents. Do you use them in the sales process? Do you give them to consumers before a sale is completed? If we require you to give a printed fund summary to consumers before the sale, what impact will this have on your existing business practices? What about telling consumers what the fund summary says rather than always giving them a printed copy? Can we achieve our objectives of empowering consumers to make informed investment decisions without mandating a fund summary?

We do not think that it is necessary to impose the delivery of a specific document upon the signing of the contract. A disclaimer on the form specifying that the consumer recognizes that all the information has been offered and made available to him is sufficient. We believe that it is the consumers' responsibility to obtain information before signing. There are many means at their disposal for this purpose.

Question 8 Kindly provide us with your views on the proposed content of the fund summary document.

We are satisfied with the proposed. However, in view of the growth of funds of funds, it would be particularly important to rule on the presentation of past returns, using a fund's return history, for example. The Best practices draft deposited by the CLHIA in this regard is a first step in this direction, but many questions are still unresolved on how to harmonize these returns with those of the segregated fund itself.

Moreover, as we point out in the section entitled "The Continuous disclosure record", the "regular statements of fund performance" could be included in the summary to avoid production of a useless and repetitive document.

Question 9 What are the pros and cons of a fund summary document that includes information on more than one fund? Why is a consolidated document desirable, having regard to the potential for consolidated documents becoming unwieldy?

We have the clear impression that the loose-leaf format will have one major disadvantage: sales representatives will have trouble presenting comparisons of the funds and asset classes and will have difficulty navigating through this large quantity of loose paper. This is why we are considering the creation of a "general guide to available funds".

We are considering the possibility of creating a document for sales representatives that would include all the fund summaries to serve as a user-friendly reference tool. This general guide to available funds would easily allow them to make a first comparative approach for consumers who have no idea of the asset classes in which they should invest and who are hesitating among several groups of funds. This guide would only be intended for sales representatives. The separate summary will be available in PDF format on the web-site and can be printed for distribution to the consumer, if he so wishes.

This general guide could include an additional section, intended solely for sales representatives that would provide them with additional information on commissions and specialized financial information that could be useful in the sales process, without being accessible to the average consumer.

THE CONTINUOUS DISCLOSURE RECORD

The "regular statements of fund performance" included in this file pose certain problems for us and would require additional clarification.

In the first place, its frequency of production, if it is different from the frequency of production of financial statements, requires the creation of a separate second document, which goes against the objective of producing as few different documents as possible.

Moreover, we consider that the fund summary will perform this role of providing information on returns. We do not see the necessity for duplicating return information in this way. If, by "regular statements of fund performance", you primarily mean the "Financial Highlights", these could continue to appear in the financial statements, at the same frequency.

If the consumers, after the sale, wish to obtain more information on the performance than is provided in the financial statements, they can ask to receive the summary or look it up on the web-site.

Indeed, even though the summary is primarily intended for consumers before the sale, the information remains relevant after the sale.

CONSUMERS' GUIDE

Question 10 Please provide us with feedback on the practical questions we note in the text box above.

This guide should be a standard tool written by the authorities concerned. However, we would like to have additional details on the printing and distribution process for this document. Who will produce it? Who will pay the printing costs? If each company prints the document, will the authorities have to approve these documents? Is it foreseeable that the authorities will produce the document, providing a certain quantity on paper to the companies and providing the document electronically?

Question 11 Please comment on the content of the draft consumers' guide in Appendix 1.

The text proposed in Appendix 1 is interesting but we consider that an attempt should be made to standardize the information of the segregated funds and the mutual funds to avoid confusion.

PRACTICES AND COSTS

Question 12 Please comment on cooling-off periods in the context of mutual fund and segregated fund sales. If you believe one should be retained (or introduced in the case of segregated fund sales) please explain why. How should such a cooling-off period work given the changes in the market value of funds? How can we prevent market players from using a cooling-off period to play the markets? What would be a correct period for consumers to re-consider their investment?

We do not believe that it is desirable to offer consumers a rethinking period after the purchase. A disclaimer on the form specifying that the consumer recognizes that all the information has been offered and made available to him is sufficient. We consider that it is the consumer's responsibility to obtain information before signing. In addition, such a period would cause many administrative complications. For example, it would be necessary to institute a mark adjustment system in the event the market drops during the reconsideration period.

Question 13 Although we will be preparing a formal cost-benefit analysis, we are interested in your views on the costs versus the benefits of our proposals. Please comment and explain your analysis.

The main monetary benefit of these proposals concerns the abolition of mailing a paper copy of the financial statements to consumers. Since this dry and bulky document is almost always thrown out as soon as it is received, we will save money without sacrificing essential information.

However, the costs of producing documents and mailing them to the sales representatives would increase according to the document update frequency. We propose a systematic semi-annual mailing of the "general guide to available funds", with the mention that the summaries are updated more frequently on the web-site. The foundation document could be mailed only in the event of major updates. In short, with the aim of reducing costs, we believe that it would be possible to

transmit paper copies to the sale representatives at reduced frequencies, while notifying them that they can visit our Web site or call our Customer Service for more frequent updates.

We would like to know whether the analysis of the situation and the proposed solutions only concern individual products, or whether group products will be included in your recommendations.