

Mutual Fund Manager:

April 30, 2003

Ethical Funds Inc.

Stephen Paglia, Senior Policy Analyst
Joint Forum Project Office
5160 Yonge Street
Box 85, 17th Floor
North York ON M2N 6L9

Mutual Fund Dealer:

Credential Asset

Management Inc.

Dear Mr. Paglia:

**Re: Joint Forum of Financial Market Regulators Consultation
Paper 81-403**

Ethical Funds Inc. appreciates the opportunity to comment on Consultation Paper 81-403 *Rethinking Point of Sale Disclosure for Segregated Funds and Mutual Funds*. Our comments are numbered to correspond to the issues for comment in your document, for ease of reference.

Issue 02: Rights of Withdrawal and Rescission

In our experience, investors do not commonly invoke their rights of withdrawal or rescission. This is likely because investors are either not clearly informed of these rights or do not read the prospectus documentation closely enough to determine that these rights exist. Further, there is a short time-frame within which to exercise these rights, thus limiting the ability of investors to invoke these rights.

Issue 03: Posting of Documents on Websites

We are supportive of the requirement to post foundation and continuous disclosure documents on websites. In our view, this would allow unitholders to access information in a meaningful and cost effective manner. It would also allow information to be updated by operators in a timely manner. Operators should be required to ensure that investors can easily navigate through their websites and that documents can be accessed seamlessly. So long as operators take reasonable steps to ensure that information can be easily downloaded and printed, operators should not be held responsible for incomplete delivery of documents. Operators should be required to post conspicuous notices on websites to advise investors of their right to receive paper copies of documents if they so desire.

Issue 04: Consolidation of Foundation Documents

Foundation documents that contain information relating to several funds may become too lengthy and complex and ultimately may not serve the interests of investors well. In our experience, investors typically wish to receive information relating only to the funds that they are interested in purchasing. A foundation document for each fund would also simplify the sales process for sales representatives who may be required to print these documents for clients.

Issue 05: SEDAR Postings

We do not believe that SEDAR postings alone are sufficient for investors to access mutual fund documents. In our view, disclosure documents are useful to investors to the extent that they are easily available and accessible. Investors would have to spend considerable time learning to navigate through the SEDAR database to obtain the desired information.

Issue 06: Fund Summary Documents

- a) In our view fund summary documents should be available on an operator's website in a format that can be easily downloaded and printed by sales representatives. In addition, dealers should be able to request copies of these documents from operators in the same way that they can currently request mutual fund prospectuses. The responsibility of either providing the fund summary document to investors or reviewing its contents with investors should rest with the sales representative.
- b) To ensure that sales representatives were using the most current version of the fund summaries, operators would establish fixed dates for updates to these documents, and would be required to post these dates on their websites to inform sales representatives and investors. Operators would then be required to update the fund summaries accordingly, and file the updated documents on SEDAR.
- c) Many sales representatives discuss investments and make recommendations to clients over the telephone. In our view, if sales representatives have reviewed the merits of the fund with the client there is no pressing need to mandate delivery of the fund summary to the client by the sales representative.



- d) We are not of the view that it is necessary to provide investors with a fund summary prior to each periodic purchase. The continuous disclosure requirements will ensure that investors have current information available to them. Further, investors who purchased a fund with the assistance of a sales representative will presumably have regular communication with the sales representative to ensure that the investment continues to be a suitable investment.
- e) We believe that periodic review of the documents by the regulators is warranted.

Issue 07: Delivery of Fund Summaries

If a sale is made through our principal distributor, sales representatives will generally provide clients with a prospectus at the time of purchase. However, the prospectus document is not typically used in the sales process. Most often, sales representatives will use certain electronic tools to access current information relating to the funds, in order to ensure that clients are making investment decisions based on the most recent information. In our view, so long as a sales representative reviews the information in the fund summary with the client prior to the sale, the objective of ensuring informed decision making will have been met, and there would be no compelling reason to mandate physical delivery of the same.

Issue 08: Content of Fund Summary

As the Joint Forum points out in the discussion paper, concise, easy to understand information is the key to the fund summary document. We are supportive of the proposed content for the fund summary document, and would not suggest any further inclusions. However, we would suggest that the fund summary simply list the potential risks of the fund and direct consumers to the consumers' guide for a fuller description.

Issue 09: Consolidation of Fund Summaries

The benefit of a consolidated fund summary is that it enables investors to compare funds more easily. However, in our experience investors generally are interested in receiving information relating only to the one or two funds that they are considering. Many of our investors have complained about the volume of information they receive from us and the wasted resources. We are of the view that it would be more effective not to consolidate fund summary documents. If there is a standard template for



the fund summary document, sales representatives can print off the information relating to the specific funds under consideration to facilitate comparisons.

Issue 10: Consumers' Guide

- a) We would suggest that a task force consisting of both industry participants and regulators be struck and charged with the responsibility to amend and update the consumers' guide.
- b) The consumers' guide could be posted on the securities commissions' websites.
- c) We would recommend that all novice investors be provided with a copy of the consumers' guide. Through the process of completing the "*know your client*" information, the sales representative should be able to ascertain the investment experience level of the client and can distribute the consumers' guides accordingly. It may be advisable for the SRO's to audit whether the dealers are complying with this requirement on a periodic basis. We do not believe there should be any further consequences to a sales representative and/ or dealer for failing to provide clients with the consumers' guide. Investors would continue to have the remedies available for unsuitable investments.

Issue 11: Content of Consumers' Guide

We would suggest including more detailed information relating to the specific risks of investing in mutual funds. This information could then be deleted from the fund summary document.

Issue 12: Cooling-off Periods

We would agree that if information is widely available to investors prior to their purchase then the rights of withdrawal and rescission serve no real purpose.

Issue 13: Costs vs. Benefits

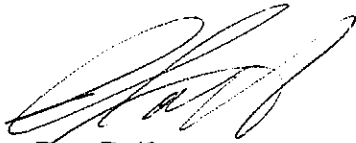
We are supportive of the proposals in the discussion document. We believe that technology should be leveraged to benefit both the operators and mutual fund investors. We are also of the view that technology will help level the playing field for the smaller mutual fund companies. The costs to implement certain technological changes to websites etc. should



be offset by the reduction in printing and delivery costs. However, we would be concerned if the new regime continued to mandate physical delivery of documents to a large extent. Further, we would hope that the new regime would not require significant regulatory filing fees and/or legal fees.

Yours very truly,

ETHICAL FUNDS INC.



Don Rolfe
Chief Executive Officer

cc. Christopher Birchall
Senior Securities Analyst, BCSC

DR/YL/mlb

