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VIA E-MAIL
ORIGINAL WILL BE MAILED

May 7, 2003

Stephen Paglia, Senior Policy Analyst
Joint Forum Project Office
5160 Yonge Street
P.O. Box 85, 17th Floor
North York, Ontario
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Dear Sir:

Joint Forum Financial Market Regulators Consultation Paper 81-403

Thank you very much for accepting our comment letter and please accept apologies for the late filing. This letter is in response to your request for comments on the above-noted consultation paper. Our comments are numbered to correspond to your issues for comment set out in the paper.

Issue 03. Availability of Documents

We support the proposal that operators be required to make foundation and continuous disclosure documents available both on a website and in paper form. It should be mandatory that operators make the electronic version of their documents available in "PDF" format to ensure that consumers will be able to review the electronic documents.

The difficulty with electronic documents is that they may not print in exactly the same format as the paper version of the same documents. From time to time there may be difficulties in the printing of graphs or charts on the electronic version. The risk to the consumer is that the document obtained from a website may not accurately reproduce the information filed by the operator. This risk should be dealt with in the Rules and, where the operator has taken all reasonable steps to ensure that a printer-friendly version of the document has been made available on its website, we believe the operator should not be liable or responsible for any misrepresentation a consumer may receive because of printing difficulties with the consumer's computer. Perhaps there should be a

requirement that a notice be posted on the website that if a consumer has any difficulties printing the electronic version of the document, the consumer should contact the operator for a paper version to ensure accuracy.

Issue 04. Multiple-Fund Documents

National Instrument 81-101 (Mutual Fund Prospectus Disclosure) currently permits the consolidation of the information for several investment funds into one simplified prospectus and annual information form if certain required disclosure is substantially similar for each of the investment funds. This information includes items such as general investment risks, organization and management details, the procedures for purchases and redemptions, dealer compensation and income tax considerations.

We believe that multi-fund disclosure in the foundation documents should be permitted so long as the disclosure does not become too complex or confusing. Since it appears that the foundation documents will not be subject to a review process, the risk will be that multi-fund documents will become voluminous and complex.

One alternative would be to require that the multi-fund documents consolidate information with respect to the same type of fund (for example, one document relating to all equity funds, or to all money market funds, all balanced funds and so on) or consolidate information with respect to funds that share the same general risk profile (for example, one document relating to all conservative or to all aggressive funds).

A multi-fund disclosure document enables consumers to compare specific fund documents within a particular family and may reduce the time and cost for preparation of the document.

However, the potential cost savings for the operator are lost where the multi-fund document is so complex that the authors must spend additional time reviewing and comparing the generic information against the specific details for a wide variety of funds.

Accordingly, operators should be encouraged to keep the principle of "clear, concise and accurate information" paramount in any multi-fund disclosure document.

Issue 05. SEDAR Documents

In our view, SEDAR postings alone are not sufficient to make mutual fund documents easily accessible for consumers. The SEDAR system is structured from the point of view of the filer, rather than the consumer. Operators and their counsel who have experience in submitting continuous disclosure and other documents to SEDAR can access various documents without much trouble. However, the "Other" category of filing on the SEDAR site is not helpful and requires the user to open each of the

documents marked "Other" in order to determine whether it may contain the documents for which they are searching.

A consumer, who is not familiar with the SEDAR structure, will have difficulty accessing individual disclosure documents about the mutual fund. It is not necessarily an intuitive system. In addition, it is not possible to search the fund's disclosure documents once you have accessed the fund itself on SEDAR.

Issue 06. Fund Summary Documents - Practical Issues

- a. If the onus is placed upon the sales representative to ensure a consumer is provided with either a fund summary document or the information contained in the fund summary document, an operator can be fairly confident that sales representatives will request copies of the fund summaries.

Operators should be encouraged to make fund summary documents available on their websites in a form that sales representatives can easily download.

- b. The fund summary document should contain a currency date and should be filed on SEDAR. The sales representatives could verify that the document downloaded from the website matches the currency date on the document filed with SEDAR. To avoid difficulties with the disclosure, operators should update the fund summary by filing a restated document on SEDAR, with a revised currency date. The fund summary document could contain language specifying that the current version replaces and supersedes all versions issued by the operator prior to the currency date.
- c. A sales representative should make sure that a copy of the summary document is provided to a consumer, either by mail, fax or email, even where the representative discusses the information in the fund summary document on the telephone with the consumer. If the consumer does not wish to receive the fund summary documents, there should be a mechanism for the consumer to acknowledge that, in writing, for the sales representative.
- d. We assume mutual funds will update the summary document periodically at the same time as financial information is prepared and filed. If that is the case, consumers who invest on a periodic basis will have up-to-date information available to them through the continuous disclosure system, and in that event, would not need to receive, direct from the fund, a summary document for each periodic purchase.
- e. If the proposal is to implement a principles-based system, it would be useful to enforce the requirements by occasional review of filed documents. In our

view, it would be appropriate to issue a receipt for the fund summary documents since, at a minimum, it will serve as proof of filing.

Issue 08. Fund Summary Document - Proposed Content

Our initial reaction to the fund summary document is that the goal of restricting the document to one or two pages is very optimistic, given the requirements for inclusion of fund performance information and risk disclosure.

In addition to the items proposed to be included in the summary document, we suggest a summary of tax consequences relating to holding the units inside or outside an RRSP, switching funds, and redemptions.

With respect to risk disclosure, the consumer's guide should be expanded to discuss the risks common to all mutual funds or segregated funds (for example, the risk of suspension of redemptions, liquidity risk, risks associated with large unitholders influencing a mutual fund and perhaps the foreign exchange risk associated with investments in foreign securities). The summary document could then set out the risks specific to the particular fund and refer the reader to the consumer's guide and the foundation document for a discussion of general risks.

Issue 09. Consolidated Fund Summary Document

A consolidated fund summary document would be valuable to consumers for comparative purposes if it compares similar investments (for example, money market funds or equity funds).

In many instances, one of the advantages of a consolidated disclosure document is cost savings, but where the consolidated document attempts to provide information for too broad a base, it is actually more costly to prepare and also contains more margin for error.

If the fund summary document is really intended to be two pages in length, there would not appear to be any need to consolidate information, since it would presumably be fairly easy to prepare the summary for each fund.

Issue 10. Consumers Guide

- a. It may be advisable to form a committee, composed of representatives from the Joint Forum, to keep track of amendments or developments that would require the Consumers Guide to be updated.

- b. The Consumers Guide should be posted on the securities commissions' and insurance regulators' websites, with a currency date to ensure that consumers could obtain the most recent document.
- c. There should not need to be any decision about whether to offer the document to a consumer. If it is in an easy format, the sales representative who places the order should deliver the Consumers Guide to every investor unless the investor waives the delivery in writing. In this way, one can reduce the risk that a consumer who should receive the information does not receive it.

Issue 11. Consumer Guide Content

We note that the Guide is prepared with reference to the current disclosure rules for mutual funds and segregated funds. Accordingly, if the proposals in the Consultation Paper are implemented, the Guide will need substantial revision to deal with the changes in disclosure documents.

Risks should be expanded to include a discussion of the risks common to most mutual funds or segregated funds (as stated above under Issue 8).

Issue 12. Cooling-Off Period

If the information necessary for an investor to make an informed decision is provided to the investor 48 hours before the sale occurs, no cooling-off period should be necessary. The difficulty will arise at the end of a given RSP season, where consumers are purchasing RSPs or mutual funds at the last minute in order to qualify for the relevant tax deduction.

Yours very truly,

A handwritten signature in black ink, appearing to read "CA Olsen", with a horizontal line extending to the right.

Charlotte A. Olsen
for **LANG MICHENER**

CAO/mly