

May 9, 2003

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Stephen Paglia, Senior Policy Analyst
Joint Forum Project Office
5160 Yonge Street
Box 85, 17th Floor
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Dear Sirs:

Re: Consultation Paper 81-403 – Point of Sale Disclosure

Phillips, Hager & North Investment Management Ltd. (“PH&NIM”) is registered as an Investment Adviser, in the sub-category of Investment Counsel/Portfolio Manager, (“IC/PM”), managing in excess of \$36 billion on behalf of pension plans, endowments & foundations, private clients and its own mutual funds. PH&NIM is Canada’s largest private investment management company. In 2002, Phillips, Hager & North Investment Funds Ltd. (“PH&NIF”) was registered as a Mutual Fund Dealer in order to join the Mutual Fund Dealers Association of Canada. Phillips, Hager & North mutual funds are truly “no-load”. There are no sales commissions, front or back-end loads or redemption fees. PH&NIM has been in business since 1964 and currently employs about 275 people in Vancouver, Victoria, Calgary, Toronto and Montreal.

Issues for Comment

01. We agree with your description of the disconnect between theory and practice.
02. Our clients have rarely exercised their rights of rescission and withdrawal. In two instances I recall it was because the markets declined significantly the day after they bought. As a result the remaining unitholders in the fund bore the loss.

We do not feel many consumers are aware of these rights.

03. We agree with posting the foundation document and continuous disclosure documents on our website. We currently post our Simplified Prospectus, Annual Information Form, Financial Statements and Quarterly Reports on our website www.phn.com.

04. We strongly disagree with having an individual foundation document for each fund in a fund family. It would require duplicate reporting of information which is common to all funds. This would be a step backwards. Picture having 50 separate foundation documents on the website (which may work) but we also have to have it in hard copy for those who ask.

We do not believe the foundation document will be less than 35-40 pages.

05. Documents should be available on the operator's own website even though they are on SEDAR. SEDAR is not the friendliest site to use and carries a lot of information of no interest to consumers ie. sales certificates, translations.
06. Our firm does not market strongly and we only sell our own funds. Our package includes the Simplified Prospectus (consolidated), a Guide for Investing in our funds (an education piece) and application forms. This package is sent out whenever there is a request for information.

As mentioned earlier the Prospectus is on our website along with application forms. The Guide is not but could be.

07. The documents are part of our current sales process and they are given both before or after a sale is completed. If we are required to give the Summary before the sale, it will make our clients very unhappy having to delay their purchase for days (if hard copy). If we give it to them before or have it available on the website, how do we ensure they have read it? Sounds like a theory/practice disconnect.

We agree consumers do not require a Summary before each periodic purchase. They would receive up-to-date information through Continuous Disclosure.

08. The proposed content of the Summary is adequate but it should include fees and expenses that the consumer pays directly.

The Summary will be filed with Regulators who should review the document but it should not be receipted. The disclosure will be mandated so that consumers can compare funds easily. This has been a big benefit in the current prospectus disclosure – ease of comparison. Financial and performance numbers will be audited annually and Securities Regulators and the MFDA will carry out periodic audits of the disclosure.

09. A consolidated Summary is not necessary. If consolidation is desired, it could possibly be done by investment sectors ie. fixed income funds together, domestic equity, foreign equity etc.
10. A lot of work has been done in Consumer Education by various Commissions and industry groups such as the Investment Funds Institute. The regulators should take ownership of the Guide. Annually, amendments could be solicited from industry.

The Guide should be made available on all applicable websites.

- regulators
- industry associations
 - IFIC
 - CLHIA
- SRO's
 - MFDA
 - IDA
- operators
- dealers

and in hard copy.

The Dealer firm/sales representative would decide who will be offered the Guide. They are best able to determine, through KYC, who needs it.

If not offered the document, there can be no penalties because we cannot ensure the consumer will read it if they receive it. Industry can only do so much, consumers have to accept some responsibility to educate themselves.

11. Draft Consumer Guide comments

Introduction

The Guide should have a Definitions section for the basic terms used in the industry if this guide is for the novice. For example, definitions for:

prospectus
information folder
stock
bond
risk vs. return
volatility
diversification

Section 4

Risk of loss

Be clear. “The value of your investment may go up and down in accordance with fluctuations in the financial markets.”

A chart of risk vs. return might help to differentiate the types of investments.

There could be some discussion about age/stage of life with regard to suitability or risk of certain investments.

Section 5

How to learn about a fund

General Information

A number of websites are listed. It would be helpful if the full names of the organizations were listed as well.

Section 8

What will it cost to own a fund?

- *Sales charges*

We disagree with the comment “with no load funds, as with other funds, sales and marketing costs are included in the funds’ MER....”

- we do not charge the funds with sales and marketing costs. We, the fund manager, absorb these costs, but we can’t speak for no-load industry practice.

We also disagree that mutual fund salespersons..... are paid commissions based on your investment.

- we do not pay commissions and there may be others, therefore disclosure should be reworded.

- *Other fees*

at the end of Section 8 add:

“Some companies do not charge any of these fees”

- we don’t.

Section 12

Can I change my mind about a purchase?

- *Redeeming mutual funds and segregated funds*

“You may have to pay sales fees and there may be income tax implications.”

Also add:

You should determine these costs from your sales representative before executing a redemption.

12. We do not believe there should be a cooling-off period for investment funds or segregated fund sales because there is no way to prevent “playing the market”.

If a period was mandated it should be minimal ie. 24 hours from trade, to minimize the impact of losses to the fund.

13. Overall we believe the proposal will reduce costs but not materially. Most of the cost of a printed document is up front – if you have to do 100 copies, an additional 5,000 will only reduce cost per copy marginally, so reducing number of copies will not create large savings.

Costs will be incurred to change over to the new disclosure rules but the benefits will accrue from:

- unbundling
- timing of information
- mode of delivery
- realistic solutions, and
- uniformity

We appreciate the opportunity to provide comment on the consultation paper. The direction is progressive and will improve execution and delivery of information to consumers.

We would be pleased to discuss our response at your convenience. Please contact the writer directly by email to dpanchuk@phn.com.

Yours truly,

PHILLIPS, HAGER & NORTH
Investment Management Ltd.

Don S. Panchuk, CA
Vice President Administration & Regulatory Matters
and Secretary

DSP:dgs