

BY ELECTRONIC MAIL: jointforum@fSCO.gov.on.ca

October 10, 2007

Mr. Neil Mohindra
Acting Policy Manager
Joint Forum Project Office
5160 Yonge Street
Box 85, 17th Floor
North York, ON
M2N 6L9

Dear Sir:

**Re: AGF Funds Inc. comments on Proposed Framework 81-406
Point of Sale Disclosure for Mutual Funds and Segregated Funds**

Thank you for the opportunity to provide comments on the Proposed Framework 81-406 (the "Proposal"). AGF Funds Inc. ("AGFFI") is pleased to provide its comments and looks forward to consulting further with the Joint Forum in the development of the Proposal and subsequent implementation of it.

AGFFI offers products and services including a diversified family of more than 60 mutual funds and wrap programs, totalling more than \$30 billion of assets under management. It is a wholly owned subsidiary of AGF Management Limited, which has over \$54 billion of assets under management including institutional accounts and private client products. It is a publicly traded company which trades on the TSX under the symbol "AGF.B".

AGFFI distributes its products through registered advisors only. We do not own distribution and as such do not have a tied distribution force. Accordingly, we rely upon the advisor network and our relationship with them in the distribution of our products. Our model of distribution is a critical factor giving rise to a number of the concerns we raise below in respect of the Proposal.

1. Overview

We are aware and appreciate the regulatory objectives of providing clearer disclosure in the sale of mutual funds, segregated funds and we trust, ultimately, for many other products in the future. We further understand the regulatory desire for greater

transparency of fees earned by advisors, and clearer disclosure around product options and features available to an investor.

There can be no doubt that concise and clear regulated disclosure for investors is a desirable goal. As it relates to mutual funds and segregated funds, most industry members would acknowledge that the current regime consisting of a large, generally unwieldy prospectus, with an annual information form filed on SEDAR, is not ‘investor friendly’. This disclosure is coupled with the requirements of NI 81-106, the Management’s Review of Fund Performance (“MRFP”) which does provide good information semi-annually about a fund, focusing on its performance, expenses and investments. As well, mutual fund managers prepare annual and semi-annual financial reports. Interestingly however, investors have largely chosen to opt out of receiving these continuous disclosure documents. AGFFI sees just over 5% percent of investors choosing to receive the MRFP and/or financial reports on a semi-annual or annual basis. We believe that as a general experience, regardless of the information provided, investors do rely upon their advisors for this information and general guidance on investing. This view is supported through the IFIC Investor surveys.

AGFFI is supportive of an initiative that provides concise, clear information to an investor. We do believe however that such information must be complete, in its own right, and must be delivered in a manner that does not interfere with an investors’ purchasing actions or choices. These latter points form the substance of our comments below.

Our submission will focus on our concerns relating to the delivery obligations, which we believe interfere with the choice of an investor. As well, we have concerns about the content of the Fund Facts document, which we believe has been truncated and simplified to such a degree that critical information relevant to an investor’s decision is lacking.

2. Concerns about the Proposal

i. Delivery

AGFFI has always aimed to be an innovative provider of investment solutions to advisors to help their clients. We whole-heartedly believe that investors are best served by receiving advice from advisors who review investment opportunities in light of an investor’s needs and risk profile.

a) Initial Purchases - Point of Sale Disclosure

We support the Joint Forum’s initiative of providing better disclosure at the initial account opening or the initial purchase of a mutual fund by an investor. We believe that the average advisor engages in a fulsome discussion about an investor’s choice of product, and that in most typical advisor/investor relationships, this occurs by way of a face to

face meeting. A regulated point of sale document, not unlike much of a mutual fund manager's marketing material today, could be delivered without interruption to the sales process and provide the desired disclosure.

b) Subsequent Purchases and Switches

We are very concerned about a requirement for delivery of the Fund Facts document at or prior to each subsequent transaction and switch, for all funds, (including money market). The only transactions excluded under the Proposal are the systematic withdrawal plans and asset allocation switches.

We fundamentally believe that this will result in a change in the decision making process of an investor and will result in limiting the choices that an advisor presents to an investor. We believe that this could cause significant, unforeseen harm to both the investor and the industry.

First, the investor will not have the choice and flexibility to move his assets depending on the market environment. One of the most fundamental and relevant features of a mutual fund is the ability to redeem on demand. We believe that the requirement of delivering a Fund Facts document interferes with this fundamental right.

For example, in times of volatility, an investor will not be able to move their assets with ease to meet concerns about the market environment. Investors will be told that they cannot immediately redeem, unless strictly to cash, without first receiving and reviewing the Fund Facts of the other fund. Investors will only learn of this limitation at the time of volatility, resulting in significant disruption and dissatisfaction.

Second, for the industry, the requirement to deliver a Fund Facts on subsequent transactions and switches will require a change to the current sales process and a change relative to the sale of any other product on a dealer's shelf today. Rather than making that change, advisors will look to other products that do not have a similar requirement. These may or may not be better investment choices for the investor, but it will result in sales arbitrage from a mutual fund product to other alternative products operating within a less regulated framework.

This is a highly competitive, maturing market place. It is a developing trend today that an advisor is choosing to limit its relationship to 3 or 4 mutual fund companies. This includes any internal provider of product as well. The requirement for delivery of a Fund Facts document prior to purchase of every transaction will force a dealer to aggressively manage its shelf space in order to address the regulatory requirements of disclosure, fulfillment, compliance and relationship management. At the advisor level, the sheer volume of paperwork and compliance management will drive them out of the business. A point of sale requirement for mutual funds on subsequent transactions will create an unlevel playing field for mutual funds, and will do a disservice to the industry and, in particular, its independent manufacturers.

ii ***Content***

We understand the desire for standardization of Fund Facts, and believe it does assist an investor in making appropriate fund comparisons. We are concerned, however, that some of the prescribed language of Fund Facts is misplaced or misleading, and in some cases misses critical information that we believe is relevant to an investor's decision to investing.

a) Costs and Compensation

There are two areas of concerns under the "How much does it cost?" section. First, we believe it leads an investor to conclude that at every transaction, there is an opportunity to negotiate the fee structure. In typical advisor/investor relationships, the sales charge option chosen is done at the account opening and initial purchase stage. An advisor typically recommends the sales charge option appropriate to an investor, based on a number of considerations. This choice is not open for review at each and every transaction.

Second, the sales charge options provided by a mutual fund manufacturer may not be what are offered by a particular dealer. As required in the prescribed Fund Facts document, each of the sales charge options must be disclosed (e.g. front-end, back-end, and low load). However, not all dealers offer all options, based upon their model of distribution. Indeed, some dealers may only offer fee based service, or discretionary based investment counselling for which this type of disclosure is meaningless. The prescribed nature of the Fund Facts does not allow for any flexibility reflecting the distinctive selling options of particular dealers. For a mutual fund manufacturer, this disclosure, which is not customized from a dealer perspective, is undesirable and ineffective.

Overall in this section, we believe that the Fund Facts lacks clarity around the compensation paid to an advisor. It does not reflect the varied means of compensation models in the industry. In addition, as this is a manager's obligation to produce this document, it is not clear that the mutual fund manager pays the deferred sales charge or trailing commissions to the dealer, not the advisor. What is ultimately earned by the advisor is determined in accordance with the dealer practices. We believe that this section on the Fund Facts document does not provide that clarity and in fact, causes greater confusion.

b) Missing Information

We believe fundamental information critical to an investor's decision is missing. By taking a comprehensive document, like the prospectus, and trying to put it into two pages, information must be deleted. What is of concern is the nature of the information that is missing. Where will investors find out about the key tax information when investing in a

corporate class? How will investors learn of the DSC schedule and that there is a “10% free” annual redemption feature on most funds? When switching funds, how will an investor know if DSC is charged or if the schedule is carried forward unchanged from the original purchase? How will investors distinguish between an offering of different series, or classes?

In addition, how will an investor know what risks are associated with a mutual fund. We do not believe rating a fund “moderate” risk, for example, tells the complete story.

These are all key issues that we believe an investor should be informed of before making a purchase. However, the Fund Facts document is lacking this information and in fact, may be somewhat misleading. You will see below that we recommend that a more comprehensive “fund family” document be prepared and delivered along with the Fund Facts at the initial account opening or initial purchase. This document will outline the critical investor information about the fund family.

c) Duplication of information

Much of the information in the Fund Facts is duplicative to the MRFP. The MRFP’s contain almost the exact information set out on page one of the Fund Facts. Like the Fund Facts, the MRFP’s contain information about the fund’s MER’s, portfolio manager, investments and top holdings, and performance. It is available semi-annually, and is available upon request, through annual standing instructions. As mentioned above, very few investors request to receive this information.

We understand that the MRFP’s form part of the continuous disclosure regime, and therefore is provided at a different stage of the process. But, with the intention that the Fund Facts can be updated quarterly, we question the need for both documents to be in production and the use of such additional disclosure to the investor.

We believe that there should be a holistic review of the entire mutual fund disclosure regime and that this Proposal should be considered in light of all regulatory disclosure requirements in place today to ensure that any solution is appropriate and effective and non-duplicative.

iii. Fulfillment and Timing

We believe that the Fund Facts is most appropriately updated annually, or at the time of a material change. It is currently proposed to be updated not more frequently than quarterly. This frequency will create enormous fulfillment issues, costs of production, and redundancy given the other continuous disclosure documents currently required.

In terms of fulfillment, the Proposal currently contemplates the Fund Facts document for each individual retail series, for each fund offered by a mutual fund manager. The Fund Facts document cannot be bound together. They may be updated as frequently as quarterly as noted above.

To give an estimate of the number of documents in circulation just for AGFFI alone, we currently offer 68 mutual funds, through 7 different retail series – mutual fund series, Series D, F, G, H., T, V. Each series is identical to the mutual fund series, but for distribution policy or management fee reductions.

For AGFFI to be on the shelf of any dealer, that dealer would need to have available 476 documents alone for AGFFI – up from 1 document currently today. If this is updated quarterly, then 1904 documents will have to be managed through a process just for AGFFI's product offerings. This does not include any new Fund Facts due to material amendments.

The challenge to executing efficiently on the fulfillment process cannot be understated. The costs are not yet determinable, and the ability to maintain a current warehouse and distribution facility or operation, for all products being offered, will remain to be seen.

Should the Proposal proceed, it will be critical that other means of delivery of the document be permitted including access by an investor on a manager's web site, or a centralized industry web site, to assist in the fulfillment issues. Telephone, internet, and other corporate secure web sites should also be considered effective modes of delivery.

iv. Right to Cancel

We support the Proposal's clarity around the investor's cooling-off right. Clarity on how this right can be exercised, and the amount received on exercising such a right is long overdue.

However, the investor's right to cancel his purchase at any time in the future, should it be proven that the Fund Facts document was not delivered, is a very broad right which has the potential for abuse. The fact that this right is not time limited, yet allows an investor to receive the amount of their original investment plus any fee paid, will create an environment of frivolous claims (and quite possibly lawsuits), particularly in down markets or a volatile market environment. In addition, this right will create a level of mistrust that will not be good for the advisor/investor relationship.

In order to establish with certainty a compliance program sufficient to address any potential future claim of this nature, dealers will need to put in place extensive compliance programs, build appropriate tracking systems, and have in place effective document management and retention strategies. It is unclear what the role of the manufacturer will also be in these circumstances.

By linking the delivery of the Fund Facts to the confirmation of trade on subsequent transactions or within 48 hours of an initial purchase, an investor's right to cancel will be time-limited, and reasonable in the circumstances, without creating an environment of frivolous claims or litigation.

3. Recommendations

AGFFI would support a disclosure regime that focuses on full information for a family of funds delivered with the product specific fund facts document at or prior to initial purchase or account opening. A fund facts document would only be required on subsequent purchases and switches along with the confirmation of trade.

The 'fund family' document would be used as a comprehensive tool by an advisor, allowing them to compare the features of one fund family to another, including costs, relevant tax information and better risk disclosure. The Fund Facts document would outline the product specific features and be customized to reflect the varied distribution models. The Fund Facts document would be updated annually or at the time of any material change.

With a more comprehensive fund family document, the permanent record for the fund and fund family would be the Annual Information Form (AIF) filed on SEDAR. A prospectus document would not be necessary. Continuous disclosure documents would still be required. In sum, the disclosure regime would then consist of a fund family document, the Fund Facts, fund financials, the MRFP's, and the AIF.

Disclosure of fees charged by an advisor should be integrated into the account opening process. To the extent that this is regulated through the IDA or MFDA, the Proposal should integrate its initiatives with those of the SRO's.

Finally, there must be greater flexibility in delivery. All documents should be available and accessible on the manufacturers' web site and a centralized industry web site. Delivery of the Fund Facts should be permitted by telephone and internet, in addition to the means already identified under the Proposal.

We believe that a disclosure regime designed as above would address the following concerns:

1. complete, comprehensive and clear disclosure around a fund family and its features to an investor at or prior to initial purchase or account opening;
2. fund specific information customized to reflect the varied modes of distribution today provided at initial purchase and upon material changes;
3. disclosure of an advisor's compensation structure, integrated within the initiatives of the SRO's at account opening;
4. ability to audit in an efficient and effective manner the delivery and receipt of the Fund Facts;
5. continuous availability and accessibility of all disclosure documents;
6. certainty on investor rights to cancel trades for non-delivery of the Fund Facts;
7. preservation of a healthy mutual fund industry without encouraging sales arbitrage to alternate products;

4. Implementation

We support and will work with any initiative of the Joint Forum to address the identified issues and concerns about this Proposal. We would be happy to participate in any manner and support IFIC's recommendation that a steering committee be struck comprising of industry leaders, SRO's and the Joint Forum members to oversee the next steps of this initiative.

5. Summary

We applaud the regulatory initiative of designing a better, leading edge disclosure regime that seeks to provide clear disclosure to an investor at or prior to point of sale. We are hopeful that this can be introduced without undue hardship on the advisors, the investor and the industry. We look forward to working with the Joint Forum on the next stages of this initiative.

Yours truly,

A handwritten signature in black ink, appearing to read 'Judy Goldring', with a long horizontal flourish extending to the right.

Judy Goldring