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Neil Mohindra  
Acting Policy Manager  
Joint Forum Project Office  
5160 Yonge Street  
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Dear Mr. Mohindra,

Sun Life Financial Investment Services (Canada) Inc. ("SLFIS") welcomes the opportunity to provide input to the consultation paper released by the Joint Forum of Financial Market Regulators, *"Proposed framework 81-406: Point of sale disclosure for mutual funds and segregated funds"* (the "Proposal").

SLFIS is a member of the Sun Life Financial groups of companies. As of June 30, 2007, the Sun Life Financial group of companies had total assets under management of CDN\$435 billion. SLFIS, in particular, as a mutual fund dealer in all Canadian provinces and territories, has over \$8.2 billion in assets and contracts with over 2,700 advisors.

### **Objective of the Proposal**

Overall, SLFIS supports the Joint Forum's vision of "providing investors with meaningful information when they need it most". That said, the Proposal as it stands, will create both an operational and compliance quagmire for both dealers and advisors, the costs of which will ultimately be borne by mutual fund unitholders.

### **Disclosure/delivery on account opening**

Today, on the opening of an account with a dealer and the initial sale of units in a mutual fund, a client is provided with a Simplified Prospectus ("SP") for the applicable funds. The SP is often for a family of funds and it contains two page descriptions of each of the funds within the fund family as well as a description of how costs, pricing and trades within the family of funds work.

Under the Proposal the two page fund summary documents within an SP would be replaced with multiple unbound two page Fund Fact documents for each fund. The Proposal also mandates delivery at point of sale of the Fund Facts for only those funds selected by the client. No information about the fund family would be provided. Overall, this framework raises a number of concerns:

1. Assuming an advisor generally sells from five fund manufacturers, the advisor would need to carry approximately ten SPs (most fund manufacturers have at least two SPs for their funds) to any client meeting. Under the Proposal, the advisor would now need to have on hand individual Fund Fact sheets for each class and fund available under these SPs. This would be in excess of 1,500 individual two page documents (approximately 50 funds per SP with at least three classes per fund) which would be logistically problematic if not impossible for an advisor to coordinate. The issue becomes even more complex for the dealer back-office which needs to coordinate individual fact sheets for all the funds on the shelf. Currently SLFIS has over 40 fund companies on the shelf which would likely represent in excess of 10,000 individual unique funds and classes.
2. Given the operational issues identified above with the mere paper management at point of sale, from a compliance perspective it would be virtually impossible to ensure the right piece of paper was in fact delivered. Since the Proposal will give each client an unlimited put option if there is failure to deliver the correct Fund Facts, there will be enormous if not unlimited liability placed on dealers.
3. Given the complexity of the delivery of single Fund Fact documents at point of sale, the end result will be, as noted above, a significant added burden on dealer back offices due to the additional volumes of separate disclosure documents. This will lead to higher costs which the consumer will ultimately bear. Furthermore, dealers and advisors will ultimately restrict the access to various funds because dealers and advisors will need to narrow the number of specific funds offered to handle the sheer logistic complexity of paperwork involved. This would disadvantage consumers as it would reduce choice, and promote a greater reliance on packaged rather than needs-oriented solutions for clients.
4. Currently, the pricing and compensation structure of a fund are set at a fund family level, and not at an individual fund level. Therefore, any cost information and pricing information contained in the Fund Facts is only accurate when explained at the fund family level. The Proposal ignores this important information and therefore results in misleading disclosure being provided to consumers.

Given these comments, we highly recommend the Joint Forum look at the simplified disclosure regime proposed by the Canadian Life and Health Insurance Association (“CLHIA”). This simplified disclosure maintains the goal of simple comprehensive disclosure while at the same time alleviating the operational and compliance issues noted

above. Failing that, the Joint Forum must permit individual Fund Facts to be bound together into a family of funds format so as to allow for practical delivery and compliance regimes while at the same time not limiting the information provided or the investment choices given to consumers.

### **Disclosure/delivery at subsequent transactions**

SLFIS is deeply concerned with the Proposal's suggestion that there be mandatory delivery of additional Fund Facts before any subsequent transactions can proceed.

1. Currently, between 50% and 75% of all subsequent transactions are completed over the telephone. Not allowing the transaction to proceed until the relevant Fund Facts has been sent to the consumer would not only inconvenience the consumer, who is used to immediate service, but would subject them to the added market risk associated with the transaction delay.
2. The proposal is completely impractical given the high volumes of subsequent transactions concentrated within the RSP season (January and February) where the timing of investment is critical. Currently, in excess of 35% of SLFIS' subsequent transaction dollars are invested in the RSP season. Any delays on processing these requests will have profound negative tax consequences on consumers.
3. Once a consumer has opened an account with a dealer they will already be aware of the information available to them. This would include current/updated Fund Facts, annual and semi-annual financial statements, information available on SEDAR, information on the applicable fund company's websites, etc. Imposing mandated delivery of documents on consumers, who know they are available on request at any time, ignores consumer choice and imposes costs and delays with little to no benefit.

Our view is that the consumer should be given the choice of whether they want added disclosure before trade execution on subsequent transactions. Removing this choice and painting all investors with the same brush benefits no-one and ultimately creates costs borne by the mutual fund unitholder.

### **Working with the IFIC**

SLFIS has worked very closely with the Investment Funds Institute of Canada ("IFIC") with respect to the Proposal and we support the comments IFIC has submitted.

Once again we would like to thank the Joint Forum for the opportunity to provide you with these comments.

Yours sincerely,

*“Michael Banham”*

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