October 15, 2007

Mr. Neil Mohindra, Acting Policy Manager
Joint Forum Project Office
5160 Yonge Street, Box 85, 17th Floor
North York, Ontario M2N 6L9
Via Email: jointforum@fsco.gov.on.ca

Dear Mr. Mohindra,

RE: RESPONSE TO REQUEST FOR COMMENTS ON PROPOSED FRAMEWORK 81-406 *POINT OF SALE DISCLOSURE FOR MUTUAL FUNDS AND SEGREGATED FUNDS*

This letter is submitted on behalf of the Canadian Imperial Bank of Commerce and its affiliates (collectively, "**CIBC**"), in response to Proposed Framework 81-406 *Point of Sale Disclosure for Mutual Funds and Segregated Funds* (the "**Framework**") released for comment by the Joint Forum of Financial Market Regulators (the "**Joint Forum**") on June 15, 2007. We would like to thank the Joint Forum for the opportunity to provide our comments on the Framework. We would also like to thank the Joint Forum for attending the information session that we hosted at CIBC on September 13, 2007, which we hope has provided useful context regarding the impact of the Framework and some challenges that may result from its implementation.

At CIBC, mutual fund transactions are carried out through CIBC Investor Services Inc. (platform has a CIBC Imperial Investor Services offer via an advisor and a CIBC Investor's Edge offer for self-directed clients); CIBC Wood Gundy (full service brokerage division of CIBC World Markets Inc.); and CIBC Securities Inc. (bank branch mutual funds dealer). CIBC Investor Services Inc. and CIBC World Markets Inc. are members of the Investment Dealers Association (the "**IDA**"), and CIBC Securities Inc. is a member of the Mutual Funds Dealers Association (the "**MFDA**"). In calendar year 2006, the approximate number of mutual funds sales conducted by our dealers through the various distribution channels was as follows:

- 730,000 through CIBC Investor Services Inc., 30%-40% of which took place over the telephone via a licensed call centre representative through the CIBC Imperial Investor Services platform and 60-70% of which took place over the Internet through the CIBC Investor's Edge platform.

- 1,365,000 through CIBC Wood Gundy, 90% of which took place over the telephone.

- 465,000 through CIBC Securities Inc., 95% of which took place either in person at the branch, telephone calls received at the bank branch or via call centre, or through offsite visits by branch representatives to clients.

OVERVIEW:

We are in support of the objectives of the Framework to provide investors with meaningful disclosure with respect to the sale of mutual funds and segregated funds. We are also in support of the proposal to deliver the Fund Facts at or prior to the point of sale in order to provide investors with the information they need to make an informed decision.

The main challenge with the Framework arises from the proposed methods by which dealers are required to deliver the Fund Facts to investors. The proposed delivery methods are limited and inflexible because they do not take into consideration the various ways in which investors engage in mutual fund transactions, the varying degrees of investor needs, knowledge and expectations of investors, the advice provided by dealer representatives to investors, and the existence of multiple distribution channels through which mutual fund transactions take place.

This submission is divided into three parts. In the first part of the submission we set out a refined approach to the methods of delivery that will enable investors to receive the Fund Facts in a way that does not hinder their ability to effect fund transactions in an efficient, timely and effective manner through any distribution channel while upholding the Joint Forum's objective of ensuring that investors receive useful information at or prior to the point of sale to make informed decisions. In the second part of the submission we discuss the issues and challenges arising out of the current formulation of the Framework. Finally, in the third part of the submission we provide the Joint Forum with specific comments on the content of the Fund Facts in an effort to ensure that the Fund Facts is as accurate and comprehensive as possible.

1. REFINED APPROACH:

This part of the submission addresses the question asked by the Joint Forum in the Framework as to whether there are other delivery methods or options that they should consider that are consistent with their objective of providing investors with disclosure before or at the point of sale. We ask the Joint Forum to consider the refined approach that is discussed in this part of the submission as a possible delivery method option.

The crux of the refined approach is to require dealers to provide investors with a notice at account opening and continuous disclosure on account statements of the availability of the Fund Facts on a free, publicly accessible Internet Website that is user-friendly, set up in such a way so as to allow investors to easily compare different funds and convenient for both reading online and printing on paper (a "**Website**"). Under the refined approach, the dealers may choose to furnish paper copies of the Fund Facts with the notice; if they choose not to furnish a paper copy, an investor may request, at any time, delivery by the dealer of a copy of the Fund Facts at no charge. Below is a detailed analysis of the refined approach.

1. **Dealers would be able to satisfy their delivery obligations under the Framework by providing investors with notice in their account opening documents and continuous disclosure on account statements of the availability of the Fund Facts (a) through the Website; and/or (b) through the dealer upon request and free of charge.**

    - The refined approach would allow investor preference to determine the method through which the Fund Facts is provided to investors (i.e., through the Website and/or through the dealer upon request and free of charge).

    - The requirement to provide investors with continuous disclosure on account statements of the availability of the Fund Facts serves to ensure that existing clients are aware of their ability to access the Fund Facts at any time through the various delivery methods.

    - The notice on account statements (and as discussed later, the delivery of the Fund Facts with trade confirmations) would also serve as continuous disclosure to existing and new clients as account opening notification could take place years prior.

    - The following relates to the Website option:

        - We suggest that dealers notify investors in the account opening documents and on account statements of the availability of the Fund Facts through the Website. The notification would include the following disclosures:

            - The Website address and a description of how the Website can be accessed.

            - The fact that the Website is free of charge.

            - The investor's ability to access the Website at any time including at or prior to the point of sale.

            - The investor should consult the Website on a regular basis particularly at or prior to the point of sale to ensure that they have reviewed the most up-to-date Fund Facts.

        - We suggest that the Joint Forum and the industry work closely together to designate an industry wide user-friendly centralized Internet database as the Website. The Website would house all Fund Facts and the relevant updates to those Fund Facts for as long as the relevant funds are available for sale.

- Fund managers would have the obligation of posting their Fund Facts and the related updates to those Fund Facts in a timely manner on the Website.

- We suggest that the Website would be a more effective solution than directing investors to either the dealer website or the fund manager websites to view all Fund Facts.

  - We do not believe that dealers can effectively house Fund Facts for the thousands of third-party and proprietary mutual funds available on any particular dealer's platform on the dealer's own websites. For instance, it would be a very large and risky task to post all third-party mutual funds on dealer websites. The concern with this possibility is the potential for error in keeping track of the multitude of third-party mutual funds. This risk is exacerbated when one takes into account each IDA and MFDA member having to provide the same thing.

  - We do not believe posting Fund Facts on the various fund manager websites satisfies the intent of the Framework to have the Fund Facts easily accessible because the onus would be on the investor to visit various fund manager websites in order to compare the possible fund options. This will be time-consuming and frustrating for investors.

- The following relates to the paper delivery option:

  - In addition to the availability of the Fund Facts on the Website, a dealer must deliver a paper copy of the Fund Facts to an investor upon request and free of charge.

  - Dealers would notify investors in the account opening documents and on account statements of their ability to request a paper copy of the Fund Facts free of charge at anytime.

  - The disclosure in the account opening documents and on account statements will include a reference to a toll-free number or address that investors may use to request a paper copy of Fund Facts.

- It is important to mention that this aspect of the refined approach is similar to the approach that the U.S. Securities and Exchange Commission recently adopted with respect to the delivery of proxy materials (see SEC Release Nos. 34-56135, IC-27911) and is proposing to adopt for mutual funds disclosures (see Speech by SEC Chairman Christopher Cox on May 10, 2007 at http://www.sec.gov/news/speech/2007/spch051007cc.htm).

2. **Dealer representatives to ensure that suitability obligations are met.**

    - The suitability obligation of dealer representatives provides investors with the opportunity to raise any issues or ask any questions they might have about a mutual fund with their dealer representative prior to effecting a transaction.

    - Before a mutual fund transaction is effected, and in addition to the account opening documents and account statements notifications of the availability of the Fund Facts through the Website and/or upon request, dealer representatives will ensure that investment products are suitable to the investor's investment needs and objectives, as is the case today.

    - Dealers already have this suitability obligation implemented in their compliance manuals and procedures and dealers already monitor the dealer representatives on a regular basis to ensure that this suitability obligation is complied with.

3. **Delivering the Fund Facts with the trade confirmations.**

    - In addition to the dealer notifying investors in the account opening documents and account statements of the availability of the Fund Facts through the Website and/or upon request, and ensuring that a mutual fund transaction is a suitable investment for the investor prior to effecting the transaction, we suggest that dealers also deliver the relevant Fund Facts to investors with the trade confirmations.

4. **Providing investors with a right of rescission for two business days after deemed receipt of the trade confirmation.**

    - Under the refined approach, the investor will have the right to rescind the mutual fund transaction for two business days from the deemed receipt of the trade confirmation. Although the Framework proposes that the rescission right shall be exercised within two business days from the date the investor gives instructions to the dealer, we do not think this time frame would be fair to the investor in the context of the refined approach.

    - As a result, we suggest that the cooling-off period should not commence until the investor has been deemed to receive the trade confirmation. This modification will provide investors with a more reasonable time frame within which to receive the Fund Facts, read it if they choose to, and rescind if they feel that the transaction is not suitable.

We believe that the refined approach to the Framework is a good compromise and will still achieve the Joint Forum's objectives as follows:

- **Providing investors with key information about a fund:** The refined approach does not contemplate any significant changes to the Fund Facts and as such we are of the view that this objective is met.

- **Providing the information in a simple, accessible, and comparable format:** Since we have not made submissions that substantially alter the contents or the format of the Fund Facts, we submit that the information in the Fund Facts is simple. As for accessibility, we submit that the Website will accomplish this goal because we envision the Website to be a user-friendly resource that will be easy to navigate. Also, since the Website will house all Fund Facts for all fund managers it will be an effective and time efficient tool for investors who wish to compare funds. As mentioned above, investors who do not like to use online resources or who do not have website access can also request any number of Fund Facts from their dealer free of charge at any time.

- **Providing the information before investors make their decision to buy:** The refined approach contemplates providing investors the ability to review the Fund Facts at or prior to the point of sale by visiting the Website and/or requesting a copy of the Fund Facts from their dealer prior to effecting a transaction.

We submit that the refined approach will eliminate many of the issues and challenges presented by the Framework and discussed in the next part of the submission. The refined approach would allow for a more efficient way of dealing with mutual fund transactions. The following is a list of a few potential issues and challenges that would be automatically addressed under the refined approach:

- There would be no need for the Joint Forum to entertain potential exemption requests from the industry for sophisticated investors or online self-directed discount brokerage firms because all investors would be treated equally within the context of the refined approach.

- The refined approach would address the potential negative impact to investors arising from the interruption of transactions and the resulting delay, the potential for investment losses and the potential for investment choices being limited.

- The concerns surrounding the inability of investors to waive receipt of the Fund Facts would also be addressed because the concept of a waiver becomes a moot point in the context of the refined approach. The idea would be that all investors have access to the Fund Facts if they so choose to and if they do not choose to then it is up to them not to access the Website or request a paper copy of the Fund Facts. Consequently, there would be no need to include a waiver concept as delivery of the Fund Facts would no longer result in challenges such as interruption of a transaction particularly in the context of subsequent sales and switches.

- The refined approach addresses the concern that the Framework purports to be one-size-fits-all. The refined approach takes into consideration the fact that investors have varying investment needs, knowledge and flexibility in terms of means of delivery. For example, there are some investors who are not likely to read a Fund Facts, in which case those investors would not be forced to receive the Fund Facts. On the other hand, there are other investors who will do their own research and know exactly what they want when they provide their dealer instructions to effect a specific transaction, in which case those investors can easily access the Fund Facts to read prior to the point of sale. As well, there are investors who do not have access to a fax or will be inconvenienced with receiving the Fund Facts through the mail because of the delay this will cause. For those investors, the delivery of the Fund Facts can be done more efficiently through the Website. Finally, there are investors who would prefer to receive paper copies of Fund Facts either at, after or prior to the point of sale and those investors have the ability to do so simply by requesting a paper copy.

2. ISSUES & CHALLENGES:

This part of the submission highlights the issues and challenges that the Framework will present to investors and the industry.

A. Framework Geared towards in-branch Mutual Fund Transactions

Mutual fund sales are conducted through various distribution channels including telephone, Internet, offsite and in-branch. The Framework seems to be geared towards in-branch or face-to-face transactions at the expense of non-face-to-face channels such as the telephone or the Internet. Mutual fund sales through the branch network are fundamentally different than the other distribution channels in that dealer representatives can, without much difficulty, provide clients with the Fund Facts at or prior to the point of sale. To that end, since most of our in-branch mutual fund sales take place through the MFDA channel, clients who conduct mutual fund transactions through an MFDA member fare better under the Framework than clients who conduct mutual fund transactions through an IDA member since they are more likely to be able to effect one continuous and uninterrupted transaction.

More than 80% of our mutual fund transactions take place through our IDA members either over the telephone or the Internet. For those transactions, dealers will be required to deliver the Fund Facts by mail, fax, or e-mail. Regardless of which of those methods is used to deliver the Fund Facts to investors, the transaction will be interrupted in order to mail, fax or e-mail the Fund Facts. The delay can be as long as five business days for clients who do not have fax or e-mail, which is the time that it usually takes to send a document through regular mail.

Consequently, in the context of the telephone and Internet distribution channels the limited methods by which dealers are required to deliver the Fund Facts will be detrimental to investors in that they will interrupt and consequently delay the transaction. The interruption of the transaction may potentially cause investment losses, inconvenience investors and may lead investors to opt for a product other than a mutual fund. As a result, the Framework creates an unlevel playing field between IDA and MFDA members and their clients.

B. Interruption of Transaction

Currently, investors are able to conduct mutual fund transactions without interruption or delay. Under the Framework, investors wishing to conduct mutual fund transactions, particularly over the telephone, will have their transactions interrupted in order for the dealer representatives to mail, fax or e-mail the Fund Facts. As noted, the interruption of the transaction can delay the transaction by as long as five business days. The inability to carry out a continuous mutual fund transaction will cause concerns for investors who need to carry out a transaction in the most time efficient manner. For instance, a continuous transaction is crucial in instances where investors need to ensure that they meet RRSP contribution deadlines or wish to obtain a price on a fund on a specific day.

We reviewed the investor research conducted by the Joint Forum and note the general positive reaction of investors with respect to receiving the Fund Facts. However, we submit that the Joint Forum research did not directly address the consequences associated with the methods of delivering the Fund Facts where such methods will result in the interruption of the transaction.

We acknowledge that the investor research conducted by the Investment Funds Institute of Canada through Pollara Research in Toronto, Montreal and Vancouver on August 16, 2007 highlighted that some investors (mostly in Toronto but not generally in Vancouver or Montreal) were of the opinion that they would like to receive the Fund Facts even if the delivery results in the interruption of the transaction. We query how investors that are vacationing with no access to email, fax or mail will feel when they call their dealer representative to request a mutual fund transaction and they are advised that the transaction cannot take place within the client's specific time frame due to the requirement to deliver the Fund Facts. We question whether investors who were the subject of the Pollara Research thought through the consequences of the delivery methods when they expressed no concerns about their transactions being interrupted. In addition, the Pollara Research highlighted that some investors made general assumptions about the delivery method of Fund Facts that lead them to believe a delay in delivery would be minimal. For instance, some investors assumed they could receive the Fund Facts immediately via email (all participants had Internet access). It is not known what the investor reaction would have been if their only options for delivery were by hand or mail.

C. Possible Impact of Transaction Delays

Investors need optimal flexibility in how to manage their financial affairs in order to try and avoid potential investment losses. The limited methods by which the Fund Facts must be delivered deprives investors of investment flexibility which can have serious implications. An investor who has no email or fax access and could not physically attend at a branch could suffer investment losses as a result of their inability to conduct a mutual fund transaction in a timely manner and within a price sensitive parameter. We submit that such investment losses would not be well received by most investors, despite the positive investor reaction to receiving the Fund Facts through the methods suggested in the Framework.

D. Unlevel Product Playing Field

The disclosure requirements applicable to Canadian mutual funds are currently more onerous than the rules applicable to other retail asset management investment products in Canada. The already heavily-regulated mutual funds industry coupled with the limited methods of delivering the Fund Facts and the potential of requiring clients to acknowledge receipt of the Fund Facts may potentially sway investors away from mutual funds. The net impact of the limitations surrounding mutual funds could restrict the investment choices available to investors while simultaneously taking away one of the most popular investment vehicles from investors, particularly smaller investors.

Investors, particularly those who deal with dealers in the IDA distribution channel that have a wide roster of investment products available to them, might be tempted to invest in other products such as principal protected notes and exchange traded funds since such products do not have a point of sale disclosure requirement that leads to obstacles for investors. This will place mutual fund products at a disadvantage compared to other investment products that may be more risky and less suitable for investors.

E. Unavailability of Waiver Option

The Framework purports to be one-size-fits-all and assumes that all investors have the same needs and wish to receive the Fund Facts at or prior to the point of sale in all instances. However, by way of an example only around 3-6% of investors opt to receive the Management Reports of Fund Performance ("**MRFPs**") for CIBC funds. These minimal opt-in rates might demonstrate that investors do not necessarily want to receive additional disclosure and if they do want to receive it they will request it. Therefore, some investors might find that their freedom to choose is severely restricted by virtue of the fact that they cannot waive receipt of the Fund Facts. We think it is in the best interests of investors to have the ability to waive receipt of the Fund Facts. The right to waive is particularly important in the context of subsequent sales and switches where investors have already received the Fund Facts with the initial purchase.

F. Duplication of Disclosure

The existing regulatory regime surrounding mutual funds is very disclosure intensive. Investors already have access to a wide array of mutual fund documents including a prospectus, the MRFPs, annual information forms, financial statements, and quarterly portfolio disclosures. In addition to all of this existing disclosure, there are various regulatory initiatives that are currently underway such as the Client Relationship Model and the Registration Reform Project that will include mutual fund disclosure. We are concerned that existing mutual fund disclosure, together with the proposed disclosures, including the Fund Facts, will amount to duplication of information that will serve to confuse investors. We urge the Joint Forum to take into consideration the existing and proposed disclosure regimes for mutual funds as a whole in order to avoid duplication and minimize the amount of duplicate information that investors receive.

G. Unlimited Right to Cancel Transaction

Although we understand that the Framework does not mandate dealers to obtain investors' signatures to prove delivery of the Fund Facts the net effect of the Framework is just that. The unlimited right of investors to cancel transactions at any time if they do not receive the Fund Facts provided for in the Framework will essentially mean that dealers will need to obtain express acknowledgement to prove delivery of the Fund Facts in order to avoid potential exposure to unlimited liability.

We submit that the unlimited right provided to investors to cancel their transaction at any time in the event that dealers do not deliver the Fund Facts assumes that dealers will not strictly comply with a regulatory requirement and further assumes that dealers are not capable of establishing adequate procedures, including effective compliance monitoring systems to ensure that delivery of the Fund Facts takes place. We suggest that since it is in the best interest of dealers to ensure that they are in compliance with all regulatory requirements and since dealers are required to act in the best interest of investors, there is no need to expose dealers to such an unlimited liability. We are in support of investors having the right to cancel their transaction but we believe it is unreasonable to extend that right indefinitely.

Furthermore, we submit that providing for this unlimited right to cancel a transaction is problematic given that dealers are subject to record retention requirements that mandate the term for which documents should be retained, which is usually seven years. In this context, dealers will find themselves unable to defend a claim that a Fund Facts was not delivered once the retention period has been reached. Even if retention periods permitted the retention of Fund Facts proof of delivery indefinitely we submit that such a position would be unnecessarily costly for dealers. The refined approach discussed in part 1 of this submission addresses these concerns since investors can access the Fund Facts at or prior to the point of sale and the right of rescission is tied to receipt of the Fund Facts with the trade confirms. Given the refined approach, we submit that it is unnecessary to retain the concept of unlimited right to cancel a transaction on non-delivery of Fund Facts.

H. Liability Regime

The Framework provides that the Fund Facts will be incorporated by reference into the simplified prospectus which means that the existing securities laws will apply and any misrepresentation in it will result in the investor having a statutory right to take action against the mutual fund. The Ontario Securities Regulations define misrepresentation as follows: "(a) an untrue statement of material fact, or (b) *an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made* [emphasis added]."
Given that the Fund Facts is a two-page document that is a summary of the facts found in a simplified prospectus, it will by virtue of its size *omit* to state certain facts, which might in hindsight be viewed as material (such as investment strategies, risk disclosure, income tax information, etc.). As a result, we are concerned with the level of liability attached to the Fund Facts and submit that the concept of liability associated with Fund Facts should be reconsidered in the context of the Framework. Dealers and managers should be granted appropriate protections against unlimited liability based on a claim of misrepresentation where the misrepresentation claim is simply based on an omission. We urge the Joint Forum to limit misrepresentation claims for Fund Facts to disclosure of untrue statements of a material fact or failure to have plain, true and accurate disclosure.

In addition, we suggest that a mandatory introductory disclosure paragraph, similar to that required in Form 81-106F1 for MRFPs, be added on the first page of the Fund Facts. We suggest that such disclosure read substantially as follows:

"*This Fund Facts contains key features, risk and cost information about the investment fund but does not contain complete information about the [investment objectives and strategies, risks and fees associated with the] investment fund, which can be found in the prospectus of the fund. You can obtain a copy of the prospectus at your request and at no cost from your dealer, by calling [toll-free/collect call telephone number], by writing to us at [insert address], or by visiting our website at [insert address] or SEDAR at www.sedar.com. Securityholders may also contact us using one of these methods or speak with their advisor to obtain more information about this fund."*

We believe that by adding this disclosure, investors would be appropriately informed that the content of the Fund Facts does not contain all the information about the fund and that other information about the fund is available in the prospectus of the fund. We also believe that this disclosure would afford a level of protection to dealers and fund managers against potential liabilities.

I. Costs Analysis and Implementation Timeline

The Joint Forum asked the following question "What changes would you need to make to your existing processes to comply with our proposed delivery requirements? How long would it take to make these changes? What costs would be involved? Approximately how much would these costs be?" In answering this question, we undertook an examination of potential systems, procedural and compliance changes for both our dealers and fund managers that would be required to implement the Framework. We also conducted a cost analysis from each of our dealers and fund managers' perspectives.

Some of the changes that we will need to make to implement the current version of the Framework include updating our systems to permit dealer representatives to make a selection with respect to whether clients wish to continue receiving the prospectus; creating a system's solution to allow dealer representatives to keep track of whether the Fund Facts was delivered to clients and whether client acknowledgement of receipt of Fund Facts was received; and creating a click through online solution for online investors. From a procedural and compliance perspective, we would need to train our dealer representatives with respect to the delivery obligations and acknowledgement requirements, we would need to update our compliance and procedures manuals, and potentially update all our account opening documents. Furthermore, we would need to create a very strong compliance and audit regime to mitigate the risk that dealers are subject to as a result of the unlimited right available to investors to cancel a transaction in the event of non-delivery of the Fund Facts. Our cost analysis based on some of these changes revealed a significant amount of new costs amounting to approximately $4 million on the dealer side and approximately $1 million on the manager side for one-time implementation costs. We also estimate an approximate ongoing annual net incremental cost of $1.9 million on the manager side. We note that on the dealer side the cost of delivering the Fund Facts on an ongoing basis may be partially offset by the expected decrease in prospectus delivery costs.

We recommend that the Joint Forum provide a sufficiently long transition period before fully implementing the Framework. We urge the Joint Forum to work closely with the industry to develop a reasonable timetable for implementation. The effective date should take into consideration the various elements of implementation required such as systems changes, compliance procedures and audit reviews. The implementation date should also take into consideration the multiple new regulatory initiatives such as the Client Relationship Model and the Registration Reform Project that dealers and managers must also deal with.

3. CONTENT OF FUND FACTS:

We highly support the objective of the Framework to ensure that Fund Facts are standard across the industry. We also congratulate the Joint Forum on the reader-friendly format of the Fund Facts. This part of the submission will nonetheless highlight certain areas of concern and provide constructive suggestions with respect to the content of Fund Facts.

A. Funds with multiple classes, series or guarantee options

This section is in answer to the Joint Forum's question #9. "Are there other ways of disclosing the information in the Fund Facts for a fund with multiple classes, series or guarantee options that are consistent with our objective of providing investors with a two-page document that is easy to understand?"

In our view, the Fund Facts should disclose the various classes/series available for an investment fund. Since comparability is one of the objectives of the Framework, we urge the Joint Forum to consider including the various classes/series available in the Fund Facts because doing so will make it easier for investors to compare their options. We also submit that requiring a Fund Facts per class/series would be unreasonable for those fund companies having funds that offer various classes/series. Currently, we have in total 143 mutual funds offered by our two fund managers, some of those funds have only one class of units, while the majority of those funds have two or more classes of units, up to a maximum of 10 classes. If Fund Facts were to be prepared for each class/series, this would mean 288 Fund Facts to prepare, file and update regularly. We are concerned with the costs associated with the preparation of so many documents (including the printing costs, particularly if the Fund Facts needs to be in colour) and the pressure on resources of the fund managers to prepare these documents in addition to the prospectus and annual information form, MRFPs and financial statements, and quarterly portfolio disclosure. We believe that consideration should also be given to exempting Money Market and T-Bill funds from the Fund Facts requirement.

The Fund Facts should disclose the nature of securities offered under the "Quick Facts" section. However, specific information about MER and performance should identify only one class/series (unless more than one class/series has the same MER/performance, than all such classes/series could be identified), such class being the class with the higher MER and fee structure. We however recognize that certain information would need to be disclosed for all the classes/series such as the distribution policy, cost of investing in the fund, and dealer compensation.

B. Updating the Fund Facts

This section is in answer to the Joint Forum's question #10. "Fund managers and insurers: How often would you want to update the Fund Facts? If more or less frequently than quarterly, with what frequency and why?"

The Fund Facts should be updated less frequently than quarterly. Information included in the Fund Facts (except for top 10 holdings and investment mix information) does not change that frequently and a document updated quarterly would also mean a document that would include various "as of" dates (MER, performance, etc.) that could potentially confuse investors. We note that the prospectus is only renewed once a year and would suggest that Fund Facts do not require more updates than the prospectus regime.

The frequency of updates proposed in the Framework could result in a short period of time between updates and filings. For example, the prospectus renewal date for our Renaissance Investments family of funds is August 20th and the financial year-end for these funds is August 31st. Pursuant to the Framework, we would have to file Fund Facts with the prospectus filing on August 20th, which would comprise interim financial information such as MER but could comprise top 10 holdings as at the date of filing. Then we would need to file the Fund Facts three months later on November 29th with the filing of the annual financial statements and MRFP including annual MER information and top 10 holdings information as at August 31st, which is information only a month more current than for the previous filing.

Greater clarification is required with respect to the dates as of which information in the Fund Facts should be provided (i.e., total value of assets, MER, top ten holdings, investment mix, etc.). For example, if the Fund Facts is filed with the prospectus renewal and also updated quarterly, will fund companies be required to provide top 10 holdings information, investment mix information, and MER as of the dates of these specific filings? We note that pursuant to section 15.1 of NI 81-106, MER information may only be calculated for the financial year and interim period of the investment fund. Is the frequency for MER calculation expected to change under the Framework? The use of different dates for information contained in the Fund Facts by the various fund companies could potentially confuse investors because the information will not be easily comparable and may result in additional audit reviews that will likely increase costs for the investment fund and its unitholders. To address these concerns, we suggest that the same dates for updates of the Fund Facts be followed by all investment funds or be limited to either (i) the financial year-end and interim period of the investment fund; or (ii) the prospectus renewal and occurrences of material changes, as required.

C. Need for Instructions and Guidance

We agree with the Joint Forum that fund companies will need flexibility in certain sections of the Fund Facts to describe the fund's features such as the fund's investments, the type of investors for which the fund is suitable for, and the sales charge options offered by the fund companies. However, we believe that detailed instructions and guidance, similar to those of National Instrument 81-101 *Mutual Fund Prospectus Disclosure* and Form 81-106F1, with respect to the content of the Fund Facts need to be provided in order to ensure that information about different funds can be easily compared. We note that information provided in sections such as "What does the fund invest in?" and "Who is this fund for?" can be misleading thus resulting in potential liabilities. For instance, will the type of securities the fund invests in need to include only those listed in the investment objective of the fund or will it need to include all types of securities the fund may invest in? Furthermore, will fund companies have the flexibility to choose the categories into which the portfolio of the investment fund should be broken down similar to the summary of investment portfolio in National Instrument 81-106 *Investment Fund Continuous Disclosure* ("**NI 81-106**"), etc.?

D. Sales Communication

We note that the draft Fund Facts does not contain the required disclosure and warnings for sales communication pursuant to National Instrument 81-102 *Mutual Funds* ("**NI 81-102**"). Please confirm if the Fund Facts will be excluded from the definition of sales communication under NI 81-102 and if NI 81-102 will be amended accordingly.

E. Specific Feedback on Fund Facts Content

1. "*Quick Facts*" section

We suggest that additional information should be added under this section, including minimum amount of investment for both initial subscription and pre-authorized investment plan, the nature of securities offered (as more detailed above) and the name of the manager of the investment fund. In addition, we suggest adding disclosure with respect to the fact that certain expenses (such as brokerage commission/spreads) are not included in the MER but are charged at the fund level. Finally, we suggest that disclosure substantially in the following words be added with respect to the sub-heading "*Distributions": "Distributions are not guaranteed and may fluctuate from time to time without notice"*. The reference to distributions as is might be misleading in that it implies distributions will occur on a specific date when in fact some funds may not distribute each year, quarter, or month. The reference to fluctuation would also cover funds that aim to distribute specific amounts or aim to distribute regularly. If Fund Facts are designed to disclose the various classes/series, we suggest that the distribution line be expanded for classes/series having a different frequency of distribution and different payout timeframes.

2. "*What does the fund invest in?*" section

Please see our general comments above. This section should disclose the investment objective of the investment fund instead of creating new disclosure as to what the fund invests in. As an additional comment, we believe that percentages should accompany each of the top 10 holdings.

3. "*How has the fund performed?*" section

We believe that a table showing the standard performance data (compounded annual returns) for the 1, 3, 5 and 10 year periods or since inception period (as disclosed in the fund's MRFP) would complete this section and provide investors with meaningful information.

4. "*How risky is it?*" section

More information should be provided with respect to the risk classification method, such as an indication that the potential risk volatility/classification is based on the recommendation of the Fund Volatility Classification Working Group of IFIC.

We also believe that the disclosure should include the fact that the risk volatility of the fund is reviewed annually and is subject to change. The current disclosure in this section may not be sufficient for an investor to fully understand the risk versus potential return and consequently we support the inclusion of a risk/return table that would categorize mutual funds from the safest to those with highest risk versus expected returns.

5. *"Are there any guarantees?"* section

The current disclosure might imply that certain funds are guaranteed, which is not the case. We suggest that this section be removed in its entirety or moved under the section "How has the fund performed?" Any discussion of guarantees should be accompanied with the sales communication warning disclosure, namely, mutual funds are not guaranteed and their values change frequently.

6. *"Who is this fund for?"* section

We do not support the inclusion of the following disclosure in that section "Don't buy this fund if you need a steady source of income from your investment". This statement imposes a heavy burden on fund managers to make assumptions as to investor circumstances (i.e., potential tax implications, knowing each investor's particular situation, etc.) and could lead to potential liabilities. Dealer representatives have the responsibility of advising their clients if an investment is not appropriate for them. As such, fund managers should not be required to take on that responsibility by virtue of adding a statement determining suitability in the Fund Facts. This section should be aligned with the prospectus disclosure under "Who should invest in this Fund?"

7. *"How much does it cost to buy?"* section

We suggest that this section, in its current format, be combined with the section entitled "How does my adviser get paid?" for completeness purposes. It would be useful to add the percentages of commission paid to the adviser in this section. Also, in order to provide full and accurate disclosure, it would be prudent to divide the table into two separate tables, one for what the investor pays and another for what the fund company pays to the dealer. We suggest that additional disclosure to the effect that other fees and expenses may be payable (such as switch fees, short-term trading fees, registered plan fees, administration fees, etc.) be added.

8. *"What if I change my mind?"* section

Please see our general comments above with respect to the liability regime.

We note that information about pre-authorized investment plans is not provided under this section and believe it should be. We suggest that disclosure be similar to that of the prospectus under "What are your legal rights?", as applicable.

We also note the absence of any disclosure regarding how a unitholder can redeem their units. Such disclosure should be considered in this section.

9. "*For more information*" section

We suggest that this section be removed if the mandatory introductory disclosure we have suggested above is added to the Fund Facts since all this information would have already been provided on the first page.

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Thank you in advance for your consideration of this submission. Please do not hesitate to contact Carole Dagher at 416-980-6096 if you have any questions or wish to discuss these comments further.

Yours truly,

/s/ Stephen J. Geist

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