



CANADIAN BANKERS ASSOCIATION

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Mr. Neil Mohindra  
Acting Policy Manager  
Joint Forum Project Office  
5160 Yonge Street  
Box 85, 17<sup>th</sup> Floor  
North York, ON  
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Dear Sirs/Mesdames,

**Re: Proposed Framework 81-406 – Point of Sale Disclosure for Mutual Funds and Segregated Funds**

The Canadian Bankers Association ("CBA") appreciates this opportunity to provide comments on the Joint Forum's proposed framework 81-406 on point of sale disclosure for mutual funds and segregated funds.

The Canadian banking industry supports the objectives of the Joint Forum to improve the disclosure documents for the sale of mutual funds and segregated funds. Disclosure is a key component of the customer relationship and we share the goal of ensuring that information is provided in an efficient and effective manner.

We would note, however, that the prescriptive framework that has been proposed constitutes a substantial new regulatory initiative that has a significant and negative impact on the manner in which investors can execute their transactions. This regulatory framework, ostensibly designed to protect consumers, presents additional costs and risks to consumers. Consequently, it should be carefully thought out.

Given the potential for these negative consequences for investors, we believe that further review of the proposed measures is needed. We are not aware, for example, that there is an industry-wide problem concerning the adequacy of investor decisions about investment funds. Are investors making consistently bad decisions due to inadequate information that warrants prescribing industry-wide, the delivery of a specific document in a specified format? The Joint Forum provides no evidence to suggest that such a systemic problem exists. Secondly, if a problem did exist, we should determine the best way of addressing it and resort to regulation only if needed. Yet not only have alternatives to regulation not been considered, a prescriptive approach to regulation, far inferior to a principles-based approach that would leave such details to individual participants in a competitive financial services industry, has been settled upon.

While we could not be more strongly in favour of investors having good information about the investment funds they are considering, it is not clear that the prescriptive framework proposed is the best alternative to meet this objective.

Our specific concerns with the proposed framework are those that have already been pointed out by many industry participants -- that the limited methods by which delivery of the Fund Facts is required to be made would in many cases, and particularly in non face-to-face situations, interrupt a continuous sales interaction and would frustrate investors' desire to complete a transaction quickly, efficiently and contemporaneously. The prospective investor will in effect be told that they may not complete a purchase of a particular fund, because the regulator considers it essential that they should first receive the Fund Facts document.

While we clearly have concerns with the proposed approach, we do believe that the proposal to replace the requirement to deliver a mutual fund prospectus to investors with information in a simplified format, such as Funds Facts, is not without merit. Rather than imposing prescriptive rules around when and how such a document would be provided, we would prefer to discuss a range of more principle-based options to achieve this goal. Several commentators have provided specific proposals of how this could occur, such as the use of an on line database that would make fund information available to investors. We would encourage you to work with the industry on these more flexible options to ensure that consumers can receive the disclosure they need in a manner that makes sense both to them and to the issuing company.

We have appreciated the opportunity to express our views regarding proposed framework 81-406 on point of sale disclosure for mutual funds and segregated funds. We would be pleased to answer any questions that you may have about our comments.

Yours truly,

A handwritten signature in blue ink, appearing to be "Barclay", with a long horizontal flourish extending to the right.

DI/sh