



Federation of  
Mutual Fund Dealers

BY ELECTRONIC MAIL TO: [jointforum@fsco.gov.on.ca](mailto:jointforum@fsco.gov.on.ca)

October 15, 2007

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

Dear Mr. Mohindra:

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

Please accept this letter as the comments of the Membership of the Federation of Mutual Fund Dealers regarding the captioned Proposed Framework; and we appreciate the opportunity to comment, this is an interesting initiative.

The Federation participated as a member of IFIC's Client Issues Task Force and as such supports those comments submitted to you dated October 2, 2007. We also note the responses of the IIAC, Advocis and other market participants in the comments they have submitted.

The Federation of Mutual Fund Dealers (the "Federation") is an Association of thirty Canadian mutual fund dealers with over \$150 billion of assets under administration and more than 14 thousand licensed advisors that provide financial services to over 3.5 million Canadians and their families; and twelve associate members; whose mandate it is to ensure that the interests, views and the long-term growth of mutual dealers are clearly represented in our industry. Our comments follow.

In the Joint Forum's April 2004 Report on the 2003 Consultation Paper, it said that everyone who commented on the Paper agreed that the point of sale disclosure regimes for mutual funds and segregated funds need to be changed. Investors do not read mutual fund prospectuses or segregated fund information folders; and we concur.

We believe that a point of sale document if one is ultimately mandated, in order to be effective should also discuss the importance of costs in determining total return to the investor and how this document relates to the suitability of the recommendation.



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The Fund Facts document includes a statement of the fund's risk level, where the risk fits on a scale that is based on the Investment Funds Industry of Canada (IFIC) *Recommendations for Fund Volatility Risk Classification*. However, IFIC's document states that risk is very different from volatility; therefore risk as presented in Fund Facts will be on a six point scale that ranges from very low to high and will be based on volatility not business risk, market, foreign currency or political risk. Focussing on the risk of one fund to the exclusion of its impact on the risk and return profile of a portfolio is considered contrary to accepted financial theory and practise.

We agree with other industry participants comments regarding the suggested delivery options for the Fund Facts documents. We recommend more flexibility given dealers current policies and procedures for the dissemination of information and technological impediments for mutual fund transactions that occur over the internet. We believe that "access equals delivery" is a viable option that would satisfy regulatory concerns and operational issues.

With respect, we object to the warning language "Do not buy this fund if you need a steady source of income from your investment". In reality a portfolio should balance short and long term assets against a client's stated investment objectives and risk tolerance; the portfolio will therefore be made up of assets with varying degrees of risk and varying degrees of yield or income.

The costs and benefits of a change of this nature should be analysed so that industry participants and investors can properly assess any new disclosure system; this analysis should be performed prior to any change in regulation as the costs will be significant, costs which ultimately are borne by the investing public

Thanks you for the opportunity to submit our comments; should you have any questions or wish to discuss this with the Membership do not hesitate to contact the undersigned.

Regards,

Federation of Mutual Fund Dealers



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