



October 15, 2007

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

Subject: Proposed Framework 81-406; Point of sale disclosure for mutual funds and segregated funds

Dear Mr. Mohindra:

The Chambre de la sécurité financière (the “**Chamber**”) is pleased to respond to the invitation of the Joint Forum of Financial Market Regulators (“**Joint Forum**”) regarding the consultation of the document entitled “Proposed Framework 81-406; Point of sale disclosure for mutual funds and segregated funds.”

The Chamber is a multidisciplinary self-regulatory organization recognized in Quebec under the *Act respecting the distribution of financial products and services* (R.Q.S., chapter D-9.2). It oversees more than 31,000 members by ensuring their business ethics and professional development, and by managing a disciplinary process namely designed to prevent conduct prejudicial to the public. The Chamber’s membership includes group savings plan representatives, financial planners, representatives in individual and group insurance of persons as well as scholarship plan and investment contract representatives.

The Chamber applauds the goals of the Joint Forum aimed primarily at providing investors with meaningful, clear information in plain language before they make a decision to buy a mutual fund or a segregated fund.

In fact, although various legislative and regulatory provisions regulate the purchase of a mutual fund or a segregated fund, the information provided to investors is sometimes so complex that they can’t make heads or tails of it. With respect to this, the Chamber reiterates the importance of its members’ role. We believe that with the help of their financial security advisors or their group savings plan, representatives investors can get all the information needed to understand the products and services offered. Besides, our

members are bound by their Code of Ethics to provide their clients with the explanations needed to understand and assess the products or services proposed.¹

The Chamber on several occasions, where possible, agreed to a certain harmonization of regulations specifically when the financial products were significantly similar. However, we think that additions to the regulation, when required, must consider the characteristics of the securities and insurance sectors particularly as regards the legal nature of the investments or products proposed. Moreover, all the steps taken in this respect should focus on the principle of consumer accessibility at equitable conditions and rights as well as availability of quality services irrespective of the investment or product purchased.

We believe that focusing on these principles and coordinating the characteristics and differences that exist between mutual funds and segregated funds should achieve the Joint Forum's goal.

The Chamber has studied the Joint Forum's proposals and wishes to add some more specific suggestions.

Prospectus / Information Folder

The Chamber is of the view that the information contained in the prospectus/information folder is important and that investors must be more aware of its contents. Also, because most investors are not familiar with a prospectus/information folder and its contents, we suggest that the Fund Facts be clearer as to the reference to the prospectus/information folder. For instance, it may be useful to add the following mention in the "Information" section:

"The complete information on the fund and your rights are found in the simplified prospectus available from your representative or securities firm."

The Chamber deems that to assert their rights, it is preferable that unit holders have the in-force prospectus in hand when purchasing units in a mutual fund or the information folder as regards segregated funds. Thus, for this reason, it may be best to assess the pertinence of keeping the obligation to give the prospectus at the time of the initial purchase of the units or the information folder in the case of segregated funds.

Acknowledgement of receipt

Insofar as the Joint Forum's goal is to harmonize certain disclosure requirements applicable to the mutual funds and segregated funds sectors, the Chamber deems that signing an acknowledgement of receipt could afford greater protection to investors, namely by underlining the importance of the documents they are entitled to receive or must receive. We also think that this practice could raise the advisors' or representatives' awareness of their ethical obligation to provide pertinent information in an objective and complete manner to a client wishing to buy a financial product or service.

¹ Section 14 of the *Code of Ethics of the Chambre de la sécurité financière* stipulates that a representative must provide his client or any prospective client the explanations needed to understand and assess the product or services he is proposing or providing and section 19 of the *Regulation respecting the rules of ethics in the securities sector* mentions that a representative must provide, in an objective and complete manner, the information requested by a client as well as all information concerning the status of his investments and that which is needed to understand and assess a trade.

However, we realize that this requirement could be somewhat challenging or may create operational problems specifically for transactions over the phone in the case of mutual funds.

Right of withdrawal / cancellation

As regards the right of withdrawal/cancellation during the cooling-off period, the Chamber agrees with the new measures presented by the Joint Forum, as they are an addition to the investors' current rights.

In closing, in Quebec, given, among other things, the characteristics of the Civil Code of Quebec and the regulation made also by principle, we believe that some adaptations could be required.

We thank the Joint Forum for the opportunity to express our views on these issues.

Regards,

Executive Vice-President

A handwritten signature in black ink, appearing to read 'Luc Labelle', written in a cursive style.

Luc Labelle, M. Sc.