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We fully support the move towards a more readable and understandable document for the consumer when purchasing investment products such as mutual funds or segregated funds. We agree that the consumer is overwhelmed by the simplified prospectus and that they do not read it, therefore it is of no value and a waste of money to provide it to consumers for each sale. The concept of a simple one or two page type fund fact sheet is a good one and it is understandable that tests would show that consumers were positive about it.

While the proposal is positive overall, there are many issues and concerns that need to be considered and further consultation should be undertaken. The cost issue is something that needs to be looked at, as ultimately the consumer pays the price of these changes.

We have some concerns about the section on the fund fact regarding Risk. The fund fact sheet refers to the IFIC Risk Volatility, and the MFDA KYC requirements deal with client Risk Tolerance and suitability of the client's risk tolerance with the fund investment made. Volatility and Tolerance are not the same and how do we relate the client risk tolerance to the fund risk volatility.

We also have some concerns with the warning “ ! Don't buy this fund...”, as we feel this sort of harsh statement may mislead consumers, and cause unnecessary concerns, negatively influencing their investment choices. For example a fund on its own may not be a good choice for a person looking for a steady income stream from that one fund, but that fund may be a good choice to round out a portfolio of 5 or 6 funds that gives some growth and some income. We suggest that rather than stating “Don't buy this fund, it should be re-worded to say “As a single fund this would not be a good choice for a steady income stream”

Reply and Comments on specific questions from the Joint Forum Proposal document:

### **Questions about subsequent purchases**

1. Investors: If you make a subsequent purchase in a fund you own, we recognize you will already have received the Fund Facts. Should we consider waiving the requirement to deliver the Fund Facts for all subsequent purchases of a fund that you own or only for a certain period after the last purchase? If only for a certain period, what is a reasonable amount of time?

It is common for an investor to buy more of a fund after the initial purchase, but it may be many months or longer before that subsequent buy, and many things may have changed and therefore a new fund fact sheet should be required. If however, the subsequent buy was within a few weeks or months and a new fund facts sheet had not been issued by the fund company, then the requirement for a fund fact sheet should be waived.

2. Investors: If you are buying a fund under a pre-authorized payment plan, you will only receive the Fund Facts for the first purchase. However, information in the Fund Facts will change over time, which could influence your decision to continue buying the fund. Would you want to receive an updated Fund Facts? If so, how frequently would you want to receive the updated document?

The PAC amounts generally do not significantly impact the total amount invested, for example a fund with \$10,000 and a \$50 per month PAC would not really impact the overall decision about investing in the fund over the short term. In other circumstances where there is say no initial investment and a large monthly PAC the overall investment would be impacted more significantly over the short term. In general the decision to invest in the fund is typically for a long period of time and while the fund changes over time most changes would only be minor and not impact the decision to be invested in the fund, certainly in respect to a period of months or a couple of years. Most financial advisors review their client's portfolio every one to three years (depending on the size of the investment) and at that time a new fund facts sheet could be reviewed to determine if the investment is still a good investment for the client. At the very most a new fund fact sheet every twelve to twenty three months, or sent out with the December Statement after the first annual purchase date has past.

3. Investors: Does the other disclosure information that you can choose to receive, such as fund annual reports, provide you with enough information to make a subsequent purchase decision?

Many clients do not want such reports and even those that do receive them just throw them away and do not read them, or understand them if they did look through them. The client that does want to do their own research certainly can obtain all the information they want, and the rest would be better served just have the fund fact sheet.

### **Questions about delivery**

We are seeking comments on a number of issues relating to delivery of the Fund Facts because we recognize that the requirement to deliver the document before or at the point of sale represents a significant change to the way that mutual funds, and to some extent segregated funds, are currently sold.

We believe that a flexible approach to delivering the Fund Facts will help address the differing needs and expectations of investors while meeting our goal of providing information at the time most relevant to their investment decision. We are willing to work with industry to help make the transition in as reasonable and cost-effective manner as possible.

4. Do the delivery methods described above give investors and industry enough flexibility to make and execute investment decisions in a timely manner?

In the vast majority of cases the options for delivery by hand, fax, mail or electronic (i.e. e-mail directly to the client) are more than flexible enough to satisfy both consumers and industry needs and requirements. That is not to say it doesn't present logistical problems for advisors and dealers. Under the current system, with delivery of the simplified prospectus after the sale, an advisor who does not happen to have a copy of the document with them when they meet with the client and still meet requirements and send the document to the client after the sale and when they return to the office. With the requirement for delivery prior to or at the time of the sale, the fund facts may present some interesting challenges for advisors and may impact the choice of the investments for a consumer. An advisor would not be able to haul around a trunk full of fund facts and the sale of a fund may be delayed by a few days pending getting the client the fund fact sheet.

One solution for advisors would be to have the current fund facts on their lap top, on a CD or DVD or accessible over the internet (dealer web site or fund company website) and then print the form at the client meeting (technology is available and small portable printers can be taken to meetings anywhere).

The delivery of the fund fact sheet may change the way some business is done, and regulators may also have to change some rules to accommodate the new business environment. A client may meet with the advisor at the client's home and they may make some decisions and make some choices about investments, but because the advisor does not have the fund fact sheet he needs, the buy can not be done right then and there. The client may give the advisor a cheque and the advisor will send the client the fund fact sheet and it may take a few days for the client to get it (by mail). Then using a limited authorization form and a phone call the buy may be completed several days after the cheque date (and the date on the application or order form). So the trade date may not be the same or next business day (as required under business conduct rules currently in place SRO rules).

So while it will be a change it can work, but all players involved must be given time and opportunity to make the transition to the new business environment we will work in.

5. Are there other delivery methods or options that we should consider that are consistent with our objective of providing investors with disclosure before or at the point of sale?

There are few if any other options available, but new technology and advances in the electronic industry will make delivery easier and cheaper and present better ways to accomplish what is required.

6. Dealers and insurers: 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?

These are too difficult to answer at this point, but it will change the way we do things and the biggest hurdle for us as a dealer will be in keeping the fund facts sheets current and up-to-date and in sufficient supply to meet the demands of the advisors. As stated above the most likely method would be to have the fund facts accessible on line to print at the time of the sale at the location of the sale. (either on disk or on line) So printing costs would be an additional expense, but likely a manageable expense for dealers.

7. Investors: If your adviser did not have the Fund Facts immediately available, would you be willing to wait until you receive it to make your purchase? If you had to wait, would you be likely to choose an investment other than a mutual fund or segregated fund?

In our opinion most consumers would be willing to wait a day or two or even a few days if that is the right investment for them. The only time there would be a concern would be if and when there was a deadline, such as RRSP season, but there are ways to overcome those issues (buy a money market fund [assuming that there was a fund fact sheet available for the money market fund] and then switch to the desired fund later).

#### **Question about misrepresentation in Fund Facts for segregated funds**

8. Are there other ways to ensure investors have a meaningful remedy for any misrepresentation in the Fund Facts document for segregated funds?

No comment

#### **Question about funds with multiple classes, series or guarantee options**

We recognize that there could be many versions of the Fund Facts for a fund that has more than one class, series or guarantee option with a separate MER. We also recognize that an investor may receive only one version of the Fund Facts for the fund, based on their adviser's discretion. As a result, the investor might only be made aware of one option for them to purchase the fund. Advisers should tell investors about all the options that might be suitable.

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?

There are funds that may have several different series, but are still the same fund, same investments, same MER etc and there should be no reason that the information could not be provided on one fund fact sheet, with a section to note the differences in the series. If it is not possible to show the differences in a small section and be able to clearly indicate the variations, then they should be on separate fund fact sheets.

#### **Questions about updating the Fund Facts**

The proposed framework allows fund managers and insurers to update the Fund Facts no more frequently than quarterly. Although we want to give industry the ability to disclose reasonably current investment and performance information by allowing quarterly updates, we also want to ensure that investors can easily compare funds. A comparison might be difficult if information in one Fund Facts document is more current than information in another Fund Facts document.

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?

Most fund change on a constant basis, as the fund manages the investments and stocks are bought and sold, but the overall fund picture does not really change that significantly, especially in terms of what the consumer PICTURES the fund to be based on the fund fact sheet. There should not be a need to do a new fund fact sheet more frequently than semi annually and /or at a significant change in the fund (such as requirement for a change to the simplified prospectus filing).

11. Investors: How current do you want the Fund Facts to be? Would a document that contains investment and performance information that is no more than 6 months old meet your information needs?

A fund fact sheet that contains information and is no more than 6 months old would still be a current and acceptable fund fact sheet.

We would like to state that overall we think the proposal for a point of sale document such as the fund fact sheet is a positive step in the right direction. It is very positive to see some leveling of the field between mutual funds and segregated funds. It is a change and will force some changes to the way we do business, especially for a small dealer with advisors and clients in remote and rural areas of this country. The industry can make it work and with cooperation and a desire to make it work, it can be done. It will not be easy and it may come at a cost, and the industry needs to be able to assess the impact of the changes and the costs, but we believe it can work and will benefit not only consumers, but also the industry participants.

We look forward to working with other industry participants and regulators to move forward and do what we can to make the proposal workable and acceptable to all parties, especially for consumers.

Yours truly,

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