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VIA ELECTRONIC MAIL

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Joint Forum Project Office
Joint Forum of Financial Market Regulators
5160 Yonge Street.
Box 85, 17th Floor
North York, Ontario
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Dear Joint Forum Members,

I am writing to provide the Joint Forum with Tradex Management Inc.'s comments on proposed "Framework 81-406: Point of sale disclosure for mutual funds and segregated funds" with respect to the distribution of the proposed "Fund Facts" document. Earlier we sent the Joint Forum our comments regarding the proposed contents of the document and we would ask that you review the comments in this letter and the earlier letter jointly.

Tradex is one of the oldest mutual fund companies in Canada and is also a Member of the MFDA. As such Tradex is the principal distributor of the Tradex mutual funds and also distributes funds offered by other mutual fund companies. Therefore, we have a very strong interest in governance and communications issues related to the mutual fund industry.

It is our understanding the Joint Forum's proposal is that in all cases, except for regular pre-authorized purchase plans, a mutual fund could not be distributed to a client before the client had first been given a copy of the "Funds Facts" document. We believe that it should be mandatory for the Fact Funds document (as well as the simplified prospectus, latest Management Report of Fund Performance and latest published financial statements) to be given to a client before the initial purchase. However, requiring the Fund Facts document to be given to clients prior to subsequent purchases of a particular mutual fund would:

- Prevent many mutual fund clients from placing orders for mutual funds in a timely manner.

- Prevent mutual fund dealers from meeting their obligation to properly handle the financial needs of their clients.
- Treat the purchase of mutual funds unfairly versus the purchase of equities and other investments.

In this regard, the Joint Forum's proposal seems to not take into account the multitude of different ways in which mutual funds are distributed. Rather the Framework seems to assume that all sales (both initial sales and subsequent sales of a particular mutual fund) are made with an investment advisor meeting a client "across the desk".

Please let me explain a few of the major shortcoming with the distribution aspects of the proposed Framework through three separate scenarios (I will limit this discussion to three scenarios, although I could add more):

1. As the principal distributor of the Tradex Funds, Tradex Management Inc. receives in the mail almost every morning cheques (and other instructions) from clients directing us to purchase one or more of the Tradex Funds for their account. In many cases, these clients have been buying the Tradex funds in this manner for more than 25 years (we know of at least one case where the client has been making purchases this way for 42 years). Often these clients are retired and are visiting their children or in Florida for the winter. Therefore, we often have no way of contacting them in a timely manner. Under the proposed system we would be required to refuse to process these orders until we were able to contact the individual (who may have made dozens and dozens of previous purchases of the same fund and who receives from us every six months a copy of the Management Report of Fund Performance and financial statements for the funds as well as a copy of the prospectus once a year). We believe that if we were forced to refuse these orders we would not be acting in the best interest of these clients.
2. At present the Tradex Funds are also sold through full service brokers and discount brokers (for example, RBC Dominion Securities and TD Waterhouse). Let's assume that a client telephones an IDA broker and states the following:

"I would like to purchase 100 shares of Royal Bank of Canada stock and also to purchase \$1,000 in units of Tradex Equity Fund"

Under the proposed Framework, it is our understanding that the client service representative at the broker would be required to state:

" I will place the order for you immediately for the 100 shares of Royal Bank of Canada, but I am sorry that I cannot purchase units of Tradex Equity Fund for your account until after you receive the Fund Facts document as required by the Canadian Securities Administrators (CSA)---I will mail this document to you today. Once you have received the document please phone me back and I will complete the transaction for you."

Does the above situation seem reasonable? Why, one may ask, should a broker be able to sell 100 shares of Royal Bank stock upon telephone instructions when it cannot sell \$1,000 in units of a mutual fund? Furthermore, if the customer service representative must give a Fund Facts document for the purchase of a mutual fund, it only seems reasonable that he/she should have to give a "Stock Facts" document for the purchase of a particular stock.

3. At the present time, many of our RRSP clients purchase their funds on the last day or two before the RRSP deadline for a given year. Under the proposed Framework it would not be possible for us to process their orders in time to meet the RRSP deadline if we were required to mail the Fund Facts document to them (and have them acknowledge receipt of the document) before we could process the order. This would be a great disservice to many clients, as they would miss out on the benefits of contributing to an RRSP in a given year.

Rather than the distribution proposal put forward Framework, we believe that a better "short-term" solution would be as follows:

1. No initial sale of a mutual fund could be made until after a client received the following information-----the Fact Funds document, the simplified prospectus, the latest Management Report of Fund Performance (MRFP) and the latest published financial statements (either annual or interim). These documents could be given to the client by hand or through mail, courier, fax or e-mail. (It would not be sufficient for the dealer to simply refer the client to the Fund Company's web site to meet this requirement.)
2. Subsequently, the Fund Company would be required to send the client a copy of the Fund Facts document every 6 months (regardless of whether the client purchased more units of the Fund or not). The Fund Facts document would also highlight the fact that a great deal more information about the Fund (MRFP, financial statements etc.) can be found on the fund company's web site. The Fund Facts document would be delivered along with the client statements that are required to be sent to mutual fund clients on a regular basis.

In the short-term, we believe that the above proposal is far superior to the proposal in the Framework for the following reasons:

- It would eliminate the potential delay in processing many sales orders that the proposed system would result in.
- Prior to the initial purchase, the client would receive more information than currently proposed.
- Clients would receive information on the funds they own every 6 months thereafter regardless of whether they purchased additional units. (In this regard, our current system of "continuous disclosure" often amounts to "next to no

disclosure” since most clients of other fund companies do not receive on a regular basis a copy of a fund’s simplified prospectus, MRFP and financial statements.)

- The distribution of the Fund Facts would be combined with the distribution of regular statements. On one hand this would save fund companies money (and therefore, indirectly save investors money) and, on the other hand, clients would receive this information in conjunction with other important information they receive about their mutual fund holdings.
- There would be a “more level playing field” with respect to the distribution of information regarding the sale of mutual funds versus equities and other investment products than proposed by the Joint Forum (although with respect to the sale of equities, IDA firms would not have to send a “Stock Facts” document to purchasers).

Overall, however, we view the above as being simply a workable short-term solution. In this regard, we would strongly recommend that the Joint Forum and CSA take a much more coordinated approach in making changes regarding the regulation of mutual funds than they have in the past. We would ask that the point of sale documents, continuous disclosure documents, client relationship documents and detailed legal documents (simplified prospectus and Annual Information Form) all be reviewed in conjunction with one another so that all of the pieces fit together in a much more logical framework than is currently proposed. We believe that greater coordination by the CSA would produce a much better overall regulatory framework for the benefit of both Canadian investors and the mutual fund industry.

We thank you for the opportunity to comment on the proposed Framework and hope that our comments will be of help to you

Yours truly,



Robert C. White
President
Tradex Management Inc.