

VIA EMAIL

December 19, 2008

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services
Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Office of the Attorney General, Prince
Edward Island

Nova Scotia Securities Commission
Financial Services Regulation Division,
Newfoundland and Labrador
Registrar of Securities, Department of
Justice, Northwest Territories
Registrar of Securities, Legal Registries
Division, Yukon Territory
Registrar of Securities, Legal Registries
Division, Nunavut

Delivered to:

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Dear Sirs/Mesdames:

RE: CSA Notice 81-318 Request for Comment – Framework 81-406 Point of Sale Disclosure for Mutual Funds and Segregated Funds

The members of the RESP Dealers Association of Canada (RESPDAC)¹ are pleased to provide the Canadian Securities Administrators (CSA) with comments on implementation issues relating to the above-noted Framework. RESPDAC fully supports the efforts of the CSA to ensure that investors have access to information about their investment choices to allow them to make informed decisions.

We are aware that the Framework, as written, applies only to mutual funds and segregated funds, but we are writing to provide our support for the CSA's proposed plans to improve the overall disclosure regime for reporting issuers. We are also writing to reinforce for the CSA our past submissions that the current disclosure regime that applies to scholarship plans does not achieve the objectives of the CSA and could be described as counter-productive to the goal of ensuring that scholarship planholders understand their investment decision.

¹ The appendix to this letter provides some background information about RESPDAC for the benefit of the CSA.

In our view, the regime set out in the Framework is ideally suited for the distribution methods followed by our members and would achieve much better disclosure for prospective and existing scholarship planholders. We urge the CSA to consider including scholarship plans in the types of issuers that would follow the system referred to in the Framework. With some modifications to recognize the differences between scholarship plans and mutual funds, our planholders would be significantly better served by the disclosure system described in the Framework.

RESPDAC Support for the CSA’s Plans to Modernize Scholarship Plan Regulation

RESPDAC and its members completely support the CSA’s goal to modernize securities regulation of scholarship plans, as issuers of securities. Over the past decade, representatives of our members have met with OSC staff on a number of different occasions in order to provide staff with information about the operation of scholarship plans and the difficulties inherent in current regulation embodied in National Policy 15. Our members have also discussed with staff the issues staff have noted with our product and our industry. We know that staff share our concerns that National Policy 15 does not reflect the nature of today’s scholarship plans and, in our view, is impairing the ability of the scholarship plan industry to better enable Canadians to achieve their education goals.

RESPDAC Ideal Regulatory Model

We would like to work with the CSA, in developing a more modern and workable regulatory regime for the scholarship plan industry. Ideally, a modernized regime would be more flexible, yet would appropriately and reasonably address the risks inherent in scholarship plans through regulatory principles. The modernized regime would recognize the importance of clear and concise disclosure, as well as the need for appropriate fit and proper requirements and conduct rules for industry participants.

Our members have developed a suggested optimal modern regulatory model for the scholarship plan industry and, in July 2008, discussed this model with the executive and staff at the OSC. We propose to present this model to other members of the CSA during the first half of 2009.

The central principle of RESPDAC’s ideal regulatory model is clear, concise and relevant disclosure to investors about the plans at the point of sale. We support the system set out in the Framework and believe it would achieve our objectives of providing clear, concise and relevant disclosure to investors in our plans at the time that the planholders are making their investment decision. In our view, the current complex disclosure provided to investors after the sale has taken place as required by National Instrument 41-101² serves no one adequately – not planholders, not the investing public and not regulators. So again, we urge the members of the CSA to consider including scholarship plans in the draft CSA rules being developed to implement the Framework.

Other elements of RESPDAC’s ideal regulatory model include:

- Clear, concise and relevant disclosure about the plans to investors and the marketplace on an on-going basis through financial statements, continuous disclosure and management reports of fund performance;

² We note, however, that our members do provide prospective planholders with a copy of the prospectus for the relevant plan with the account opening materials and before the prospective planholder makes a decision. Given the length and complexity of this document, we believe that it’s very unlikely that any planholder reads the document in its entirety before making a decision, although he or she may skim the summary provided at the beginning of the document.

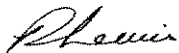
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- Appropriate licencing of industry participants through fit and proper requirements and conduct rules;
- Appropriate guidance on sales and business practices for industry participants, including disclosure about client relationships and expectations; and
- Broad principle-based rules to govern the structure of each scholarship plan (as the issuers of the securities), but only where such rules can be justified as appropriate responses to securities regulatory concerns. These rules would recognize the independent oversight over the administration of the plans by their independent review committee.

We thank you for providing our members with the opportunity to comment on the Framework and implementation issues as it relates to industry participants regulated by the CSA. Should you have any questions or wish to discuss our comments, please contact James Deeks, the Executive Director of RESPDAC at 416-689-8421 or jimdeeks@gmail.com.

Yours very truly,

THE RESP DEALERS ASSOCIATION OF CANADA



Peter A. Lewis
Chair
RESPDAC

BACKGROUND – RESPDAC

The members of RESPDAC are the four leading providers of group (or pooled) registered education savings plans (RESPs) in Canada, each of which offer various types of scholarship plans, all of which are offered by prospectuses filed in each province and territory of Canada:

- C.S.T. Consultants Inc.
- Children’s Education Funds Inc.
- Heritage Education Funds Inc.
- USC Education Savings Plans Inc.

Together, these four companies represent over \$6.7 billion in assets under management. In total, our members paid out over \$160 million in Education Assistance Payments to more than 58,000 Canadian post-secondary students in 2007. More than 4,000 Canadians work with or for our member companies in various executive, sales, support and administration capacities. Subscribers in the scholarship plans operated by our members live in each province and territory of Canada. A large proportion of our subscriber base is made up of low-and middle-income families—a segment of the Canadian population that we believe is underserved by mainstream financial institutions. We are very proud of the work we do, and, more importantly, of the beneficial services that we provide to thousands of Canadian families and to the overall Canadian economy.

RESPDAC was formed in 2000, to represent its members in dealings with provincial and territorial securities regulators and federal agencies that oversee the RESP and CESG legislation. We have established rules and procedures for our members and we strive to increase the understanding of scholarship plans among regulators, governments, the media and the public.

We are pleased to have worked on several initiatives of interest to provincial securities regulators during the last several years, including:

- providing our association’s comment on National Instrument 41-101 *General Prospectus Requirements* in which we expressed the view that a simplified prospectus regime along the lines of that available to mutual funds would provide more clear and understandable disclosure for prospective investors in scholarship plans;
- developing an industry Code of Business Conduct and Code of Sales Practices, which has been adopted by RESPDAC members;
- assisting the CSA to understand the continuous disclosure needs of scholarship plan holders in the context of the CSA’s work to develop National Instrument 81-106;
- developing proficiency courses and examinations for RESP sales representatives and branch managers, which we note have been recognized by the CSA as the industry standard in proposed National Instrument 31-103;
- providing our association’s comments on proposed National Instrument 31-103 *Registration Requirements* – both the first and second versions, as well as the draft legislation proposed by the Ontario government; and
- Commenting on the OSC’s draft Statement of Priorities for the year ending March 31, 2009 and providing our support for the CSA’s planned revision of National Policy No. 15.