

VIA EMAIL

December 23, 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
Nova Scotia Securities Commission
Office of the Attorney General, Prince Edward Island
Financial Services Regulation Division, Consumer and Commercial Affairs Branch,
Department of Government Services, Newfoundland and Labrador
Registrar of Securities, Government of Yukon
Registrar of Securities, Department of Justice, Government of the Northwest Territories
Registrar of Securities, Legal Registries Division, Department of Justice, Government of
Nunavut

Attention: John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West, Suite 1903, Box 55
Toronto, ON M5H 3S8

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22^e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3

Dear Sir/Madame:

**Re: CSA 81-318 Request for Comments on Framework 81-406
Point of Sale Disclosure for Mutual Funds and Segregated Funds**

Franklin Templeton Investments Corp. ("FTI") welcomes the opportunity to make a submission with respect to Framework 81-406 – Point of Sale Disclosure for Mutual Funds and Segregated Funds (the "Framework").

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FTI is a wholly owned subsidiary of Franklin Resources, Inc., a global investment organization operating as Franklin Templeton Investments. Through its subsidiaries, Franklin Templeton Investments provides global and domestic investment advisory services to the Franklin, Templeton, Bissett, Mutual Series, Franklin Templeton and Quotential funds and institutional accounts. In Canada, FTI has more than 700 employees providing services to more than one million unitholder accounts and more than 200 pension funds, foundations and other institutional investors.

FTI supports the attempt by the Joint Forum of Financial Market Regulators (the “Joint Forum”) to provide investors with simple, clear and meaningful disclosure. FTI also appreciates that the Joint Forum has taken into consideration some of the comments received on the June 2007 version of the Framework (the “2007 Framework”). However, we do have concerns with the Framework in its current form. Our comments/concerns are as follows:

1. Delivery Requirements

(a) Competitive Disadvantage

As noted in our comment letter on the 2007 Framework, we believe that the requirement to deliver the two page fund summary document (the “Fund Facts”) before or at the point of sale would put mutual funds at a competitive disadvantage to many other investment products and may cause dealers or investors to move to the purchase of these other products. This would create an unfair selling advantage for other products that may be less regulated and less beneficial to investors than mutual funds.

In addition to product arbitrage, the requirement to deliver the Fund Facts documentation before or at the point of sale would put independent fund companies that rely on third party distribution at a competitive disadvantage since dealers may not want to manage such a large volume of documents and therefore may reduce the number of funds or series that they offer. This would correspondingly reduce the choice of funds or series provided to investors.

To the extent that the Canadian Securities Administrators (the “CSA”) proceeds with the requirement to deliver the Fund Facts documentation before or at the point of sale, we respectfully submit that these delivery requirements should be simultaneously imposed on other products such as exchange traded funds, closed end funds, hedge funds, securities listed on exchanges, etc. This will: (i) prevent mutual funds from being a test case for the new legislation; (ii) create a level playing field whereby all products are subject to the same disclosure requirements, which will in effect negate the competitive disadvantage placed on mutual funds; and (iii) extend the benefits of this legislation to all products, thereby enhancing investor protection.



(b) Loss of Investor Choice

Mandating when investors receive the Fund Facts document eliminates investors' choice to receive the document before or after their advisor completes the transaction. For example, as acknowledged in the Framework with respect to subsequent purchases, investors may not have ready access to a fax machine or computer to receive the Fund Facts document when the transaction is completed by telephone. Therefore, investors should be able to choose to receive the Fund Facts document at a time that is convenient for them.

As mentioned above, dealers will likely narrow the shelf of fund families that they carry as a practical consequence of the volume of Fund Facts documents. In addition, investment advisors may physically carry less Fund Facts documents with them when meeting with their clients. Moreover, as discussed above, advisors may support other products that are easier to sell to their clients on short notice. All of this results in less choice for investors.

Accordingly, we urge the CSA to consider this issue further and the negative impact the proposed delivery requirement would have on the industry and investors. We recommend that where practicable, the Fund Facts document should be delivered at the point of sale. Where it is not practicable to deliver it at the point of sale, the Fund Facts document should be delivered as soon as possible after the point of sale but no later than the mailing of the related trade confirmation to the investor.

(c) Method of Delivery

We appreciate that the Framework provides for electronic delivery of Fund Facts. However, the Framework requires that an email be sent to the investor that either provides a copy of the Fund Facts, a link to the Fund Facts or directs the investor to the Fund Facts on the manager's website. We submit that making the Fund Facts document available on the manager's website should be sufficient to satisfy the delivery requirements. Providing investors with an email should not be required since it is layering additional compliance requirements on what, as discussed below, is already a compliance laden rule.

(d) Waiver of Delivery

As noted in our comment letter on the 2007 Framework, there is no provision in the Framework for investors to waive receipt of the Fund Facts. We respectfully submit that the first time an investor transacts with their investment advisor for the purchase of a mutual fund, the investor should be given the Fund Facts for such fund as well as the option to waive delivery of the Fund Facts for all future purchases of any fund.



We appreciate that the ability to waive receipt of future Fund Facts should not be taken lightly. Therefore, in order to exercise this option, investors should have to take a proactive step and provide their dealer with a written document waiving receipt of future Fund Facts documents. For example, dealers could provide investors with a form of waiver at the time of account opening for their consideration and if an investor so chooses, the investor can then return the waiver to their dealer no sooner than 7 days following the account opening. If an investor chooses this option, the investor should still be able to obtain any Fund Facts free of charge at any time in the future.

2. Exemptions from Pre-Sale Delivery Requirements

(a) Advisor Recommended versus Investor Initiated

The Framework delineates between advisor recommended trades and investor initiated trades but does not provide guidance as to what constitutes “advisor recommended” or “investor initiated”. We respectfully request that the first draft of a rule clearly define these terms.

(b) Accredited Investors

We believe that the Fund Facts delivery requirement should not apply to accredited investors. One of the guiding principles of the Framework is that the Fund Facts should be delivered if an investor may not be in a position to make an informed decision about investing in a fund. Accredited investors are in a position to make an informed decision - they are sophisticated and are familiar with the information contained in the Fund Facts.

3. Fund Facts

(a) Series

The Framework contemplates that one Fund Facts document will have to be produced for each class or series of a fund. We believe that the sheer volume of documents produced would lead to administrative difficulties at the fund manager level, the dealer level and the salesperson level and could potentially lead to errors in delivering the correct Fund Facts to an investor. In addition, as mentioned above, the narrowing of dealer shelves due to the high volume of Fund Facts documents will result in loss of choice to the investor. Moreover, while we appreciate that the Framework is trying to achieve a document that allows investors to easily compare funds, advancing one Fund Facts document per series may not achieve that goal since different fund managers use different letters of the alphabet to name their series which may make any comparison of funds from different fund families confusing. Furthermore, we believe that it is possible to combine different series into one Fund Facts document without unduly lengthening it. For example, the graph showing the year-by-year returns in the “How has the fund performed section” could present the returns of different series with different bars in the



same graph. This would not be confusing for investors and would still be easy to understand. Accordingly, we respectfully submit that the Fund Facts should be created at the fund level and not at the series level.

One of the guiding principles outlined in the Framework is that the Fund Facts should be flexible enough to accommodate different kinds of funds and to allow fund managers to describe their funds accurately. Thus, to the extent that the CSA proceeds with the requirement to produce a Fund Facts document at a series level, we recommend that this flexibility be extended to allow fund managers to combine more than one series in a Fund Facts document where practicable and to affix more than one series together where it is reasonable to do so. For example, many fund managers have two series of a fund that are virtually identical except for the fact that one series is designed for investors seeking regular monthly cash flow. Since all other material terms of these series are the same, we urge the CSA to allow fund managers to combine these series into one Fund Facts document which outlines the material terms and highlights the differences.

(b) Page One

In the section entitled "How has the fund performed?", the language introducing the 10 year performance chart states that "There were three years when people who owned this fund lost some of the money they had at the start of the year". We do not think that stating that people lost some of their money is a fair representation. We believe that it would be more accurate to state that "There were three years when the value of an investment in this fund declined".

We also recommend that the Fund Facts allow fund managers to include an optional section in which they can include additional information that they feel is relevant disclosure for investors. For example, fund managers may feel that it is important to disclose the tax benefits of investing in corporate class funds.

(c) Filing Requirements

In addition to preparing the Fund Facts documents, fund managers will still have to prepare and file the simplified prospectus, annual information form, financial statements and management reports of fund performance according to current practice. The Framework states that the CSA will be reviewing the entire disclosure regime for mutual funds to determine whether it can be streamlined. While we appreciate the regulators acknowledging that there may be room to rationalize the current disclosure documents, we urge the regulators to complete this task at the same time as the Fund Facts legislation is ready for implementation so that the costs associated with preparing the current disclosure documents would be reduced, which would in turn result in savings to the fund investors.



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4. Compliance

The Framework states that dealers will not be required to have investors acknowledge receipt of the Fund Facts but may impose their own requirements as part of their compliance policies and procedures for delivery obligations. Thus, although the Framework does not specifically mandate obtaining a written receipt of the Fund Facts by investors, as currently structured, the Framework will effectively require dealers to track, at minimum: (i) the delivery and receipt of the Fund Facts, (ii) whether a trade was "advisor recommended" or "client initiated", (iii) whether the trade was an initial or subsequent trade in a fund, and (iv) whether the trade was for a money market fund. As a result, dealers may ask investors to sign an acknowledgement which, when added to all of the other paperwork required of mutual fund investors, may influence them to invest in a different product. These numerous compliance challenges will make the implementation of the Framework taxing on, and costly for, both dealers and investors.

Thank you for your consideration of this submission. Please feel free to contact my colleague Robyn Mendelson at 416.957.6051 or me at 416.957.6010 or should you have any questions or wish to discuss our submission.

Yours truly,

FRANKLIN TEMPLETON INVESTMENTS CORP.

Brad Beuttenmiller
Senior Vice-President & Chief Counsel, Canada

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