

December 23, 2008

To: British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers du Quebec  
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

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

Broadridge Investor Communications Corporation (Broadridge) is pleased to submit this document in response to CSA Notice 81-318 *Request for Comment* on Framework 81-406 *Point of Sale Disclosure for Mutual Funds and Segregated Funds*, released on October 24, 2008 (the “Framework”).

We agree with, and continue to support, the Joint Forum in its efforts to improve the financial services regulatory system and the principle of informed investor decisions.

As we stated in our previous comment letter, dated October 15, 2007, concerning the proposed framework released on June 15, 2007, there is technology available for the creation, production, distribution, delivery, tracking and auditing of the Fund Facts document (“Fund Facts”).

Broadridge has been an industry leader, through the use of technology, in providing investor communication services in the financial marketplace since 1987. Our investor communication services include securityholder communications, delivery of documents in compliance with regulatory requirements, and transaction reporting. We service over 230 banks, brokers, and dealers and the majority of the participants in the mutual fund industry in Canada. Unique to Broadridge is its industry, regulatory and data processing expertise. Clients rely on Broadridge for products and services that assist them in complying with industry laws and regulations.

Broadridge offers the following comments on the proposed Framework from the perspective of a technology provider to the industry.

#### **A. Delivering Fund Facts based on Document History versus Holdings History**

One of the key principles of the Framework is that an investor be provided with current information about a fund, in order to make informed investment decisions. However, the Framework contemplates providing “new” information to an investor on a “holdings” and not a “document” basis. Fund Facts documents must be delivered in respect of an initial purchase of a fund, and are not required to be delivered in respect of a subsequent purchase or a switch into a fund already held in an investor’s account. In other words, whether a Fund Facts document is delivered or not is based on the funds held by the investor, rather than the document that the investor has already received. This creates a situation where the investor may not receive current information.

The Framework notes that certain industry and investor commentators suggested that delivering Fund Facts to an investor again for a subsequent purchase would be unnecessary, unless there has been a material change to the fund. The Framework indicates that the Joint Forum “agrees with these comments” and has “eliminated the requirement to deliver Fund Facts for subsequent purchases.” However, the Framework does not specify whether a Fund Facts document is required to be delivered for a subsequent purchase if such document has been amended due to a material change. If there is no requirement to deliver an amended Fund Facts document for a subsequent purchase, we note that this approach may not be consistent with the principle of providing investors with the most up-to-date information in connection with a purchase of fund securities.

The following table offers a comparison of the Fund Facts documents (“FF”) investors would receive under a “Holdings” versus “Document” based delivery requirement:

#### **Scenario 1:**

<b>Repurchasing Units</b>	<b>“Holdings” based delivery</b>	<b>“Document”<sup>*1</sup> based delivery</b>
<b>Step 1</b> Investor makes initial purchase of XYZ Fund	Investor receives FF document	Investor receives FF document
<b>Step 2</b> Investor sells all units and has no holdings	Delivery N/A	Delivery N/A
<b>Step 3</b> Investor repurchases units of XYZ Fund	Investor receives FF document	FF Delivery <b>only if</b> new FF filed
<b>Investor Impact:</b>	Redundant FF	No FF necessary

<sup>1</sup> Current simplified prospectus delivery is document-based, not holdings-based.

In scenario #1 above, as contemplated by the Framework, the investor will receive the same Fund Facts twice (unless there has been an amendment to the Fund Facts) between the time of the original purchase and the time of the subsequent purchase. This requirement adds unnecessary costs to the dealer.

**Scenario 2:**

<b>Fund Facts Amendments</b>	<b>“Holdings” based delivery</b>	<b>“Document”<sup>2</sup> based delivery</b>
<b>Step 1</b> Investor makes initial purchases of XYZ Fund	Investor receives FF document	Investor receives FF document
<b>Step 2</b> XYZ Fund files amended FF	Delivery N/A	Delivery N/A
<b>Step 3</b> Investor makes a subsequent purchase of XYZ Fund	No FF Delivery	Investor receives FF document
<b>Investor Impact:</b>	Uninformed Decision	Informed Decision

In scenario #2, the investor would not receive the updated Fund Facts for purchasing additional units of Fund XYZ. In order for investors to receive the most up-to-date version of the Fund Facts for fund securities purchased, we recommend that Fund Facts delivery be “suppressed” based on document history – i.e., suppress delivery if an investor has previously received the current Fund Facts. This is presently done for the delivery of simplified prospectuses.

As current securities legislation requires delivery of the simplified prospectus on a “document” level, we submit that requiring Fund Facts to be delivered also on a “document” level would make the Framework less disruptive. The method of suppressing the delivery of prospectus documents when an investor has already received a current version has been a proven standard for the past five years, and ensures that investors receive the current document only when required, thus lowering costs for dealers.

**B. Changes to Current Prospectus Delivery Requirements**

The Framework indicates that “the existing delivery requirements will be amended to allow dealers to meet their delivery obligation for the simplified prospectus by delivering only the Fund Facts.” Currently, subsection 5.1(3) and section 5.2 of National Instrument 81-101 provide specific restrictions in respect of the documents that may be bound to a simplified prospectus, and the order of such bound documents. We recommend with respect to the delivery of Fund Facts to an investor with a trade confirmation that, consistent with current accepted practice, one be permitted to bind or package all the Fund Facts for all the funds purchased by the investor on a given day with the trade confirmation with respect to those purchases. Providing the material in this manner facilitates (i) a good investor experience because the investor receives a relevant personalized package of all their transactions on a single day<sup>3</sup>; and (ii) it has the potential to reduce the cost of printing and postage for dealers.

<sup>2</sup> Current simplified prospectus delivery is document-based, not holdings-based.

<sup>3</sup> Qualitative research was conducted with Canadian investors to review prospectus document delivery (February 2004).

Furthermore, the Framework states that “dealers will have to deliver the simplified prospectus to investors only on request.” We seek clarification on whether “on request” refers to an account-level opt-in for prospectus to be sent with the trade confirmation, or an ad hoc request for a prospectus.

### **C. Methods of Delivery**

We note that the Framework indicates that delivery could include... “directing the investor to the relevant Fund Facts on the fund manager’s or insurer’s website.” We recommend that the Canadian Securities Administrators clarify whether this means providing an Internet “link” that takes the investor to a copy of the Fund Facts, and/or providing a series of instructions for the investor to access the Fund Facts on the Internet.

### **D. Investor Options**

The Framework contemplates various options to be given to an investor in respect of the delivery of Fund Facts to the investor. For example:

1. Whether to receive Fund Facts before or at the point of sale, or with the trade confirmation for money market funds, recommended by an adviser;
2. Whether to receive Fund Facts before or at the point of sale, or with the trade confirmation for all types of funds where the purchase was initiated by the investor;
3. Whether to annually receive the applicable Fund Facts for all the funds held by the investor;
4. Methods of receiving Fund Facts; and
5. Whether to receive the simplified prospectus for the funds held by the investor.

We ask the Canadian Securities Administrators to provide clarification on whether an investor’s preference with respect to the above will be per individual request basis, or whether the investor’s preference will be in the form of standing instructions for the investor’s account.

### **E. Format of Fund Facts**

The Framework states that “fund managers and insurers may produce the Fund Facts in colour or in black and white.” For Fund Facts that are produced in colour, we seek clarification on whether dealers may also have the choice of delivering the Fund Facts in colour or in black and white. We recommend that dealers be given this choice, as it would be difficult to deliver colour Fund Facts through all contemplated delivery methods (e.g. facsimile).

We appreciate the opportunity to comment on the Framework and remain in support of the Joint Forum in its goals to improve the financial services regulatory system. We welcome the opportunity to further discuss this Initiative.

Yours truly,

“Patricia Rosch”

Patricia Rosch  
President