

Via Email

May 29, 2009

Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario
M5H 3S8

Attention:
Robert Day
Manager, Business Planning
rday@osc.gov.on.ca

Dear Sirs/Mesdames:

RE: OSC Notice 11-762 (Revised) Request for Comments Regarding Statement of Priorities for Fiscal Year Ending March 31, 2010

The members of the RESP Dealers Association of Canada (RESPDAC) are pleased to provide the Ontario Securities Commission (OSC) with comments on the above-noted draft Statement of Priorities for the OSC's current fiscal year ending March 31, 2010.

We are writing to provide our continued support for the OSC's proposed plan to *publish for comment proposals designed to modernize the rules governing scholarship plan operations and enhance the disclosure provided to scholarship plan holders*, as outlined under the OSC's Goal 3 – *Champion investor protection, especially for retail investors*.

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 \$7.3 billion in assets under management. In total, our members paid out over \$183 million in Education Assistance Payments to more than 62,000

Canadian post-secondary students in 2008. 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.

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

RESPDAC and its members completely support the OSC’s goal to modernize securities regulation of scholarship plans, as issuers of securities. In particular we are in complete support of the OSC’s plans to enhance the disclosure given to scholarship plan holders and are very pleased to see that disclosure has been added to the OSC’s priorities surrounding scholarship plans. In our view, clearer, more concise disclosure to subscribers at the point of sale, in substitution for today’s cumbersome, voluminous prospectus is key to enhancing better understanding by subscribers of their options concerning scholarship plans.

Last year we submitted our letter of support¹ for the OSC’s plan to develop revised regulation for scholarship plans, which plan was part of the Statement of Priorities for the OSC’s fiscal year ended March 31, 2009. Since our 2008 letter of support, RESPDAC and its members have worked to develop an outline of an ideal modernized regime for scholarship plans and its industry participants. We enclose a copy of the RESPDAC ideal regulatory regime.

We presented our ideal modernized regime to the senior executive and staff of the OSC in a meeting held in July 2008. We also met with OSC Investment Funds staff in April 2009 to discuss our proposals for a revised regulatory regime in more detail. With the encouragement of staff, we intend to supply the staff with an outline of a proposed point of sale document that would have many of the characteristics of the CSA’s proposed point of sale document intended for mutual funds. The scholarship plan point of sale document would also recognize the existence of the proposed relationship disclosure document expected to be mandated for scholarship plan dealers with the coming into force of National Instrument 31-103. We also intend to provide staff with an outline of the industry’s suggestions for revising the investment restrictions that would be applicable to the management of the assets of scholarship plans.

This spring we presented our ideal regulatory model also to the executive and staff of each of the securities commissions in British Columbia, Alberta, Nova Scotia and New Brunswick and we are scheduling a meeting with the applicable staff in Quebec (and possibly Manitoba). In this way, we hope to provide staff with the necessary information about the scholarship plan industry and to demonstrate our commitment to ensuring appropriate and consistent regulation. As we noted in our 2008 letter in support of the OSC’s priorities, our members are fully prepared to assist staff and provide feedback as requested on staff proposals as the OSC works towards meeting the OSC’s goals for its fiscal year ending March 31, 2010.

¹ RESPDAC’s letter was dated May 29, 2008.

We thank you for providing our Members with the opportunity to comment on the draft Statement of Priorities. 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 jdeeks@respdac.com.

Yours very truly,
THE RESP DEALERS ASSOCIATION OF CANADA

“Paul Renaud”

Paul Renaud
Chair
RESPDAC

“James Deeks”

James Deeks
Executive Director
RESPDAC

**REGISTERED EDUCATION SAVINGS PLAN DEALERS ASSOCIATION OF CANADA
[RESPDAC]**

**Regulation of Scholarship Plan Industry
by the Canadian Securities Administrator**

Overall RESPDAC Submission

Securities regulators must focus on the risks raised by scholarship plans and determine how those risks can be minimized through:

- Disclosure
- Registration/regulation of participants
- Regulation of administration of Plans

RESPDAC Risk Analysis

1. Risks associated with sales practices can be minimized through:
 - Registration/regulation of industry participants
 - Proposed Relationship Disclosure Document (RDD)
 - RESPDAC Code of Ethics and Code of Sales Practices
 - Regulation of marketing practices and sales communications
 - Client complaint process, dealt with at a company level and through OBSI
2. Risks associated with lack of investor understanding about the product and the commercial terms of their contract can be minimized through:
 - Disclosure at POS and on a continuous basis
 - Proposed RDD
 - Enhanced educational information on RESPDAC and member websites
3. Risks associated with the administration of the Plans can be minimized through
 - Registration/regulation of industry participants
 - Audits of Plan financial statements
 - Custody of Plan assets
 - Independent oversight of COI management

4. Risks associated with capital repayments and funding for Education Assistance Payments, as contracted for by plan participants can be minimized through:
- Reasonable restrictions on investments
 - Professional money management by registered advisers
 - Risk disclosure
 - Custody of Plan assets
 - Independent oversight of COI management

RESPDAC Recommended Regulatory Approach

1. Regulation of industry participants
- Registration, with “fit and proper standards” and “conduct rules” tailored to RESP industry
 - Managers/administrators
 - Portfolio managers (generally 3rd party)
 - Dealers
 - Adherence to RESPDAC Code of Ethics and Code of Sales Practices
 - Consumer complaint procedures
 - Regulation of marketing practices and sales communications
2. Clear, concise and plain language disclosure at Point of Sale:
- Focus on information important to new subscribers, including clarity on fees
 - Registrant relationships through the proposed Relationship Disclosure Document, tailored to Group RESP industry, including dealer compensation
 - Essential elements of the Plans described in a streamlined point of sale document, with a longer more detailed prospectus (foundation document/annual information form) available on request. Financial statements and MRFPs incorporated by reference into prospectus document, but not delivered at POS
 - Information about the grant programs (provincial and federal) to be provided by individual companies, but not part of the prospectus or point of sale document
 - Recognition of subscribers’ contracts (individual companies to ensure simple and plain language)
 - Enhanced educational information provided on RESPDAC and member websites

RESPDAC – ADREEEC

3. 60-day “cooling off “ period, with return of subscriptions to date and fees paid
 - Clear disclosure of the cooling off rights
4. Clear, concise and plain language disclosure of administration of Plans *after* POS:
 - Subscribers’ contracts
 - Confirmations
 - Annual account statements
 - NI 81-106 mandated documents, with additional tailoring as necessary
5. Administration of Plans
 - Management of conflicts of interest and independent oversight of COI through NI 81-107
 - Reasonable restrictions on investments (updated from NP 15) and reliance on professional money managers (registered advisers)
 - Custodianship of assets through NI 41-101
 - Audited financial statements of each Plan
 - Actuarial confirmation of subscription schedule