

VIA E-MAIL

October 14, 2009

John Stevenson, Secretary
Ontario Securities Commission
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Dear Mr. Stevenson,

Re: REQUEST FOR COMMENT – PROPOSED FRAMEWORK 81-406

BMO Investments Inc. ("BMOII"), a member of the Mutual Fund Dealers Association of Canada and fund manager of BMO Mutual Funds, welcomes the opportunity to provide comments with respect to Proposed Framework 81-406, *Point of Sale Disclosure for Mutual Funds and Segregated Funds* (the "Framework"). BMOII generally supports the comments made by the Investment Funds Institute of Canada (IFIC) in their letter dated October 14, 2009. In addition to supporting IFIC's comments, the purpose of this letter is to identify and provide context to some of the specific concerns BMOII has with the implementation of the Framework.

Production of the Fund Facts

We agree that investors should be provided with disclosure information that conveys the salient features of an investment product, better informing their decision to invest.

According to Section 4.1.5(1) of the Framework's Companion Policy, it is suggested that the permitted bundling of Fund Facts will be limited to 10 documents per package. We would recommend that fund managers should be permitted to bind their fund facts with those of other funds that are under common management. We would also suggest that all funds that are purchased by an investor on a given day should be bound and packaged with the trade confirmation for those purchases, regardless of the number of purchases made.

With respect to electronic delivery of the Fund Facts documents, Section 5.4.2 of Schedule 2 to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* suggests that if a fund facts document is delivered electronically, the document must not be attached to or bound with another fund facts document. We believe that bundling all of the fund facts documents that are appropriate to the client's investment profile would both facilitate delivery in electronic transmission and document management and review by the client. Investors who have access to all relevant fund facts documents in a single email can more easily compare the information provided for each of the funds, much more so than if the Fund Facts documents were transmitted on an individual basis in a single email.

Section 4.1.3 of Schedule 2 to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* states that a fund facts document must be prepared for each class and each series of securities in a mutual fund. We believe, however, that fundamental to a client's decision to invest is the availability of accurate information delivered in a format that permits ease of comparison between

investment products. We therefore recommend that this rule be drafted more flexibly, to allow for the different series of a fund that are similar to be included in the same fund facts document. Allowing preparation of the fund facts documents at the level of each fund (as opposed to for each class or series even where there is no material differences between them) would still achieve this goal, as the investment objectives, strategy and structure of a fund are set at this level. As well, by including consolidated fees and expenses information for each series of a fund, investors will have a more comprehensive document that ultimately provides a more complete picture of the fund and their investment options. Finally, a fund facts document prepared at the fund level would be less costly for mutual fund dealers to produce and for mutual fund managers to prepare, ultimately incurring fewer costs that will be passed on to investors.

In response to the guidelines outlined at Section III.3, p.22, we recommend that the risk disclosure that must be included in the fund facts documents should be of the same nature as the disclosure required to be provided in the Simplified Prospectus of a fund. Similarly, we recommend that the Framework be amended so that fund managers are required to draft fund facts documents in 'plain language', in keeping with the requirements of existing disclosure regimes. The aim should be to draft the fund facts in language that is easily comprehended by investors, instead of prescribing a required Grade-level (as per Section III.1, p.18). To require a certification of grade level for every Fund Facts would be onerous and may delay the timely updating of Fund Facts documents.

Further to the point of appropriate content for the funds facts documents, we recommend that the Management Expense Ratio for a fund be disclosed to investors on a net basis, in keeping with the manner used in the Management Reports of Fund Performance (MRFP). We also recommend against disclosing the sales charges and ongoing fund expenses in dollar value, with the view that providing this information to investors in percentage terms is equally comprehensive and useful to investors.

Finally, we recommend that the Framework should be amended to limit the number of times the fund facts must be reproduced. Keeping the renewal of the fund facts to a minimum will ensure consistency across all disclosed information required for the funds. Fund facts information should be required to be consistent with the information which has been disclosed by the most recently filed annual MRFP (S. II.1. p.8).

Delivery of Fund Facts

In keeping with the widespread sentiment amongst members of the Mutual Fund Industry, and consistent with the position taken by the Investment Funds Institute of Canada, we support a two-stage implementation of the Framework –the first stage being production of the fund facts documents, while the second stage should be an extended implementation period for the Framework's fund facts delivery requirements.

It is expected that meeting the pre-sale fund facts delivery requirements will present major challenges to Mutual Fund managers and dealers. For this reason, we strongly recommend that the requirement for pre-delivery be removed. The prescriptive approach to delivery provided in the Framework does not accommodate the variety of investor types and investment styles that exist. For example, a significant proportion of BMOII's sales are conducted by telephone, which raises questions as to how contemporaneously deliver fund facts documents without needlessly inconveniencing our clients by interrupting the transaction to deliver the fund facts document before resuming the sale.

We recommend a delayed implementation of the pre-sale delivery requirements because actual testing of this sales method would permit a better understanding of how this delivery requirement can permanently and successfully be built into the mutual funds sales process. It is still unclear to Mutual Fund industry members how to build a compliance regime that will cater to the new requirements of the Framework. For example, compliance regimes will need to be rebuilt to

include procedural steps that will track whether a purchase was initiated by the advisor or the investor and whether the purchase is an initial or a subsequent purchase of a Fund, to name just a few of the new requirements under the Framework. The means of meeting these new requirements and the costs that this will incur to investors and Mutual Fund industry members is still unclear.

Another element to the Framework which will require accommodation by industry compliance systems is the concept of "bringing the fund facts to the attention of the investor", as referred to throughout the Framework. BMOII has recommended in past submissions to the CSA that this requirement would be satisfied by an 'access equals delivery' approach, achieved by directing an investor's attention to the relevant Fund Facts documents on the fund manager's website. As this concept is new, Mutual Fund industry members will need some time to implement the concept into their sales processes, to test how this requirement can be satisfied and to develop new compliance tracking systems.

We agree with the proposal to allow delivery of the Fund Facts document with the confirmation of trade where the investor has indicated their wish for the immediate completion of the purchase, and where it is not practicable for the dealer to deliver the Fund Facts in advance of the purchase (S.II.4, p.13).

Ultimately, we believe that a consultation between the CSA and the Self-Regulatory Organizations, such as the MFDA and IIROC, would add valuable insight to the CSA's next revision of the Framework, particularly with respect to the delivery and compliance requirements of the Framework. We recommend that a final review of the Framework should be undertaken after all policy directions are determined and prior to publication to assess their implications from a cost and compliance standpoint for all stakeholders.

BMOII appreciates the opportunity to provide feedback on the Framework. We are in favor of a comprehensive, standardized fund summary document and we look forward to receiving guidance regarding its implementation into the sales process so that it can enhance the investors' experience with our products. Please do not hesitate to contact the undersigned regarding any of these comments.

Yours very truly,



Linda Knight
President
BMO Investments Inc.