

VIA EMAIL

October 16, 2009

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
Registrar of Securities, Prince Edward
Island

Nova Scotia Securities Commission
Superintendent of Securities,
Newfoundland and Labrador
Registrar of Securities, Northwest
Territories
Registrar of Securities, Yukon Territory
Registrar of Securities, Nunavut

Delivered to:

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Dear Sirs/Mesdames:

RE: Proposed Amendments to National Instrument 81-101 Mutual Fund Prospectus Disclosure, Forms 81-101F1 and 81-101F2 and Companion Policy 81-101CP Mutual Fund Prospectus Disclosure and Related Amendments – Published for Comment on June 19, 2009

The members of the RESP Dealers Association of Canada (RESPDAC)¹ are pleased to provide the Canadian Securities Administrators (CSA) with this letter confirming their overall support for the CSA's efforts to ensure that investors in mutual funds and other related investment products have access to information about their investment choices to allow them to make informed decisions. We note that we earlier provided similar support to the CSA in connection with Framework 81-406 through our letter dated December 19, 2008.

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. Currently scholarship plans are required to prepare prospectuses under

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

the “long-form” prospectus form provided for investment funds in National Instrument 41-101 *General Prospectus Requirements*. Scholarship plans are not permitted to incorporate any continuous disclosure documents by reference in the prospectus, but are required to attach the latest financial statements and management report of fund performance at the end of the prospectus. As a result the prospectuses for scholarship plans, notwithstanding the significant efforts of the members of RESPDAC to simplify and streamline the disclosure while still complying with the applicable prospectus form, are well over 100 pages long once commercially printed. 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.

RESPDAC’s Ideal Regulatory Model

During 2008/9, RESPDAC members were pleased to present our proposals for an “ideal” modernized regulatory regime for scholarship plans to the staff and, in some provinces, also the executive, of the securities regulators in British Columbia, Alberta, Quebec, Nova Scotia, New Brunswick and Ontario. We are scheduled to meet with the staff of the Manitoba Securities Commission at the end of October to present our proposals.

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 amendments to National Instrument 81-101 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.

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;
- 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.

² We note that our members currently 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.

RESPDAC's Disclosure Proposals for Point of Sale

We have provided the staff of the above-noted securities commissions with our proposals for a summary document that is tailored to the unique characteristics and needs of scholarship plans and their investors. Our proposal for a RESP facts document was informed by, and is consistent with the proposals of the CSA for mutual funds as contained in the proposed amendments to National Instrument 81-101.

The central principle informing our proposals is that a subscriber for a scholarship plan must be given the tools to allow for reasonable comprehension of the important facts concerning their potential investment, as well as their relationship with the sales representative of the applicable dealer. These tools must:

- (a) Provide subscribers with key information about a scholarship plan
- (b) Provide the information in a simple, accessible and comparable format
- (c) Provide the information before the subscriber makes his or her decision to enter into a scholarship plan contract.

Subscribers need disclosure that can give them a basic and correct understanding of the potential benefits, risks and costs of entering into a scholarship plan contract and to be able to meaningfully compare one scholarship plan to another.

Accordingly, RESPDAC recommends the following:

1. Each scholarship plan would prepare a point of sale document, which would be given to a potential subscriber before he or she makes a decision to enter into a contract. The point of sale document for a scholarship plan would be entitled RESP Facts (the Facts document).
2. Scholarship plan dealers would prepare relationship disclosure information (RDD) that would contain the information mandated by National Instrument 31-103.
3. The Facts document and the RDD would not overlap or duplicate information.
4. Sales representatives would be trained by dealers to go over the points in the Facts document and the RDD with the subscriber before the subscriber enters into a scholarship plan contract.
5. The account opening forms to be executed by the subscriber would contain an acknowledgement from the subscriber that he or she has received the Facts document and the RDD and that the sales representative has explained the points in both documents.
6. Each Facts document and the RDD, as applicable, would be formatted in the same way and provide information about standardized items in the same order as other Facts documents or RDDs, as the case may be. Both documents would be written in plain language and in accordance with appropriate reading level grades. They would not contain overly promotional language. Both documents

RESPDAC – ADREEEC

would be written so as to be no longer than an appropriate page length (suitable for the complexities of scholarship plans and their distribution).

7. Each scholarship plan would prepare a prospectus in accordance with the requirements of National Instrument 41-101, but this instrument would be amended to permit scholarship plan prospectuses to incorporate by reference all financial statements and MRFPs required by National Instrument 81-106. The prospectus would be available on request and referenced in the Facts document and the RDD. The prospectus would be incorporated by reference into the Facts document and therefore each Scholarship Plan and its administrator would be responsible and accountable for the disclosure therein contained.
8. Each scholarship plan and dealer would post the current Facts document, RDD, prospectus and NI 81-106 documents on its website and provide clear and prominent links to these documents.
9. The Facts document and the prospectus for a scholarship plan would be updated and renewed annually in accordance with current procedures. Ideally, scholarship plan administrators would have the flexibility to update the Facts document periodically to reflect financial performance disclosed in financial statements.
10. National Instrument 81-106 would continue to apply to scholarship plans.

We were very pleased to discuss our disclosure recommendations with the various CSA staff and executive we met with. From recent discussions with OSC staff, we were gratified to learn that the CSA's proposals to modernize scholarship plan regulation includes a focused review of the prospectus form as it applies to scholarship plans and a proposal to allow incorporation by reference of financial documents. We look forward to reviewing the CSA's proposals once they are published for comment and urge the CSA to incorporate the disclosure principles behind the proposed amendments to National Instrument 81-101 and provided for in RESPDAC's disclosure proposals.

We thank you for providing our members with the opportunity to comment on the proposed amendments to National Instrument 81-101. Should you have any questions or wish to discuss our comments, please contact me at 416-689-8421 or jimdeeks@gmail.com.

Yours very truly,

THE RESP DEALERS ASSOCIATION OF CANADA

(signed)

“James Deeks”

Executive Director
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 \$7.2 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 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.

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.