

VIA E-MAIL  
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October 16, 2009

Ontario Securities Commission  
British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba 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  
Superintendent of Securities, Yukon Territory  
Registrar of Securities, Nunavut

**Judy Goldring**  
GENERAL COUNSEL AND  
SENIOR VICE PRESIDENT,  
CORPORATE AFFAIRS

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

Dear Sirs/Mesdames:

**RE: CSA Request for Comments on the Implementation of Point of Sale Disclosure  
for Mutual Funds**

I am writing to you on behalf of AGF Funds Inc. ("AGF") in response to the request for comments by the Canadian Securities Administrators ("CSA") in respect of the *Notice and Request for Comment on the Implementation of Point of Sale Disclosure for Mutual Funds* published on June 19, 2009 (the "Draft Rule").

AGF is a Canadian investment management firm with assets of about \$44 billion. We offer investment management products and services to retail and institutional investors and private clients in Canada and internationally.

**General Comments on the Draft Rule**

At the outset, I would like to reaffirm AGF's support of the regulatory objective to provide clearer disclosure in the sale of mutual funds through the use of a plain-language Fund Facts disclosure document. As indicated in our previous submissions on the point-of-sale proposal, we firmly encourage disclosure that is "investor friendly".

We generally feel that the Fund Facts document, as proposed, is a step in the right direction toward providing investors with the factual and pertinent information they need to make sound investment decisions. Moreover, we feel that the Fund Facts document under the Draft Rule addresses the need to provide concise, clear information to investors in a simple, accessible and comparable format.

AGF is also supportive of the CSA's contemplation under the Draft Rule to proceed with a staged implementation. Specifically, we support implementing the Fund Facts document earlier and allowing a longer consultative process on the more significant issues relating to delivery of the Fund Facts at or prior to the point of sale.

However, AGF has a few pointed concerns about the Fund Facts document and other key operational point of sale delivery considerations. Should the Draft Rule proceed, we support the IFIC submission made in respect of the Draft Rule and particularly the following recommendations:

- We believe bundling, whether in print or electronically, should be permitted to take place where the bundling adheres to the principles of simplicity, accessibility and comparability. For this reason, we recommend removing the arbitrary limit of 10 funds per bundle;
- We fully support the inclusion of similar series of a fund in the same Fund Facts document, providing again, that the principles of simplicity, accessibility and comparability are maintained. There are many similar funds that have almost identical information which naturally are best shown together in the same Fund Facts document;
- We believe that any disclosure of a risk measure for the Fund is confusing and may be misinterpreted by an investor. This is a particular concern given that the Fund Facts document is designed under the Draft Rule to be a 'selling' document. Accordingly, we believe that reference should be made to the simplified prospectus for the risk disclosure, failing which we believe additional language should be included in the Fund Facts document. This information would clarify that the risk measure is that of the Fund's historic volatility risk, and not that of the investors' risk tolerance;
- We recommend that the MER be presented on a net basis, consistent with the disclosure of the MRFP (Manager's Report on Fund Performance);
- We recommend allowing all money market fund sales to be exempted from the Draft Rule; and
- We also support the IFIC submission in extending the waiver set out in the Draft Rule to trades that result from fund merger activity that occurs in the normal course. All securityholders of any merging fund will obtain information through the requirement to deliver meeting materials upon a significant change to the fund.

### Overarching Concerns

While AGF is encouraged by many features of the Draft Rule, we strongly recommend to the CSA that in initiating the new point-of-sale disclosure regime, consideration be given

to simultaneously addressing relevant issues relating to: (i) a review and potential reconstruction of the existing disclosure regime for mutual funds; and (ii) a review of other industry products that should also be included in the enhanced point-of-sale disclosure for the benefit of investors.

### *Existing Disclosure Regime*

We appreciate the CSA's indication (in the Introduction section of the Draft Rule) of an intention to review the overall disclosure regime for mutual funds to reduce unnecessary duplication. We do feel, however, that this review should not be pushed into a "second phase" implementation, but rather should be addressed prior to the implementation of the Draft Rule.

Clearly, the CSA is already acutely aware of the complicated nature of the current disclosure regime for mutual funds. In advocating the purpose of the new point-of-sale disclosure requirements under the Draft Rule, the CSA made a point that the current prospectus disclosure regime for mutual funds does not give investors information when they need it most, nor do investors use this information when making purchasing decisions. The CSA is obviously focused on making disclosure as user-friendly as possible to ensure investors are making more informed decisions.

AGF submits that in an effort to continue to foster an "investor/user-friendly" disclosure environment, the CSA should consider reviewing the current disclosure regime for mutual funds (particularly the prospectus and annual information form requirements) simultaneously with enacting the Draft Rule. At a minimum, the CSA may want to use the transitional period between Fund Facts creation and the more onerous aspects of Fund Facts delivery to reconstruct (or in some cases eliminate) redundant disclosure requirements.

If one of the expectations of the point-of-sale disclosure regime is that it will make obtaining relevant information easier for investors, AGF does not believe that it is appropriate to continue to require that duplicative and ineffectual, and sometimes more confusing, information be created for investors. It is onerous on the manufacturers and complicated for dealers and planners to continue to produce and deliver such documents. Moreover, it is confusing to investors who continue to be overburdened with disclosure documents that are not being utilized or read.

### *Other Industry Products*

AGF also submits to the CSA that a simultaneous review be undertaken to determine other investment products that should be included in the point-of-sale disclosure requirements being proposed for mutual funds. Again, at minimum, the CSA may want to use the transitional period between Fund Facts creation and Fund Facts delivery to make this type of determination.

To ensure that investors are uniformly informed of their investments, we strenuously suggest that other investment products such as ETFs be placed under the same disclosure umbrella. Doing so will provide a level playing field and enable investors to choose from a range of products that require the same level of disclosure.

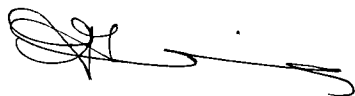
If the purpose of the proposed Fund Facts document is to make investing in mutual funds more understandable to the public, we believe that not requiring a similar type of disclosure document for other investments will simply cause more confusion and severely disadvantage some products. Furthermore, as an already heavily regulated product itself, the mutual fund will be less accessible defeating the ultimate goal of the Draft Rule.

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Overall, AGF is encouraged by the Draft Rule, and we are sure that many of the remaining uncertainties and concerns relating to content, structure and delivery will be remedied in due course. That being said, we urge the CSA to focus more efforts on industry/regulator dialogue about the issues raised above – an exercise that could align itself with a longer consultative transition period for the delivery requirement.

We thank you for the opportunity to raise these issues with you. We look forward to further consultation in the months ahead.

Yours truly,



**Judy Goldring**  
Chief Operating Officer,  
Executive Vice-President and General Counsel  
AGF Management Limited