Board of Governors
for
Investment Funds Managed By
CI Investments Inc.
and
United Financial Corporation

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
Office of the Attorney General, Prince Edward Island
Nova Scotia Securities Commission
Financial Services Regulation Division, Newfoundland and Labrador
Registrar of Securities, Department of Justice, Northwest Territories
Registrar of Securities, Legal Registries Division, Yukon Territory
Registrar of Securities, Legal Registries Division, Nunavut

Delivered to:

John Stevenson
Ontario Securities Commission
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Dear Sirs/Mesdames:

RE: CSA Notice and Request for Comment: *Implementation of Point of Sale Disclosure for Mutual Funds and Segregated Funds*

As members of the Board of Governors for the investment funds managed by CI Investments Inc. and United Financial Corporation (collectively, the Funds), we wish to provide the Canadian securities administrators with our views on the implementation issues related to the above-noted Proposals. We appreciate the CSA's efforts in soliciting feedback on implementation issues relating to mutual funds prior to publishing a draft rule and/or amended legislation.

This is the second letter which the our Board of Governors has provided for comment on the new proposals, the first was dated December 23rd 2008. We were disappointed to see that in the CSA response to the comments our letter was included under 'industry' comments. This does not

reflect the unique and valuable point of view a mutual fund Board of Governors provides to mutual fund regulation. To repeat our comments of December 23rd, our comments are made from our perspective as members of the Board of Governors for the Funds, which is not part of the mutual fund industry, but rather a body established to provide independent oversight over the management and administration of the Funds by the applicable fund manager-members of the CI Financial Group. We act as the independent review committee for the Funds, with the mandate required of IRCs by National Instrument 81-107. Accordingly, we are providing these comments with a view to the best interests of the Funds, and by extension, the investors in the Funds, not from the point of view of fund managers, dealers or other members of the mutual fund industry. The members of the Board of Governors are each independent from the companies in the CI Financial Group and we are providing these comments independently from the CI Financial Group.

As the Board of Governors of the Funds, we have the following comments on the proposals.

1. The proposals unfairly focuses on mutual funds, which is inconsistent with the regime applicable to other securities

Our board does not understand why the disclosure regime proposed is considered necessary for mutual funds, while other like products can be sold to investors without the requirement to deliver any disclosure document. The original recommendation of the Joint Forum in *Recommendations for Changes in the Regulation of Mutual Funds and Individual Variable Insurance Contracts* was to harmonize segregated fund and mutual fund disclosure in order to provide investors with a better understand of the differences between the two products, not single these two products out for unique and burdensome point of sale requirements. The securities regulatory regime for mutual funds far exceeds the regulation of other securities, we seek clarification as to why the CSA believe that an additional disclosure is required before investors can make an initial investment in a mutual fund. Similarly, when securities are traded on a stock exchange, investors can acquire these securities on the professional advice of their advisor. We seek clarification as to what the CSA perceives as the differences inherent in a mutual fund that requires the imposition of an additional step of a mandating that a Fund Facts be delivered to an investor prior to the investment being completed.

2. **The proposals will have greater impact on some distributors than others**

In addition to discriminating between mutual funds and other investments, the proposals do not distinguish between the different distribution channels for mutual funds and accordingly will have a disproportionate impact on certain distributors over others. By extension, the proposals will have a disproportionate impact on mutual funds and their investors that rely on those distributors.

A significant distribution channel is through bank branches. The compliance systems for bank-owned distributors, coupled with the often face-to-face in person meetings between bank personnel and investors, means that we can expect that these distributors would be able to comply with the proposals without undue difficulty.

A significant portion of Canadian mutual funds are distributed through third party distributors that are unrelated to the fund manager which may deal with their clients by telephone or via some other non-face-to-face communications. We expect that these distributors will find it more cumbersome to comply with the proposals. The proposals will disproportionately impact mutual funds and their investors, such as the Funds and investors in the Funds, that distribute through these distributors, as well as those dealers and their representatives. An unfortunate consequence of the proposals will be the curtailing of the number of mutual funds that distributors "shelf" because of the compliance difficulties inherent with the proposals . This will ultimately result in fewer distribution channels and fewer investment options for investors which is why we believe that the proposals is not in the best interests of the Funds or their investors. To date, the CSA has not provided any basis to its claims that there will be no reduction in product choice and has only stated that it believes that the delivery requirements are flexible enough to accommodate existing business models, which several industry players have disagreed with.

3. **Clear, concise and readily accessible information about mutual funds is essential, however the proposals will not enhance this objective**

We are in firm support for clear, concise and readily accessible disclosure about mutual funds. However, we believe the proposals set out in the proposals , when layered on top of the existing disclosure system set out in National Instrument 81-101, will not enhance this objective.

Many participants in the mutual fund industry have spent considerable efforts in ensuring that their fund prospectus and continuous disclosure documents are clear, concise and are readily available through Internet postings. These documents are supplemented in the case of the Funds, by short web-based outlines of essential "at a glance" information about each Fund. For the Funds, these documents are called "Fund Facts". Additionally, several third parties such as Globefund provide comprehensive analysis and comparisons on mutual fund performance. We expect that dealers, advisors and investors access these documents using the Internet if they wish more information about a specific Fund.

Because of the wide-spread availability of the above-noted documents for the Funds, we do not see the need to add to the complexities of the mutual fund regulatory regime and the additional costs of compliance inherent with any additions to that regime, by a mandatory, inflexible "Fund Facts" document that must be physically delivered (whether in paper or electronically) to investors prior to an initial purchase.

We agree that the current simplified prospectus and annual information form regime established under National Instrument 81-101 needs significant reform to reduce the duplication and unnecessary information contained in those documents, but this can be achieved without the imposition of a costly presale disclosure requirement which would do little to further protect investors.

4. **Costs of the proposals to mutual fund investors will exceed the benefits of the proposals to those investors and mutual funds**

We believe that implementation of Fund Facts regime for mutual funds as set out in the proposals can be expected to result in increased costs for mutual fund investors without, from

any practical perspective, achieving any measurable benefits such as investors making better informed investment decisions. Importantly, the content of the proposed Fund Facts will not allow an investor to understand his or her investment options, given that each Fund Facts will cover only a specific series or class of a specific mutual fund. We do not believe that it is realistic to expect that an investor base his or her decision on the information provided in a Fund Facts, given the fact they have a experienced professional advisor on which to rely. Accordingly, we do not see any benefits for the proposals to investors or to mutual funds that will offset the additional costs that will be inherent in the proposed regime. Mutual funds and their investors will bear the increased costs of compliance with the regime, including the costs associated with the production, printing and distribution of the Fund Facts and the increased compliance costs that can be expected to arise for registered dealers and their representatives.

5. **The proposals undermine the role of a dealer and an advisor**

The proposals would require a representative of a dealer to give an investor a fund facts on an initial purchase of a mutual fund where the representative has recommended that the investor acquire the securities of the applicable fund. No such delivery is required where the investor asks to invest in the securities of the applicable fund (the purchase is "investor-initiated") or where the investor already holds securities of the fund. We find this requirement for advance delivery of a Fund Facts to be somewhat illogical when the trade is "advisor-initiated". In our view, this delivery requirement appears to undermine the investor's reliance on professional advice being provided by the representative. Securities regulation imposes considerable obligations on dealers and their representatives when making investment recommendations, including "know-your-client", suitability and "know-your-product" These obligations are designed to ensure that investment recommendations are suitable for the particular investor having regard to his or her specific circumstances. In response to this comment, the CSA has only stated that the purpose of the new proposals is not to detract from the role of advisors, but this fails to consider that the imposition of mandatory point of sale disclosure would severely disrupt the sales process. In our view, there is a danger that the proposals will encourage investors to make investment decisions without the benefit of professional investment recommendations or to simply disregard professional advice and make decisions based on their review of the Fund Facts provided to them. We believe that this would be a retrogressive step and one that is certainly not in the best interests of investors.

We hope that our comments are considered helpful to the CSA. **In closing, we wish to reiterate our support for clear, concise and readily accessible disclosure about mutual funds for investors. We commend the CSA for embarking on this project to re-consider the current disclosure system for mutual funds.**

We would be pleased to meet with you to elaborate on our comments. Please contact our Chair, Mr. Stuart P. Hensman at 416-815-2279 and s.hensman@att.net.

Yours very truly,

Members of the Board of Governors
for the investment funds managed by
CI Investments Inc. and United Financial Corporation

Stuart P. Hensman (Chair) *William Harding* *Christopher Hopper*

Sharon Ranson