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October 17, 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  
Superintendent of Securities, Yukon Territory  
Registrar of Securities, Nunavut

Mr. John Stevenson, Secretary  
Ontario Securities Commission  
20 Queen Street West, Suite 1903, Box 55  
Toronto, Ontario M5H 1G3

Me Anne-Marie Beaudoin, Corporate Secretary  
Autorité des marchés financiers  
800, square Victoria, 22e étage, C.P. 246, tour de la Bourse  
Montréal (Québec) H4Z 1G3

Dear Sir/Madame:

**Re: CSA Notice and Request for Comment on Implementation of Point of Sale Disclosure for Mutual Funds**

We are pleased to provide VAULT Solutions' response to the Canadian Security Administrators' (CSA) Request for Comment on Implementation of Point of Sale Disclosure for Mutual Funds (the "Rule").

VAULT Solutions is a dynamic technology firm focused on creating and servicing customer facing technology solutions for the financial services industry. For the past ten years our team has worked with the mutual fund industry creating outstanding online user experiences for dealers, manufacturers and investors alike. As active participants in the construction of point of sale solutions for the investment industry we have carefully followed the evolution of this Rule from its inception and continue to refine our POS solution to meet the needs of both manufacturers and dealers within the proposed Rule as it has been drafted and commented on.

As neither a dealer nor manufacturer, we are not in a position to comment on CSA's request for comment on issues concerning appropriate levels of disclosure, frequency of update or particular filing compliance; however, as it relates to potential implementation and operational approaches to POS we have the following comments:

### **General Comments**

In our discussions with affected parties, no one disputes the benefits of the proposed fund facts document as a plain disclosure document that will help improve financial literacy amongst investors. While debate exists concerning the amount of information, the treatment of fund series and the challenges associated with delivery, most stakeholders agree that the document is sound. We agree that a short, plain and common template will address many of the CSA's objectives.

Some stakeholders question the nature or even existence of the "problem" the CSA seek to address, given the positive customer satisfaction scores cited in research within the advice-oriented wealth management industry. While investors may not articulately express a need for greater involvement or understanding of their investment choices, we believe that due to the importance and magnitude of the investment decision relative to other purchases for most Canadians, that investors should be given the opportunity to understand their choices at or prior to the point of sale. Delivery of the fund facts after the trade or otherwise deferred by advisor or investor choices, only dilute the principles and objectives first tabled by the CSA.

Many comments have been made about the cost of implementing the POS Rule. In order to better understand the cost burden of the Rule, an allocation of the respective cost areas is required. Costs associated with implementing the POS solution can be largely broken down into the *FF production* (creation, update, filing, and management of fund facts) and the *FF delivery* (eligibility workflow,

receipting, and dealer compliance).

*FF production:* It is our observation that the fund facts production may represent an opportunity for manufacturers to gain some efficiency in the manner with which they update and inform customers through the replacement of the simplified prospectus and potentially more automated production and authorization protocols towards producing and filing fund facts documents for investors. Moreover, orienting the manufacturers towards digital production as a more expeditious means of delivery may reduce print, distribution and environmental costs over the longer term. The CSA might consider waiving the simplified prospectus requirement with trade confirmations for an organization that complies early with the fund facts requirement. Whereas the industry is seeking ways to offset the perceived implementation costs of fund facts, this would in large part improve the business case for fund facts production.

*FF delivery:* In terms of fund facts delivery, a series of options exist in determining the level of business logic a dealer is obliged to embrace within its internal systems as well as the number of permutations of delivery required to satisfy the Rule. In the final analysis, further refinement of what will constitute compliance in regards to delivery will be required to properly establish the cost associated with implementation. It is not clear what, if any, efficiencies may be surfaced in this regard; however, costs could be contained through outsourcing of the delivery obligation outside existing dealer systems and the minimization of integration into back office protocols for the purposes of compliance.

## **Response to Issues for Comment**

### **II) 2. Linking Investors with Fund Facts**

The guidance provided does not clarify what will constitute compliance in regards to delivery. No precedent currently exists regarding this kind of delivery among the self-regulated organizations (SRO's). It is VAULT's recommendation that the fund facts should be deemed 'delivered' and 'accepted' using receipting methodologies via existing physical or electronic protocols. Logs of these activities indexed to the investors' account asynchronously could be kept to validate that the delivery occurred on or prior to purchase of the investment. Affected parties have concerns surrounding implementation and the level of systems integration required. This assumes a complex series of business rules; however, where business rules are simplified or temporarily relaxed, a technical solution can be simplified accordingly and the CSA's objectives met.

### II) 3. Fund Facts on Subsequent Purchases

Establishing a business rule such as “subsequent purchase” obliges the dealer to cross reference all previous activity of the investor to the delivery obligation. While this may reduce the frequency of fund facts delivery, it triggers additional costs for the development of delivery technologies that are integrated with portfolio administration systems. VAULT would endorse the idea of obliging subsequent purchase delivery as it would in turn simplify the implementation of fund facts delivery on all purchases via third party delivery, providing the compliance around delivery is left at simple receipting of physical or electronic documents without the recording of additional acknowledgement by the investor.

### II) 4. Requests for Immediate Trades by Investors

While it is understood that circumstances may require that trades be executed immediately without provision of the fund facts, an efficient delivery of the fund facts should be attempted as close to the point of sale as possible. It would be VAULT’s view that in the event that the investor requests immediate execution of a mutual fund purchase that the delivery of the fund facts take place in the same manner of all deliveries in a time period as close to the execution as possible in order to capture the spirit under which the POS Rule is being implemented and so as to not dilute the benefit of investor disclosure. Relying solely on fund facts delivery alongside the trade confirmation does not best serve investors.

### II) 6. Appropriate Transitional Period

Adopting and complying with the elements of the POS Rule will take time to accomplish irrespective of how the manufacturer or dealer approaches its operational implementation. An appropriate transitional period is required to adopt particular changes in workflow, conduct appropriate levels of training and schedule for changes in systems and interconnectivity to solution providers. We believe that subject to fund facts production implementation by manufacturers, the suggested time frames are appropriate and subject to clarification on the compliance standards surrounding the delivery of fund facts that the transitional periods proposed in the POS Rule for fund facts delivery are also appropriate and should not be shortened.

We are confident that with continued consultation and a graduated

implementation process, the POS Rule can provide efficiencies to the manufacturers and dealers in facilitating clear and concise communication to investors while improving the level of disclosure to investors for both mutual funds and in the future, other forms of investment products available to the public through professional advisors.

While this additional delivery obligation falls to the professional advisors to facilitate, it is our contention that both manufacturers and dealers alike must collaborate effectively to ensure an efficient production, fulfillment and compliance outcome for the POS Rule to be achieved. VAULT Solutions looks forward to being an active facilitator of this collaboration using its deep industry experience and willingness to establish new business frameworks that benefit manufacturers, dealers and investors alike.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill" or "Anthony Boright", written in a cursive style.

VAULT Solutions Inc.

By: Anthony Boright, President