W. Sian Burgess
Senior Vice President
Head of Legal and Compliance, Canada

October 19, 2009

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities commission
Ontario Securities Commission
Autorite des marches 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

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West, Suite 1903, Box 55
Toronto, ON M5H 3S9

E-mail: jstevenson@osc.gov.on.ca

Me Anne-Marie Beaudoin
Corporate Secretary
Autorite des marches financiers
800, square Victoria, 223^{e} étage
C.P. 246, tour de la Bourse
Montreal (Quebec) H4Z 1G3

E-mail : consultation-en-cours@lautorite.qc.ca

Dear Sirs/Mesdames :

Re : Notice and Request for Comment – Implementation of Point of Sale Disclosure for Mutual Funds – Proposed Amendments to National Instrument 81-101 – Mutual fund Prospectus Disclosure, Forms 81-101F1 and 81-102F2 and Companion Policy 81-101-CP Mutual Fund Prospectus Disclosure and Related Amendments (the "Instrument")

Thank you for the opportunity to community on the Instrument. Fidelity Investments Canada ULC is the 6th largest fund management company in

Canada and part of the Fidelity Investments organization in Boston, one of the world's largest financial services provider. In Canada, Fidelity manages a total of $51 billion in mutual fund and institutional assets. It offers 141 mutual funds or pooled funds to Canadian investors.

Fidelity is keenly interested in the Instrument and the implications of the point of sale project for the mutual fund industry. Fidelity continues to strongly support the fund facts document because we believe that it is a very positive step for investors to be provided with a brief plain language document that highlights key information about their mutual fund investment.

However, Fidelity continues to have concerns with the delivery of the fund facts document at or before the point of sale; first, because we believe it will interfere with our investors' ability to trade and second, because we think it will harm the mutual fund product which we believe serves the Canadian investor well.

Our comments are in two parts: (A) our concerns with the pre-delivery aspect of the proposal; and (B) our comments on the Instrument.

(A) Pre-Sale Delivery

1. Impact on Investors

Fidelity believes that the pre-sale aspect of the Instrument will have a negative impact on investors.

Fidelity asked Environics Research Group ("Environics") to conduct independent research with investors on the point of sale project. Environics polled 1200 Canadians who purchase mutual funds through financial advisors. Almost two-thirds (63%) of these Canadian mutual fund investors stated that they would rather have the choice to receive fund information before a new fund purchase or after. This was also true for subsequent purchases.

We expect many investors to object to the delay in placing their trade, the inconvenience of having to wait and the repeated interactions with their advisor to effect the trade. The greatest concern relates to the potential harm to investors who cannot trade quickly before the price of their mutual fund changes to their detriment.

2. Impact on the Mutual Fund Product

Fidelity continues to be concerned that the Instrument will have the unintended effect of moving investors and advisors toward other products that compete with mutual funds but in some cases may not serve investors as well.

Research was conducted on behalf of Fidelity by Environics Research Group with 64 financial advisors from across Canada. They participated in 8 focus groups on the Point of Sale project (32 were members of the Mutual Fund

Dealers Association ("MFDA") and 32 were members of Investment Industry Regulatory Organization of Canada ("IIROC")).

The results showed that financial advisors believe that the Instrument will have a detrimental impact on their business due to increased administration and logistics, additional costs to their business and a decrease in the volume of transactions they are able to process. Advisors also worry about the impact delays could have on investment gains/losses, and ask who will ultimately be responsible for reimbursing the investor. IIROC advisors say that they are likely to turn away from mutual funds to products like wrap accounts, separately managed accounts or directly held securities. Mutual fund dealers worry that they will lose clients to the banks who can offer alternative products. Both say that they are likely to sell fewer mutual funds. In addition, they will offer less choice of funds to investors because the administrative and logistical burden will reduce the number of fund companies an advisor can support.

In addition, we note that the release by the Canadian Council of Insurance Regulators ("CCIR") on point of sale is substantially shorter than the Canadian Securities Administrators' ("CSA") release. There is none of the compliance guidance found in the CSA's Companion Policy, for example. Therefore we worry that less strict standards will apply to insurance advisers and brokers and the rigorous compliance program envisioned for CSA dealers and financial advisors will not apply. We view this as creating an unlevel playing field.

(B) Comments on the Proposal

In this section, we include our comments on the proposal. In Appendix A we answer the specific questions posed by the CSA in the Instrument.

1. Operational Challenges

The Instrument will create additional operational challenges for fund managers, dealers, financial advisors and investors.

a. Impact on Mutual Fund Managers

From a mutual fund manager perspective, a significant volume of additional documents will be generated in order to meet the objectives of the Instrument. If the CSA continues to require one fund facts per series, Fidelity estimates that it will create 1,500 fund facts per year. Fidelity is of the view that a fund facts that combine similar series for investors would be more useful for both investors and financial advisors in addition to reducing the costs for managers and investors.

Fidelity is also concerned that the fulfillment procedures with dealers will be costly and complex and will result in the wrong documents inadvertently being sent to investors. The current simplified prospectus regime is already sufficiently complex when one includes prospectus amendments. We expect that the industry will struggle to achieve full compliance with the Instrument.

Recommendation: Fidelity recommends that the fund facts document be allowed to include multiple series. This would reduce the number of documents, allow for greater comparability of series and reduce the use of paper and ink for printed documents.

Recommendation: Fidelity recommends that there be an automatic waiver of the fund facts for transactions such as asset allocations and auto rebalancings which are an inherent part of a fund product and fund mergers.

b. Impact on Financial Advisors and Dealers

The greater burden of the Instrument falls on the dealer and the financial advisor.

(i) Suggestions for Simplification of the Proposed Regime

Working groups of the Investment Funds Institute of Canada have created process flowcharts to attempt to understand the trade flow under the proposed regime for the various sales channels. A copy of a sample IFIC flowchart is attached as Appendix B. From this chart it is clear that the sales process will be much more complex than it is today. In order to trade, in addition to the steps taken today to obtain suitability information and trade preferences:

1. A financial advisor must assess whether the trade was advisor recommended or not and the advisor and dealer must create policies and keep evidence of that assessment.
2. For a non-recommended trade, the financial advisor must describe the fund facts and the client must expressly waive their right to receive a fund facts and the advisor and dealer must create policies and keep evidence that disclosure was provided and for the waiver.
3. For a recommended trade, a financial advisor must ask the client for delivery instructions, demonstrate they have used appropriate and reasonable means to solicit instructions and the advisor and dealer must create policies and retain evidence of delivery instructions.
4. If the trade is a money market trade, the financial advisor must describe the fund facts to the investor and offer it to him or her and then the advisor and dealer must create policies and keep evidence that these steps took place.
5. If a client does not wish to receive the fund facts before a money market trade, the client must expressly waive their right to receive a fund facts and the advisor and dealer must create and keep evidence of that waiver.
6. The dealer and financial advisor must obtain annual instructions (or obtain an opt out) for delivery of the fund facts after the initial purchase. The advisor and dealer must create and keep evidence of the sending of the fund facts annually or the opt out by the investor.
7. For a recommended trade that is not a money market fund, the advisor must determine how to bring the fund facts to the attention of the investor. The advisor and dealer must create policies and keep evidence of how the advisor did this. In order to have an adequate audit trail, in practice it is

likely that most dealers will require the client to acknowledge receipt and the advisor and dealer must retain that record.

8. If the client cannot or does not choose to obtain the fund facts electronically, it will have to be mailed, faxed or delivered by hand. Again, the advisor and the dealer must keep evidence of delivery.
9. The advisor must then bring the fund facts to the attention of the investor and keep evidence that this was done.

It would be helpful to reduce the number of steps the advisor and dealer must take and the records that they must keep in order to comply with the Instrument.

The waiver process introduced in the Instrument adds greatly to the complexity of the Instrument and increases significantly the implementation challenges that dealers and advisors will face. That is because dealers will have to create policies and processes for the waivers as well as monitoring the waivers. The evidentiary process for waivers is likely to be complex, cumbersome and result in lack of appropriate evidence due to the number of steps now incorporated into the trading process.

Money market funds have recently been the subject of a sweep by the Ontario Securities Commission ("OSC"). In its 2009 Compliance Team Annual Report, among other positive findings about money market portfolios, the OSC found that they were generally invested in a manner consistent with a conservative investment strategy. The OSC made no negative findings that we could discern and therefore must have concluded that money market funds are a relatively safe investment. We would think that the step in the Instrument requiring an advisor to describe the fund facts to the investor and then obtain an explicit waiver is unnecessary.

Recommendation: For money market trades, do not require the financial advisor and dealer to describe the fund facts to the investor in detail or obtain an explicit waiver from the client. Sending the fund facts to the investor with the confirmation should be sufficient.

In addition, where the trade is not recommended by the advisor, obtaining an explicit waiver and the tracking of those waivers are additional steps that could be eliminated. As for discount brokers under the Instrument, where the trade is initiated by the investor, other than noting that the client could receive a fund facts, it should not be necessary to describe the fund facts, or obtain a waiver or keep evidence of both of those steps.

Recommendation: For trades initiated by the investor, as for discount broker trades, do not require the financial advisor and dealer to describe the fund facts to the investor in detail or obtain an explicit waiver from the client. We would, however, agree that the client could be made aware that the fund facts is available to him/her.

For Electronic Delivery, the Companion Policy (section 7.7) requires that the dealer "should ensure an investor can view the fund facts document". We are

not clear as to how a dealer can ensure that the investor can view the fund facts document, or how the dealer can retain evidence that this step has taken place. We fail to see why this additional step is necessary or even how it could be carried out effectively. Lastly, we fail to see how this can be monitored by the dealer.

Recommendation: We recommend deleting the requirement that the dealer ensure that an investor can view the fund facts document for electronic delivery.

The Instrument requires that the dealer who delivers or sends the fund facts document must also "bring the fund facts document to the attention of the purchaser". Guidance in the Companion Policy is that the dealer needs to convey sufficient information about the purpose of the document to allow a reasonable investor to link the fund facts document to the purchase they are considering. The concept of bringing a document to the attention of an investor is not currently found in securities legislation in Canada.

We expect that this aspect of the Instrument will cause considerable confusion and variation in interpretation. In addition, the records required to evidence that the fund facts has been brought to the attention to investors are not specified but we believe that there will be many circumstances in which evidence of this will be very difficult to capture. We can only envisage evidence being in the form of a written client acknowledgement which will further delay a trade, or through a taped phone trading line, which is only practical for the larger brokers.

Recommendation: We recommend that once a fund facts has been delivered or sent to an investor that the investor be permitted to trade. We recommend the removal of the concept of bringing the fund facts to the attention of the investor.

We are concerned by the amount of policies, procedures and evidence required in order to comply with this regime in addition to the already onerous compliance requirements in place for dealers and advisors. We expect that the rate of compliance with regulations generally will decline as a result of this added complexity and we also expect that investor complaints will increase.

Recommendation: We recommend that the CSA work closely with the MFDA and IIROC to create a regime that does not require endless documentation to evidence delivery and waivers. As the Instrument is currently drafted, these are requirements that would place significant additional burdens on financial advisors and dealers and in our view would create additional non-compliance through inadvertent errors or incomplete documentation.

To date, the CSA has been reluctant to provide guidance on when a trade is recommended or not. We expect that without that guidance, there will not be a consistent application of this standard.

Recommendation: We recommend that clear guidance be given on when a trade is recommended by an advisor or not.

(ii) Binding of Fund Facts

We were pleased to see the ability for the fund facts to be bound with other fund facts We think this is critical for products like asset allocation programs. In addition, it is expedient for investors to receive the funds that are most relevant to them altogether. However, we fail to see why multiple fund facts can be bound when in hard copy but not in electronic format. As the OSC has said publicly, there will be some advisors who will send various fund facts that they wish to recommend in advance allowing the investor and the advisor to select the appropriate Fund from that group. For the advisor, we would expect that sending one file that is already prepared for many clients would be much more expedient then setting up individual emails with 10 individual attachments over and over again.

Recommendation: We recommend that the CSA permit fund facts to be bound together electronically as well as in hard copy.

(iii) Time for Delivery Prior to Sale

In the Companion Policy, the Instrument says that delivery "before" is intended to be flexible as long as it occurs within a reasonable timeframe. However, in order to direct an investor to a fund facts document on a website, the dealer has to provide real-time instruction. Those two concepts are inconsistent.

Recommendation: As long as the investor has received the fund facts in advance and if the regime continues to be that the advisor has brought it to the attention of the investor, we do not believe a further real time instruction should be necessary. This simply adds duplication to the regime (including duplicative evidentiary requirements).

c. Impact on Investors

(i) Avoid Lengthy Trade Delays

As indicated above, we think a brief fund facts document is a significant benefit to investors. However, our greatest concern is the time it will take for an investor to place a trade. Trade delays will be a real concern to some investors and some of those investors may make their investments without the benefit of advice in order to trade immediately, or may choose alternative investments.

If the fund facts is delivered electronically, ensuring that the client has received the fund facts will cause a delay which could be minutes, or could be much longer for a variety of reasons.

If delivery occurs by mail, clearly, the time to trade is significantly longer. While a good percentage of investors use the internet in Canada, if the remaining investors do not have fax machines or are not within close proximity to their advisor or dealer, mail will be the only option. Actual receipt of the fund facts

document will take days and then the advisor must ensure that the client actually received the document in the mail. Trades for those investors will be delayed and investors may suffer losses when they want to trade immediately, particularly in volatile markets.

The CSA has asked for comment on whether to allow investors to trade immediately where the investor expressly communicates they want the purchase to be completed immediately and it is not reasonably practicable for the dealer to deliver or send the fund facts documents before the purchase is completed.

We strongly agree with this approach. However, we would extend that concept.

Recommendation: We strongly agree that investors who want to trade immediately and cannot receive the fund facts practicably should be allowed to do so.

Recommendation: We recommend that investors who want to trade immediately but can only receive the fund facts by mail, be given the choice to trade immediately or wait for the fund facts in order to avoid significant trading delays.

(ii) Require fund facts for Trades Through Discount Brokers

The Instrument does not require the delivery of a fund facts document for investors who trade through discount brokers. We view this as unfair to the dealer/financial advisor community. It places them at a competitive disadvantage and encourages investors not to seek advice in order to trade immediately.

2. <u>The Fund Facts</u>

(i) Currency of Information in the Fund Facts

Information in the fund facts must be current to several different dates. For example, the management expense ratio ("MER") must be the most recently MER published in the MRFP. The Top 10 investments must be disclosed within 30 days of the date of the fund facts. Past performance must be disclosed as at the end of the most recent completed calendar year. However, the hypothetical for a $1000 investment must be within 30 days before the date of the fund facts.

Fidelity has a very strong and sophisticated disclosure policy for disclosure of the securities in its funds. Under no circumstances would Fidelity release information about the holdings in its funds within 30 days. Fidelity believes that this is not in the best interests of its investors. Most American fund companies follow more stringent disclosure requirements and therefore we would expect that this would impact the policies of several other Canadian companies with U.S. affiliates. In addition, we are aware of other Canadian companies that have more stringent requirements.

Recommendation: We recommend that all information in the fund facts for MERs, top 10 investments, past performance and the $1000 investment hypothetical be current to the most recently filed Management Report of Fund Performance ("MRFP") for the Fund. This will allow for consistency of information in the fund facts and in other materials provided to investors.

Recommendation: In any event, we strongly recommend that the Instrument not require disclosure of the top 10 holdings in as little time as 30 days before the date of the fund facts. Disclosure within the previous quarter would be more in keeping with investor protection standards on portfolio disclosures.

(ii) Filing Requirements for Fund Facts

Currently, a new class or series of a mutual fund can be created by filing an amendment to the simplified prospectus or annual information form. However, the Instrument requires that a preliminary fund facts be filed in addition to these amendments. That would require a full comment and clearance process with the CSA significantly adding to the time and effort to launch. We view this as a significant change to the current process.

Recommendation: We recommend that the creation of a new class or series of securities not require the filing of a preliminary fund facts, but following the existing process. Therefore, an amended fund facts should be filed along with the amended Simplified Prospectus and Annual Information Form.

We have further comments on the fund facts in the answers to the CSA's Issues for Comment attached as Appendix A.

3. The Disclosure Regime Post-Fund Facts

We believe that there is no longer any use for an Annual Information ("AIF"). The information in the AIF is largely duplicative of the simplified prospectus. In addition, the AIF is almost never requested by an investor.

Recommendation: We recommend that the AIF be eliminated.

4. Additional Comment Period

We think that there is sufficient uncertainty remaining with the Instrument that the CSA should consider a second comment period. In particular, the analysis around operational complexities has indicated to us that without significant input from dealers, advisors and their self-regulatory organizations, the implementation of the Instrument will not be successful. In addition, there are other areas that the CSA have said publicly are likely to change based on comments from the industry. The industry and the regulators need the second comment period to allow further time for reflection on these changes.

We thank you again for the opportunity to comment on the Instrument. As always, we are more than willing to meet with you to discuss any of our comments.

Yours very truly,

W. Sian Burgess
Senior Vice-President, Head of Legal and Compliance, Canada

cc: Rob Strickland, President

Appendix A – Issues for Comment

I) Issues for Comment on the Notice and Request for Comment

1. **We seek feedback on whether you agree or disagree with our perspective on the benefits of the Instrument. We particularly seek feedback from investors.**

   Fidelity strongly supports the fund facts disclosure document. We also support the staged implementation of the Instrument. Based on the research conducted independently by Environics Research Group on Fidelity's behalf as outlined in our letter, we would suggest that the benefits to investors need to be better measured and understood. To date, much of the discussion around the benefits of the Instrument with the CSA has been anecdotal, based on CSA or industry perceptions of investor preferences or based on the views of investor advocates who may not represent the views of many investors. We would recommend that the CSA conduct independent investor research to assess the benefits to investors of the Instrument.

2. **We seek feedback on whether you agree or disagree with our perspective on the cost burden of the Instrument. Specifically, we request specific data from the mutual fund industry and service providers on the anticipated costs and savings of complying with the Instrument of the mutual fund industry.**

   Fidelity did go through an exercise of trying to understand the costs of the Instrument. However, there are several variables that make a cost analysis very difficult at this time. For example, will the CSA allow multiple series in one fund facts, which will reduce costs? The industry has not concluded on the best way to interface with the dealers and advisors operationally and this, we expect, will have significant costs. In addition, we do not currently have an automated solution for delivery of the fund facts from any industry provider which again will impact the cost analysis. We do think that allowing data to be pulled from the latest MRFP will be cost effective (if that recommendation is adopted by the CSA).

   From a dealer/advisor perspective, we would expect significant increases in costs. The Instrument introduces a brand new regime for evidencing such things as delivery of documents, bringing them to the attention of investors, etc. We expect increased time spent by advisors which we expect would translate into fewer advisors per client. In addition, we expect increased compliance time to create policies and monitor them, including the extensive evidentiary requirements currently in the Instrument.

II) Issues for Comment on the Instrument

1. **We are considering allowing fund managers greater flexibility to provide more current information to investors, by not restricting how frequently a fund manager may file an updated fund facts document. What are your views? How would this impact compliance with the requirement to deliver the most recently filed fund facts document?**

   We recommend against allowing this flexibility. Access for dealers and financial advisors to the most current fund facts will be complex enough that allowing further versions will almost certainly lead to the incorrect document being handed out from time to time. We will already be required to update the fund facts for a material change. We know that amendments made to the simplified prospectus are often confusing for advisors as will amendments to the fund facts. Adding the flexibility will just increase the already existing confusion.

2. **The intention of the requirement to "bring the fund facts document to the attention of the purchaser" is to link for the investor the information in the fund facts document to particular purchase. In subsection 7.3(3) of the Companion Policy we have provided guidance on this requirement. Is this guidance sufficient?**

   Because the concept of bringing the fund facts document to the attention of a purchaser is new in securities law, we believe there should be more guidance in the Instrument if this concept is to stay. However, this concept raises real concerns about how a dealer or advisor can actually fulfill this requirement and how evidence can be maintained.

   For the reasons outlined in our letter, we recommend the removal of the concept of "bringing the fund facts document to the attention of the purchaser".

3. **In response to comments, we are considering requiring delivery of the fund facts document for subsequent purchases, either in instances where the investor does not have the most recently filed fund fact document, or in all instances with the confirmation of trade. What are your views? Would this approach make it easier to comply with the delivery requirements?**

   What if this could result in the removal of the annual option to receive as fund facts document? Would this approach be more useful for investors? More practical for dealers?

   We agree with the Instrument as currently drafted i.e. the annual process to offer the fund facts to investors. We do not believe that there should be a requirement to send an additional copy of the fund facts for a subsequent purchase. Certainly, it should not be required before the trade

which would cause further unnecessary delays. Even after the trade, delivery with the confirmation will add to the amount of paper created by the industry and increase annoyance of investors who are tired of receiving too much paper from our industry already. By the time of a subsequent trade, investors will have had the option to receive much other information from the fund manager including client statements reaffirming their investment, access to financial statements, MRFPs, websites, information directly from their financial advisor etc. We suggest that the annual option to receive the fund facts will sufficiently raise investor awareness of their ability to obtain a further copy of the fund facts.

4. **In response to comments, we are considering allowing delivery of the fund facts document with the confirmation of trade in instances where the investor expressly communicates they want the purchase to be completed immediately, and it is not reasonably practicable for the dealer to deliver or send the fund facts documents before the purchase is completed. We request comment on this approach.**

   If we made this change, what information should an investor receive before the purchase? In addition to delivery of the fund facts document with the trade confirmation, we think that at least some type of oral communication about the fund facts document would be necessary. What specific information should be conveyed in each instance to satisfy this aspect of delivery? Are there alternatives to this approach?

   Fidelity believes that it is critical to offer investors this option. We appreciate that the CSA heard the industry's views on this issue.

   We agree that an oral description of the fund by the advisor should be given to the client. We believe this would be done in the normal course in any event.

   It is our view that investors should also be given this option when they cannot access the fund facts quickly. If, for example, mail is the only option for an investor i.e. they do not have email or internet access, they do not have a fax and they are not close to their advisor, but they feel they need to trade immediately, they should be able to trade based on an oral review of the pertinent information in the fund facts.

5. **In response to comments, we are proposing some limited binding of fund fact documents. In section 4.1.5 of the Companion Policy we have provided guidance on this provision. Is this guidance sufficient? Do you agree with this approach?**

   The Companion Policy provides that no more than 10 paper copies of the fund facts can be bound together. We see circumstances in which binding more than 10 could be reasonable and not overwhelming for an investor.

It is also important to retain flexibility for fund on fund and asset allocation programs which rely on a number of underlying funds.

The bundling of fund facts is currently not permitted for an email. Each fund facts must be attached separately or separate links must be provided. We do not agree that it is difficult to download a larger document. We would still only be talking about 20 – 30 pages which is easily downloaded.
Bundling the fund facts together would assist dealers/advisors in ensuring stronger compliance with the Instrument i.e. that mistakes are not made when attaching several documents or providing links to several documents.

6. **Is the transitional period for delivery of the fund facts document appropriate? If not, what period would be appropriate and why?**

   We are grateful for the transition period that is currently provided in the Instrument. It is not clear to us how long the implementation of the pre-delivery regime will take. We think two years is a reasonable guess as to how long it will take, but much more work needs to be done both at Fidelity and in the industry to confirm that this is sufficient time.

   We do think it is critical for a central industry electronic warehouse to be developed before the transition period expires. Since there has not, to our knowledge, been a viable option developed, the transition time may be contingent on that plan.

7. **Depending on the comments we receive, we may decide to proceed with finalizing some parts of the Instrument while continuing to consult on other parts. For example, we may be able to move forward sooner with the requirement to prepare and file a fund facts document and have it posted to the website. If this were to occur, we would provide a reasonable transition period before anyone has to comply with the fund facts document requirements and we would consider a shorter transitional period for delivery. What are you views on this approach? What period would be appropriate?**

   We believe that we can be ready for the implementation of the fund facts within a reasonable timeframe after the Instrument is finalized. At Fidelity, we have established a project committee to work out implementation issues to the extent that we can at this time. However, it is obviously quite important that some of the areas of uncertainty be clarified before we can be ready.

   We think implementation of delivery before the point of sale is by far the most complex part of the Instrument and therefore we strongly agree that a transition period beyond the implementation date is critical. We think that 2 years is the minimum amount of time that we will need in order for Fidelity and the industry to make this aspect of the Instrument workable.

III) Issues for Comment on Form 81-101F# *Contents of fund facts Document*

1. **In response to comments, we have provided some flexibility in the proposed amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* for a fund facts document to be attached to, or bound with, one or more fund facts documents of other mutual funds. To date, however, we have not seen a sample fund facts document that contains multiple class or series disclosure that meets the principle of providing investors with information in a simple accessible and comparable format as et out in *framework 81-406: Point of Sale Disclosure for Mutual Funds and Segregated Funds* (framework).**

   For us to consider allowing flexibility to permit a single fund facts document per mutual fund, we request sample fund facts document that demonstrate multiple class or series information presented in a manner consistent with the principles of the Framework.

   In its comment letter, IFIC is providing the CSA with a sample multi-series fund facts. We endorse the IFIC model and agree that similar series can readily be incorporated into the same fund facts. We agree with IFIC that this will allow greater comparability for investors. And it just simply makes sense to put similar series into one document. Otherwise, an investor may receive multiple fund facts to determine which series nuance best suits them.

   Allowing multiple series in one fund facts will also reduce the likelihood of confusion by advisors in trying to sort through Fidelity's 1500 fund facts to find the right series of the right fund to send to investors. In addition, it will reduce the amount of paper and ink used by the fund industry.

2. **We are considering whether it is more appropriate to require disclosure of the MER without any waivers or absorptions, since there is no guarantee such waivers or absorptions will continue. Do you agree with this approach?**

   We do not agree with this approach. Investors are provided fee waivers in legitimate circumstances, such as where the funds are too small to bear their fair share of expenses like audit fees, custodian fees, regulatory fees. Since the MER actually charged is shown in the financial statements and the MRFPs, it would be inconsistent, and arguably misleading, to show a higher MER in the fund facts. Investors need to know what they are actually being charged. The better approach is the current approach in the simplified prospectus, which is to state that waivers apply to the funds and may change. Otherwise, there may be consequences to small funds in showing a higher MER since it could impede the ability to grow those funds.

3. **In response to comments, including concerns raised by investors and the Investment Funds Institute of Canada (IFCI) of the use of its risk scale, we are proposing of the manger to identify the mutual fund's risk level on a prescribed scale set out in the fund facts document, based upon the risk classification methodology adopted by the manager.**

   We request comment on whether this approach achieves our objective to provide investors with a simple and comparable presentation of the level of investment risk associated with the mutual fund. Are there alternatives to achieve this objective?

   We agree with the proposal to require that the methodology used to disclose risk in the fund facts document be consistent with that used by the fund manager in the simplified prospectus. We also agree that the work of the IFIC Fund Risk Classification Task Force is the best methodology for disclosing risk. The approach has served to standardize risk disclosure in much of the industry using a measurable standard that is easily applied and we believe, understood by investors.

4. **We would like feedback on whether the band we've prescribed for the scale is appropriate. Are there better ways to describe the range of investment risk for a mutual fund?**

   We are concerned about the proposed investment risk level scale and how this scale will be interpreted by users of the fund facts document. We believe that the Fund should be assessed on its own from a risk perspective and investors should not be asked to assess the fund's risk in light of other holdings.

   It is important that the investor's own risk tolerance be separated from the risk of a specific fund.

   However, if the CSA proceeds with the proposed risk scale, we recommend including a statement on the fund facts document that clarifies that what is being disclosed is the manager's reasonable assessment of the fund's historical volatility risk and not risk tolerance, and that the investor needs to consider the investment in the context of his or her entire portfolio rather than in isolation.

5. **We recognize that mangers with similar type mutual funds may adopt different methodologies to identify the mutual fund's risk level on the scale prescribed We would like your view on whether this will detract from our objective to provide a simple and comparable presentation of the level of investment risk. Should we consider**

requiring a particular type of risk classification methodology be used? If so, what methodology would be appropriate?

We endorse IFIC's fund risk recommendations. We have found since the IFIC recommendations were implemented voluntarily by many industry members some years ago, there is much greater consistency and comparability across funds. These ratings are easily understood by the fund companies who use them and importantly by the dealers and advisors who sell the funds. The dealers rely on these ratings in their know your product reviews.

The IFIC risk classification recommendations came after some years of reviewing various alternatives by an industry working group with considerable knowledge in this area. We would urge the CSA to continue to adopt the IFIC fund risk classification recommendations in that Instrument.

6. **In response to comments, we are considering allowing the disclosure in this section to be supplemented with a brief description of the key risks associated with an investment in the mutual fund. We request feedback on this approach. Should we limit this risk disclosure? If so how?**

   In the Fund's simplified prospectus, there is a lengthy description of the various risks that can apply to a fund. They describe each risk in some depth and allow an investor to cross reference shorter descriptions on the fund page to longer descriptions in the body of the prospectus. We believe that without the longer description, the shorter descriptions are difficult to understand. If shorter descriptions are to be included in the fund facts, we would strongly recommend that the fund facts cross reference to the simplified prospectus for a fuller description of the risks of the fund.

7. **To better convey the impact on the investor of sales charges and ongoing fund expenses, we are considering requiring an illustration of the amounts payable in dollars and cents. What are your views?**

   We think the percentage amounts currently required in the Instrument adequately convey the information about sales charges and fund expenses. We have not found this information to be particularly helpful to investors in the simplified prospectus in the past.

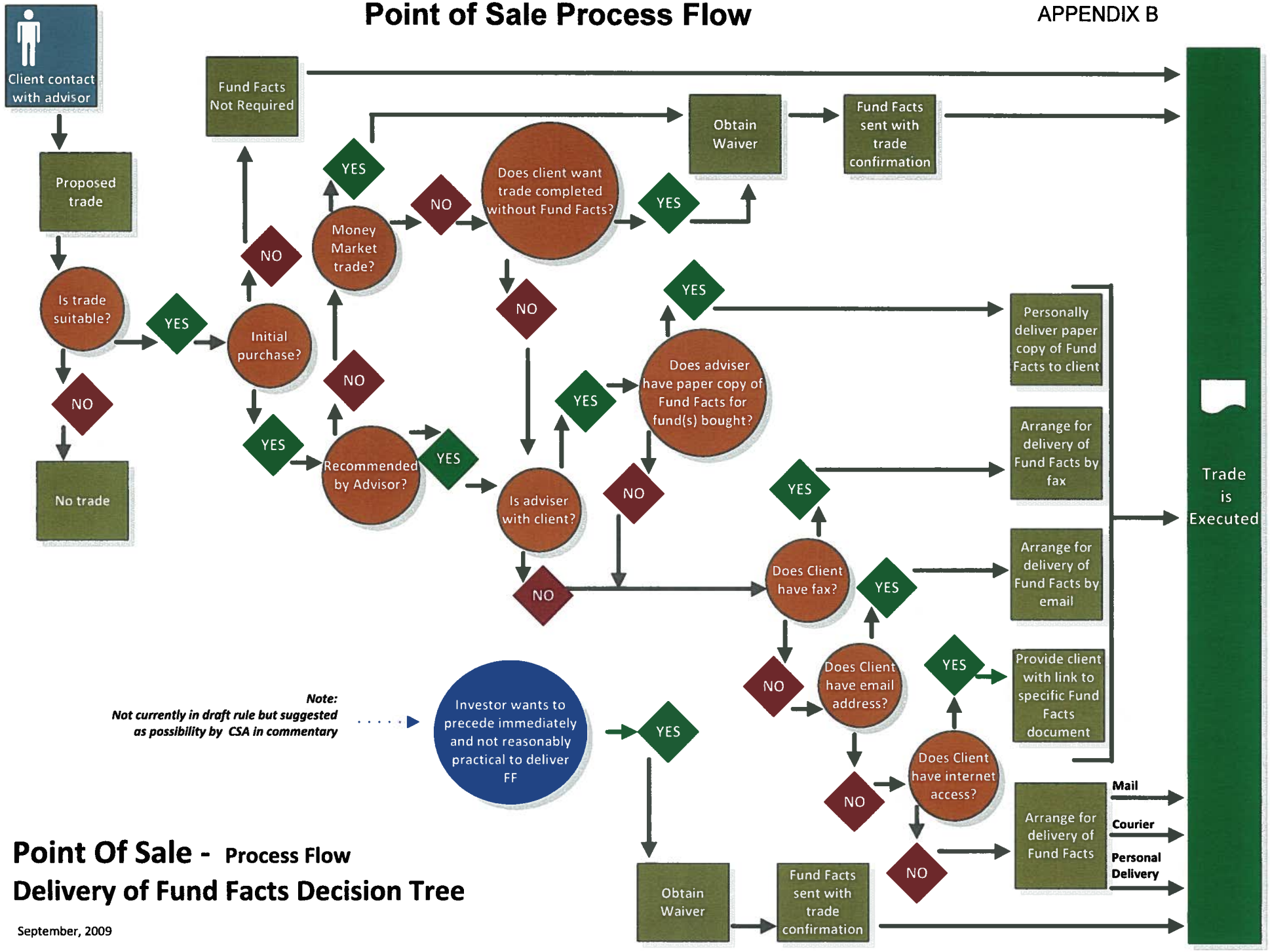
8. **We are also considering whether or not to require disclosure in the fund facts document of the trading expense ratio (TER) to provide investors with a more complete picture of the costs associated with an investment in a mutual fund. We request feedback on this proposal.**

   We think that the financial statements and MRFPs are the appropriate place to disclose costs like the TER. We think including this information in

a brief document will be confusing for investors. Instead, we suggest that the fund facts include a statement that encourages investors to read the financial statements and the MRFPs for more information about costs of investing.

Point of Sale Process Flow

APPENDIX B



Point Of Sale - Process Flow

Delivery of Fund Facts Decision Tree

September, 2009