



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

to: jstevenson, consultation-en-cours  
Cc: "Ada Yeung", dcook, stub, cwang

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October 19, 2009

**Attention:**

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

Anne-Marie Beaudoin  
Corporate Secretary  
Autorite des marches financiers  
800, square Victoria, 22 etage  
Montreal Quebec H4Z 1G3

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

Dear Sir/Madam,

This letter is to express that Keybase generally agree with the principle that investors need a new simplified Fund Facts document in plain English and common terms. Overall, we agree with the comments of IFIC and support all its recommendations.

However, we want to make comments on two specific areas: Delivery Requirements and Use of the Risk Scale. This will have a tremendous cost increase on our business model and the additional complexity of management system to make sure the Fund Facts information are actually delivered by our Financial Advisory Network:

**A) Delivery Requirements**

Keybase believes that if the POS information must be given at the point of purchase, before the order is processed, will create a logistic difficulty and be very time consuming and costly to the dealer. Plus it will create an additional burden of proving delivery in every client situation where a transaction is completed.

We agree with IFIC comments and also recommend that CSA works with the SROs to ensure that SRO guidance as to the evidence of delivery, waivers, etc. is an onerous costly complex process for the dealer to show that it's Financial Advisors deliver the POS information.

More so, perhaps transition time should be extended until a fully functioning, universally cost effective Fund Facts clearing house/control repository/ delivery mechanism has been established to either get the information in paper or electronic format delivered.

**B) Use the Risk Scale**

There is a great difference between the underlying fund risk and the investor risk profile.

The generally accepted method of risk assessment is based on volatility measure and beta risk. Trying to quantify risk on a scale might be overly ambitious and may create a risk comfort in the investor's mind that may not be so. We agree that the risk disclosure be the same as provided in the *Simplified Prospectus (SP)* in the interest of providing investors with a comparable presentation of the level of investment risk of the fund.

We recommend that the Fund Manager must make a reasonable assessment of the fund's historic volatility risk and does not advise the client investor risk tolerance. The investors need to consider the specific Fund investment in the context of their entire portfolio rather than each specific fund selected. This may allow a portfolio review of risks at a plan level rather than a one to one association between the volatility risk scale and an investor of a particular fund.

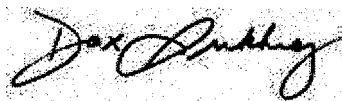
We agree that a 6 point scale of very low, low, below average, average, above average and high to correspond with the six clusters of fund standard deviations which have been determinate by the Fund Risk classification taskforce as best respecting the standard deviation group of CIFSC category benchmark return.

So far, there is not substantial empirical data to show that investors stand to benefit from this POS initiative. This increased cost that the industry must bear in a difficult and challenging market, which will eventually be transferred to the investing public, begs the question of its timing. The jury is still out as to whether providing more and more disclosure information will improve investors results or risk management techniques and risk taking abilities.

Again, we recommend that the CSA conduct additional investor's research in assessing the benefits and the additional aggravation experience by investors due to this regulatory initiative.

Thanks for the opportunity to provide and share comments on the proposed Point of Sales Disclosure Rule. Should you need to discuss further, please contact me directly by phone @ 905.7097911/2253 or email @ [daxsfteybase.com](mailto:daxsfteybase.com).

Yours Truly,



Dax Sukhraj  
President & CEO

Cc: Ada Yeung, Director Administration & Compliance Officer  
Don Cook, Finance Manager  
Stu Beaudoin, Branch Manager  
IFIC, Charles Wang

PS: Please forward our comments letter to the other CSA's.

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