

The OMEGA Foundation

June 22, 2010

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
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 3S8

Mme 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

Sent via e-mail to jstevenson@osc.gov.on.ca

Dear Sirs/Mesdames:

Re: Modernization of Scholarship Plan Regulation Phase I: A New Prospectus Form for Scholarship Plans

We respectfully submit our comments on the proposed rule amendments aimed at creating a new prospectus form tailored to scholarship plans as published by the Ontario Securities Commission (OSC) and the other members of the Canadian Securities Administrators (CSA) for comment on March 26, 2010.

The OMEGA Foundation is the lead in SmartSAVER, a Toronto-based partnership initiative to increase the participation of low-income and newcomer families in Registered Education Savings Plans (RESPs). SmartSAVER was developed in response to research as well as consultations with community-serving organizations and interviews with families. The field research which informs our work was undertaken in some of Toronto's most economically-challenged neighbourhoods to better understand the factors preventing low-income families' use of RESPs, including the Canada Learning Bond, a Federal RESP initiative created to benefit low-income children and that requires no family contribution.

...2

Our findings revealed a majority of parents who, though struggling to make ends meet, demonstrated a strong commitment to provide the best educational opportunities they could for their children. It also, however, made apparent certain barriers to their successful RESP participation. Of relevance to this submission, these included language barriers, the complexity of the scholarship plan and the prospectus through which it's sold. Families commonly reported to us being confused or apprehensive about plans, not being able to read the prospectus and not understanding the costs, conditions and potential risks associated with different products. Some reported enrolling in a plan based on a verbal explanation, some described financial loss and loss of confidence while others deemed it wise to avoid RESPs altogether.

This input led us to conclude that **improved access to easy-to-understand information about RESP products is critical to improving low-income families' participation and informed decision-making.** We commend the Canadian Securities Administrators for your attention to this issue and, based on our findings, echo your assertions:

"We know that many investors have trouble understanding the unique features and complexity of scholarship plans", and

"We know that for some of these investors, a scholarship plan is the only security they will ever purchase. Many of these investors have little to no financial literacy. In some instances, they may not speak or understand English or French as a first language, making the information in the prospectus even more difficult for them to access."

Our comments on the new prospectus form are limited to the proposed Plan Summary. We believe that the introduction of this document could play a valuable role in clarifying and simplifying scholarship plan disclosure. The Plan Summary has the potential to greatly improve the accessibility of RESPs to the low-income and newcomer populations we serve by making it easier for families to compare and identify RESP products that suit their needs and budgets.

In reviewing the Plan Summary, we have compared its proposed format with the Fund Facts disclosure which the CSA is currently implementing for mutual funds. The Plan Summary and the Fund Facts documents seek to achieve similar goals: to improve investor comprehension of financial products that, albeit not identical, are comparable in many aspects. They both use a question and answer format and highlight the potential benefits, risks and costs of investing in a very brief, plain language document.

With the exception of the introductory statements in the Plan Summary, which we believe provide helpful emphasis, ***we find the Plan Summary format less accessible than the Fund Facts format to a reader who may have less financial literacy or who may not understand English or French as a first language.***

1. **Length:** Where the Fund Facts document is limited to two pages, the Plan Summary is three and, based on samples, contains one-third more text;
2. **Language intensity:** Where the two summaries address many of the same questions, visual representations in Fund Facts aid comprehension, while more extensive use of text in the Plan Summary creates a greater demand on the reader's language proficiency;
3. **Key Sections:** A number of sections that are clearly laid out in Fund Facts and that contain information critical to an investor's informed decision-making are either addressed with less specificity or are absent from the Plan Summary. These include:

...3

FUND FACTS	PLAN SUMMARY
<p><u>Quick Facts:</u></p> <ul style="list-style-type: none"> • Date fund created • Portfolio manager • Total value • Minimum investment 	None
<ul style="list-style-type: none"> • List of top 10 investments 	<ul style="list-style-type: none"> • Statement: "The plan invests mainly in fixed income securities, such as government treasury bills, guaranteed investment certificates, mortgages and bonds."
<ul style="list-style-type: none"> • Pie chart of investment mix 	<ul style="list-style-type: none"> • Statement above
<p><u>Fund performance:</u></p> <ul style="list-style-type: none"> • Average return: "A person who invested \$X in the fund 10 years ago now has \$Y. This works out to an annual compound return of Z%" • Chart of year-by-year returns over 10 years 	<ul style="list-style-type: none"> • Statement: "Returns will vary from year to year."
<p><u>How risky is it?</u></p> <ul style="list-style-type: none"> • Spectrum from Low to High situating risk rating 	<p>Risks appear in different sections including</p> <ul style="list-style-type: none"> • Introductory statements • What does the plan invest in?, and • What are the risks? <p>On investment risk:</p> <ul style="list-style-type: none"> • Statement: "Like other investments, the plan's investments have some risk."

Given the CSA's recognition of the specific challenges many investors face in trying to understand a scholarship plan and the critical role the Plan Summary could play in increasing comprehension, we urge the CSA to revise the Plan Summary. We encourage you to bring it to the level of clarity provided by the Fund Facts and include, where possible, the specific information itemized above.

As the CSA has noted, this is an important investor-focused initiative. A scholarship plan may be the only, or at least the first security many investors with low to modest incomes will ever purchase. It is in everyone's interest, including the investors and most especially their children, that their decision-making be informed to optimize their financial literacy and successful participation.

Sincerely,



May Wong
 Executive Director