

September 23, 2011

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British Columbia Securities Commission  
Alberta Securities Commission  
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Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
New Brunswick Securities Commission  
Superintendent of Securities, Prince Edward Island  
Nova Scotia Securities Commission  
Superintendent of Securities, Newfoundland and Labrador  
Superintendent of Securities, Northwest Territories  
Superintendent of Securities, Yukon Territory  
Superintendent of Securities, Nunavut

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

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

Dear Sir/Madame:

**Re: Proposed Amendments to National Instrument 31-103: Cost Disclosure  
and Performance Reporting**

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We are writing to provide the comments to the proposed amendments to *National Instrument 31-103 Registration Requirements and Exemptions: Cost Disclosure and Performance Reporting* (the "Proposals").

## **Background**

Capital International Asset Management (Canada), Inc. ("CIAM") is part of The Capital Group Companies, Inc., a global investment management firm that originated in 1931. The Capital Group Companies, Inc. includes two of the world's largest providers of global/international equity investment services: Capital Research and Management Company (U.S. mutual funds) and Capital Group International, Inc. (global institutional), which also includes Capital Guardian Trust Company.

CIAM serves as the manager and trustee of five Capital International mutual funds which are subadvised by CIAM's affiliates in the U.S., Capital Research and Management Company and Capital Guardian Trust Company. These groups manage equity assets independently from one another. The Capital International funds are distributed through third party distributors in Canada.

## **General**

We have read and are generally in agreement with the provisions asserted in the letter submitted by The Investment Funds Institute of Canada ("IFIC") on September 7, 2011.

We support the general principles of the Proposals to provide clients with clear and transparent reporting on performance and costs. However, we agree with the IFIC letter that the Proposals raise significant concerns for investors and for the industry which need to be taken into consideration before any further work is done on these regulations.

## **Specific Comments**

Our principal concerns relate to the overemphasis on disclosure of fees and compensation that are already reflected in the MER and thus included in net return reporting – an overemphasis which will confuse investors and promote misleading cost comparisons with investments that do not require similar disclosures, and as such impose significant burden on fund managers.

We note that the purpose of the Proposals is for investors to receive “clear and complete disclosure of all charges associated with the products and services they receive, and meaningful reporting on how their accounts perform”. We are concerned that the Proposals fail to recognize the significant enhancements made for the benefit of investors by the recent Fund Facts initiative with respect to such disclosures.

We were encouraged to see the concise and easily comparable performance and cost disclosures required by the Fund Facts at the specific fund series/class level. With the addition of these disclosures, we believe that investors now have the advantage of easily comparing investment funds and fund families in order to make informed investment decisions. In this regard, we strongly urge the CSA to continue to consider expanding the point of sale requirements to investments other than investment funds in order to help investors make decisions with consistent disclosures.

Additionally, we are concerned that the scope of the Proposals focus primarily on disclosure of costs associated with mutual fund and fixed income products. We believe this focus gives undue emphasis on the costs associated with investing in mutual funds, over other types of investments.

We disagree with the CSA notice provision which states that “these charges are often buried in the cost of the product or in the prospectus”. These disclosures are distinctly highlighted in the Fund Facts, which is the point of sale document. It is our understanding that the Fund Facts were specifically designed to include such key information in plain and simple terms in a generally prescribed format that makes it easy and clear for investors to see and read. As the CSA is aware, the Fund Facts template prominently displays the following key information by fund series or share class:

- MER information (in bold font type) under the “Quick facts” section;
- Fund performance (after fees) information showing average and year-by-year returns;
- Cost disclosures including sales charge options, fund expenses and other fees. These cost disclosures include, and are not limited to, sales-related charges, explanations of how these charges work, fund expenses, trading expense ratios, trailing commissions and other charges including short-term trading fees, switch fees and change fees.

The preparation of these Fund Facts documents by fund series or share class added a significant cost to fund investors as they form part of the operating expenses of the funds. For this reason, we would like the industry, including the CSA, to focus on promoting and enhancing the use of these documents by investors. As the Fund Facts are designed to present information in a plain language format, we believe the CSA should consider proposing any additional

disclosures in the Fund Facts document as opposed to the disclosures suggested in the Proposals.

If the CSA proceeds with these Proposals, we believe that investors would be significantly disadvantaged by the additional voluminous reporting that may be more confusing and less meaningful due to the technical nature, frequency and format of such disclosures. As an example, allocating expenses at the account level is not only redundant, but adds too much detail considering that the MERs and TERs accurately represent the costs of mutual fund ownership. And providing these personalized cost amounts is potentially misleading since performance is quoted net of these fees.

As described above, as well as the comments reflected in the IFIC letter, we question the incremental benefit to investors in implementing these Proposals. If the CSA finds that more or different information should be provided to investors, it should consider future amendments to the Fund Facts (and expansion of the investments covered by the Fund Facts), as we believe this provides the best mode of disclosure for investors in a clear, concise and direct manner.

We appreciate the opportunity to comment on the Proposals. Please feel free to contact the undersigned if you have any questions. Thank you.

Yours truly,

CAPITAL INTERNATIONAL ASSET MANAGEMENT  
(CANADA), INC.

By: Mark Tiffin  
President