



November 9, 2011

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
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

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**Re: National Instrument 81-101 *Mutual Fund Prospectus Disclosure*,
Form 81-101F3 and Companion Policy 81-101CP *Mutual Fund
Prospectus Disclosure***

Broadridge Investor Communications Corporation (Broadridge) is pleased to respond to CSA's notice and request for comment concerning National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (NI 81-101) and Form 81-101F3.

For 25 years, Broadridge has designed and delivered innovative solutions that drive efficiency in the investor communication process. These first-to-market tools include SmartProspectus®, recognized by the industry and investors as the best practice standard. The creation of these tools has benefited all constituents. Intermediaries have realized significant cost savings, improved operational efficiency and enhanced communications with their investors. In addition, they support investor preferences and ultimately enhanced corporate governance.

Our investor communication services include securityholder communications, delivery of documents in compliance with regulatory requirements, and transaction reporting. We service over 230 banks, brokers and dealers as well as the majority of the participants in the mutual fund industry in Canada. Our clients rely on our unique combination of industry, regulatory and data processing expertise as well as the products and services we build to assist them in complying with industry laws and regulations.

We applaud the CSA's efforts for continuous improvement, it is from this perspective that we have reviewed the proposed Point of Sale rules and offer comments on those sections where we believe we can add the most value – those relating to the delivery of the Fund Facts and related documents.

Context

Technology has made possible significant efficiencies, reducing costs and improving the speed and accuracy with which mutual fund manufacturers and distributors communicate with investors.

Broadridge provides highly advanced and automated fulfillment services to the investment industry. Our automated transaction-driven systems, once implemented and tested for a client, run according to established business rules to ensure operational efficiencies and maximum compliance with the current regulations.

Additionally, we achieve incremental cost efficiencies through the ability to suppress the fulfillment of documents already sent to the investor based on the fulfillment history and comparison to the most recently filed documents. Our ability to bind together – in a personalized booklet – all transaction confirmations and required documents related to trades processed on the same day in an account eliminates the need for the distribution of multiple packages, resulting in efficient fulfillment and postage savings. We also submit that this results in a better experience for the investor with better organized material and the avoidance of the confusion that would result from reviewing duplicates of the same material.

In an automated production environment, binding documents into one consolidated booklet is the most feasible and cost effective option. Consolidating multiple personalized booklets in an envelope is not impossible, however, it is difficult and cumbersome and therefore more expensive. Manually inserting envelopes or any kind of “pick-and-pack” process is inefficient, prone to errors, and difficult to audit. By imposing restrictions on what can be bound in the investor package, the industry will incur additional unnecessary costs with no apparent benefit for the investors.

Broadridge commissioned a study to help gain further insights into investor attitudes toward the investment communications they receive. The findings showed that the investor participants supported receipt of personalized communications and relevant content in a customized, consolidated booklet, containing all necessary information related to all transactions executed on the same day in an account. This approach was deemed not only convenient and effective, but was perceived as financially responsible and environmentally friendly.

Proposed Section 5.1.1 – Combination of Fund Facts Documents for Delivery Purposes

We believe the CSA’s proposed approach to binding, as proposed in Section 5.1.1 is too prescriptive. It describes combinations of Fund Facts documents for delivery purposes, and as specified, Fund Facts documents may only be attached or bound to the following:

- The confirmation of purchase
- Another Fund Facts document
- The simplified prospectus
- The AIF, MRFP and financial statements of the mutual fund

Implementation of the current rule

As the rule is currently written, it permits the inclusion of other documents in support of the delivery of consolidated trade confirmations in the same bound package as a simplified prospectus.

NI 81-101 currently allows simplified prospectus to be bound with:

- Documents incorporated by reference
- Educational material
- Account application documents
- Registered tax plan applications and documents
- Any point of sale disclosure documents required by securities legislation

It should be noted that Broadridge was granted a regulatory relief for binding additional documents related to the purchase in a package containing a simplified prospectus.

These additional documents are restricted to documents that are either **required or permitted** by the legislation to be delivered to investors. The inclusion of additional documents is made possible by utilizing technology that is able to identify and produce an investor communication package that includes, in a convenient format, material required by a consolidated trade confirmation, new and changing regulatory requirements and the changing investment practices of the public. Additional documents include disclosure documents that are or may be from time to time required or permitted to be delivered to investors in respect of trades in a consolidated trade confirmation, such as long form or short form prospectuses, information folders, information memoranda, information statements, offering memoranda, information pages or term sheets with respect to the transactions.

Additional documents may also include, but are not limited to, documents with respect to account opening, management or maintenance or other information that is or may be required or permitted to be delivered to investors in connection with a trade.

Additional documents do not include marketing material with respect to a mutual fund or other securities or financial instruments or a Dealer.

Most Dealers are successfully leveraging the efficiency and cost-effectiveness of the current system, which is recognized as the industry best practice. In addition to all documents filed on SEDAR, our document repository contains approximately 3,000 disclosure documents in the category "additional documents" that are permitted or required to be delivered to investors.

Practical implications of the proposed rule

1. Impact to Transaction Confirmations Delivery

The proposed restriction to include only the confirmation of purchase will have a significant impact on Dealers utilizing "statement style" transaction confirmation layout and those who utilize transaction confirmation consolidation. In either case, confirmations for sell, purchase and switch transactions are currently consolidated, sometimes printed on the same sheet of paper and bound together with required supporting documents.

In a scenario where an investor requests a switch, the sell-side transaction confirmation and the purchase-side transaction confirmation are printed together, making it clear as to how the transaction was executed. If the Fund Facts document is required to support the purchase, the proposed limitation to bind Fund Facts only to the confirmation of purchase will require de-consolidation of the sell confirmation, printing it as a separate document and likely mailing it in a separate envelope, thereby increasing costs for the Dealer and confusing the investor.

NI 81-101 currently does not specify limitations to binding only specific types of transaction confirmations with required documents. We suggest that the requirement to limit binding of Fund Facts only to the confirmation of purchase be changed to allow binding of the Fund Facts to transaction confirmations.

2. Investor experience

We believe that introducing restrictions on the binding of Fund Facts to other documents will retrograde the investor experience. Investors are accustomed to, and have an expectation of, receiving personalized packages containing all information related to the activities in an account on the same day.

Disallowing the binding of other documents with Fund Facts will necessitate sending multiple packages related to the transactions processed on the same day. Based on the feedback from Dealers, we believe that receiving multiple packages in the mail for transactions processed on the same day in an account will confuse and frustrate investors and discourage them from reading

the material. Information received in one consolidated, bound booklet personalized to their interests with a clear index that outlines the contents of the package is clearly a more effective communication tool. This approach is consistent with investor research supporting well-organized, personalized documentation related to the activities in an account, and reflects current investor communication best practices.

3. Cost

Compliance with the restrictive model as described in proposed section 5.1.1 will require significant investment in order to develop a new methodology for packaging trade confirmations as well as redesigning the trade confirmation layout. In addition, Dealers will be adversely affected by ongoing production and postage costs associated with mailing multiple packages to an investor. Meeting the new requirements will decrease efficiency and add significant cost for Dealers without apparent benefit to the investors.

Recommendations

We recommend the rule provide a higher degree of flexibility as it relates to documents that are permitted to be bound together. We propose that Fund Facts may be attached or bound to the transaction confirmations along with all required or permitted documents related to the activities in an account processed on the same day.

Form 81-101F3 – Contents of Fund Facts, paragraph (16) of the General Instructions

As it is written, Form 81-101F3 amended Paragraph (16) of the General Instructions contains the following requirement

“... Each Fund Facts document must start on a new page.”

We seek further clarification on the definition of the term “page” given that vernacular and technical definitions vary. Does the CSA intend to describe:

- A one side of a leaf of paper; or,
- A single sheet of paper

In the first case, the Fund Facts document would merely start on top of any page, even or odd, regardless of the content of the preceding page.

In the second case, each Fund Facts document would start on the new sheet of paper, typically on the odd numbered page, ensuring that total number of pages for each Fund Facts document is always divisible by 2 even if that necessitates insertion of blank pages at the end of a document.

Conclusion

We appreciate the opportunity to comment on the proposed mutual fund prospectus disclosure rules. We would be pleased to discuss these issues further if that would be of assistance to the CSA in finalizing the requirements in this very significant area of mutual funds regulation.

Sincerely,

“Patricia Rosch”

Patricia Rosch
President
Broadridge
Investor Communication Solutions, International