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VIA EMAIL

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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 Territory
Superintendent of Securities, Nunavut

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Dear Sirs/Mesdames:

RE: CSA Notice and Request for Comment – Implementation of Stage 2 of Point of Sale Disclosure for Mutual Funds – Proposed Amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure*, Form 81-101F3 Contents of Fund Facts Document and Companion Policy 81-101CP Mutual Fund Prospectus Disclosure – 2nd Request for Comments

We are pleased to provide the Canadian Securities Administrators (CSA) with a second comment letter on the above-noted proposed amendments, which are designed to implement Stage 2 of the CSA's overall point of sale disclosure project. Our comments do not necessarily represent the views of our clients, although we have incorporated feedback received to date from our clients into this letter. Our comments are also based on our experience in working with our clients, and with the various members of the CSA in preparing and filing the various fund facts documents required by the amendments to NI 81-101 that were effective as of January 1, 2011.

While we appreciate certain of the amendments proposed by the CSA, we request that the CSA reconsider certain other of the proposals. Our comments have been divided by topic:

1. Flexibility for Binding Regulatory Documents

We welcome the revision to proposed section 5.2 of NI 81-101 which allows the fund facts document to be attached to, or bound with application documents, registered tax plan documents, transaction confirmations and other documents relating to transactions listed on the confirmations. The change provides much needed flexibility in delivering materials to investors and avoids the need for multiple mailings for same day transactions. That being said, more clarity in connection with the types of documents that may be bound with the fund facts documents would be helpful.

2. Financial Information Within 45 Days

We appreciate the amendment to subsection (2) of the Instructions under Item 2 of Part 1, which allows funds to present financial information as at a date within 45 days of the date of the Fund Facts. While we believe the extension from 30 days to 45 days is useful, we believe 60 days would be the more appropriate period to allow adequate time to collect, verify and present the financial data.

3. Disclosure of Material Changes

We welcome the addition of subsection 8.1 to the amendments, which permits material changes and proposed fundamental changes to be disclosed in the Fund Facts. This change eliminates the current requirement to submit an exemption application to allow disclosure of this information. Since the disclosure of material information is important to investors, such disclosure should not be subject to an exemption application.

Unfortunately, the CSA's requirements that material changes or proposed fundamental changes be placed alongside the most relevant section of the Fund Facts document would not work from a practical perspective. Fund Facts have been created by various service providers in a "template" format. The "template" format was created because it facilitates the production of many hundreds of fund facts. While the template format has many important advantages, it has several challenges – the main challenge being the template's inflexibility in connection with the usage of space. In our experience, having worked with the template model for over a year, the incorporation of proposed fundamental changes, for example, which may double the amount of space required in a particular section of the fund facts document, cannot be accommodated in the template form required by certain service providers.

While we understand that it may be desirable that investors are informed of the material change at the time they are reviewing the information in question, accommodating this change by reprogramming the template would be an expensive and time-consuming endeavour. In our view a simpler solution is to permit managers to describe the material change where it can be accommodated on the fund facts form – for example, the manager could indicate alongside the most relevant section of the fund facts document, that a material change was being proposed, and indicate to readers that such material change is set out at the end of the fund facts document. In this way, investors are given information about the change, and the industry is not put to

unnecessary expense in re-creating the underlying template (if such re-creation is even possible with certain service providers).

4. Series Dates and Fund Dates

We appreciate the revision to the “Quick Facts” section in the Fund Facts, which will now disclose both the date the fund began offering under a prospectus, as well as the date the series commenced, thus correcting the potentially misleading date information currently required. The proposed revisions have not captured all the instances in which references to “fund” in the form should be references to “series”. We recommend the CSA review and amend the language throughout the form to ensure consistency and clarity. We would be pleased to provide you with a mark-up to show you the references we believe need to be changed.

5. Risk Factors

We strongly urge the CSA to reconsider the proposed requirement to disclose up to four risk factors in the Fund Facts. We do not believe the inclusion of these factors will meet the CSA’s objective to highlight specific risks relevant to each fund to investors, as funds and fund managers generally do not use standardized terminology to categorize risk. The term ‘Equity Risk,’ for instance, may be used in a specific way by one fund and an entirely different way by another. These factors have a strong potential to confuse and possibly mislead investors regarding a particular fund. In response to the CSA’s request for feedback on this matter, we do not believe narrative descriptions of each risk factor would be of assistance in conveying the information, as the goal of the Fund Facts is to have a concise, clear document. There simply is not enough space to convey the factors in a meaningful way while allowing the Fund Facts to be an accessible form for investors.

6. Comparisons to a GIC

The purpose of the proposed amendments to Item 5 (Past Performance), which requires a comparison with a one-year Guaranteed Investment Certificate (GIC), is unclear to us. If the intention was to provide investors with a comparison to a "risk free rate of return", we suggest that the proposed comparison to a GIC is not appropriate. While the return of the GIC is certainly more predictable than the return on an investment with greater volatility, GICs are subject to their own risks (not least of which is that inflation may outpace the rate of return) and the volatility of the fund is already reflected in the current performance graph. The GIC’s risks would not be disclosed to investors, and so disclosure of the GICs return would provide misleading information. With exceptions, mutual funds are generally meant to be longer term investments. It would be misleading to compare the performance of a GIC, which is a deposit instrument and not a security, to the performance of a mutual fund meant to be held for the longer term.

7. Worst Three Months Performance

We strongly recommend that the CSA remove the proposed requirement for a fund to disclose its worst three months performance. Obtaining this information would not only be unnecessarily expensive, we do not believe it will meet the CSA’s objective to educate investors about potential future loss of investments – the required disclosure would instead reflect the volatility

of that fund at a particular point in time. Funds may show short-term uncharacteristic performance during sharp market downturns or when they are first created. This disclosure is not helpful in connection with making a considered investment decision. We also note that, over the course of time, material changes may have taken place, including changes to the fund's objectives, strategies and portfolio managers, which would render the disclosure meaningless or misleading. The issues in connection with this proposed requirement are compounded for older funds. As the proposed disclosure would not provide useful information, funds should not be put to the considerable expense of obtaining the required data.

8. **Transition Period**

We remain concerned with the CSA's recommended transition period, particularly its expectation that the industry begin system development prior to the expiry of the period. Our clients cannot begin programming their systems until the rules have been finalized. Therefore, the transition period should be, at minimum, 12 to 18 months. We strongly urge the CSA to allow the Fund Facts to be amended at the next renewal cycle after the 12 to 18 month transition period is over.

Thank you for considering our comments. We would be very pleased to discuss them with you in more detail at any time that is convenient to you.

Please contact any of the following lawyers at the contact information provided below if you have any questions about our comments or you would like to meet with us to discuss them.

Yours very truly,

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