

May 28, 2014

British Columbia Securities Commission  
Alberta Securities Commission  
Financial and Consumer Affairs Authority of Saskatchewan  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
Financial and Consumer Services Commission (New Brunswick)  
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island  
Nova Scotia Securities Commission  
Securities Commission of Newfoundland and Labrador  
Superintendent of Securities, Northwest Territories  
Superintendent of Securities, Yukon  
Superintendent of Securities, Nunavut

Me Anne-Marie Baudoin  
Corporate Secretary  
Autorité des marchés financiers  
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The Secretary  
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Toronto, Ontario M5H 3S8  
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Dear Sirs/Mesdames:

***Re: Implementation of Stage 3 of Point of Sale Disclosure for Mutual Funds – Point of Sale Delivery of Fund Facts***

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We are writing to provide our comments on *CSA Notice and Request for Comment – Implementation of Stage 3 of Point of Sale Disclosure for Mutual Funds – Point of Sale Delivery of Fund Facts* (the “**Point of Sale Proposal**”) published by the Canadian Securities Administrators (the “**CSA**”) on March 27, 2014.

Mackenzie Financial Corporation (“**Mackenzie Investments**”) is a portfolio adviser and investment fund manager registered under *National Instrument 31-103* with total assets under management of over \$68 billion – including mutual fund assets under management of approximately \$48 billion – as of March 31, 2014. Mackenzie Investments is a wholly-owned subsidiary of IGM Financial Inc., which is a member of the Power Financial Corporation group of companies. Mackenzie Investments distributes its products through more than 250 dealers representing approximately 41,000 financial advisers.

At Mackenzie, we are committed to the financial success of investors, through their eyes. That is our overarching vision and it is through that lens that we provide these comments. We believe that investors should understand clearly:

- the product they are buying;
- the fees they are being charged;
- the risks they are faced with; and
- the disclosure they are provided with.

In our view, the Fund Facts document, coupled with the point of sale initiative and CRM2 will ultimately serve investors well. However, in order for these initiatives to have their maximum benefit, we strongly urge you to continue to implement these changes in a thoughtful manner and over time in a way that allows dealers to ensure that fees for investors do not ultimately increase. These changes are resource-intensive for the industry, and time must be provided for them to be absorbed in an incremental manner. In our view, providing advisors the opportunity to explain the new initiatives to their clients is very important. Helping investors understand the information they are being provided with and the choices they have is crucial to achieving the most positive impact possible. Maintaining reasonable implementation timeframes will help serve this purpose and ultimately benefit the investing public.

We appreciate that you have worked with all stakeholders to consider the various areas of concern and we commend the CSA for proceeding with a simpler, more consistent approach to pre-sale delivery of the Fund Facts. The Fund Facts itself is an informative and investor-friendly document that allows investors to make an informed decision about their funds. We agree that the completion of this final stage of the “point of sale” disclosure initiative will benefit investors. Coupled with CRM2, this represents a vast improvement in disclosure and transparency for investors.

Mackenzie is a member of IFIC and our staff is active amongst the IFIC working groups, including those reviewing and commenting on the Point of Sale Proposal. We have reviewed and commented on IFIC’s comment letter and agree with its contents.

In response to the specific questions posed we have the following comments.

### **Exceptions from Pre-Sale Delivery of the Fund Facts**

We agree that post-sale delivery of the Fund Facts should be allowed in certain limited circumstances, and we agree with the verbal disclosure requirements. These requirements focus the discussion appropriately and will likely prompt further questions from the investor in many circumstances. We also agree that regarding pre-authorized purchase plans (“PACs”) additional delivery of the Fund Facts should not be required where the Fund Facts is subsequently amended or renewed and the required notice regarding access to Fund Facts has been provided to the investor.

We note that the transition for PACs outlined in the Point of Sale Proposal will result in all investors with pre-existing PACs receiving Fund Facts following the implementation of the new rules. Given that many of these investors will have been purchasing the same fund under their current PAC for a long period of time, we would think that most PAC investors will be quite familiar with their investment and will be surprised and possibly confused when they receive a Fund Facts. In our view, the CSA should consider exempting pre-existing PACs from receiving an initial Fund Facts post-transition. We agree with the approach recommended by IFIC where if firms send a notice to existing PAC investors in their regular quarterly statement advising them that Fund Facts are available and how and where they may be obtained, then they do not need to send an initial Fund Facts following implementation of the Point of Sale Proposal.

In addition, regarding the requirements around PACs generally, we believe that the requirement to provide a form that an investor can send back to request the Fund Facts document is unnecessarily complicated and requires an additional, separate piece of paper to be included. A simple requirement (as noted above) to clearly notify investors that Fund Facts are available and how they may be obtained would be just as effective and also reduce the volume of material received (and the “document fatigue” that tends to occur). Provided the same level of information can be conveyed, reducing the complexity and number of documents that an investor receives, results in a greater level of understanding and a better informed investor.

### **Compliance**

We agree that the compliance requirements outlined in the Point of Sale Proposal are adequate and that additional specificity is not required.

### **Anticipated Costs and Benefits of Pre-Sale Delivery of the Fund Facts**

As we noted above, we believe that there are substantial benefits for investors that will result from the Point of Sale Proposal. The Fund Facts provide investors with useful information in a user friendly format and allows them to understand the fundamentals of their investment and ask appropriate questions. Providing this document in advance of the sale can only enhance the dialogue that takes place between an advisor and their client.

That being said, our understanding is that there will be substantial costs for dealers that will have to implement and pay for new systems and develop new processes. It is important to view this in the context of the substantial changes that are currently happening in respect of CRM2 and an overarching atmosphere of regulatory change. Many in the industry are currently struggling with the time and costs of implementing CRM2. To simultaneously layer on further substantial change would be extremely onerous. Further, the Fund Facts document is still relatively new and has undergone a number of material revisions in its short history. While we believe that all of these changes will ultimately benefit investors it is important not to lose sight of the fact that advisors provide the most benefit when they are reviewing their clients’ investments and financial plans, and meeting and communicating with them. Investors will be better served if advisors are given the opportunity to implement and present these regulatory changes in an organized and understandable way to their clients.

Developing and implementing new systems, training staff and ongoing monitoring of implementation is not only costly, but results in less resources being devoted directly to client interactions.

## **Transition**

In light of the above and the heavy regulatory transitions that are already occurring in the industry, we suggest that you consider a longer transition time than is currently proposed. Rather than scrambling to meet tight implementation timelines, advisors will then be able to inform their clients about the changes in an organized manner and communicate what the purpose is. It will permit the opportunity for advisors to provide context around the regulatory changes and new disclosure which will ultimately maximize their benefits to investors.

In this regard, we support and agree with the request from IFIC for an 18 month to two year transition period from the finalization of the Point of Sale Proposal.

## **Additional Comments**

As you note in the Point of Sale Proposal, you are not currently proposing any amendments to the withdrawal rights applicable to mutual fund trades. At the very least, the disclosure regarding these rights should be amended within the Fund Facts to clearly indicate that these rights are triggered by Fund Facts delivery and the reference to prospectus delivery should be deleted. On a broader level, the differences in time periods and trigger points regarding these rights in the various provinces should be reviewed and harmonized in light of the pre-trade disclosure regime for mutual funds that will soon come into effect.

We also note the additions to mutual fund disclosure that have occurred over the past decade - specifically the Management Reports of Fund Performance and Fund Facts. We are hopeful that the CSA will consider a “rationalization” of the mutual fund prospectus and annual information form in the near future. It is time consuming for fund managers to produce these documents and, as the CSA has acknowledged, much of the disclosure is not in a helpful format or utilized by investors. As we stated above, we strongly believe that investors are better served where the volume of documents can be reduced and information conveyed in a simple, straightforward manner. This line of thought has most recently resulted in the production of the Fund Facts document. Turning this thinking to other documents that are produced by fund companies, will allow investors to more easily find and digest the information that is important to them.

Finally, we continue to believe that similar investment funds/products should be held to similar disclosure and delivery requirements. We believe that the CSA’s workstream of developing a summary disclosure document for ETFs is a positive step in this direction.

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Thank you for the opportunity to provide comments on the Staff Notice. Please feel free to contact the undersigned or Nick Westlind ([nick.westlind@mackenzieinvestments.com](mailto:nick.westlind@mackenzieinvestments.com)) if you wish to discuss this further or if you require additional information.

Yours truly,

**MACKENZIE FINANCIAL CORPORATION**

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Jeffrey R. Carney  
President and Chief Executive Officer