

Joint Forum of Financial Market Regulators

Forum conjoint des autorités de réglementation du marché financier

FOR IMMEDIATE RELEASE

REGULATORS PROPOSE A UNIQUE DISCLOSURE SYSTEM TAILORED FOR SEGREGATED FUNDS AND MUTUAL FUNDS

TORONTO (February 13, 2003) - The Joint Forum of Financial Market Regulators (Joint Forum) released a consultation paper today proposing changes to the way information is communicated to consumers of segregated funds and mutual funds about their investment choices. The consultation paper, *Rethinking Point of Sale Disclosure for Segregated Funds and Mutual Funds*, is the latest Joint Forum initiative directed towards improving and harmonizing financial services regulation across different sectors and jurisdictions. The consultation paper reinforces the Joint Forum's commitment to work to harmonize the regulation of segregated funds and mutual funds.

This paper comes in response to the industry's belief that segregated fund information folders and mutual fund prospectuses do not serve it, or consumers, particularly well. "This discussion paper highlights proposed changes that are designed to bring information to consumers when they need it, in a form they can use, in a cost-effective, practical manner," said David Wild, Chair of the Joint Forum and Chair of the Saskatchewan Financial Services Commission "We believe consumers need reliable, accessible information about individual funds and our proposals are about making sure our disclosure systems meet that need," added Mr. Wild.

The regulators propose to take a common sense approach to point of sale disclosure that recognizes advances in technology, and research around consumer needs and behaviour. The proposed disclosure regime creates an integrated disclosure system tailored for segregated funds and mutual funds that relies on an access-equals-delivery approach. The system is uniquely suited to the realities of segregated fund and mutual fund sales, and represents a significant step forward for the regulators.

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The most important information about a fund will be available to consumers in the form of a one or two-page *fund summary document* that sales representatives will use during the sales process *before* a decision is made. Consumers will be told how they can get other information about their fund, including a *foundation document* and the *continuous disclosure record*. These documents, along with a *consumers' guide*, will be available to consumers electronically -- and in paper -- at all times. The foundation document will define a particular fund by including information about the objectives, strategies and management of the fund. The continuous disclosure record will consist of annual and semi-annual financial statements of the fund, as well as periodic discussions of fund performance by management.

The new regime will ultimately mean more and better information for consumers upon which to base their investment decisions. The most important information will be delivered in a user-friendly format while the detailed background and educational material contained in the information folder and prospectus today will always be available electronically or upon request. Educational information that is not currently available in any point of sale document will be introduced. The system takes a layered approach to disclosure and gives each consumer the option to choose how much information he or she needs.

Copies of the consultation paper can be obtained by contacting Stephen Paglia, Senior Policy Analyst, Joint Forum Project Office [phone: (416) 590-7054, e-mail: spaglia@fSCO.gov.on.ca]. Alternatively, copies can be obtained online at regulators' websites (e.g., www.osc.gov.on.ca, www.fSCO.gov.on.ca).

Deadline for submitting comments to the Joint Forum is April 30, 2003.

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The Joint Forum was founded in 1999 by the Canadian Council of Insurance Regulators (CCIR), the Canadian Securities Administrators (CSA), and the Canadian Association of Pension Supervisory Authorities (CAPSA), and also includes representation from the Canadian Insurance Services Regulatory Organizations (CISRO) and the Bureau des services financiers in Quebec.

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