

## Annex C

### Summary of Public Comments on Implementation of Stage 2 of Point of Sale (POS) Disclosure for Mutual Funds (2<sup>nd</sup> Publication)

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#### Part 1 – Background

##### Summary of Comments

On June 21, 2012, the Canadian Securities Administrators (CSA) published a notice entitled *Implementation of Stage 2 of Point of Sale (POS) Disclosure for Mutual Funds* (2<sup>nd</sup> publication), which proposed amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (NI 81-101), Form 81-101F3 (the Form), Companion Policy 81-101CP (the Companion Policy) and National Instrument 81-102 *Mutual Funds* (NI 81-102) (NI 81-101, the Form, the Companion Policy and NI 81-102, collectively, the Stage 2 Amendments). The comment period expired on September 6, 2012. We received submissions from 33 commenters, which are listed in Part 5 of this document.

We thank everyone who took the time to prepare and submit comment letters. This document contains a summary of the comments we received in relation to the specific disclosure changes we made to the Fund Facts in the 2<sup>nd</sup> publication and the CSA's responses. We received suggestions for additional disclosure items that are not related to the Stage 2 amendments, but we are not considering any additional disclosure items at this time. As we move forward with our staged implementation of our POS proposals, the CSA will continue to consider all comments received.

#### Part 2 – Comments on the Stage 2 Amendments

<u>Issue</u>	<u>Comments</u>	<u>Responses</u>
<b>1. General comments</b>	We received support from investor advocates for the proposed amendments to the Fund Facts, particularly the changes that the CSA has made in response to feedback from this group of commenters.	We thank the commenters for their feedback.

	<p>Many industry commenters also expressed support for the CSA's goal of providing concise and clear regulated disclosure for investors to help them make informed investment decisions. One industry commenter noted that the proposed changes are generally a move in the right direction, and appreciate that the CSA is continuously trying to make Fund Facts a better tool for investors. In changing the Fund Facts form, however, another industry commenter encouraged us to remain focused on the goals of creating a document that "is in plain language, no more than two pages double-sided and highlights key information that is important to investors." In so doing, this will assist the CSA with its stated objective of harmonization with other types of investment funds in Stage 3 of this initiative.</p> <p>Some industry commenters expressed concern with the timing of the proposed amendments to the Fund Facts. Given that the Fund Facts has been in use for only a short period of time, these commenters told us it is premature to make changes to the form of the document without meaningful feedback as to its effectiveness. If the CSA imposes all or most of the proposed Fund Facts changes, we were asked not to make further changes until the document gains wider usage.</p> <p>A few industry commentators expressed the view that the combination of the various proposed changes to the Fund Facts place mutual funds in a more negative light than other types of investments because there is no requirement for other investment products (other than segregated funds) to produce Fund Facts, leaving investors with no equivalent basis for comparison.</p>	<p>We continue to move ahead with implementing delivery of Fund Facts in a form that communicates key information about a mutual fund in a concise manner. The Fund Facts will remain a two page double sided document and will serve as a template that may be extended to other investment fund products in Stage 3 of the POS project.</p> <p>The requirement for preparing Fund Facts and making them available on the fund manager's website has been in place since April 2011. Since then, we have received considerable positive feedback from investors and dealer participants. Our document testing with investors suggests that the Fund Facts is viewed as a well organized and easy to read document. We have also been informed by dealers and advisers that it provides a good starting point for detailed discussions with their clients regarding the client's financial situation and risk tolerances, and assists in the investment decision making process.</p> <p>The staged approach to POS was conducted precisely to allow industry participants and stakeholders to become familiar with the Fund Facts, and to allow CSA staff to further review any issues or concerns that arise. In response to investor advocates, industry commenters and document testing with investors, we are making some changes to the document. These changes are outlined under Part 3 of this document.</p>
<b>2. Comments on</b>	A number of industry commenters expressed support for the CSA's proposal to mandate delivery of the Fund Facts	We appreciate the support from commenters.

<p><b><i>delivery of the Fund Facts instead of the SP</i></b></p>	<p>in lieu of the simplified prospectus within two days after purchasing a mutual fund.</p> <p>One industry commenter asked us to clarify that delivery of the Fund Facts in lieu of the prospectus under securities legislation is applicable where an investor purchases under a preauthorized contribution arrangement and has previously requested annual delivery of the fund's simplified prospectus.</p> <p>We also heard concern from one investor advocate about the removal of the requirement to deliver the simplified prospectus to investors until the Fund Facts content is strengthened. If the CSA is going to proceed, it was requested that the Fund Facts include a link to a fund's simplified prospectus and clearly state that it contains important information and should be consulted prior to investing in the fund.</p>	<p>We encourage filers to review their exemptive relief granted in respect of preauthorized contribution arrangements and to speak with CSA staff for further clarification if necessary.</p> <p>The Fund Facts states on the first page that the document is intended to provide key information. The first page of the Fund Facts refers investors to the fund's simplified prospectus for more detailed information. Investors can request a copy of the simplified prospectus from their representative and/or obtain a copy from the fund manager.</p>
<p><b>3. <i>Binding (s. 5.1.1 of NI 81-101)</i></b></p>	<p>Some industry commenters welcomed the proposed revisions to section 5.2 of NI 81-101 to allow the Fund Facts 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. One commenter asked for more clarity about the types of documents that may be bound with the Fund Facts.</p> <p>One investor advocate reiterated the importance that the CSA continue to restrict the documents that can be bound to the Fund Facts or provided to investors at point of sale and they expressed reservations about permitting account application documents and registered tax plan documents to be bound with the Fund Facts.</p> <p>Still other industry commenters questioned why it will be</p>	<p>The CSA continues to support restricting the documents which may be attached to, or bounds with, the Fund Facts, so as not to distract investors from key information about their mutual fund investments. We have specified which documents may be bound with the Fund Facts. We do not propose to expand the list of documents that may be bound with the Fund Facts to include educational materials.</p> <p>In response to comments, we will not require a table of</p>

	<p>necessary to include a table of contents bound with or attached to the Fund Facts if the only other document in the package is the transaction confirmation, as proposed by the new subsection. We were told the transaction confirmation and the Fund Facts are very clearly identified such that there is no need to add a table of contents. Also, one commenter said that the change to General Instruction 16 prohibiting different Fund Facts from sharing the same piece of paper will likely increase mailing costs as many Fund Facts will be 3 pages, which means that a blank page must be inserted between each Fund Facts when bound together for delivery.</p> <p>One Fund Facts provider commented that the proposal to allow transaction confirmations of purchase of securities be changed to allow binding of the Fund Facts to transaction confirmations of purchase, as well as sale and for investments of all types such as GICs, ETFs, bonds and equities. Another industry commenter asked whether the provision would include switches of mutual funds.</p> <p>Some industry commenters also asked that the list of documents that can be attached or bound to the Fund Facts also include client statements and documents relevant to the transaction, such as the letter of instruction and disclosure required by law regarding fees, commissions, tax consequences and related issuers.</p> <p>Finally, one industry commenter expressed a concern that the proposed binding restrictions will prevent the delivery of additional educational materials intended to promote financial literacy in the same package as the Fund Facts.</p>	<p>contents in the instance where a transaction confirmation is bound to a single Fund Facts.</p> <p>We are not allowing for multiple Fund Facts to be printed together on the same piece of paper. The Fund Facts is intended to be a stand alone document so investors can easily identify a Fund Facts for a particular fund.</p> <p>For greater clarity, Fund Facts can be bound with transaction confirmations of purchases and/or sale for other types of investments, provided that the investments are referenced in the same transaction confirmation.</p> <p>Switches of mutual funds are technically a sale followed by a purchase transaction. Delivery of a Fund Facts would therefore be required for the fund that the investor is switching into and the restrictions on binding would apply to such a transaction.</p> <p>We do not propose to allow educational materials to be attached to Fund Facts. The Fund Facts, however, does include a reference to the <b>Understanding mutual funds</b> brochure prepared by the CSA. During investor document testing, a number of investors expressed an interest in going to the CSA website and consulting this document.</p>
<b>4. Transition period</b>	A number of industry commenters told us that a six month transition period is not sufficient to allow for both the	In response to comments we have revised the transition

	<p>implementation of systems to facilitate the delivery of the Fund Facts and the necessary changes to be made to the Fund Facts template. Many of these commenters stated that it is unrealistic to expect systems development to begin before a final rule is in place.</p> <p>While one industry service provider indicated that from a technical perspective, the proposed changes to the Fund Facts template are reasonably straightforward and can be accomplished in the proposed 6-month transition period, another industry service provider told us that the concurrent conversion of all its dealer clients to the new delivery system within a six-month period would not be practical.</p> <p>The group of commenters suggested that a transition period of at least 12 months, and up to 18 months, would be more appropriate.</p> <p>However, we did hear from some industry commenters who agreed that a six month transition period for implementation of delivery of the current Fund Facts would be appropriate. But they asked for a longer transition period of 18 months to deal with Fund Facts content changes.</p> <p>Many industry commenters agreed that the CSA should follow the same approach it used in respect of the introduction of Fund Facts under stage 1 by requiring immediate compliance (after the effective date) for new Fund Facts, but allow existing Fund Facts to be updated upon their next amendment or renewal, rather than mandating that all Fund Facts be re-filed upon the effective date. We were told that allowing fund companies to include the content changes during the normal course of a prospectus renewal rather than through the amendment process would help to significantly lessen the administrative burden of implementing the content changes, as well as help lessen the</p>	<p>period.</p> <p>There will now be a six month transition period for complying with the revised Fund Facts form requirements. As suggested by commenters, six month after the rule amendments come into force, any fund filing either a (i) preliminary prospectus, (ii) pro forma prospectus or (iii) prospectus amendment would be required to file a Fund Facts document that complies with the revised form requirements.</p> <p>There will be a 12 month transition period for complying with the revised delivery requirement.</p> <p>In order to ensure that all Fund Facts have been updated by the time that the revised delivery requirement comes into effect, we are requiring that each fund that has not already filed the revised Fund Facts do so one month prior to the new delivery requirement coming into effect.</p> <p>We think this timeline is responsive to industry concerns regarding timing required for a technology build, as well as investor advocate concerns that any decision to proceed with the requirement to deliver the Fund Facts should be on the basis of the new Fund Facts requirements.</p> <p>The CSA encourages early adoption of the new Fund Facts form and early adoption of delivery of the revised Fund Facts in lieu of the simplified prospectus to investors.</p>
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	<p>costs that are ultimately borne by investors.</p> <p>Finally, one commenter stated that after this round of amendments, no further significant changes should occur until after investors have had the chance to review, use and comment on these documents.</p>	
<b>5. <i>Investor Testing</i></b>	<p>We received support for the CSA's intention to test the proposed changes to the Fund Facts with investors. One commenter requested that the CSA make its investor testing findings publicly available upon completion. We were also asked to consider undertaking some form of advisor testing as well since effectively engaging the advisory layer is critical to improving investor understanding of investment risk.</p>	<p>The final report of the Fund Facts document testing is available on the websites of the members of the CSA. Advisor testing of the Fund Facts is not contemplated at this time.</p>
<b>Part 3 – Comments on the Fund Facts</b>		
<b><u>Issue</u></b>	<b><u>Comments</u></b>	<b><u>Responses</u></b>
<b>6. <i>Improving clarity and consistency in the Fund Facts</i></b>	<p>Some industry commenters noted that the fund manager name is repeated throughout the Fund Facts and that repetition of the name is redundant and not an efficient use of space. It was suggested that the prescribed wording reference the word 'manager' rather than the specific name of the manager other than in the first instance to aid in investor understanding and avoid misrepresentations.</p>	<p>We do not propose any change.</p>
<b>7. <i>References to Dealer Representative vs. Advisor</i></b>	<p>An industry association representing advisors submitted that it is a mistake to replace the references to the term "advisor" in the Fund Facts, with "dealer representative." While the rationale provided for this change is to ensure consistency of terminology in securities legislation, the commenter noted the Fund Facts is meant to inform and educate the investor and changing every reference to an advisor in the Fund Facts</p>	<p>The document testing with investors indicated that investors understood the term “financial advisor” better than the term “dealer representative”. However, due to legislative restrictions for dealer representatives to refer to themselves as advisors, we have decided to use the term “representative” in the Fund Facts, which is consistent with the terminology used under the second</p>

	<p>to "dealer representative" robs the document of meaning in terms of the characterization of an individual who is a vital resource in the investor's decision process.</p> <p>Still another industry commenter suggested that if "dealer representative" is used in the Fund Facts, Form 81-101F1 <i>Contents of Simplified Prospectus</i> and Form 81-101F2 <i>Contents of Annual Information Form</i> should be amended to similarly reference "dealer representative" rather than "advisor".</p>	<p>phase of the client relationship model program currently underway. Consistent use of terminology should help lessen potential investor confusion as to who the reference pertains to.</p>
<p><b>8. Future material changes and mergers</b></p>	<p>A number of industry commenters expressed support for permitting greater flexibility to disclose proposed fundamental changes and material changes in the Fund Facts, thus eliminating the need to file an exemptive relief application to include such additional information. However, some of these commenters noted that there are some challenges in terms of disclosing material changes since each section of the template has embedded space constraints.</p> <p>Although there may be instances where a material change will naturally fit in one of the already-existing sections of the Form, there may also be instances where significant space may be required in order to describe a material change. Most commenters on this issue, therefore, asked for additional flexibility on where to include disclosure of material changes and proposed fundamental changes.</p> <p>One commenter suggested that it would be better if the CSA permitted an option to put the disclosure in a separate prominent location anywhere in the document. However, we also heard from a commenter that fund managers should be allowed to identify the most appropriate and/or relevant location for disclosure.</p> <p>Still, another commenter recommended allowing disclosure</p>	<p>Upon further review, the CSA's preference would be to require that material changes and proposed fundamental changes be identified in a standard location at the beginning of the document. In particular, such disclosure could be provided in a separate textbox, immediately prior to the Quick Facts section of the Fund Facts. We recognize, however, that templates that have been created to help facilitate the fund facts creation process may not have sufficient flexibility to accommodate this type of formatting change. Furthermore, we understand that our original proposal may also create some difficulties since templates may not have sufficient space in a particular section of the document to accommodate the additional disclosure necessary to explain the material change or the proposed fundamental change. As a result, we are adding additional flexibility into the requirement.</p>

	<p>of a material change or proposed fundamental change in the existing white space at the top of the Fund Facts rather than requiring that the most relevant section of the Fund Facts be revised. This would have the added benefit of drawing extra attention to this important information.</p>	
<b>9. Fund codes</b>	<p>A number of industry commenters expressed support for permitting the fund codes to be disclosed on the first page of the Fund Facts. They commented that this will help avoid confusion among advisors and investors. One commenter questioned why the fund codes have to be 'recognized and publicly available' since certain fund companies use codes for tracking and identification purposes that may not necessarily be considered as widely 'recognized and publicly available'.</p> <p>Another commenter asked the CSA to amend Form 81-101F3 to explicitly permit the inclusion of marketing stock codes or other non-obtrusive marketing stock codes and trademark references at the bottom of the final page of the Fund Facts.</p>	<p>In order to more readily identify the fund code, we are including disclosure of fund codes under the “Quick Facts” section of the Fund Facts on the first page.</p> <p>The CSA will permit inclusion of stock codes and trademark references on the bottom of the Fund Facts.</p>
<b>10. Date of Information</b>	<p>A number of industry commenters appreciated the proposed changes to Items 2, 3 and 4 of Part I of Form 81-101F3 to allow the inclusion of data that is within 45 days of the date of the Fund Facts instead of the current 30 days, since this would help facilitate data gathering and validation processes, and will permit funds more flexibility to file their final prospectus renewals up to 10 days after the lapse date.</p> <p>A number of these commenters, however, stated that an extension to 60 days would be a more appropriate period to allow adequate time to collect, verify and present the financial data and would provide additional flexibility in terms of filing prospectus renewals.</p> <p>Given that financial data is generally calculated for month-end periods only, we were told calculating financial data for</p>	<p>To allow for consistency with National Instrument 81-106 <i>Investment Fund Continuous Disclosure</i> (NI 81-106) disclosure documents, as well as provide additional flexibility, we are allowing for the date of the information in the Fund Facts to be within 60 days of the document.</p>



	<p>periods other than month-end would be more complicated from a gathering/validation perspective and would require significant and expensive systems changes on the part of mutual fund managers.</p> <p>Some of these commenters noted that a 60 day time frame is also consistent with those for other disclosure documents that present financial and/or performance data such as MRFPs and financial statements.</p> <p>A couple of these commenters also stated that 60 days would better coincide with the prospectus renewal process and would provide additional flexibility in terms of dealing with filing timelines.</p>	
<b>11. Quick facts</b>	<p>We were also asked to consider changing all references to “fund” with the “class or series” of the fund and changing the introductory sentence under the heading "How has the fund performed?" to state "This chart shows you how <i>this series of the fund</i> has performed over the past 10 years."</p> <p>Many industry commenters welcomed the addition of the “Date class/series started” to the “Quick facts” section of the Fund Facts which they believe will provide greater clarity. Some commenters suggested that this information be mandatory even where the fund and series started on the same date. Some commenters noted that there are other instances in the form in which references to “fund” should be references to “series” and recommended that the language in the form be amended to ensure consistency and clarity.</p> <p>Many industry commenters did not support the addition of the size of the series to the “Quick facts” section, arguing that it would not be useful or relevant for an investor and may cause confusion given that a mutual fund’s assets are</p>	<p>Under the “How has the fund performed?” section, we are including an introductory statement that clarifies that the chart shows the performance of a particular series of the fund.</p> <p>We have amended the language throughout the form to ensure that references are consistent.</p> <p>We agree with the comment and are not requiring separate disclosure of the value of the series.</p>

	<p>referable to the fund as a whole, and not a particular series.</p> <p>One commenter thought the addition of the “Fund manager” to the “Quick facts” section was redundant since the fund manager’s name is usually disclosed with the fund’s logo. Alternatively, the CSA could amend Item 1(e) of Part I of Form 81-101F3 to include a sentence stating “XYZ Funds is the Fund Manager of this fund”.</p> <p>Another industry commenter indicated that the instructions for “Portfolio Manager” in the “Quick facts” section makes it difficult to inform investors about sub-advisors and underlying fund of fund investments, which can be important to investors when making an informed investment decision.</p> <p>One investor advocate suggested that the “Quick facts” section include applicable CIFSC Fund Category. Another suggested that the “Quick facts” section show the highest capitalization value of the fund and the date that this was achieved.</p>	<p>We propose no change. We think it is important to state the name of the fund manager under “Quick facts”.</p> <p>Mutual funds may disclose the names of specific individuals and/or sub-advisers if they so wish under “Portfolio Manager”.</p> <p>We do not propose adding any additional information in the Quick Facts section.</p>
<b>12. What does the fund invest in?</b>	<p>While we received investor advocate support for the disclosure of the percentage of each of the top 10 holdings, a number of industry commenters did not support the percentage of net assets represented by each of the fund's top 10 positions. A concern was expressed that increasing the frequency of portfolio disclosure could alert other investors to a fund’s trading strategy, particularly less liquid stocks. In fact, a few commenters noted that the proposed 45 day period for the disclosure of percentage holdings by position may violate the portfolio disclosure policies of fund managers. The commenters reminded the CSA that extensive representations were made by the industry when NI 81-106 was adopted, and again when the Fund Facts requirements were under discussion during Stage 1, that funds should not be required to disclose their portfolio holdings earlier than 60 days. The 60 day period currently applies for purposes of the</p>	<p>We will require disclosure of the percentage of each holding in the Top 10 holdings in the Fund Facts, as well as the total number of holdings of the fund. This is intended to provide the investor with information about the types of holdings, as well as the concentration risk of the fund. We are allowing for the date of the information in the Fund Facts to be within 60 days of the document.</p> <p>The document testing with retail investors suggested that the top 10 holdings and the investment mix were well received by investors. Many spent time studying the holdings of the fund and sector exposures. They believed this information allowed them to assess the riskiness and diversification of the fund, and suggested this was key information. Therefore, we do not propose to remove any information from this section.</p>

	<p>Quarterly Portfolio Disclosure Statement in section 6.2(2) of NI 81-106, and should apply for these purposes as well. Therefore, the usefulness of this information, we were told, does not outweigh the risk of harm to a fund's portfolio. The commenter supported using already publicly disclosed information from the quarterly portfolio disclosures.</p> <p>Two commenters also noted that this information quickly becomes dated and more accurate and up-to-date information can be found elsewhere, like the fund's website, the management report of fund performance (MRFP) or quarterly portfolio disclosure, or that investors can ask their advisor.</p> <p>Some industry commenters also indicated that the top ten investments and the pie chart are not necessary in the Fund Facts because the total mix of the portfolio provides a complete picture of what the investor has purchased. The percentages for the top ten investments may change and the pie chart duplicates what is already provided in the "Investment mix" list. Removing these items results in a more concise document.</p> <p>One industry commenter gave support for the percentage of net assets represented by each of the fund's top 10 positions, but suggested that the requirement provide the total number of positions be deleted because it does not provide key information, and it is often inaccurate as there is no industry consensus with respect to the methodology used for counting certain derivative and swap positions.</p> <p>Another industry commenter pointed out that the disclosure of percentage of net assets represented by each of the fund's top 10 positions compromises compliance with OSC Staff Notice 81-717 – <i>Report on Staff's Continuous Disclosure</i></p>	<p>The total number of positions is not a new requirement. We do not propose to make any changes.</p> <p>OSC Staff Notice 81-717 suggests that the categories used to break down fund portfolios under the</p>
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	<p><i>Review of Portfolio Holdings by Investment Funds</i> (OSC Staff Notice 81-717) which says that this section of the Fund Facts should provide consistent disclosure with that of the annual MRFP. Many funds disclose their asset classifications in multiple tables in the MRFP. This commenter said the Fund Facts, as currently designed, will need the space proposed for percentages in order to include multiple tables and will also migrate from pie charts to tables to fit the space allotted.</p>	<p>Investment mix section of the Fund Facts should be consistent with the disclosure in the MRFP. We do not believe requiring disclosure of percentage of net assets represented by the fund's top 10 positions compromises space required for investment mix disclosure.</p>
<p><b>13. Development of CSA Risk Methodology</b></p>	<p>Investor advocates stressed the importance of a standardized risk measure in the Fund Facts and told us that the use of a low to high risk "scale" that is self-assessed by the fund is an ongoing concern. A measure prescribed by the CSA, we were told, would be more useful to investors, as it would provide an objective and consistent baseline against which the risks of different products could be compared. It was suggested, therefore, that the CSA should consider further ways to improve the present risk measure as part of Stage 3 of the POS initiative.</p> <p>One investor commenter noted that we should implement a standard methodology similar to the methodology used for investment funds in Europe that would make it possible for third parties to calculate and verify the risk rating.</p> <p>Some industry commenters also agreed with the CSA development of a single risk classification method to be used by the entire industry, as this would facilitate comparisons between mutual funds, which, in turn, would benefit investors.</p> <p>Alternatively, a few industry commenters strongly urged the CSA to adopt the risk rating methodology used by The Investment Funds Institute of Canada (IFIC) for the purposes of the risk level classification chart. However, investor</p>	<p>We appreciate the feedback from commenters. The CSA is currently considering development of a standardized risk classification methodology on a separate timeline from Stage 2 of the POS project. If the CSA decides to mandate a risk classification methodology, it will be published for public comment before implementation.</p>

	<p>advocates stated that a scale that has been developed by the IFIC, without public comment or regulatory oversight, should not be adopted.</p> <p>Finally, one commenter expressed support for assessing risk based on potential for loss, instead of focusing on volatility. This commenter is of the view that risk is the potential for permanent loss of capital over a long-term investment horizon, focused on how much money could be lost and the probability of that loss.</p>	
<p><b>14. What are the risks of this fund?</b></p> <p>- <i>Inclusion of Additional Explanatory Text for the Risk Scale</i></p>	<p>Most commenters agreed that it is important for investors to understand exactly what is being measured or quantified and how this translates into an assessment of “risk” for a fund. On this basis, they supported in concept the inclusion of additional warning language, as well as a plain language explanation of what the risk rating means. One commenter said the new explanation of the risk scale and the relationship between risk and losses is an improvement over the current disclosure. However, a number of the commenters questioned the effectiveness of the proposed disclosure.</p> <p>A number of commenters were of the view that risk should be discussed in the context of performance and suggested the disclosure concerning Risk should be better integrated with the Past Performance. From this perspective, moving the Past Performance section to a different page of the Fund Facts was viewed as being a step backwards in terms of assisting investor understanding.</p> <p>Given that most fund companies use volatility as their primary measure for determining the risk rating for a fund, a number of commenters further suggested that the risk scale be described in terms of volatility or variability of returns rather than as a measure of the risk of losses.</p>	<p>Given that the majority of fund managers use volatility of past returns in assessing the risk classification of their funds, CSA staff have clarified the disclosure in the Fund Facts to state that the risk scale is meant to measure volatility risk. Volatility risk is explained in concise and understandable language and the risk-return linkage is clarified i.e. funds with higher volatility risk may have a greater chance of losing money and may have a greater chance of higher returns.</p> <p>Disclosure of the relationship between risk and chances of losses was positively received by commenters as well as by investors during the document testing. A majority of investors commented that this information clearly explains the relationship between risk, returns and potential for losses.</p> <p>Mutual funds will be required to state that low risk mutual funds can still lose money. This was in response to testing that showed that some investors believed that mutual funds carry no risk of losses.</p> <p>Overall, in response to the investor document testing, we have modified the disclosure around volatility risk and the risk-return linkage to make it more focused, concise and plain language.</p>

	<p>Some of these commenters also suggested that in addition to the fund's risk rating and a plain language description of volatility, there should also be a discussion of the typical range of variability in annual returns for each rating. For example, the standard deviation range or scale for the risk category that the fund is assigned to, as set out in the IFIC Risk Classification Methodology, could be used.</p> <p>Still another commenter questioned whether the proposed disclosure adequately reflected its approach to measuring and disclosing risk and suggested that the Fund Facts form require the manager to disclose how it assesses risk and what the risk rankings mean, but not mandate language. While one industry commenter urged the CSA to strike a proper task force, involving regulators, academics, industry representatives and investor advocates to devise a risk classification scale (or to decide that such a simplistic approach is inadequate) and only then to mandate explanatory language.</p> <p>One investor advocate told us that despite some proposed improvements to risk disclosure, many investors will not likely understand standard deviation or its limitations. Providing investors with a risk scale may tempt them to rely on that rating as the sole source of information about a fund's risks.</p> <p>Some industry commenters took issue with the high number of warnings related to risk, which may unnecessarily discourage the purchase of mutual funds. One commenter expressed concern about the change to the title "What are the risks of this fund?" from the original "How risky is it?". The original language, said this commenter, emphasized the level of risk, while the new language alters the emphasis to the focus on the various factors that comprise the risk but a</p>	<p>Studies have revealed that the average retail investor is not familiar with statistical concepts such as standard deviation or range of returns. Therefore, we do not propose to include these concepts in the Fund Facts. Investors are referred to the simplified prospectus for more detailed information on the risk classification methodology.</p> <p>In response to comments, we changed the title to "How risky is this fund?"</p>
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	<p>complete list of risks is not disclosed in the Fund Facts.</p> <p>One commenter suggested adding a cross-reference to the prospectus for further information about the manager's fund risk classification methodology, or alternatively, indicating that investor may request a copy of the methodology by contacting the manager of the fund. This could be done by revising the reference indicating that investors can learn more about the fund's risk factors in the fund's simplified prospectus to also incorporate a reference to a more detailed description of the risk scale in the simplified prospectus.</p> <p>Another commenter suggested that the general risk disclosure refer to investing in general rather than specifically to investing in mutual funds.</p> <p>Some of the commenters provided specific suggestions for revised disclosure in their comment letters.</p> <p>Finally, one commenter also noted that the connection between the scale and the rating by a fund's manager, which is currently set out in Item 5(1) of Part I of the Form, has been omitted from the Proposed Amendments. This commenter recommended including this information as the last paragraph in Item 4(2) of Part I of the Form.</p>	<p>The Fund Facts now refers investors to the simplified prospectus for more detail of specific risks as well as the risk classification methodology used by the fund manager.</p> <p>This disclosure was inadvertently dropped in Item 5(1) of Part 1 of the Form at the time of 2<sup>nd</sup> publication. We have now required a specific reference to the risk rating that the fund manager has assigned to the fund.</p>
<p><b>15. What are the risks of this fund?</b></p> <p>- <i>Identification of top fund risks</i></p>	<p>A number of industry commenters support retaining the current Form requirement to reference the simplified prospectus for a full list of the risks of the fund and their descriptions.</p> <p>One commenter suggested that an explanation for <i>all material and probable</i> risks should be provided in plain language within the Fund Facts. Ultimately, an investor is better informed when they are aware of the complete range</p>	<p>The list of top risks did not test well with investors during the document testing. In response to this testing and commenter's concerns, the CSA have decided to remove the requirement to list the top risks of the fund in the Fund Facts.</p> <p>The document testing revealed that a majority of investors did not understand the specific risks very clearly or at all. The investors were more likely to ask their representative to explain the specific risks of the</p>

	<p>of risks that a fund could encounter rather than a limited number of 'top' risks selected at a particular point in time.</p> <p><u>List of Top Risks Without Narrative Descriptions</u></p> <p>A number of industry commenters opposed disclosing a list of “top” four risks without a narrative description in addition to the risk scale because it could be misleading to investors. Among the reasons we heard were:</p> <ul style="list-style-type: none"> <li>• listing the top risks beside the risk scale suggests to investors that there is a direct link between risk rating and key risks;</li> <li>• different fund managers may use different terminology to name and describe the same risk; listing the risks may make comparability difficult without a standardized definition of the risks;</li> <li>• risks are subjective to the specific investor. Consequently, a fund manager’s view of the main risks of the fund is subjective, and may not necessarily align with what risks may influence a particular investor’s investment decisions;</li> <li>• listing 4 top risks without narrative descriptions is likely not useful information for investors;</li> <li>• liability could attach from not naming all relevant risks; by limiting the number of risks in the Fund Facts, a fund manager must assess not only the factual reasons for choosing a risk but must also consider what risks may affect a fund in the future</li> </ul>	<p>fund or to obtain this information from the simplified prospectus, than to try to obtain information about these risks from the Fund Facts. We have included a cross reference to the Risk section of the simplified prospectus for investors who would like more information about specific risks that affect a fund’s value.</p> <p>After further consideration, in our view, for the specific risks to be meaningful, detailed explanations of each of the risks would have to be provided. This, however, would add considerable length to the Fund Facts. During document testing, investors suggested that either detailed explanations should be provided or a reference to the simplified prospectus should be included. In keeping with the guiding principles of simple, accessible and comparable information, the CSA has decided to provide a cross-reference to the specific risks of the mutual fund described in the simplified prospectus.</p>
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	<p>based on possible market conditions; and</p> <ul style="list-style-type: none"> <li>• selecting the “top” four risks downplays the actual range of risks that a fund could face in changing market conditions.</li> </ul> <p>If the CSA proceeds with requiring a ranked list of risk factors, among the recommendations made by those commenters were the following:</p> <ul style="list-style-type: none"> <li>• replacing the reference to the phrase "top risks" with the phrase "important risks" in the introductory language;</li> <li>• establishing a CSA working group to develop a precise methodology for assessing risks, common names and definitions for risk factors disclosed in the Fund Facts; and</li> <li>• continuing to refer investors to the simplified prospectus for more information on specific risks.</li> </ul> <p>Commenters also asked the CSA to clarify in the Rule or the Companion Policy whether a fund manager will have to amend its Fund Facts if the list of risks changes materially throughout the year but is still consistent with the list of risks disclosed in its simplified prospectus.</p> <p><u>List of Top Risks with Narrative Descriptions</u></p> <p>Some industry commenters also expressed a concern with the option to permit narrative descriptions of the top risks. These commenters remarked there is not enough space for narrative descriptions as many risk factors require multiple paragraphs to adequately be explained.</p>	
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	<p>Moreover, some of those commenters also are concerned about a fund manager's liability for failing to properly disclose the nature and complexity of each risk factor in the Fund Facts.</p> <p>While one investor advocate supported disclosing the top risks of a fund with brief one line descriptions being permitted, still another investor advocate commented that a list of top risks would not be meaningful. This commenter suggested not including a detailed risk narrative in Fund Facts.</p> <p>We were also provided with additional recommendations of content for this section by commenters in their letters.</p> <p>One investor advocate suggested we require a disclosure line which answers the question, "To what extent does this fund rely on one or a small group of key portfolio managers?" It was also suggested that we add, for Ontario investors, a link to the Investor Education Fund's website, since it contains a number of useful tools and calculators that would assist investors in learning more about risk assessment.</p> <p>Still another commenter suggested that the risks section of the Fund Facts be expanded to include at least some reference to the benefits of diversification and professional management that investing in mutual funds offer in comparison with other types of investments.</p>	
<p><b>16. How has the fund performed?</b></p> <p>- General Comments</p>	<p>One industry commenter asked that the CSA consider allowing a partial year return for the fund as is allowed in the MRFP and provide guidance in the companion policy that this is acceptable.</p>	<p>We are not proposing any changes to the current requirements.</p>

	<p>An investor advocate suggested stronger warning language about choosing funds based on past performance. This commenter also suggested de-emphasizing past performance by placing the section “How has the fund performed?” lower down in the Fund Facts.</p>	<p>We have revised the warning language in the Fund Facts to state “It [the performance] does not tell you how the fund will perform in the future”. In order to de-emphasize the performance section, we have moved it after the Risk section of the Fund Facts.</p> <p>There is a linkage between the risk section and the performance section of the Fund Facts. The returns section allows for a pictorial depiction of the volatility risk measured by the risk section of the Fund Facts.</p>
<p><b>17. How has the fund performed?</b></p> <p>- <i>Inclusion of Worst Return</i></p>	<p>Many industry commenters expressed concern about the proposed addition of the worst three month return to the performance section. These commenters believed that instead of better informing investors about the possible loss of investing in a fund, such requirement has a potential to be misleading for the investors. Among the feedback we heard was:</p> <ul style="list-style-type: none"> <li>• it focuses on short-term performance, which is at odds with the long-term nature of most mutual funds (other than money market funds);</li> <li>• it will cause confusion because the worst three month performance does not match the risk level classification disclosure under Item 4;</li> <li>• such performance is an aberration and past performance is not necessarily indicative of future performance; and</li> <li>• it would be based on the inception date of the fund; this information would be biased against funds with long histories relative to newly created funds because of the greater chance that those with long histories at some point experienced a significant</li> </ul>	<p>The CSA propose to retain the worst 3 month return, and in response to comments, that it be supplemented by the best 3 month return. We also propose to provide a dollar illustration of the worst and best returns. The investor document testing showed that investors preferred actual dollar figures compared to percentages.</p> <p>The worst return disclosure was received very favourably by investors with the majority finding it to be pertinent information. These investors used this information to assess whether they would be comfortable withstanding such a loss. Investors found this information to be “honest” and that it allowed them to be better prepared should the fund not perform as expected.</p> <p>We are including appropriate warning language that the best and worst 3 month return could be different in the future. We have also specifically included wording that indicates that the worst 3 month return is meant to allow the investor to assess if they would be comfortable with such a loss over a <i>short period of time</i>.</p> <p>We are limiting the best and worst 3 month return over the past 10 years, to be consistent with the year-by-year chart in the Fund Facts.</p> <p>We do not propose to include the best and worst returns over varying time periods. The best and worst 3 month</p>

	<p>down-turn. These commenters suggested that it should be limited to the worst 3 month return over the past 10 years.</p> <p>Still another industry commenter noted that the existing performance disclosure in the Fund Facts adequately indicates the range of fund volatility, and is not enhanced by requiring a 3-month “worst return” disclosure section.</p> <p>Many of these commenters also indicated that collecting the information will be expensive and will result in operational challenges for mutual funds that have long histories and questioned the benefit of this disclosure.</p> <p>Those industry commenters which supported the inclusion of the worst quarterly return added their suggestions for improvement. Among them:</p> <ul style="list-style-type: none"> <li>• that the Fund Facts also present the length and duration of the biggest decline over one year, three year, five year and ten year periods for the fund;</li> <li>• that the worst three month return be balanced by a requirement to add the best three month return for the same time period;</li> <li>• that if the 3 month worst and best returns are shown in the Fund Facts, they should be on a broader 12-month and 3-year scale; and</li> <li>• that the term “worst return” be replaced with the term “lowest return” or “poorest return”, which does not have as negative a connotation.</li> </ul> <p>It was also suggested that for mutual funds that have been in</p>	<p>returns is intended to provide investors with an idea of the possible gains and losses over a <i>very short period of time</i>, so they can assess their comfort withstanding short term variability in asset values.</p> <p>We do not propose to include any footnotes or additional disclosure at this time. The best and worst 3 month returns will be provided for the past 10 years, or since inception,</p>
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	<p>existence prior to the recent financial crisis and therefore will record the three-months leading to March 2009 as their poorest performing quarter ever, a footnote or additional disclosure help clarify this to investors in this section.</p> <p>Investor advocates supported the inclusion of the worst three month return, noting that providing a visual illustrates the historical downside risk, which is very valuable information for an investor and is likely to be more meaningful than the risk indicator.</p> <p>One investor advocate suggested the disclosure of the worst 12 month return also be added.</p>	<p>whichever is shorter.</p> <p>We do not propose any additional period. The year-by-year return chart already shows past performance for a 12 month period. We are concerned that adding additional data points may prove confusing to investors.</p>
<p><b>18. How has the fund performed?</b></p> <p>- <i>Comparing the fund's performance to a benchmark of a one-year GIC</i></p>	<p>There was support from investor advocates for us to adopt a one-year GIC as a benchmark to illustrate the fund's performance and the risk/reward proposition. GICs, we were told, are a familiar investment vehicle to most retail investors and the use of this benchmark will inform investors about the fund's volatility and rate of return, and the relationship between these concepts, in a fairly simple and straightforward manner.</p> <p>An industry commenter agreed, telling us the one-year GIC is an easy-to-understand indicator, which will help investors choose the right products to achieve their objectives.</p> <p>However, most industry commenters opposed comparing a fund's performance to a benchmark of a one-year GIC. We were told the comparison would not assist investors in assessing the performance of a fund relative to its associated risk. Rather, one industry commenter noted, over time, mutual funds will compare favourably to GICS, and therefore, it is not a useful benchmark.</p>	<p>As a result of the document testing and in response to comments, the CSA have decided to remove the GIC performance comparison. The document testing revealed that a number of investors did not understand the purpose of the GIC comparison. While it was intended to illustrate the relationship between risk and reward, many investors believed the bar chart illustrated that the mutual fund had outperformed GICs in the past and would outperform GICs in the future, rather than illustrating the difference in volatility of the two investments.</p>

	<p>Among the reasons these commenters provided for their opposition to the inclusion of the GIC benchmark were:</p> <ul style="list-style-type: none"> <li>• a one-year GIC is a short-term deposit instrument (not a security) which is a fundamentally different investment product from a mutual fund, which have medium to long-term investment objectives ; if the objective is to 'assess performance of the fund relative to the associated risk', a one-year GIC comparison across the range of risk categories is not appropriate;</li> <li>• if the intention is to provide investors with a comparison to a "risk free rate of return", the proposed comparison to a one-year GIC is not appropriate; GICs are subject to their own risks, including inflation risk, which are not disclosed;</li> <li>• a comparison of returns would require substantial disclosure setting out all of the material differences between the two instruments consistent with Part 15 of National Instrument 81-102 <i>Mutual Funds</i>;</li> <li>• the proposal is to use the Bank of Canada GIC rate, which is a nominal rate; actual GIC rates depend on the terms of the issuing financial institution;</li> <li>• there is no disclosure to explain why the mutual fund's performance is being compared to a GIC so investors may not understand that the objective of showing the performance of the fund compared to the one-year GIC is to help them assess performance of the fund relative to the associated risk;</li> </ul>	
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	<ul style="list-style-type: none"> <li>• the GIC competes with mutual funds for savings dollars and prescribing disclosure regarding a competitive product is commercially unfair;</li> <li>• if adding the comparison to a one-year GIC is intended to demonstrate volatility of fund returns, this information is already captured in the existing performance chart which demonstrates the volatility of fund returns over the last 10 years;</li> <li>• the use of a benchmark such as a one-year GIC would run contrary to other disclosure documents, such as the MRFP, in which investment funds are required to provide a comparison of performance relative to a widely accepted and investible broad based index;</li> <li>• a comparison to a one-year GIC undermines the intention of section 13.1(7) in the Companion Policy to NI 81-102 which requires the performance of a mutual fund to be compared to another investment or benchmark if the comparison clearly sets out the factors that are necessary to ensure that the comparison is fair and not misleading; and</li> <li>• employing a benchmark of any type when considering a single fund out of the context of an investor's overall portfolio characteristics is unnecessary and potentially misleading.</li> </ul> <p><u>Other appropriate benchmarks</u></p> <p>While some industry commenters said the Fund Facts should</p>	<p>We do not propose to add any benchmarking information. Our proposal to provide a GIC comparison was for risk</p>
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	<p>not include any benchmark as it would add to investor confusion and complexity and is already provided in the MRFP, other industry commenters suggested alternative benchmarks.</p> <p>One suggested that a 90-Day T-Bill is a more appropriate “risk-free” benchmark as it is a more liquid security than a 1-year GIC and therefore has lower liquidity risk and also a lower interest rate risk. Still another commenter suggested that instead of using a one-year GIC, a staggered five-year GIC program should be used.</p> <p>Other suggestions included requiring that a fund be compared to another fund with a similar or lower risk rating, the use of an appropriate broad-based securities market index, or the CSA providing a range of benchmarks that fund managers could use to compare against the fund's performance.</p> <p>Two other industry commenters proposed that rather than showing the worst three month period, it would be more meaningful for investors if the worst and best three-month, one, three, five and ten-year returns of a general benchmark were shown.</p>	<p>comparison purposes and not for relative performance evaluation of the portfolio manager or the fund. Since investor testing revealed that the GIC comparison failed to meet this objective, we are proposing to remove the performance comparison.</p>
<p><b>19. How much does it cost?</b></p>	<p>While one commenter appreciated the additional clarification provided in the disclosure required for "other fees", and for identifying the appropriate section in a Fund Facts for disclosure of a fixed administration fee, some commenters thought that the proposed requirement to disclose any fixed administration fees payable by a Fund was out of context and could confuse investors.</p> <p>One investor advocate commented that retail investors are</p>	<p>It is only in the case of a new mutual fund that does not yet have MER information available that we would expect the actual administration fee to be disclosed. We have revised the instruction accordingly.</p> <p>We propose no further changes to the layout of the Fund</p>



	<p>known to ignore fund costs yet the MER is accepted as the most robust predictor of fund performance. The commenter recommended that cost information should precede performance data, which would be consistent with published behavioural finance research and IOSCO recommendations. Given the potential long-term impact of fees on an investor's total returns, relocation of the fee table will place fee information in a more prominent location and encourage investors to give greater attention to costs and cost comparisons.</p> <p>One investor advocate indicated that sales commissions should always be stated as a quantitative range rather than a limit "up to xx%".</p>	<p>Facts at this time. The flow and organization of the content has been carefully considered. The first part of the Fund Facts focuses on information about the fund. The second part of the document focuses on fees and expenses associated with investing in the fund. We note, however, that the MER is highlighted in the Quick Facts section of the Fund Facts.</p> <p>Sales commissions are currently required to be stated as a range. We will clarify that trailing commissions that are payable under different sales charge options should also be disclosed as a range.</p>
<b>20. Conflict of interest disclosure</b>	<p>Investor advocates appreciated the inclusion of additional conflict of interest disclosure under the "Trailing commission" section of the Fund Facts. However, one advocate told us they thought that the CSA could go further and noted that other jurisdictions, such as Australia and the United Kingdom, have completely banned the payment of such commissions to financial services representatives.</p> <p>Noted another commenter, it is important, however, to focus on the dollar cost of charges to the extent possible, and not simply a percentage figure, which may not resonate as thoroughly with investors.</p> <p>Most industry commenters, on the other hand, disagreed with the proposal to include additional conflict of interest disclosure. They thought it would be unfair to single out trailing commissions for this type of disclosure, since the placement of any investment for commission or fees could presumably have the same influence. The proposed language was viewed as being unduly prejudicial to mutual funds and could</p>	<p>The CSA is currently examining the mutual fund fee structure in Canada more broadly. See CSA Discussion Paper and Request for Comment 81-407 <i>Mutual Fund Fees</i>.</p> <p>We have proposed to include a dollar amount beside percentage figures where possible throughout the Fund Facts.</p> <p>The document testing with investors found that references to 'conflict of interest' were not well understood by investors and caused confusion. In response to the testing, and to the comments received, we are proposing to simplify the language by stating that "Higher commissions can influence a representative to recommend one investment over another. Ask about other funds and</p>

	<p>improperly bias the way investors view the product by creating undue suspicion, particularly since there a multitude of other investment products that also pay commissions but that are not required to provide similar disclosure in their offering documents.</p> <p>Most of these commenters stated that, since investment funds have no involvement in the remuneration arrangements between dealers and their advisors, conflict of interest disclosure is more properly addressed in discussions between the dealer representative and their client. To this end, they noted that issues relating to potential or perceived conflicts of interest in respect of advisor compensation are already dealt with through existing MFDA and IIROC processes and rules which govern the opening and supervision of accounts, as required by National Instrument 31-103 <i>Registration Requirements, Exemptions and Ongoing Registrant Obligations</i>.</p> <p>One of these commenters submitted that the CSA should instead consider amending the Companion Policy to NI 31-103 to clarify that the requirements in s. 13.4(3) of NI 31-103 include the disclosure of trailing commissions received from investment fund managers, and the conflicts of interest that could occur as a result of such arrangements.</p> <p>Others noted that the presence of a trailing commission does not necessarily lead to a conflict so one-size fits all boilerplate disclosure would not be helpful to investors. Noted one commenter, it does not take into account situations where a conflict of interest does not exist (or is mitigated), such as where a fund is distributed through a dedicated distribution network.</p> <p>Many industry commenters were of the view that the current disclosure on trailing commissions in the Fund Facts is</p>	<p>investments that may be suitable for you at a lower cost”. This language is intended to prompt investors to ask questions about the various fee options available to them, while continuing to highlight the potential conflict of interest that exists in their representative’s compensation arrangement with the fund manager. Since this conflict arises in the context of trailing commissions as well as sales charges, we are proposing to move this disclosure directly under the “How much does it cost?” heading.</p> <p>We think the revised placement of the disclosure addresses concerns that trailing commissions alone are not the sole source of potential conflicts. Such conflicts may also arise in the context of the sales charge option that is selected. In addition, we are referencing commissions that may be payable on investment products generally.</p>
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	<p>sufficiently clear so no further disclosure should be necessary. A few commenters proposed adding: "Ask your dealer representative for more information".</p> <p>However, there were some industry commenters who did not object to the additional disclosure but provided suggestions for improving the proposed conflict of interest language, which they felt would convey more balanced and fair understanding of potential conflicts of interest.</p>	
<p><b>21. For more information</b></p>	<p>An industry association representing financial advisors agreed it would be helpful to include a reference to the CSA's Understanding Mutual Funds brochure in the Fund Facts (the "Brochure"). This commenter also suggested that the CSA put a link to the Brochure on their home page, to make it easier for investors to find this document.</p> <p>We also received support from IFIC for the inclusion of a cross-reference to the Brochure. Still, one industry commenter opposed the cross-reference to the Brochure as the Fund Facts is a liability document and the fund manager does not control the content of the Brochure.</p> <p>Additionally, one investor advocate expressed concern that the Brochure is not sufficient and suggested that the Fund Facts reference a guide which would help investors interpret and use each section of the Fund Facts.</p>	<p>We do not consider inclusion of the reference to the Brochure to present any liability issues for fund managers. The Brochure was developed by the CSA and contains general educational material about mutual funds.</p> <p>As we have previously stated, while we agree that investor education is a key aspect of investor protection, we do not propose to create a user guide for the Fund Facts as we think it is unnecessary. The reference to the Brochure is intended to provide investors with a tool to obtain more general information about mutual funds. The Brochure has been revised with the Fund Facts in mind.</p>
<p><b>22. Exceptions for individual</b></p>	<p>IFIC commented that in Appendix C of the Notice, the CSA determined not to eliminate provincial differences in the drafting of NI 81-101. The commenter urged the CSA to</p>	<p>The CSA stress that while the delivery requirement in NI 81-101 has been drafted to reflect each jurisdiction's</p>

<i>jurisdictions</i>	avoid making any changes to the Fund Facts (or any form that is intended for use in all regions of Canada) that would apply in some, but not all, jurisdictions. The commenter believes the application of different form requirements across jurisdictions will introduce ambiguity and confusion in interpreting the form requirements. This may result in conflicting interpretations based on the jurisdictions to which Fund Facts are being distributed.	legislation, the result is the same.
<b>Part 4 – Other general comments</b>		
<b><u>Issue</u></b>	<b><u>Comments</u></b>	<b><u>Responses</u></b>
<b>23. <i>Exemptive Relief to Allow Early Use of Fund Facts</i></b>	A Fund Facts service provider commented that only a few fund managers and dealers have started to deliver Fund Facts in place of simplified prospectuses because of difficulty complying with exemptive relief conditions and the fact that Stage 2 is not yet final. The commenter asked that we relax the exemptive relief conditions to encourage dealers to deliver the Fund Facts.	We propose no change and encourage the early adoption of the Fund Facts form and delivery.
<b>24. <i>POS delivery</i></b>	Investor advocates expressed appreciation for the CSA's efforts to move forward quickly with the implementation of Stage 2 of the POS initiative and emphasized future delays should be avoided. While the industry has expressed concerns about the practicality and costs of compliance with this initiative, the point-of-sale delivery of the Fund Facts to investors is a fundamental aspect of the POS regime and should be implemented sooner rather than later to better serve investors.  An industry commenter supported delivery of the Fund Facts instead of the simplified prospectus at the point of sale.	We appreciate the support from commenters.
<b>25. <i>Summary</i></b>	A number of industry commenters stressed the need to	We will be considering the development of summary

<p><b><i>disclosure for other types of investment funds</i></b></p>	<p>(i) achieve consistent and comparable disclosure across all market participants offering products similar to mutual funds (e.g., exchange traded funds, closed end funds, and hedge funds) ; and</p> <p>(ii) promote a level regulatory playing field and reduce the potential for product arbitrage.</p> <p>As indicated by IFIC, on the Canadian household balance sheet, Canadians invest their financial assets in mutual funds as well as in deposit instruments, fixed income and equities and segregated funds. Providing Canadians with access to consistent disclosure materials for all of those products would provide them with the tools to make informed decisions.</p> <p>Finally, investor advocates expressed support for the CSA's plans to consider extending the POS delivery and disclosure requirements to other investment products which are substantively similar to mutual funds with the hope that this will be done as soon as possible. They stressed that investors need clear, simple and meaningful disclosure regardless of the type of product they invest in so there is no principled basis to limit the POS framework to mutual funds.</p> <p>We were asked to collaborate with other regulators to create a more robust and consistent disclosure regime. If the CSA chooses to focus only on those products that it regulates, we were told regulatory arbitrage may result. At a minimum, the CSA must work with insurance regulators to harmonize the disclosure for mutual funds and segregated funds.</p>	<p>disclosure documents for other types of publicly offered investment funds as part of Stage 3 of the POS initiative.</p>
<p><b><i>26. Cost Benefit Analysis</i></b></p>	<p>One industry commenter told us that the changes proposed will not provide any meaningful enhanced disclosure of benefit to investors. Furthermore, the cost of compliance with the additional disclosure requirements will far outweigh any such marginal benefit. This commenter stated that</p>	<p>The earlier publications by the Joint Forum and CSA outlined the anticipated costs and benefits of implementation of the POS disclosure regime for mutual funds. We consider these costs and benefits to still be valid. We continue to believe that the potential benefits of</p>

	compliance with the proposals will come at a significant cost to mutual fund companies in terms of information technology, third party service providers, legal, and accounting costs and these costs may ultimately be borne by investors.	the changes to the disclosure regime are proportionate to the costs of making them.
<b>Part 5 – List of commenters</b>		
<ul style="list-style-type: none"> <li>• <b>ADVOCIS</b></li> <li>• <b>AGF INVESTMENTS INC.</b></li> <li>• <b>BORDEN LADNER GERVAIS LLP</b></li> <li>• <b>BRANDES INVESTMENT PARTNERS &amp; CO.</b></li> <li>• <b>BROADRIDGE FINANCIAL SOLUTIONS INC.</b></li> <li>• <b>CANADIAN ADVOCACY COUNCIL FOR CANADIAN CFA INSTITUTE SOCIETIES (CFA)</b></li> <li>• <b>CANADIAN BANKERS ASSOCIATION (CBA)</b></li> <li>• <b>CANADIAN FOUNDATION FOR ADVANCEMENT OF INVESTOR RIGHTS (FAIR)</b></li> <li>• <b>CANADIAN IMPERIAL BANK OF COMMERCE (CIBC)</b></li> <li>• <b>CAPITAL INTERNATIONAL ASSET MANAGEMENT (CANADA), INC.</b></li> <li>• <b>CI FINANCIAL CORP.</b></li> <li>• <b>EDGEPOINT WEALTH MANAGEMENT INC.</b></li> </ul>		

- **ERIC FANDICH**
- **FIDELITY INVESTMENTS CANADA ULC AND RBC GLOBAL ASSET MANAGEMENT INC.**
- **FRANKLIN TEMPLETON INVESTMENTS CORP.**
- **IA CLARINGTON INVESTMENTS INC.**
- **INDEPENDENT FINANCIAL BROKERS OF CANADA (IFB)**
- **ING DIRECT ASSET MANAGEMENT LIMITED**
- **INVESCO CANADA LTD.**
- **INVESTMENT FUNDS INSTITUTE OF CANADA (IFIC)**
- **INVESTMENT INDUSTRY ASSOCIATION OF CANADA (IIAC)**
- **INVESTMENT PLANNING COUNSEL INC. (IPC)**
- **INVESTORPOS INC.**
- **INVESTORS GROUP INC.**
- **KENMAR ASSOCIATES**
- **LE MOUVEMENT DES CAISSES DESJARDINS (MCD)**
- **MACKENZIE FINANCIAL CORPORATION**
- **MANULIFE MUTUAL FUNDS**

- **OSC INVESTOR ADVISORY PANEL (IAP)**
- **PFSL INVESTMENTS (CANADA) LTD. AND PFSL FUND MANAGEMENT LTD.**
- **HEATHER SCHERLOSKI**
- **SUN LIFE GLOBAL INVESTMENTS (CANADA) INC.**
- **TD ASSET MANAGEMENT INC.**