

# The OMEGA Foundation

September 14, 2012

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  
Superintendent 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

The Secretary  
Ontario Securities Commission  
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Toronto, ON M5H 3S8  
Fax: 416-593-2318  
E-mail: comments@osc.gov.on.ca

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Dear Sirs/Mesdames:

**Re: National Instrument 31-103 & Companion Policy 31-103CP: Registration Requirements, Exemptions and Ongoing Registrant Obligations - Cost Disclosure, Performance Reporting and Client Statements**

We respectfully submit our comments on the proposed amendments pertaining to scholarship plans as published by the Ontario Securities Commission (OSC) and the other members of the Canadian Securities Administrators (CSA) for comment on June 14, 2012.

The Omega Foundation is the lead partner in SmartSAVER, a Toronto-based partnership initiative that works to increase the participation of lower-income families in Registered Education Savings Plans (RESPs). SmartSAVER's primary goal is to increase enrolment in the Canada Learning Bond, a Federal grant into the RESP of eligible lower-income children that requires no family contribution. SmartSAVER, a charitable education program supported by public and philanthropic funds was developed in response to field research that identified that poor understanding of RESP products discouraged participation among target families. In response, SmartSAVER provides accurate, plain-language and unbiased RESP information through in-person and online education and support. Our aim is to assist families to understand their options and to access an RESP product that is right for them. Over the past two years, SmartSAVER has provided assistance to over 7,000 families reached through close to 800 different community-serving agencies.

As we have reported to the CSA previously, our engagement with lower-income parents has made apparent certain consistent barriers to their successful RESP participation. Of relevance to this submission, these include language barriers, the complexity of the scholarship plan and of the prospectus through which it's sold. Families commonly report being confused about scholarship plans, not being able to read the prospectus, making a commitment on the basis of a verbal explanation by a sales representative and not understanding the costs, conditions and potential risks associated.

Our experience reinforces the Canadian Securities Administrators' previous observations:

"We know that many investors have trouble understanding the unique features and complexity of scholarship plans", and

"Further, we know that for some of these investors, a scholarship plan is the only security they will ever purchase. Many of these investors have little to no financial literacy. In some instances, they may not speak or understand English or French as a first language, making the information in the prospectus even more difficult for them to access."

Modernization of Scholarship Plan Regulation Phase 1  
- A New Prospectus Form for Scholarship Plans, March 26, 2010

We therefore commend the Canadian Securities Administrators on the proposed amendment requiring that the annual investment performance report sent to scholarship plan clients include:

- how much has been invested
- how much would be returned if the client stopped paying into the plan
- a reasonable projection of the income the client should expect to see if they stay invested to maturity and their designated beneficiary attends a designated educational institution.

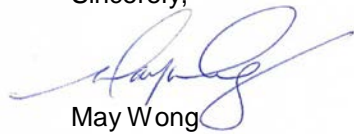
Based on our experience, we believe this requirement, once implemented, will help, especially less experienced investors to better understand the ongoing status of their investment. Key to their understanding, it will enable them to see the costs and conditions of the plan applied to their own account.

The CSA has recognized that scholarship plans have unique risks and conditions that do not exist for other investment products or portfolios of investments. It has also recognized that many investors are unable to understand or even read the plan prospectus where risks and conditions are outlined. Further, SmartSAVER has found that many such clients are persuaded to invest in scholarship plans on the basis of what is explained to them verbally. Given this, we are not convinced that the CSA's proposal to require a detailed discussion of the risks that are unique to scholarship plan investments will be any more effective in contributing to investors' understanding than current practice.

We believe that evidence of the costs and conditions of the plan applied to their own situation, as the CSA has recommended for annual reporting, will be more effective in increasing clients' understanding of the long-term risks and responsibilities associated with the product. We therefore recommend that, in place of reliance on discussion at the time of sale, the CSA instead require that an initial investment statement, including the information proposed for the annual investment report be provided to new scholarship plan clients within 30 days of account opening. This would then enable the client and plan to clarify any terms that may have been misunderstood prior to the end of the common 60-day withdrawal right period.

We believe it is a shared interest of the scholarship plan, the client and the CSA to ensure that investors understand and are prepared to assume the risks and responsibilities inherent in this long-term investment. Greater attention to ensuring investors' ability to make an informed initial purchase decision will contribute to more successful saving and more productive investment in children's education futures.

Sincerely,



May Wong  
Executive Director