

BY EMAIL: comments@osc.gov.on.ca, consultation-en-cours@lautorite.qc.ca

May 26, 2014

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

Attention:

The Secretary
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, ON, M5H 3S8

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22^e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3

Dear Sirs / Madames:

**Re: CSA Notice and Request for Comment: Implementation of Stage 3 of
Point of Sale Disclosure for Mutual Funds (2nd Publication)**

InvestorPOS is pleased to provide our comments to the Canadian Security Administrators' (CSA) second publication of proposed amendments for the Implementation of Stage 3 of Point of Sale Disclosure for Mutual Funds: Proposed Amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* and Companion Policy 81-101CP to National Instrument 81-101, published on March 26, 2014.

InvestorPOS is an affiliate member of the Investment Funds Institute of Canada (IFIC) and having participated in IFIC's Point of Sale Advisory Task Force, we support IFIC's comment letter submitted to the CSA on May 26, 2014.

As a solutions provider for the investment funds industry, our comments reflect both the business and technical implications of the CSA's proposed amendments. In addition to the comments summarized in IFIC's letter, we wish to emphasize the following points.

Industry Support for the Fund Facts Document

InvestorPOS has conducted research within the advisor community, among mutual fund companies and investment dealers. Our findings indicate that advisors, clients and the investment funds industry broadly support the Fund Facts document as a plain language document that is easy to read and understand.

Electronic Delivery

InvestorPOS supports the proposed rule that allows for electronic pre-sale delivery of the Fund Facts documents as more cost-effective and timely than traditional print/mail. The CSA's expectation that dealers will follow current practices regarding evidencing prospectus delivery to evidence Fund Facts delivery is fully workable. Arguably, a fully compliant electronic delivery workflow in compliance with National Policy 11-201 *Electronic Delivery of Documents* can provide greater evidence of delivery than traditional print/mail.

Early Pre-sale Delivery of Fund Facts

Many dealers have already implemented a fully compliant front-office (advisor-led) delivery solution for Fund Facts to meet POS Stage 2 requirements. Once the amendments that require delivery of the Fund Facts and allow for the Fund Facts to satisfy the current requirement to deliver a prospectus within two days of buying a mutual fund come into effect on June 13, 2014, these dealers can effectively implement pre-sale delivery of the Fund Facts and be POS Stage 3 compliant. While section 71(1) of the Ontario Securities Act already allows for pre-sale delivery of Fund Facts, most dealers are reluctant to implement pre-trade delivery until National Instrument 81-101 POS Stage 3 comes into effect.

Further, FAQ #11 for CRM2 released on February 27, 2014 specifically permits advisors to use pre-trade delivery of Fund Facts along with an explanation of specific costs to meet CRM2 pre-trade disclosure requirements that go into effect on July 15, 2014. The Funds Facts is an ideal tool for pre-trade disclosure of fees because of its easy-to-read format and plain language.

It is therefore our recommendation to the CSA to specifically mention in the final Stage 3 ruling that pre-sale delivery of Fund Facts is fully compliant effective June 13, 2014 and that dealers do not need to wait until the final ruling effective date to take advantage of pre-sale delivery. This will simplify compliance with two significant investor-focused regulatory initiatives for advisors who are challenged with a growing compliance regime. Otherwise, advisors will have to build a new process in the short term to comply with CRM2 pre-trade disclosure requirements for mutual funds, and possibly replace it with a new process once Fund Facts pre-sale delivery goes into effect.

Implementation Timelines

While we recognize that all dealers are faced with this same new POS regulation, we also recognize that all dealer implementations are different (depending on their business strategies, front and back-office systems, etc.). InvestorPOS architected our Fund Facts document delivery solution so that it can be implemented in as little as 60 days, but appreciate that some dealers require longer

depending on the level of integration. For more involved implementations we would typically recommend a phased approach (which helps manage costs and risk) that allows the dealer to be compliant as soon as possible, with successive phases addressing remaining business and technical requirements. We typically advise our clients and prospects that we can implement a POS stage 3 solution within a 2-12 month time frame, depending on their business requirements and legacy considerations.

Pre-Authorized Purchase Plans (PACs)

The requirement to deliver an annual notice to purchasers of pre-authorized purchase plans (“PAC”) seems an unnecessary burden and is not in line with the current requirements. We suggest that after the rule is in place, a one-time notice should be sent to existing PAC unitholders advising that a Fund Facts is now available and how and where it may be obtained. For new PACs set up after the rule is in place, the investor will receive a one-time, pre-sale delivery of the Fund Facts when the PAC is set up.

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

InvestorPOS research has shown that the Fund Facts is an effective document and should improve the level and depth of dialogue between the investor and advisor in a pre-sale environment, providing clear and useful information to the investor including the costs associated with owning a fund. Dealers can leverage InvestorPOS’ Fund Facts repository and delivery solutions to satisfy POS stage 2 and 3 requirements; however, implementation costs can be substantial for some dealers, depending on the level of integration and internal build requirements. Advisor training remains an important consideration and must be considered in the implementation timelines. That being said, Fund Facts delivery will provide substantial cost savings over prospectus delivery, particularly through the electronic delivery channel.

Withdrawal Rights

The current wording in the Proposed Amendments says that the investor’s right of withdrawal of purchase within two business days after receiving the Fund Facts remains unchanged. However, the Proposed Amendments indicate that delivery of the Fund Facts should occur within a reasonable timeframe before the purchaser’s instruction to purchase. This could lead to the possibility that the withdrawal rights expire before the trade is made if the Fund Facts is delivered more than two days prior to the trade. Changing the withdrawal rights to within two days of *purchase* rather than within two days of receiving the Fund Facts should solve this issue.

Thank you for giving the industry an opportunity to comment on the Proposed Amendments.

Sincerely,



Anthony Boright, President
InvestorPOS Inc.
aboright@investorpos.com
(416) 543-9944

Appendix A

