

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

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

**Proposed Amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* and Companion Policy 81-101CP to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (2<sup>nd</sup> Publication)**

Broadridge Investor Communications Corporation (Broadridge) is pleased to respond to the Canadian Security Administrators' (CSA's) notice and request for comment concerning National Instrument 81-101 Mutual Fund Prospectus Disclosure and Companion Policy 81-101CP to National Instrument 81-101 Mutual Fund Prospectus Disclosure (2<sup>nd</sup> Publication).

## **Context**

Since the launch of Smart Prospectus<sup>®</sup> over 10 years ago, Broadridge has worked closely with industry partners, regulators and dealers supporting the evolution of National Instrument 81-101 (NI 81-101). We have been actively involved in the CSA's request for comment regarding the first two stages of amendments to Point of Sale (POS) and continue to support the CSA's efforts in the finalization of POS Stage 3.



The POS Stage 3 initiative, supported by Broadridge's highly advanced, cost-effective automated fulfillment solutions, will result in further operational and cost efficiencies, provide more effective communications to investors and efficiently track compliance information. Ultimately, these benefits will result in a richer investor experience.

#### **POS Stage 1 – Fund Facts**

Broadridge continues to support the CSA's ongoing efforts to modify and amend the Fund Fact document to ensure effective investor communication.

#### **POS Stage 2 – June 2014 – Transition from Simplified Prospectus to Fund Facts**

Broadridge continues to support the transition to Fund Facts with our existing Smart Document Fulfillment™ solution (including Smart Library®, our proprietary repository for SEDAR compliance documents and investor-specific private library documents.) The solutions provide operational efficiency, effective compliance and an enhanced investor experience.

#### **POS Stage 3 – Pre-sale and Point Of Sale Delivery of Fund Facts**

Broadridge supports a transition from post-sale to pre-sale or Point of Sale delivery of disclosure documents. This change will fundamentally transform the communication between advisors and their investors. Broadridge has introduced the SmartAdvisor™ service to support this transition. The service leverages Broadridge's current post-sale document delivery solution and operational processes while giving dealers the ability to directly access the complete library for pre-sale delivery. A daily reconciliation of pre-sale distribution with transaction files will ensure that the delivery obligation is met in situations when the required document was not delivered pre-sale.

#### **CSA Issues for Comment on the Pre-Sale Delivery of Fund Facts**

On March 26, 2014, the CSA published for comment revised proposed rules that would require all dealers trading in public mutual funds to give investors the specific Fund Facts for their mutual fund before proceeding with any trade.

Here, we will comment on those sections of the proposed amendment:

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

Broadridge supports the distribution of Fund Facts documents through all sales distribution channels, whether it is through a branch, in person between advisor and client or through the order execution/discount brokerage businesses. Technology integration is available to provide access to both regulatory disclosure documents and dealer specific documents. Associated with each sales distribution channel is the ability to track both the sending of the document and receipt of the document (when available) to effectively provide evidence of delivery.

Broadridge's service supports the pre-sale delivery of Fund Facts (and other regulatory documents as required), integrated with the current post-sale delivery within two days – typically with the transaction confirmation. Account and document history is recorded for both pre-sale and post-sale deliveries, enabling dealers to meet compliance requirements while ensuring there is no duplication.

Our service for pre-sale delivery of Fund Facts provides an enhanced investor experience by accommodating the investor's preference for the receipt of communications. These preferences may include email, digital delivery, print and mail or in person (print locally), providing additional cost and operational efficiencies for the dealer firms. The ability to assist advisors in delivering the required disclosure information (verbally) and ensure documents are provided via post-sale delivery (for document delivery in situations when it is not reasonably practicable to complete pre-sale delivery of the Fund Facts) is also identified as a delivery channel (not a preference as not identified as a standing instruction). The ability to validate document delivery history and provide an automated daily reconciliation between pre-sale and post-sale ensures that investors will receive the most recent Fund Facts when necessary without duplication.



### **Compliance**

We support the CSA's effort to give dealers the ability to leverage existing operational compliance processes. Technology allows dealers to maintain robust data repositories to create reports and support ongoing compliance requirements to track document version, date of delivery, distribution channel and in the case of electronic delivery, confirmation of access by the investor. The ability to reconcile pre-sale Fund Facts delivery with post-sale transaction files will ensure that the delivery obligation is met in situations when the required document was not delivered pre-sale. This ability will provide even further compliance for dealers.

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

Over the past 10 years, the industry has recognized significant cost savings in the transition from providing a full prospectus to the Smart Prospectus to Fund Facts. Furthermore, the ability for advisors to deliver Fund Facts pre-sale based on an investor delivery channel preference will increase the adoption of electronic or digital delivery and result in further print and postage savings.

Dealers benefit from the integration of existing post-sale and new pre-sale Fund Facts delivery and reconciliation between the two systems, leveraging use of investor delivery history tracking. The solution provides firms with the ability to suppress redundant delivery and prevent "over-compliance" therefore managing ongoing costs efficiently.

Depending on the level of systems integration, costs may vary. Technology is available to meet these needs either as a stand-alone, web-based service, integrated into existing back office or broker desktop environments or fully integrated to online systems.

### **Transition Period**

Broadridge is committed to supporting our dealer clients and the industry at large. Our solutions are built and ready to be deployed as required either by regulation or client need. Broadridge has developed a service for the delivery of Fund Facts at Point of Sale, however we recognize that some dealers may have challenges securing resources to support their system integration, transition, testing and training. We are currently working with dealers to support conversion to pre-sale delivery in the manner that is most appropriate for their business.

We suggest that the CSA encourage dealers to move to pre-sale delivery of Fund Facts as they are ready to transition, without waiting for the end of transition period.

### **Conclusion**

We appreciate the opportunity to comment on the proposed mutual fund prospectus disclosure rules. We would be pleased to discuss these issues further if it would be of assistance to the CSA in finalizing the requirements in this very significant mutual funds regulation.

Sincerely,

A handwritten signature in black ink that reads "Donna Bristow". The signature is fluid and cursive, with a long horizontal stroke at the end.

Donna Bristow  
Vice President, Client Management &  
Strategic Product Development  
Broadridge  
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