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

Via Email:

The Secretary
Ontario Securities Commission
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Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
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Dear Sirs/Mesdames:

CSA Notice and Request for Comment –Implementation of Stage 3 of Point of Sale Disclosure for Mutual Funds – *Point of Sale Delivery of Fund Facts (the "Proposal")*

I write in response to your request for comments on the Proposal and appreciate the opportunity to submit the following comments on behalf of ScotiaFunds.

Introduction

ScotiaFunds are managed by 1832 Asset Management L.P., which offers a range of wealth management solutions – including mutual funds and managed asset programs – for private and institutional clients. 1832 Asset Management L.P. is a limited partnership, the general partner of which is wholly owned by Scotiabank. It is a member of The Investment Funds Institute of Canada ("IFIC") and assisted with the preparation of IFIC's comment letter regarding the Proposal. As such, and in addition to the comments below, we support the comments provided by IFIC on behalf of its members.

We fully support the objective of providing investors with key information in a simple, accessible and comparable format before they invest. We are, however, deeply concerned by the aggressive transition periods that are under consideration. As you may know, dealer firms will have to make significant systems and technology changes and/or upgrades in order to implement the requirements as outlined in the Proposal. In addition, there will be a significant training requirement to ensure that front office and back office personnel are prepared to properly manage the new process. As such, we urge the CSA to consider a transition period of at least **two years** from the date of publication of the final rules.

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

We believe that there are benefits to providing investors with key information about a mutual fund before they invest. The shift from post-sale to pre-sale delivery of Fund Facts does, however, require a major change in the manner in which dealers distribute disclosure documents. We strongly encourage the CSA to conduct a meaningful cost-benefit analysis to fully understand the impact of this regulatory initiative. In particular, we strongly encourage the CSA to conduct a quantitative comparison of the costs and benefits of point of sale delivery versus post-sale delivery.

In our view, the Proposal entails substantial costs that go beyond those identified by the CSA in the Proposal. Dealers will have to undertake costly technology builds to allow the proprietary systems to accommodate the pre-sale delivery. In addition, there are the associated costs in developing and implementing new policies and procedures, staff training, and the ongoing monitoring of any new requirements to ensure all systems and processes are working as they should. Finally, the effective implementation of any third-party automated program or application for pre-sale delivery of Fund Facts requires systems and technology changes to integrate them with a dealer's existing systems.

In light of the substantial anticipated costs and the lack of a detailed cost-benefit analysis, we are unable to agree with the CSA's perspective on the benefits and costs of implementing pre-sale delivery of the Fund Facts.

Transition Period

We would suggest that a transition period of less than two years from the date of publication is most likely too aggressive for most dealers.

The Proposal entails a fundamental shift in the distribution of disclosure documents, moving from a back-office function handled by a dealer system that generates trade confirmation documentation for mailing to customers to a front-line sales function that would involve a number of proprietary computer systems used by each dealer. While third-party service providers have created Fund Facts repositories, dealers will still have to undertake substantial systems and technology changes to allow the delivery of the Fund Facts at the point of sale and integrate the relevant Fund Fact repository with the proprietary system. Dealers will be challenged in adapting or building systems to meet delivery and compliance requirements.

Dealers will also need to provide training to thousands of advisors across Canada on the pre-sale delivery requirements and the related technology to ensure appropriate compliance. Furthermore, the Proposal comes at a time when dealer resources are already focused on implementing the many other regulatory initiatives underway, the most significant of which is CRM2. We worry that an unsatisfactory transition period would pose serious human resource challenges, leading to delays, customer experience and compliance concerns.

Risk Methodology Initiative

As part of Stage 3, the CSA notes it is also proceeding with the development of a CSA mutual fund risk classification methodology ("Risk Methodology"), which was published for comment on December 12, 2013, and which is noted as being "a concurrent work stream" in Stage 3. We strongly urge the CSA to separate the Risk Methodology initiative from the Stage 3 Point of Sale initiative. The Risk Methodology initiative, in its current form, will have a significant impact on both the fund manager and the dealer community and, as such, should be its own work stream. As indicated above, human resources are already heavily invested in the implementation of CRM2 and other regulatory initiatives. Adding the burden of managing potential shifts in account suitability across thousands of accounts on top of the changes currently underway will place unnecessary stress on the system with no immediate benefit to investors.

Prospectus Disclosure Regime

The Fund Facts has become the prominent disclosure document for mutual funds. The Fund Facts does not replace any disclosure documents already in existence – it adds another layer and it creates repetition, work and cost for mutual fund managers. We encourage the CSA to review all of the disclosure requirements in place with a view to working with the industry to rationalize those that are no longer required and thereby reduce unnecessary costs.

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In conclusion, should a pre-sale delivery requirement come to pass, we strongly urge the CSA to consider a two-year transition period to allow firms to appropriately implement the Proposal.

If you have any questions or require further information, please do not hesitate to contact the undersigned at your convenience.

Yours truly,

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