

July 27, 2011

Bill Rice
Chair, Canadian Securities Administrators
Alberta Securities Commission
Suite 600, 250–5th St. SW
Calgary, AB T2P 0R4

Dear Mr. Rice:

Re: Point of Sale Initiative for Mutual Funds: CSA Staff Notices 81-319 and 81-321

We would like to reiterate our position to the CSA that FAIR Canada opposes the granting of exemptive relief to allow the early use of the Fund Facts document (“FF”) to satisfy the current prospectus delivery requirements as set out in CSA Staff Notice 81-321.¹ FAIR Canada also opposes the CSA’s proposal in Stage 2 of the point of sale initiative to do away with the delivery of the simplified prospectus and allow delivery of FF, after the point of sale, to satisfy prospectus delivery requirements.

The point of sale initiative was originally aimed at providing investors with more meaningful and effective disclosure and was held out to be a significant investor protection initiative.² The purpose of the point of sale disclosure framework was to provide a plain language document that would assist investors in their decision-making process *prior to* purchasing a mutual fund. Unfortunately, FF is still not required to be delivered prior to or at the point of sale. The document was not designed to be provided after the point of sale or to replace prospectus delivery requirements. If CSA members grant exemptive relief as outlined in Staff Notice 81-321, they will permit a use of the FF for which it was not intended or designed. It will also result in reducing the amount of information that investors receive, thereby preventing vital information from being provided to retail investors.

FAIR Canada opposes the process of granting exemptive relief as set out in CSA Staff Notice 81-321 without a formal public consultation process or legislative amendment. To grant such exemptive relief will be to effectively reduce long-standing investor rights. This is contrary to the purpose of securities regulation and the fundamental aim of the point of sale disclosure framework. We urge you to suspend the consideration of applications for exemptive relief until the concerns and interests of retail investors have been solicited and provided due consideration.

FAIR Canada recommends that a mutual fund’s simplified prospectus continue to be provided to investors either at the point of sale or with the trade confirmation. Eliminating the simplified prospectus delivery requirements runs counter to fundamental principles of securities regulation. FAIR Canada therefore opposes proposed Stage 2 of the point of sale initiative.

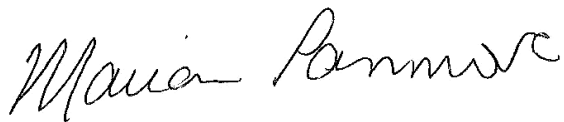
¹ Submission on CSA Proposed Amendments to the Sale of Mutual Funds dated October 19, 2009 and email from Ermanno Pascutto to Howard Wetston, Q.C., OSC Chair dated March 9, 2011.

² Canadian Securities Administrators, Staff Notice 81-319 (June 18, 2010), online: http://www.osc.gov.on.ca/documents/en/Securities-Category8/csa_20100618_81-319_status-pos.pdf.

FAIR Canada agrees with the OSC's Investor Advisory Panel³ that the many iterations of FF have yet to produce a document that is timely, clear and useful and that the existing FF is flawed and does not go far enough. The disclosure of risk, for example, is inadequate and misleading and must be improved. Until such time as FF is improved, regulators should not contemplate permitting it to replace the simplified prospectus.

We would be pleased to discuss our concerns with the current version of FF with you and look forward to the response of the CSA to this letter. FAIR Canada would welcome the opportunity to meet with you and other interested parties to discuss this important issue. Feel free to contact me at 416-572-2728 or at marian.passmore@faircanada.ca.

Sincerely,



Canadian Foundation for Advancement of Investor Rights

cc: Howard Wetston, Q.C., Chair, OSC
cc: Maureen Jensen, Executive Director, OSC
cc: Stephen Paglia, Senior Legal Counsel, Investment Funds, OSC
(on behalf of the CSA POS Working Group)
cc: Ermanno Pascutto, Executive Director, FAIR Canada

³ See the OSC's Investor Advisory's Panel's submission on the OSC's draft Statement of Priorities at pages 6 to 7.