ANNEX B

SUMMARY OF PUBLIC COMMENTS ON IMPLEMENTATION OF STAGE 3 OF POINT OF SALE DISCLOSURE FOR MUTUAL FUNDS – POINT OF SALE DELIVERY OF FUND FACTS (MARCH 26, 2014)

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Part 1 – Background

Summary of Comments

On March 26, 2014, the Canadian Securities Administrators (the CSA or we) published for second comment changes to proposed amendments (the Proposed Amendments or the 2014 Proposal) to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (the Rule or NI 81-101) and Companion Policy 81-101CP to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (the Companion Policy) (the Rule or NI 81-101 and the Companion Policy, collectively, the Instrument) aimed at implementing pre-sale delivery of the fund facts document (the Fund Facts) for mutual funds. We received 26 comment letters and the commenters are listed in Part 5.

An earlier version of the 2014 Proposal was published by the CSA on June 19, 2009 (the 2009 Proposal). The 2009 Proposal included proposed amendments aimed at implementing all of the elements of the point of sale disclosure regime set out in Framework 81-406 *Point of Sale Disclosure for mutual funds and segregated funds* (the Framework), published in October 2008 by the CSA and the Canadian Council of Insurance Regulators, as members of the Joint Forum of Financial Market Regulators (the Joint Forum). After considering all of the comments received on the 2009 Proposal, the CSA concluded to proceed with a staged implementation of the Framework, as set out in CSA Staff Notice 81-319 *Status Report on the Implementation of Point of Sale Disclosure for Mutual Funds* published on June 18, 2010.

We thank everyone who took the time to prepare and submit comment letters. This document contains a summary of the comments we received in relation to the 2014 Proposal and the CSA's responses. We have considered the comments received and in response to the comments, we have made some amendments (the Amendments) to the 2014 Proposal. The Amendments are aimed at implementing pre-sale delivery of the Fund Facts for mutual funds.

Part 2 – General Comments

Issue	**Comments**	**Responses**
General Support	Commenters expressed broad support for the objective of providing investors with key information in a simple, accessible and comparable format before they invest. They were generally supportive of improving transparency and providing better disclosure to investors to help them make more informed investment decisions. A number of industry commenters also expressed support for proceeding with a simpler, more streamlined and straightforward approach to pre-	We continue to be of the view that pre-sale delivery of the Fund Facts will provide investors with the opportunity to make more informed investment decisions by giving investors key information about a mutual fund, in a language they can easily understand, at a time that is most relevant to their investment decision. We welcome the general support that has been expressed by both industry and investor advocates for achieving this objective.

	sale delivery of the Fund Facts. Some of these commenters expressed appreciation for the broad consultations held by the CSA in connection with the POS Project, as well as the resulting changes aimed at addressing complexity and compliance concerns that were raised in respect of the 2009 Proposal. Some commenters noted that streamlining some of the more prescriptive and detailed elements of the 2014 Proposal would be particularly helpful to smaller firms as this would allow them to implement the rule in a more cost effective manner. Other commenters lauded the removal of the previously proposed requirement to bring the Fund Facts to "the attention" of the purchaser, which was viewed as an unclear requirement that could have potentially added unnecessary costs and confusion for dealer representatives and investors.	

Part 3 – Comments on Exceptions from Pre-Sale Delivery of the Fund Facts			
Issue	**Sub-Issue**	**Comments**	**Responses**
1.While the	a) Do you agree	Investor advocates were of the view that, given	The original 2009 Proposal was designed

Proposed Amendments generally require pre-sale delivery of the Fund Facts, they also set out specific circumstances that would permit post-sale delivery.	that we should allow post-sale delivery of the Fund Facts in certain limited circumstances? In particular, are there circumstances where post-sale delivery of the Fund Facts should be permitted but are not captured in the Proposed Amendments?	existing technology and the fact that most mutual funds are intended to be long-term investments, the circumstances that would warrant using the pre-sale delivery exception should be rare, particularly in instances where the investor has agreed to electronic delivery. They stressed the need for effective compliance and enforcement regimes to ensure the exception does not become the norm. All industry commenters agreed that post-sale delivery of the Fund Facts should be allowed in certain limited circumstances, as pre-sale delivery may not always be practicable. In particular, providing a limited exception from pre-sale delivery helps alleviate concerns about the ability to accommodate the legitimate wishes of investors who may, on occasion, require or wish to purchase units of a fund before pre-sale delivery can take place. While some industry commenters were of the view that the circumstances that would require post-sale delivery are adequately captured in the 2014 Proposal, others identified additional circumstances in which post-sale delivery would be appropriate, or that should be exempted from Fund Facts delivery entirely. The following circumstances were highlighted : 1. ***Subsequent purchases:*** A few industry	to be responsive to comments that a "one-size-fits-all" delivery model would not appropriately reflect the various business models adopted by dealers, as well as the different types of relationships that dealers have with their clients. In response to comments received on the 2009 Proposal, the 2014 Proposal seeks to address the cost and complexity concerns that were raised, specifically, simplifying the Fund Facts delivery regime by eliminating the various decision points that would need to be tracked in order to determine when delivery would need to occur. While we did receive some requests to reintroduce some additional pre-sale delivery exceptions included in the 2009 Proposal, the vast majority of commenters are supportive of our more streamlined and simpler approach. We continue to think that the pre-sale delivery exception provided is sufficient to deal with instances where pre-sale delivery may be impracticable. In fact, most industry commenters expressed agreement with the limited exception from pre-sale delivery that is contemplated. In response to feedback, we have added

		commenters suggested returning to the 2009 Proposal of not requiring pre-sale delivery in instances where investors are adding to existing positions in funds previously purchased. It should be sufficient to provide existing investors with access to the Fund Facts along with an option to receive the Fund Facts annually. Another commenter suggested limiting the requirement to deliver the Fund Facts for subsequent purchases to instances where the updated Fund Facts makes changes to sections other than those regarding holdings and performance. 2. ***Order-execution only brokerage accounts:*** As with the 2009 Proposal, a few commenters told us a distinction should be made between investors who rely on a dealer's recommendation and those who rely on their own research and judgement when making their purchase decision before contacting their dealer. In the case of purchase orders made through order-execution only brokerage accounts, it should be sufficient to deliver the Fund Facts post-sale within two days of the purchase of a mutual fund provided that the Fund Facts is readily available online.	exceptions from the pre-sale delivery requirement for mutual fund purchases made in a managed account and mutual fund purchases made by permitted clients that are not individuals. In the context of managed accounts, we recognize that pre-sale delivery may create issues since the investor is not involved in the decision-making process and does not provide specific purchase instructions. With respect to an exception for permitted clients that are not individuals, we are of the view that this is an appropriate response to the request for an exemption for "accredited investors" more generally. Including exceptions in these two instances will bring greater harmonization with the pre-trade cost disclosure requirements under NI 31-103. With respect to requests for an exemption for model portfolio products with auto rebalancing features, the CSA are prepared to consider requests for exemptive relief in the appropriate circumstances. In our view, any exemptive relief will be fact specific and will be considered novel.

		A couple of investor advocates also supported this approach. One of them noted that pre-sale delivery for discount brokerage accounts could have the perverse effect of slowing down the availability of D Series funds. Still, other industry commenters disagreed and expressed support for the removal of this exemption, which was contained in the 2009 Proposal. 3. ***Investor initiated purchases:*** Just as in the 2009 Proposal, we heard from industry commenters that it is important to make a distinction between investors who rely on a dealer representative's recommendation and those who rely on their own research and judgement. We were told pre-sale delivery of the Fund Facts will only delay an investor from executing an investment decision they have already made. 4. ***Money Market Funds:*** Like the 2009 Proposal a couple of industry commenters asked us to exempt money market funds from the pre-sale delivery requirement on the basis that they are low risk and are generally used by investors to "park" money. Instead, the Fund Facts could be sent with the trade confirmation. One	

		commenter, however, made a distinction between money market funds with a stable net average value per share (NAVPS) and those that can realize capital gains or losses. This commenter was of the view that the latter should be subject to the pre-sale delivery requirement. 5. ***Model portfolio products with auto re-balancing and/or re-allocation features:*** Some commenters suggested providing an exemption from the pre-sale delivery requirement for model portfolio products. In the case of model portfolio products, we were told the investor is buying a managed product solution that automatically optimizes the investment within and across multiple mutual funds. The allocation and potential re-balancing is performed in order to maintain the required asset mix, or to achieve an optimal tax strategy for the investor. The requirement to allocate or re-balance is not known until after the process is completed, making pre-sale delivery of a Fund Facts impossible. 6. ***Managed accounts:*** Some commenters noted that investors with managed accounts have chosen, by way of	

			contractual arrangement, to enable the portfolio manager to have control over all decision making for the account. The dealer representative is making the investment decision by selecting the mutual funds for the investor, and the investor will not necessarily have advance knowledge of the trades that are taking place in the account. It would be confusing for the investor to receive unsolicited Fund Facts in connection with trades the investor has not initiated. As a result, managed accounts should be exempted from the pre-sale delivery requirement. Another commenter noted that section 14.12 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) permits the delivery of trade confirmations to the portfolio manager of a discretionary managed account. Since the relationship is between the portfolio manager and the investor, it is unclear how a dealer representative would confirm delivery of Fund Facts to the investor prior to executing the trade. Therefore, the 2014 Proposal should include an exemption from the pre-trade delivery requirement if the dealer	

		representative delivers the Fund Facts to the portfolio manager with, or prior to, the trade confirmation. 7. ***Accredited investors:*** A number of industry commenters told us that sophisticated investors should be afforded *de minimis* levels of protection as well as freedom from unnecessary regulatory constraints. As a result, sophisticated investors, such as accredited investors, should be exempt from the pre-sale delivery requirement. 8. ***Transactions not in real-time:*** One commenter suggested that there should be an exemption to the pre-sale delivery requirement for purchases made through a web-based transaction site or by e-mail. Given the sustained growth in electronic transactions and the fact that Canada has more than 100 fund families, we were told it would be difficult to offer and manage pre-sale delivery of the Fund Facts without costly major technology developments to make all relevant information readily available online and ensure that it is continuously updated, especially when rapidity of trade execution is paramount.	

		Investor opt-out option for pre-sale delivery Some industry commenters told us that the requirements to qualify for the pre-sale delivery exception are unduly narrow and are likely to frustrate some investors, especially experienced and knowledgeable investors who do not want orders delayed pending delivery of the Fund Facts. These investors should be allowed to expressly waive pre-sale delivery of the Fund Facts in favour of post-sale delivery. One commenter also suggested that dealer representatives be permitted to ask their clients for annual instructions or standing instructions in a manner analogous to the continuous disclosure process in National Instrument 81-106 - *Investment Fund Continuous Disclosure*. Alternatively, the opt out could be in the form of a declaration (e.g., a clause in the account agreement subject to annual renewal in writing) or an acknowledgement upon the purchase of a mutual fund that the investor will be responsible for getting the most recent copy for the Fund Facts prior to any new trade instructions to the dealer representative. For telephone sales, one commenter told us that pre-sale delivery of the Fund Facts has the potential to create a negative investor experience. In such circumstances, it was suggested that dealers should be permitted to inform the clients	

		that they can receive the Fund Facts within two days of the purchase rather than the onus being in on the investor to initiate the request. In such instances, verbal disclosure of key information from the Fund Facts should still be required. **Usefulness of pre-sale delivery exception** One commenter questioned how useful the pre-sale delivery exception will be, since the proposed Companion Policy states that that the CSA "expect(s) that post-sale delivery of the fund facts document will be the exception rather than the norm." This commenter stated that it would be difficult to imagine a dealer representative wanting to take on the obligations entailed by this exception, especially if the "not reasonably practicable" standard is interpreted based on a hypothetical dealer representative. Although staff of the Mutual Funds Dealers Association (MFDA) of Canada and the Investment Industry Regulatory Organization of Canada (IIROC) would likely arrive at appropriate guidelines, the risk is that the guidelines would be drafted too restrictively and the utility of the exemption would be lost.	
	b) When pre-sale delivery is impracticable, one of the conditions for	Commenters generally agreed that, where an investor receives the Fund Facts for a mutual fund post-sale, it would be appropriate to provide that investor with pre-sale verbal disclosure of pertinent information relating to that fund. The	The CSA accept that there may be some limited circumstances where pre-sale delivery of the Fund Facts will be impracticable. The comments received support this view. As a result, we have

	post-sale delivery of the Fund Facts is that the dealer provides verbal disclosure to the purchaser of certain elements contained in the Fund Facts. Please comment on whether the proposed disclosure elements are appropriate. If not, what additional disclosure should be included? Alternatively, are there any disclosure elements that should be excluded?	commenters agreed that the dealer representative should inform the purchaser of the existence and purpose of the Fund Facts, as well as explain the dealer representative's obligation of pre-sale delivery of the Fund Facts. They also generally agreed with the proposed disclosure elements for verbal disclosure. Investor advocates were adamant, however, that the pre-sale delivery exception should only be used on extremely rare occasions. The dealer representative must document the request, provide verbal disclosure of the salient features of the mutual fund and conduct a suitability analysis of the transaction so the investor understands the fund and how it fits into his or her portfolio. Some of the industry commenters, however, told us that the verbal disclosure requirement in the 2014 Proposal seems to prescribe the reading of the Fund Facts almost in its entirety, which would be burdensome and impractical. In addition, rather than helping a purchaser understand the contents of the Fund Facts before proceeding with the trade, these requirements may lead to confusion. Some industry commenters noted that in instances where "time is of the essence," mandating "verbal disclosure" for all investors seeking to rely on the pre-sale-delivery exception	retained the exception that was set out in the 2014 Proposal for instances where a purchaser indicates that the purchase has to be completed by a specified time and it is not reasonably practicable for the dealer to complete delivery of the Fund Facts within that timeframe. We agree, however, with investor advocates that there should not be a need to use this exception frequently. As a matter of clarification, we have now specified that verbal disclosure is intended to be a summary of the specifically identified disclosure items in the Fund Facts, and not a full recitation of all the disclosure contained in those sections. In terms of the specific disclosure items that must be conveyed by way of verbal disclosure, we have not added or removed any items. We note, however, that the verbal disclosure requirement in the Amendments is the minimum requirement. To the extent that dealers and their representatives want to provide investors with additional information from the Fund Facts, they may. Where multiple funds are being purchased at the same time, to the extent that the information that must be disclosed would be the same for each fund, the CSA would not expect the same

		is self-defeating. One commenter noted that the verbal disclosure would take approximately six minutes without taking into account additional time that might be needed to answer any questions the investor may have. This would be even more so when an investor purchases several funds at the same time. Moreover, in the case of investor-initiated trades, especially by seasoned investors, this mandatory verbal disclosure will amount to an annoyance and delay and fee-only dealer representatives will have to charge the investor. **Suggestions** While commenters generally agreed with the proposed disclosure elements for verbal disclosure, they had some specific suggestions for improvement, among them: • Allow the verbal disclosure requirement to be optional and deliverable only at the investor's request. • Allow investors to waive the verbal disclosure requirement. • Provide information in the Fund Facts to the investor in a summary form along with a reminder of their rescission rights. • Remove verbal disclosure for product	information to be repeated multiple times. Finally we have revised the drafting to make it clearer that the various elements of the pre-sale delivery exception must all be satisfied prior to accepting any instruction to purchase.

		suitability and risk for order-execution only brokerages, as it would be inappropriate for dealer representatives to discuss product suitability and risk. • Allow dealer representatives discretion to determine what information in the Fund Facts should be verbally disclosed to the investor, especially given that phase 2 of the client relationship model (CRM2) already prescribes pre-sale disclosure with respect to fees. • Add the "For more information" section to the verbal disclosure requirement to clarify that additional information about the fund can be found in its simplified prospectus. • Create a category of knowledgeable and experienced investor who has the ability to exempt themselves from the pre-sale disclosure requirement. • Allow accredited investors to waive the verbal disclosure requirement. • Permit a signed consent form for standing instructions from the investor to waive pre-sale delivery of the Fund Facts.	

		• For purchases of several funds, allow the rights of withdrawal or rescission to be disclosed only once (and not for each fund). • Allow post-trade delivery of verbal disclosure regarding the existence and content of the Fund Facts. • Allow post-sale delivery of the Fund Facts followed by a conversation between the dealer representative and the investor and leave withdrawal rights open until two days following such conversation. • For managed portfolio products, allow a blanket consent from the investor provided that the subsequent purchases are in compliance with the investor's instructions and consistent with their personalized investment policy statement. • For the verbal disclosure of applicable withdrawal rights or rescission rights as set out under the heading "What if I change my mind?", it should only be necessary to tell the investor to "see withdrawal and rescission rights for their province or territory, or to consult a	

		lawyer". **Drafting** One commenter noted that, while the condition in section 3.2.1.1(3)(a) must be satisfied before a dealer representative accepts the investor's purchase instruction, there is no equivalent requirement for the other conditions specified in new section 3.2.1.1(3) to be satisfied before the dealer representative accepts the investor's purchase instruction. If this was a drafting oversight by the CSA, the commenter suggested that section 3.2.1.1(3) be revised to expressly state that all of the conditions therein must be satisfied before the dealer representative accepts the investor's purchase instruction.	
	c) In the case of pre-authorized purchase plans, a Fund Facts would only be required to be sent or delivered to a participant in connection with the first purchase	Almost all commenters supported the proposed pre-sale delivery exception for purchases made pursuant to a pre-authorized purchase plan (PAC). They agreed that it should be sufficient for an investor with a pre-authorized purchase plan to receive an initial notice, along with subsequent annual notices, regarding the availability of the Fund Facts and instructions on how to access or request a copy. **Definition for Pre-Authorized Purchase Plans** One industry commenter agreed with the	We have not made any changes to the

	provided that certain notice requirements are met. Please comment on whether the Fund Facts should also be sent or delivered to a participant if the Fund Facts is subsequently amended and/or every year upon renewal of the Fund Facts. If so, what parameters should be put in place for such delivery? For example, should it be delivered in advance of the next purchase that is scheduled to	proposed definition for "pre-authorized purchase plan" as currently drafted and viewed it as being sufficiently broad. Another industry commenter, however, noted that no equivalent to the proposed PAC exception has been included in the 2014 Proposal for other types of pre-authorized trades, such as automatic rebalancing services. An automatic rebalancing service might not qualify as a PAC since the amounts and dates of each purchase vary based on the parameters that have been established for the service. It was noted that despite this variability, the standing instructions received from investors for rebalancing trades are functionally the same as a PAC (e.g., the investor has pre-determined the mutual funds he or she wishes to own and the quantity of those investments) and rebalancing trades are executed without obtaining further instructions from the investor. If rebalancing trades and other types of pre-authorized purchases would not qualify for the PAC exception, it was not apparent to the commenter how Fund Facts could be delivered in these circumstances since pre-authorized trades typically are executed as soon as the criteria from the investor's standing instructions are satisfied. Accordingly, the commenter suggested that the CSA expressly confirm in the Companion Policy that any purchases of mutual fund securities from standing instructions will qualify for the PAC exception. Alternatively, it was suggested that	definition for "pre-authorized purchase plan." As indicated above, the CSA is prepared to consider, on a case-by-case basis, exemptive relief from the pre-sale delivery requirement for model portfolio products with auto rebalancing features.

	take place after the Fund Facts has been amended or renewed? Or would post-sale delivery be more appropriate?	the definition be broadened to capture "either payments in a specified amount on a regularly scheduled basis or on dates and in amounts determined under other standing instructions from the purchaser." ***Requirement to Provide a Fund Facts Request Form to Plan Participants*** A number of industry commenters indicated that the requirement to send a reply form with the annual reminder notice to PAC participants is unnecessary and urged the CSA to remove this requirement. Instead, it should be sufficient for PAC participants to receive notice of the availability of the Fund Facts along with instructions on how to obtain a copy. ***Delivery for Subsequent Purchases Where the Fund Facts has been Amended or Renewed*** A number of commenters were of the view that delivery of the Fund Facts to an investor with a pre-authorized purchase plan is unnecessary for subsequent purchases in instances where the Fund Facts is amended or subsequently renewed. A few industry commenters noted that requiring delivery of an updated Fund Facts would be inconsistent with exemptive relief that has been granted in connection with pre-authorized purchase plans. Delivery of the Fund Facts upon an amendment	In response to comments, we have removed the requirement to provide a request form to pre-authorized plan participants. Consistent with the exemptive relief that has been granted in connection with pre-authorized purchase plans, we will not require delivery of the Fund Facts for subsequent purchases where the Fund Facts has been amended or renewed. We are of the view that it is sufficient to provide an annual reminder notice to participants in these plans about how they can request a Fund Facts.

		or its annual renewal would also burdensome for dealer representatives to manage for little added value to investors. A few commenters told us that, where a material change to a fund warrants the filing of a press release, a material change report and an amendment to the Fund Facts, then adequate notice has already been provided to investors. We were told that this is the same method currently followed for amendments to the prospectus and the policy rationale should not change simply because of a switch to pre-sale delivery. One industry commenter agreed that investors in PACs and in company-sponsored group RSPs invested in mutual funds should receive the Fund Facts annually upon renewal, as well as whenever it is amended, unless they expressly opt-out of such delivery. Changes in risk classification, for example, would be of particular significance to PAC participants approaching retirement. Two investor advocates were also of the view that, if there is a material change to the fund, especially with respect to risk classification, then the amended Fund Facts should be delivered to the investor and the material change should be brought to the attention of the investor. Otherwise, the investor may continue to make PAC contributions unaware of the material	

		change to the fund. **Annual Notice** An industry service provider indicated that the requirement to deliver an annual notice to purchasers of pre-authorized purchase plans would be an unnecessary burden. Instead, it was suggested that a one-time notice be sent to existing PAC participants advising that a Fund Facts is now available and how and where it may be obtained. For new PACs set up after the 2014 Proposal is in place, the investor would receive a one-time, pre-sale delivery of the Fund Facts when the pre-authorized purchase plan is set up. Still another industry commenter urged the CSA to revise the proposed PAC exception so that the annual notice would only be required for existing participants in a PAC Plan and would be sent to new participants only at the time of the initial PAC set-up. ***Grandfathering of existing pre-authorized purchase plans.*** A number of commenters noted that the 2014 Proposal would require dealer representatives to deliver the most recently filed Fund Facts to existing PAC participants for the first trade made under a PAC after the 2014 Proposal comes into	We have not made any changes to the annual notice requirement. In response to comments, we have added a grandfathering provision in respect of pre-authorized purchase plans that are in existence prior to the final effective date of the pre-sale delivery requirements. Dealers

		force. They were of the view that this proposed requirement would be onerous and duplicative, particularly for dealers that currently send an annual reminder notice to existing PAC participants. Instead, the CSA should consider exempting pre-existing PACs from this transitional Fund Facts delivery requirement. Still another industry commenter suggested that the dealer representative should have the choice of delivering Fund Facts to the PAC participant for either (1) the first trade after the 2014 Proposal has taken effect, or (2) in advance of the next purchase scheduled to take place after the Fund Facts is amended or renewed. This will alert the PAC participant to the existence of Fund Facts, not just for his or her PAC, but as an informational tool available for all mutual funds. Some of these commenters further noted that if the CSA still believes that the Fund Facts should be delivered for the first trade made under the PAC after the 2014 Proposal comes into force, then they urged the CSA to require delivery at the time of the next scheduled mailing date or prior to the anniversary date of the first purchase under the PAC to provide the industry with time to stagger delivery to all existing PAC participants or to send a notice with their next quarterly statement. Another commenter noted that post-sale delivery of the Fund Facts would be	that have already provided an annual reminder notice to participants in these plans will not be required to deliver a Fund Facts and a new reminder notice after the first purchase that occurs following the Effective Date.

		appropriate. **Expiration of exemptions and waivers** One industry commenter noted that with respect to the expiration of exemptions and waivers, exemptions in relation to PACs should terminate on the effective date following any applicable transition period (the Effective Date). However, for any PAC plan established prior to such date, the exemption should terminate on the earlier of one year after the Effective Date and the mailing of the annual notice to PAC participants.	The grandfathering provision discussed above is intended to address the expiration of exemptive relief that has been granted in respect of pre-authorized purchase plans.

Part 4 – Comments on Compliance		
Issue	**Comments**	**Responses**
2. The CSA expect that dealers will follow current practices to maintain evidence sufficient to demonstrate effective delivery of the Fund Facts. Are there any aspects to the requirements in the Proposed Amendments that require further guidance or clarification? If so, please identify the areas where	Most commenters were of the view that the compliance requirements outlined in the 2014 Proposal were adequate and that additional specificity or clarification was not required. In particular, the CSA's expectation that dealers will follow current practices regarding evidencing prospectus delivery to evidence Fund Facts delivery was viewed as being fully workable. A couple of commenters also noted that the self-regulatory organizations (SROs) are well-	We are encouraged to hear commenters generally agree that further guidance or clarification in respect of the compliance requirements outlined in the 2014 Proposal is not necessary. We agree that dealers will be able to follow their current practices regarding evidencing prospectus delivery, as well as other required disclosures, to evidence Fund Facts delivery.

additional guidance would be useful.	positioned to detect emerging issues as part of their ongoing monitoring of firm practices and can provide additional guidance where appropriate**.** One industry association stated that the CSA should consult with the SROs with respect to compliance requirements to ensure their rules do not impact or conflict with the requirements set out in the 2014 Proposal. A few commenters identified specific aspects of the 2014 Proposal that they thought could use additional guidance or clarification in terms of compliance: 1. ***Interpretation of the term "accept":*** The 2014 Proposal will require a dealer representative to deliver the relevant Fund Facts to the investor before accepting an instruction from the investor to purchase the securities. We were told the term "accept" is relatively new and it is unclear at what point in the purchasing timeline that "accept" is considered to occur. It was noted that the term "accept" also is used in recent amendments to NI 31-103 (section 14.2.1) relating to pre-sale delivery of certain cost disclosure under the CSA's client relationship model. NI 31-103 and its related companion policy	We agree with commenters that the SROs are well-positioned to provide additional guidance where appropriate. The CSA will continue to meet with the representatives of the IIROC and the MFDA to discuss compliance and implementation issues relating to pre-sale delivery of the Fund Facts. We have not included a definition of the term "accept" in the Amendments. This term is already used in securities legislation in respect of the current pre-trade cost disclosure requirement in NI 31-103. In our view, introducing a definition that would apply solely to the pre-sale delivery requirement for Fund Facts could potentially create more confusion in respect of whether a different standard applies.

	do not, however, provide any explanation of the term "accept."	
	2. ***Timing of Delivery:*** Guidance in the proposed Companion Policy states that investors must be given a "reasonable opportunity" to consider the information in the Fund Facts before proceeding with the purchase, and that it "should not be delivered or sent so far in advance of the purchase of a security of a mutual fund that the delivery cannot be said to have any connection with the purchaser's instruction to purchase the mutual fund." While the CSA expects investors will be given a "reasonable opportunity" to consider the information in the Fund Facts, it is unclear whether the test depends on the capacities and capabilities of the individual investor, or on those of a hypothetical "reasonable investor." As a result, additional clarity would be useful in terms of when delivery of the Fund Facts is expected to occur.	The Companion Policy is not intended to be a test, but rather is intended to provide some guidance as to what the CSA considers to be acceptable timing for pre-sale delivery of the Fund Facts. We expect dealers and their representatives to consider how to integrate the Fund Facts into the overall sales process to engage in a meaningful discussion about the mutual fund or funds the investor is considering for purchase.
	3. ***Evidencing Receipt of the Fund Facts:*** The 2014 Proposal is silent on whether the dealer representative is explicitly obligated to get proof of receipt of the Fund Facts before executing the trade.	The Amendments do not require dealers to receive written acknowledgement from purchasers confirming receipt of the Fund Facts. We agree with the comments received on the 2009 Proposal that indicated, if delivery of the simplified

		prospectus does not have an acknowledgement requirement, then no such requirement should be required in respect of delivery of the Fund Facts. Dealers are free to determine, however, whether or not they want written acknowledgement as part of their own compliance processes and procedures.
	4. ***Evidencing Compliance with the Pre-Sale Delivery Exception:*** Under the 2014 Proposal, Dealer representatives will have to determine the specifics of their recordkeeping obligations and auditing requirements to satisfy the pre-sale delivery exception. The CSA states in the Companion Policy that "[s]uch records should also indicate why delivery of the fund facts document was impracticable in the circumstances." In addition, the CSA does not specify what evidence is sufficient to document the investor's consent to allow delivery of Fund Facts post-sale, except to state in the Companion Policy that dealer representatives are "not required to obtain written consent from clients" and that they are expected to "follow their current policies and procedures for tracking and monitoring client instructions and	Dealers will be required to maintain adequate records relating to Fund Facts delivery generally. In respect of the post-sale delivery exception, we expect dealers will maintain adequate records to evidence verbal disclosure as required concerning the items in the Fund Facts. As noted in the Companion Policy, such records should include why delivery of the Fund Facts was impracticable in the circumstances. The CSA and the SROs expect that dealers will follow their current practices to maintain evidence to sufficiently document delivery of the Fund Facts. Written consent is not mandated.

	authorizations." Thus, the onus rests solely on the dealer representative to document a decision initiated by the investor. Since the CSA has acknowledged that there may be circumstances that make pre-sale delivery impracticable, the CSA should also acknowledge that obtaining physical consent to allow post-sale delivery of the Fund Facts may be equally impracticable.	
	5. ***Delivery for Subsequent Purchases:*** Proposed section 3.2.1(2) states a dealer representative is "not required to deliver or send the Fund Facts if the purchaser has previously received the most recently filed Fund Facts for the mutual fund at issue." It is unclear, however, whether the dealer representative is supposed to verify this receipt. What if the investor received the Fund Facts from a third party, i.e., another dealer representative, or downloaded it on his or her own initiative?	We expect dealers to use the same compliance processes and procedures used today in some jurisdictions to determine whether delivery of a Fund Facts has been suppressed in respect of a subsequent purchase.
	6. ***Electronic Delivery:*** Some commenters told us that the acceptable methods for electronic delivery of Fund Facts are not clear. In addition to electronically sending	In response to feedback, we have specified in the Amendments and have provided additional guidance in the Companion

	Fund Facts in PDF format, dealer representatives should be able to provide an investor with an email link that leads directly to the Fund Facts. The Companion Policy should, therefore, be revised to specifically clarify that a direct email link would satisfy the delivery requirement. In addition, there should be confirmation that electronic delivery of a link to the Fund Facts will be recognized by the CSA as proof of receipt.	Policy to indicate that a Fund Facts can be delivered electronically, subject to the purchaser's consent. More specifically, we have clarified that electronic delivery may include sending an electronic copy of a Fund Facts to the purchaser in the form of an email attachment or a hyperlink. We reiterate that there is no requirement for purchasers to provide written acknowledgement confirming receipt of the Fund Facts. However, consideration should also be given to electronic commerce or other legislation that may impact electronic delivery of documents.
	7. ***Interaction with NI 31-103:*** Although proposed subsection 7.3(3) of the Companion Policy refers to the pre-trade disclosure obligations under NI 31-103, it would be useful if the CSA could provide additional comfort and certainty by explicitly stating that providing a Fund Facts prior to a trade in a mutual fund would be sufficient to meet that obligation.	Companion Policy 31-103CP to NI 31-103 *Registration Requirements, Exemptions and Ongoing Registration Obligations* already provides some guidance regarding the use of the Fund Facts for the purposes of complying with the requirement to provide pre-trade disclosure of charges. Furthermore, in *CSA Staff Notice 31-337 Cost Disclosure, Performance Reporting and Client Statements – Frequently Asked Questions and Additional Guidance*, published on February 27, 2014, the CSA stated in FAQ #11 that, with respect to pre-trade disclosure of charges, "[i]f a registrant delivers the Fund Facts

		document at the point of sale and explains the specific costs of the transaction to the client, then the registrant may use it further to satisfy the requirements of section 14.2.1 on NI 31-103 for the disclosure of charges related to the transaction. Since the management fee generally constitutes most of the MER of a mutual fund, we think this would be in line with the guidance in the CP."

Part 5 – Comments on Anticipated Costs and Benefits of Pre-Sale Delivery of the Fund Facts		
Issue	**Comments**	**Responses**
3. We seek feedback on whether you agree or disagree with our perspective on the benefits and costs of implementing pre-sale delivery of the Fund Facts. Specifically, do you agree with our view that the costs will be incremental in nature and/or one-time cost? We request specific data from the mutual fund industry and service providers on any anticipated costs.	**Cost-benefit analysis** A few commenters told us that, given the substantial anticipated costs and the lack of a detailed cost-benefit analysis, they are unable to agree with the CSA's perspective on the benefits and costs of implementing pre-sale delivery of the Fund Facts. Others encouraged us to conduct a quantitative comparison of the costs and benefits of pre-sale delivery versus post-sale delivery to fully understand the impact of this regulatory initiative. Still another commenter urged the CSA to conduct trial research once the 2014 Proposal is finalized, but before they take effect, to determine	The earlier publications by the Joint Forum and CSA outlined the anticipated costs and benefits of implementation of the POS disclosure regime for mutual funds. We consider these costs and benefits to continue to be valid. We agree that the implementation of pre-sale delivery of the Fund Facts entails costs, but the CSA continue to be of the view that the potential benefits of the changes to the disclosure regime are proportionate to the costs of making them. We appreciate the support from commenters on the benefits we have

	if Fund Facts use reduces investor complaints and increases investor satisfaction and financial literacy. We were told the CSA should also look at the manner and the extent to which investors rely on Fund Facts in making investment decisions and how they benefit from pre-sale delivery. **Benefits** Many commenters told us that the Fund Facts is beneficial in providing clear and useful information to the investor, including the costs associated with owning a fund, and can only improve the level and depth of dialogue between the investor and dealer representative. One commenter also noted that pre-sale delivery of the Fund Facts in electronic form is an appropriate complement to CRM2. Additionally, an industry service provider referred to research that was conducted on its behalf within the advisor community, among mutual fund companies and among investment dealers, which indicated that dealer representatives, along with their clients and the investment funds industry as a whole, broadly support the Fund Facts as a plain language document that is easy to read and understand. **Costs**	identified in respect of pre-sale delivery of the Fund Facts. We also reiterate that, in direct response to industry comments relating to cost and complexity of implementation, we are proceeding with a simpler and more streamlined approach for Fund Facts delivery compared to the 2009 Proposal. We agree with investor advocates and service providers that, while there will be costs associated with implementation of the pre-sale delivery requirement, the transition to providing a Fund Facts instead of a prospectus has resulted in cost savings for the mutual fund industry. Finally, we are encouraged to hear that third party service providers continue to work on the development of technological solutions that will help address possible implementation costs related to pre-sale delivery of the Fund Facts. We are hopeful that these efforts will help reduce development and implementation costs at the individual dealer level. While we do not propose any changes to the content of the Fund Facts at this time, the content of the Fund Facts may evolve. However, any significant changes to the

	Some commenters told us that while technology has advanced since the 2009 Proposal, these advances have not removed the cost barriers to implementation of pre-sale delivery of the Fund Facts. We were told that the 2014 Proposal entails substantial costs that go beyond those identified by the CSA. The pre-trade delivery requirement will require significantly different systems development and the costs are likely to be substantial, both for initial implementation and for ongoing compliance and record-keeping. While third party service providers can facilitate access to the Fund Facts, the use of these services must be integrated into internally managed proprietary systems which entail costly technology builds. Building the systems, developing and implementing new policies and procedures, staff training, and testing and ongoing monitoring to ensure all systems and processes are working as they should requires considerable financial resources. A few commenters told us that the costs of implementing pre-sale delivery of the Fund Facts are not merely incremental in nature to those incurred in implementing the pre-trade cost disclosure requirements for CRM2, because the programs and systems needed to comply with the CRM2 pre-trade disclosure requirements are	Fund Facts content would only be made if the benefits would be proportionate to the costs of making those changes.

	completely different from those required for pre-sale delivery of the Fund Facts. Some commenters also said that moving from post-sale to pre-sale delivery of Fund Facts is a significant change that shifts the delivery obligation from a dealer back office operation to the front line sales force. Therefore, the pre-sale delivery requirement will affect independent dealer representatives and small firms in a disproportionate manner. We were told that third party service providers offer access to a Fund Facts repository, documentation of receipt and other recordkeeping and fulfillment services, and that access for basic Fund Facts support starts at $300.00 per year. Although larger operations can develop their own compliance systems, or rely on external suppliers, many dealers will not be able to develop or purchase a fully automated platform that can deliver Fund Facts based on the investor's preference, provide documentation of receipt of the Fund Facts and do so in a timely pre-trade manner. Many dealers will have to rely on a largely manual and time-consuming implementation and recording of pre-sale delivery. One commenter told us that in order to provide an accurate cost estimate for implementation, the	

	2014 Proposal has to be finalized to determine what systems modifications would be needed. However, costs are estimated to be $1.0M. Still another dealer told us that they estimate total development cost resulting from changes for the 2014 Proposal will be approximately $700,000 and also estimated that their annual operational costs will increase by approximately $200,000 per year. We also heard an estimate of one-time development costs between $1.0M - $1.5M for each affiliated dealer. One of these commenters also expressed concern that the limited number of third party service providers to facilitate implementation could place industry members at financial risk as they will negotiate contracts with a "virtual monopoly", which may result in a "concentration risk in outsourcing". One commenter told us that the "general" costs associated with implementing pre-sale delivery of Fund Facts are: (1) the production and administration costs of drafting, printing, updating, filing, and administering the Fund Facts; and (2) the costs of delivering hard copies, or emailing electronic links or attached soft copies.	

	The "specific" costs of implementing the pre-sale delivery of Fund Facts are: (1) the administrative, production and delivery costs of sending the Fund Facts separately, instead of with the trade confirmation; (2) the operational costs of creating and running a process to ensure for timely pre-trade delivery of Fund Facts; (3) the costs of sufficiently documenting investor receipt of the Fund Facts; and (4) the opportunity costs, e.g. when pre-sale delivery is impractical and the dealer representative has to provide verbal disclosure of the Fund Facts to the investor over the telephone. One commenter noted that the pre-sale delivery of the Fund Facts is proceeding without assurances that investors will realize costs savings. Operational savings from the cessation of prospectus distribution to investors may lead to material profits for fund companies, while the dealer representatives pay for the bulk of pre-sale delivery costs. Another commenter expressed concern that the Fund Facts will be subject to amendments within one to two years after pre-sale delivery takes effect. Every subsequent change to Fund Facts	

	will be expensive and will have ripple effects on administrative, compliance and distribution systems. We also heard concerns regarding the fairness of the 2014 Proposal on small and independent firms. It was also suggested that a trial program be conducted among a sample of dealer representatives to see if the costs associated with pre-sale delivery of the Fund Facts can be justified in terms of its utility for investors. However, investor advocates agreed that while there will be costs associated with implementation of the pre-sale delivery requirement, providing a Fund Facts instead of the prospectus results in cost savings for industry, particularly with electronic delivery. Furthermore, they noted that investors are already paying for dealer services and advice, whether through fees embedded in trailer commissions or through a fee-based account, so such fees must surely include the provision of Fund Facts as an integral step of the advice process. Also, it may be possible for dealers to leverage delivery solutions adopted to satisfy the Stage 2 Fund Facts delivery requirements to also satisfy Stage 3 Fund Facts delivery requirements.	

	Impact on Investor-Dealer Representative Relationship Some commenters identified that costs to the investor-dealer representative relationship have not been considered by the CSA. The pre-sale delivery of the Fund Facts and in particular, the verbal disclosure requirement for pre-sale delivery exception, will create investor frustration when investors are not able to purchase mutual funds when they want to. Furthermore, a number of independent mutual fund companies are dependent on third party distributors, who seldom have face-to-face meetings with investors and often rely on telephone conversations or other means of communication. Conversely, the pre-sale requirement will be less onerous for bank-owned distributors, who meet with investors at a local branch, facilitating in-person pre-sale delivery of Fund Facts. Some commenters also noted that pre-sale delivery will impact a dealer representative's product shelf because it will be more difficult for smaller and independent dealers to distribute a wide selection of mutual funds. To ensure pre-sale delivery of the Fund Facts and to complete transactions on a timely basis, dealer representatives may be forced to narrow their "product shelf." Over time, this may affect the level of competitiveness of the mutual funds industry.	

	Technology One service provider expressed support for 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. They pointed out that over the past 10 years, the industry has recognized significant cost savings in the transition from providing a full prospectus to providing the Smart Prospectus and now providing the Fund Facts. Furthermore, the ability for dealer representatives to deliver Fund Facts pre-sale based on an investor delivery channel preference will increase the adoption of electronic delivery and result in further print and postage savings. This service provider noted that dealers will 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. However, there is technology 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.	

Part 6 – Comments on Transition Period		
Issue	**Comments**	**Responses**
4. We seek feedback from the mutual fund industry and service providers on the appropriate transition period for full implementation of the Proposed Amendments. For example, assuming that publication of final rules takes place in early 2015, please comment on the feasibility of implementing the Proposed Amendments within 3 months of publication. Would a longer transition period of 6 months or 1 year be more appropriate? If so, why? In responding please comment on the impact these different transition periods might have in	Investor advocates unanimously expressed support for a shorter transition period. We were told that the transition period should be no longer than 12 months. One investor advocate specified that final implementation not be further extended while other issues, such as the CSA Risk Classification Methodology, are being determined. Industry commenters, on the other hand, were generally of the view that the CSA was being overly optimistic in terms of the administrative, practical and technical issues, as well as costs, associated with preparing the funds industry for pre-sale delivery. As a result, a 3 to 6 month transition period was deemed to be insufficient for dealers to make the systems changes needed to implement the 2014 Proposal. This would	In response to comments, we have extended the transition period to approximately 18 months from the date of final publication. As a result, the final effective date for the pre-sale delivery requirements will be May 30, 2016. We think this timeline is responsive to comments regarding the time required to prepare for full implementation of pre-sale delivery regime. We also think this timeline is responsive to investor advocates who did not support a longer than necessary transition period. We acknowledge that implementation timelines will differ among dealers, however, we think that a transition period

terms of cost, systems implications, and potential changes to current sales practices.	particularly be the case for those commenters that offer their products through a range of distribution channels with each channel having its own unique systems and processes that will require modification. One commenter noted that an unsatisfactory transition period would pose serious human resource challenges, leading to delays, as well as customer experience and compliance concerns. While one industry commenter supported a 12 month transition period as sufficient, most industry commenters asked for a period of 18 to 24 months. Some alternative implementation timelines that were suggested included 12 to 18 months, 12 to 24 months, and at least 2 years from the date of final publication. Service providers explained that feasible implementation timelines are likely to be different for each dealer (depending on their business strategies, front and back-office systems, etc.). One of them noted that, in some cases, a Fund Facts delivery solution can be implemented in as little as 60 days, but that most dealers would require a longer time period depending on business requirements, legacy considerations and the level of integration with back-office systems. They were generally of the view, however, that a one-year time period would be sufficient to	of approximately 18 months is reasonable and allows for sufficient time to update internal systems, ensure proper systems integration with external solutions, conduct systems testing and roll out new training and compliance programs.

	provide for a smooth transition. Additionally, one of these service providers indicated that in FAQ #11 CSA Staff Notice 31-337 *Cost Disclosure, Performance Reporting and Client Statements - Frequently Asked Questions and Additional Guidance as of February 27, 2014*, released on February 27, 2014, states that dealer representatives use pre-trade delivery of Fund Facts along with an explanation of specific costs to meet the CRM2 pre-trade disclosure requirements that came into effect on July 15, 2014. As a result it would be possible for dealers to simplify compliance with two significant investor-focused regulatory initiatives. We were told by most industry commenters that implementing pre-sale delivery will be operationally complex and will require, at minimum, a technology build, training programs, testing and an enhanced compliance regime. In providing additional context around the request for a 2-year implementation period, some stated that such a timeline assumes a minimum of six months of planning and development of systems requirements and specifications, a year to build and/or modify proprietary systems and another six months for testing, training and implementation. One commenter explained that, rather than scrambling to meet tight implementation	

	timelines, a lengthier transition period would have the benefit of allowing dealer representatives to inform investors about the changes in an organized manner that will allow them to provide context around the regulatory changes and new disclosure, which will ultimately maximize their benefits to investors. Also, given the fundamental shift that will need to occur in the sales process for mutual funds, a transition period that is too short might increase the likelihood that dealer representatives and investors will simply choose the route of simplicity and avoid mutual funds altogether. A couple of commenters also stated that it cannot be assumed that firms will be able to pre-emptively implement technology solutions prior to rule finalization. The 2014 Proposal would need to be finalized before dealer firms can go through the process of evaluating, planning and approving systems changes in order to ensure that those changes meet the specifications of the final rule. Still other industry commenters identified that the financial industry is currently in a period of substantial regulatory change, as a result of multiple, concurrent securities and tax-driven initiatives, including FATCA and CRM2 implementations, and potentially, the CSA Risk Classification Methodology. Dealers have	

	limited resources to deal with these competing priorities, which is challenging for firms of all sizes, but especially for smaller firms. An unsatisfactory transition period would pose serious human resource challenges, leading to delays, as well as customer experience and compliance concerns. As a result, the CSA should consider scheduling the effective date for pre-sale delivery of Fund Facts somewhere in the period of May to July, 2016, so that it may be harmonized with the final scheduled set of CRM2 changes coming in 2016. One industry commenter stated that every new regulatory requirement must be explained to the client and explaining the pre-sale delivery requirement will be a significant time commitment for both the investor and the dealer representative. As a result, the least intrusive way to implement pre-delivery delivery is to give the industry at least twelve months for training and testing, and to give investors the ability to opt out of pre-sale delivery. Moreover, a twelve-month window means that the pre-sale delivery requirement and its exceptions can be discussed at the investor's annual review, and not at a specially scheduled, one-off meeting. Finally, one commenter asked the CSA for a uniform launch date for pre-sale delivery, by combining the pre-sale delivery requirements of	

	Fund Facts with those of the in-progress summary disclosure document for exchange-traded funds (ETFs). A coordinated release would fit with the International Organization of Securities Commissions' (IOSCO) Point of Sale Principle 4, which calls for "Disclosure of key information… in plain language and in a simple, accessible and comparable format to *facilitate a meaningful comparison of information disclosed for competing CIS* [Collective Investment Scheme] *products*" (emphasis added).	
5. We are currently contemplating a single switch-over date for implementing pre-sale delivery of the Fund Facts. From a business planning and business cycle perspective, are there specific months or specific periods of the year that should be avoided in terms of selecting a specific switch-over date? Please explain.	Industry commenters were generally unanimous in recommending a switch-over date that avoids the months of November through April since resources at that time of year would be heavily engaged with RRSP season activity, year-end trading and financial reporting. Therefore, an early summer change-over period would be preferable since it would be the least disruptive from an operational standpoint. One industry commenter asked us to avoid introducing regulatory changes in the middle of the month. Another asked us to avoid a switch-over date on the first or last business day of the month due to high trading volumes. Some industry commenters suggested that implementation not be scheduled at the same time or in close proximity to the implementation dates	In response to comments we have chosen May 30, 2016 as our final implementation date. The selection of this date was intended to be responsive to the recommendation from industry commenters that we select a switch-over date that minimizes potential disruptions to operational activities.

	of CRM2 due to the substantial efforts and resources required for compliance with those changes. In addition, implementation of compliance and delivery systems for pre-sale delivery of the Fund Facts will require the same personnel, systems and resources as implementation of CRM2. Yet, others suggested that the CSA consider a switch-over date for pre-sale delivery of Fund Facts to be scheduled in the period of May to July, 2016, which would be harmonized with the final scheduled set of CRM2 changes coming in 2016.	

Part 7 – Other Comments		
Issue	**Comments**	**Responses**
6. Rationalization of Disclosure Regime	A few commenters noted that the CSA has not discussed a timetable for a review of the entire disclosure system. We were urged to review all current disclosure requirements with a view to rationalizing and eliminating duplication. Given that the Fund Facts is now the principal disclosure document, these commenters argue most of the other disclosure documents (the Prospectus, the AIF, the MRFP and the financial statement) are not utilized by the investor. Much of this information is duplicative and the cost of preparing the information is typically charged	As previously stated in past publications, once implementation of the POS regime is complete, we intend to conduct a review of the overall disclosure regime for mutual funds to reduce unnecessary duplication.

	back to the mutual fund, which increases the mutual fund's management expense ratio. Streamlining the requirements will help reduce costs, a major concern for the smaller firms in the industry, and it will also allow investors to more easily find and digest the information that is important to them.	
7. Regulatory and Product Arbitrage	As with the 2009 Proposal, a number of industry commenters indicated that, while they are generally supportive of the 2014 Proposal, they are also concerned about the lack of a level playing field since such requirements will apply solely to mutual funds and not more broadly to all retail investment products. Notwithstanding jurisdictional issues, in order to avoid the potential for regulatory and product arbitrage, we were told that, ideally, there should be consistency in terms of disclosure and delivery requirements across all similar investment products. If not, there is the potential for investors to end up in less suitable investment products with less regulatory burden. Investor advocates expressed support for the CSA's efforts to develop a summary disclosure document for other investment products such as ETFs. They also recommended harmonization, to the extent practicable, with similar products in the banking and insurance sectors. Investor protection, noted one advocate, should not be	We expect that disclosure for all types of investment products will evolve with time. In particular, we anticipate that point of sale disclosure for mutual funds may provide a platform for further future regulatory reform. We have previously indicated that we would publish for comment a proposal to introduce a summary disclosure document similar to the Fund Facts for other types of comparable investment products, notably ETFs. We expect to publish proposed rule amendments that would require delivery of a summary disclosure document in connection with ETF purchases for public comment by Spring 2015. The proposed rule amendments would essentially codify exemptive relief that was granted in 2013 to ETF managers and authorized dealers for ETFs.

	held back by different practices that might exist in the insurance or banking industry.	
8. Mutual Funds vs Segregated Funds	Two commenters noted that despite POS being an effort of the Joint Forum to achieve a stated goal of greater harmonization between the regulation of mutual funds and segregated funds, significant differences between the two regimes have not been addressed and persist and gave a number of examples. Accordingly, we were asked to renew our commitment to harmonizing the regulation of mutual funds and segregated funds by either (i) obtaining a commitment from the Canadian Council of Insurance Regulators to change the point of sale regime for segregated funds to match that of mutual funds, or (ii) extending to mutual funds the same streamlining advantages currently available to segregated funds.	In developing the Amendments, we consulted broadly with investor advocates, industry representatives, SROs and service providers. In previous consultations related to the POS initiative, we have also considered the comments provided on the Framework. With the implementation of the pre-sale delivery requirement of Fund Facts, both mutual funds and segregated funds will have summary disclosure documents that contain key information that must be delivered to investors. Although the disclosure document and the overall delivery requirements under each regime may not be identical, they both provide investors with the opportunity to make more informed investment decisions.
9. Review of Investor Rights	Some commenters noted that withdrawal and rescission rights are not uniform across Canada and suggested that the differences in time periods and trigger points for these rights should be	At this time, we have concluded not to proceed with a harmonized rescission and withdrawal right.

	reviewed and harmonized in light of the pre-trade disclosure regime for mutual funds that will soon come into effect. This would give investors a consistent experience across the country, as well as provide additional clarity on their interpretation and application. One of these commenters recommended that cancellation rights should be more in line with standards under consumer protection legislation, which generally provide for longer cooling off periods.	
	Some commenters also indicated that there are possible technical issues with withdrawal rights in the 2014 Proposal. For instance, Form 81-101F3, Part II, Item 2 still references a right of withdrawal linked to receipt of the simplified prospectus or Fund Facts. Effective June 13, 2014, however, disclosure in the Fund Facts should be amended to make it clear that withdrawal rights applicable to mutual fund trades are triggered by Fund Facts delivery and the reference to prospectus delivery should be deleted.	The Fund Facts delivery provisions are drafted to reflect the differences in the legislative authority of each member of the CSA. Despite these differences, each jurisdiction achieves the same outcome of requiring delivery of the Fund Facts to satisfy legislative requirements to deliver the prospectus. Thus, the reference to a right of withdrawal relating to prospectus delivery is appropriate for certain CSA jurisdictions where delivery of the Fund Facts provides an exemption from the requirement to deliver the simplified prospectus.
	In addition, the 2014 Proposal does not specify when the Fund Facts must be delivered other than to say in the proposed changes to the Companion Policy that delivery of the Fund Facts should occur within a reasonable timeframe before the	The Amendments specify that the Fund Facts must be delivered by the dealer prior to accepting a purchaser's purchase instruction. This requirement is consistent with the requirement for pre-trade

	purchaser's instruction to purchase. This could lead to the odd result that the withdrawal rights expire before the trade is made in instances where Fund Facts is delivered more than two days prior to the trade (and the timing of this two day period differs among CSA jurisdictions). To resolve this issue, one commenter recommended changing the withdrawal rights to within two days of purchase rather than within two days of receiving the Fund Facts. One commenter also asked why a right of rescission with the delivery of a trade confirm should still exist (in some jurisdictions).	disclosure of charges set out in section 14.1 of NI 31-103. The Companion Policy further indicates that the dealer should provide the investor with a reasonable opportunity to review the Fund Facts prior to executing a purchase instruction. The intention is to allow the investor an opportunity to review the Fund Facts in advance of completing the purchase. The CSA are of the view that delivery should not be treated as a perfunctory exercise that is conducted either contemporaneously or almost simultaneously with the trade The investor's right of withdrawal from purchase within two business days after receiving the Fund Facts remains unchanged. Consistent with securities legislation today, depending on the timing of delivery of the Fund Facts, as well as the timing of the purchase, an investor may or may not have a right of withdrawal. In particular, if the investor receives the Fund Facts more than two days prior to the date of purchase, the investor would not have a withdrawal right. In such circumstances, the investor would have had ample opportunity to consider the information in the Fund Facts prior to proceeding with a decision to purchase.

	Still another commenter pointed out that if the Fund Facts is not delivered (and the investor seeks a right to damages or rescind the purchase), it is the fund and other investors in the fund that are impacted even though it is the dealer's failure to deliver. This commenter urged the CSA to consider amending the currently mandated disclosure of investor rights for Fund Facts to reflect the 2014 Proposal.	As noted by one commenter, in some jurisdictions, the purchaser would continue to have a right of rescission, which is tied to receipt of the trade confirmation. Jurisdictions that have this right are not contemplating any changes at this time. The dealer's obligation to deliver the Fund Facts, and the impact on a fund when an investor exercises their rights for failure to deliver a Fund Facts, are the same whether delivery of the Fund Facts occurs pre-sale or post-sale. We do not intend to make any changes as a result of moving to pre-sale delivery of the Fund Facts.
10. Fund Facts Risk Disclosure	Some commenters urged the CSA to separate the development of a CSA Risk Classification Methodology from pre-sale delivery of the Fund Facts. Given that it will have a significant impact on both the fund manager and dealer representatives, it should be its own work stream. We were told that implementing pre-sale delivery and the CSA Risk Classification Methodology at the same time will be burdensome on the mutual fund industry, especially at a time when the industry is preoccupied with CRM2 implementation and other regulatory initiatives. The commenters expect significant transition	The CSA remains committed to the development of a CSA Risk Classification Methodology for use by managers in determining the mutual fund's risk level in the scale prescribed in the Fund Facts. Although work on the CSA Risk Classification Methodology is being conducted concurrently with work on the pre-sale delivery requirements for the Fund Facts, that work is being conducted as a separate workstream that operates on a separate timeline.

	issues will arise, including potential shifts in account suitability across thousands of accounts, with no immediate benefit to investors. To layer in the cost and complexity of transitioning to a pre-sale delivery at the same time will increase substantially the implementation challenges that dealers will face. It may also have a detrimental effect on smaller dealers that do not have the human resources and financial resources to implement these regulatory initiatives simultaneously. Furthermore, there may be investor confusion upon the concurrent implementation of pre-sale delivery of Fund Facts, CSA Risk Classification Methodology and CRM2.	We acknowledge the comments we received with respect to the implementation timelines of other regulatory initiatives. The CSA intends to publish a status report on the CSA Risk Classification Methodology at the end of 2014 or in early 2015. As we move forward with the CSA Risk Classification Methodology, we will take into consideration the implementation timelines for CRM2 and pre-sale delivery of the Fund Facts.
11. Methods of Delivery	**Electronic Delivery** A number of commenters expressed support for electronic delivery as an alternative to physical delivery. Investor advocates in particular indicated they were comfortable with pre-sale delivery of the Fund Facts to occur through electronic delivery, either by way of a pdf attachment to an e-mail or a direct web link to the relevant Fund Facts, provided that dealers can confirm delivery and that electronic delivery is subject to investor consent.	The methods of delivery for a Fund Facts are consistent with the methods of delivery for the prospectus under securities legislation. The Amendments were only intended to change the timing of delivery, and not the method of delivery. In response to comments, however, the Amendments now specify that a Fund Facts required to be delivered or sent under Part 3 of the Instrument may be sent electronically, subject to the purchaser's

	Some industry commenters, however, found the guidance regarding acceptable means of electronic delivery of Fund Facts to be unclear. While they agreed that simply referring an investor to a general website where the Fund Facts can be found would not be sufficient, providing an e-mail with a direct link to a specific Fund Facts should be an effective form of electronic delivery. As a result, it would be helpful for the CSA to clearly state this in the Companion Policy. In this regard it was noted that sending Fund Facts in PDF or similar file formats via email may not be practical due to large file sizes and the potential that such emails would be blocked by some email systems. One commenter further noted that CSA's original intention with the Fund Facts was to be compliant with IOSCO's Principles on Point of Sale Disclosure – Final Report. Principle 2 of the IOSCO report clearly permits delivery of pre-sale disclosure in an embedded link. Thus, from IOSCO's perspective, making the Fund Facts available to the investor in the form of an embedded link or uniform resource locator (URL) placed in an email would be satisfactory. Another commenter told us that allowing reference to a hyperlink or to a URL to satisfy the delivery requirement would also be consistent with the Canadian Life and Health Insurance	consent. In response to comments requesting additional clarity around what forms of electronic delivery would be acceptable, the Amendments also specify that electronic delivery may include sending an electronic copy of a Fund Facts to the purchaser in the form of an e-mail attachment or a hyperlink. With specific reference to the use of hyperlinks, the Companion Policy now states that the hyperlink provided should direct the purchaser to the specific Fund Facts for the applicable class or series of the mutual fund being purchased. In addition, consideration should be given to ensuring that the hyperlink remains accessible to the purchaser for so long as the purchaser may reasonably need to consult it.

	Association's delivery of Fact Sheets for segregated funds. In the interests of reducing time and expense, a few commenters stated that the dealer representative should be expressly permitted to orally and/or electronically direct the investor to a specific hyperlink to a website where the relevant Fund Facts can be found. One of the commenters stated that the dealer representative should be able to direct investors to the applicable website to access the Fund Facts but did not specify the circumstances where this should be allowed. **Access Equals Delivery** A few commenters asked that the CSA modify our position against "access equals delivery" and allow any method of actual delivery or electronic sending to be acceptable (i.e., by mail, courier, email, fax or in-person delivery) and permit verbal instructions on how to access the Fund Facts. Furthermore, we were told to clarify whether "access" would include directing an investor to the mutual fund's website for the most recently filed Fund Facts. A small number of commenters additionally urged the CSA to reconsider its position as it is significantly out-of-date with current internet usage by average Canadians and stands in	As we have previously stated throughout the various stages of the POS disclosure initiative, we do not consider "access equals delivery" to meet the principles set out in the Framework. The Companion Policy states that simply making the Fund Facts available on a website, or referring an investor to a general website address where the fund facts document can be found, does not constitute delivery under the Instrument, even if the investor consents to that method of delivery.

	contrast with other securities regulators around the world.	
12. Binding	Some commenters asked the CSA to reconsider the binding restriction on the delivery of Fund Facts. They told us the guidance limits advisors from mailing out bundles of Fund Facts in advance of meeting with the investor to make recommendations and take instructions. This would allow investors to have an opportunity to read the Fund Facts, compare the various mutual funds and series available to them at their convenience, have an educated conversation with their advisors, and then be able to have the trade proceed immediately on making an investment decision after their meeting (in person or by telephone) with the advisor. One commenter suggested that there may be circumstances where it is appropriate for an advisor to provide an investor more than 10 Fund Facts bundled together. For example, there may be several funds that are suitable for an investor and each fund may have multiple series. In addition, where an investor is using a model portfolio product, they may be purchasing up to 64 funds at the same time. Since the funds are all part of the same product and purchase decision, investors should receive the Fund Facts for all of those funds bundled together. Otherwise it would be confusing to the investor if the Fund Facts for	The CSA continues to support limiting the documents that may be attached to the Fund Facts, so as not to distract investors from key information about their mutual fund investments. The Fund Facts is intended to be a standalone document so investors can easily identify a Fund Facts for a particular fund. For the purposes of pre-sale delivery, Fund Facts are only allowed to be attached to other Fund Facts when the size of the overall document does not make the presentation of information inconsistent with the principles of simplicity, accessibility and comparability. For post-sale delivery, Fund Facts are permitted to be attached to certain other materials provided the Fund Facts are located first in any package. We are of the view that the limitations on binding ensure that the investors will not be confused and that the information in the Fund Facts will not be obscured. The binding restrictions for Fund Facts apply equally to all forms of delivery,

	each fund was delivered separately. Still other commenters requested clarification on whether Section 7.5 of the proposed Companion Policy applies to all forms of delivery of Fund Facts or whether it applies only to paper delivery. A couple of commenters noted that proposed subsection 5.2(2) of NI 81-101 states that Fund Facts sent electronically must not be attached to other materials or documents including another Fund Facts. They remarked that it was unclear why multiple Fund Facts can only be bound if they are sent in hard copy but not if they are sent electronically, particularly since it would be more efficient for an advisor to send, and more user-friendly for an investor to receive, one email with the appropriate Fund Facts bound in a PDF document rather than multiple e-mails that each only has one Fund Facts attached. One of these commenters thought it would be appropriate to include attachments for multiple Fund Facts or direct links to multiple Fund Facts in a single e-mail to a client. The number of attachments and/or links should be consistent with the number of Fund Facts that can be physically bound together. Commenters also stated that it was not clear as to why under proposed subsection 5.2(3) of NI 81-101 Fund Facts that are permitted to be delivered	including electronic delivery. We have clarified in the Companion Policy that where multiple Fund Facts are being delivered in compliance with the pre-sale delivery requirement, a single e-mail can be used provided that each Fund Facts is presented as a separate attachment or hyperlink. The general restrictions on the number of Fund Facts that can be combined would also apply.

	post-sale can be bound with the items specified in that section whereas Fund Facts delivered pre-sale are not permitted to be bound with such items.	
13. Availability of Fund Facts and Prospectus Upon Request	Once commenter stressed that investors should be able to request delivery of paper copies of the Fund Facts and/or the simplified prospectus at no charge.	The Amendments do not change the existing requirement for a prospectus or Fund Facts to be delivered at no charge to an investor upon request.
14. Sales Communications	One investor advocate remarked that the effectiveness of pre-sale delivery of the Fund Facts could be diminished if misleading ads and sales practices are allowed to prevail. This commenter urged the CSA to start applying sanctions and fines for misleading sales communications in order to protect the integrity and value of Fund Facts disclosure. Fund manufacturers should not be permitted to use the term "Fund Facts" for their own marketing documents, as it may cause confusion.	In the normal course of our prospectus reviews, and on a targeted basis, members of the CSA will continue to review the sales communications of publicly offered investment funds, including mutual funds.
15. Role of Dealer Representative	One industry commenter noted that the 2014 Proposal does not reflect the important role that dealer representatives have in making recommendations to investors about mutual funds that are suitable for them. Other than investors who use discount brokerages, the investor is relying on the advice and recommendations of a registered representative.	Nothing in the Amendments is intended to detract from the role of the dealer representative. The focus of the initiative is to develop a more effective disclosure regime for mutual funds. The Fund Facts is a tool for dealers and their representatives to assist in the sales process and help encourage a better dialogue with

		investors.
16. Embedded Fees and Fiduciary Duty	One investor advocate noted that disclosure is important but is not a panacea for the existing gaps in financial consumer protection. The CSA was cautioned against relying solely on disclosure and we were are encouraged to continue progress on initiatives aimed at investor protection for such as implementing a statutory best interest standard and banning embedded trailing commissions.	The CSA are committed to continuing work on recent consultations related to mutual fund fees and the appropriateness of introducing a statutory best interest duty.
17. Trade Confirmation Delivery Requirement	One industry commenter noted that Stage 3 will result in investors receiving two mailings, rather than one, for each mutual fund purchase: pre-delivery of the Fund Facts and post-delivery of a trade confirmation. This will double the mailing costs for each mutual fund purchase. Trade confirmations were originally intended to provide investor with a record of their securities transactions. With pre-sale delivery of Fund Facts together with CRM2 disclosure, there is little benefit, if any, from continuing to deliver trade confirmations. Accordingly, the CSA should introduce an exemption from the trade confirmation delivery requirement for any purchase of mutual fund securities.	We disagree that the trade confirmations have little or no benefit given pre-sale delivery of the Fund Facts and CRM2 disclosure. Trade confirmations are intended to provide investors with records of their securities transactions and pre-sale delivery of the Fund Facts and CRM2 disclosure do not replace that.
18. Educational Materials	An investor advocate recommended that the "Understanding mutual funds" brochure be updated to help investors to understand mutual	As we have previously stated, while we agree that investor education is a key aspect of investor protection, we do not

	funds and the information in the Fund Facts, and explain that mutual funds are not insured by the Canadian Insurance Deposit Corporation. The language in the brochure should be revised to be consistent with the Fund Facts. Another investor advocate recommended that the CSA prepare a companion guide for investors on how to use Fund Facts to make investment decisions.	propose to create a user guide for the Fund Facts as we think it is unnecessary. We will consider what CSA brochures may need to be "refreshed" with a move to pre-sale delivery of the Fund Facts.
19. Misrepresentation of Material Facts	One commenter noted that they continue to have concerns about the liability of funds and fund managers for the disclosure in the Fund Facts and the other prospectus and continuous disclosure documents. The commenter urged the CSA to conduct further analysis of this issue or outline a more complete explanation of the CSA's views in the Companion Policy.	The CSA disagree. The Fund Facts is incorporated by reference into the simplified prospectus. This means that the existing statutory rights of investors that apply for misrepresentations in a prospectus also apply to misrepresentations in the Fund Facts.
20. Compliance Reviews Post-Implementation	One investor advocate recommended that the CSA conduct compliance sweeps after implementation to determine if the pre-sale delivery exception is, in fact, the result of an investor driven request and whether it is being used appropriately or being abused.	The CSA continue to be committed to working with the SROs both during and after implementation of the pre-sale delivery requirement. We expect to conduct post-implementation compliance reviews to determine how the pre-sale delivery regime is working and, in particular, whether the pre-sale delivery exceptions are being used appropriately.
21. Investor Testing	One industry commenter proposed that the pre-	We agree that investor testing is an

	sale delivery requirement not be imposed without consumer testing and assessment to determine the effectiveness of the 2014 Proposal. Another investor advocate commenter encouraged additional document testing of the Fund Facts after implementation of the pre-sale delivery requirement to ensure that the Fund Facts is meeting its disclosure objectives, assisting investors in their decision-making process, and that it is understood and used by investors as anticipated and expected.	important input in developing more user-friendly disclosure. The Fund Facts has undergone significant investor testing throughout its development. In the fall of 2006, we tested two versions of the Fund Facts with both investors and sales representatives. One version was for mutual funds and the other for segregated funds. After reviewing the results of the testing, some changes were made to clarify or expand the information in the Fund Facts. These changes were reflected in the initial Framework, which was published on October 24, 2008. For further details of this testing, please refer to the *Fund Facts Document Research Report* prepared by Research Strategy Group in Appendix 5 to the Framework published on June 15, 2007, on the Joint Forum website and on the websites of members of the CSA. As part of Stage 2, prior to finalizing the Fund Facts, the CSA decided to test some additional proposed changes to the content of the document. This testing took place during September and October 2012. The main focus of that testing was on investors' understanding of the proposed changes to the Fund Facts, particularly the presentation of risk and past performance

		in the proposed amendments published on June 21, 2012. The results of this testing helped to inform the changes we have made to the Fund Facts. The final report, "*CSA Point of Sale Disclosure Project: Fund Facts Document Testing,*" is available on the websites of the Ontario Securities Commission and the Autorité des marchés financiers at www.osc.gov.on.ca and www.lautorite.qc.ca, respectively. Copies are also available from any CSA member.

Part 8 – List of Commenters

Commenters

- Advocis
- Assante Wealth Management (Canada) Ltd.
- BMO Investment Inc., BMO Nesbitt Burns Inc., BMO InvestorLine Inc., BMO Harris Investment Management Inc. and BMO Asset Management Inc.
- Borden Ladner Gervais LLP
- Broadridge Financial Solutions, Inc.
- Canadian Foundation for Advancement of Investor Rights (FAIR)
- Canadian Imperial Bank of Commerce and affiliates
- Dynamic Funds
- Edward Jones
- Fasken Martineau DuMoulin LLP

- Fidelity Investments Canada ULC
- IFS Tech Inc.
- Invesco Ltd.
- Investment Funds Institute of Canada (IFIC)
- Investment Industry Association of Canada (IIAC)
- Investor Advisory Panel, Ontario Securities Commission (IAP)
- InvestorPOS Inc.
- Le Mouvement des caisses Desjardins
- Lespérance, Jean
- Kenmar Associates
- Mackenzie Financial Corporation
- National Bank Financial, National Bank Direct Brokerage and National Bank Investments
- RBC Dominion Securities Inc., RBC Direct Investing Inc., Royal Mutual Funds Inc. and Philips, Hager & North Investment Funds Ltd.
- Scotiabank Capital Inc., Scotia Securities Inc. and HollisWealth Advisory Services Inc.
- ScotiaFunds
- TD Wealth