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MFDA Bulletin

Policy

For Distribution to Relevant Parties within your Firm

Policy Consultation Paper: CP 81-403

“Rethinking Point of Sale Disclosure for Segregated and Mutual Funds”

The Joint Forum of Financial Market Regulators recently released a consultation paper entitled “*Rethinking Point of Sale Disclosure for Segregated and Mutual Funds*”. The Consultation Paper sets out proposed changes to the way information about investment choices is communicated to consumers of segregated funds and mutual funds.

Regulators are concerned that consumers generally do not use the information folder or prospectus to inform their segregated fund or mutual fund purchase decisions.

The proposals in the Consultation Paper are designed to bring information to consumers when they need it, in a form they can use, and in a cost-effective and practical manner. The proposed system of disclosure rests on four cornerstones:

1. **Foundation Document:** Each fund will have a base disclosure document containing core information about the fund and its operator. The Joint Forum proposes that this document will not be required to be provided to an investor. Rather, disclosure obligations will be met provided the investor can “access” the document – either in electronic or paper form. This is a new “access equals delivery” framework.
2. **Continuous Disclosure Record:** Each fund will prepare annual audited financial statements and other prescribed disclosure. The continuous disclosure record will be available electronically and in paper form. The Joint Forum proposes to treat this document like the “Foundation Document” so that “access equals delivery”.

3. **Fund Summary Document:** Each fund will prepare a one- or two-page summary to communicate key information unique to the fund. Fund operators will make this document available to sales representatives and sales representatives will offer it to all consumers before a purchase is made. This will be the principal “point of sale” document for both segregated funds and mutual funds.
4. **Consumers Guide:** Market participants will offer a consumer’s guide to those consumers they believe will benefit. This document will contain objective educational information about segregated funds and mutual funds. It will not be fund-specific.

In addition, the Joint Forum proposes to eliminate the existing rights of withdrawal and rescission attached to the delivery of mutual fund prospectuses.

A copy of the Consultation Paper can be obtained online at regulators’ websites or by contacting Stephen Paglia, Senior Policy Analyst, Joint Forum Project Office: (416) 590-7054; spaglia@fsco.gov.on.ca.

The public has been invited to provide comments and feedback by April 30, 2003.

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