

IAC, Fund Facts defended

Re: Advisory panel gains traction (October 2011 issue)

JAMES LANGTON'S ARTICLE ON THE new investor advisory panel engaged in unfounded criticisms of the investor advisory committee and "took shots" at the earlier committee not based on facts. Among his criticisms is that the earlier committee did not produce reports or comment papers on specific important issues.

If Langton had reviewed the terms of reference of the 2006 committee, he would have known that the IAC did not have a mandate to initiate reports; only to respond and provide advice to the Ontario Securities Commission when it was requested. Any and all reports and comments produced were published, or not published, at the sole discretion of the OSC.

One of the conditions of the terms of reference of the IAC was that members could not disclose the work or results of the committee publicly. All disclosures were within the sole authority of the OSC.

While I applaud the work of the current panel, it is only fair to point out the differences between the two bodies. Two of the seven IAP members are CFA charterholders, bringing a strong level of technical expertise to the panel; one of the 11 members of the IAC was a CFA charterholder. The IAP members are compensated for their time; the IAC members were volunteers. The IAP has a budget for research; the IAC did not have a budget for research.

The most significant difference is that the IAP mandate, in its own words, "centres upon the written contributions that we will provide regarding various OSC initiatives to be chosen by the Panel." The IAP is free to select the issues on which it wish-

es to comment. The IAC did not have this freedom, nor did it have the resources to provide written contributions on matters of its own choosing.

Yes, it is true that the OSC let the IAC fade away. I was personally disappointed that the OSC let the committee fade away and did not make any attempts to contact the members for feedback on how it could have been improved or what was needed to make it effective. Some of the changes, such as the IAP's budget for research, may have come from the OSC's own observations.

I believe that both the volunteer members of the IAC and the OSC learned a great deal from the earlier experience. Perhaps it was this learning that has allowed the IAP to be successful in the current initiative.

It is disappointing that a publication focused on the investment industry did not take the time to understand the IAC and what it did accomplish within its restricted mandate.

*Kelly Rodgers, president,
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Re: Fund Facts still seriously flawed (October 2011 issue)

I READ WITH INTEREST THE GUEST column written by Ermanno Pascutto and Marian Passmore at FAIR Canada.

We would be the first to suggest the point-of-sale initiative, as it stands, is not the ideal solution. However, the evident frustration and criticism of the POS initiative in the column is unjustified, conveniently avoiding critical information, and failing to recognize the well-meaning efforts of the regulators, the securities in-

dustry and the investing public to strike the right balance between investor protection and a cost-efficient transaction process.

The lengthy rule-making process reflects efforts to consult widely with market participants to find the right abbreviated disclosure for *Fund Facts*, particularly in the context of extensive reforms to the disclosure and conduct in the financial advisory business, as well as an effective mechanism to deliver timely disclosure before executing a trade.

The column neglects to mention the reforms supplementing disclosure in the *Fund Facts* document, such as conflict-of-interest disclosure mandated in National Instrument 31-103 and the client relationship model, or the approach adopted by the securities industry to provide email communication to clients with "hot links" to relevant disclosure information before a mutual fund is purchased. The article gives the impression the Stage 2 disclosure requirement is the final rather than an interim step until the issues related to POS delivery prior to a mutual fund purchase have been resolved.

While [we have] proposed the Securities and Exchange Commission approach that "access to disclosure (on a designated website) equals delivery," the Canadian Securities Administrators seeks a more fulsome solution.

The column, written with a rather selective perspective on the rule-making process, is unfair to well-intentioned efforts at reform, and undermines the very investor confidence the rule framework attempts to bolster.

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Transcontinental
MEDIA

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PRINTED BY TRANSCONTINENTAL
INTERWEB TORONTO
PREPRESS SHARED PRODUCTION CENTRE, TORONTO
CANADIAN PUBLICATIONS MAIL PRODUCT. SALES AGREEMENT NO.
40064924

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25 SHEPPARD AVE. W., TORONTO, ONT. M2N 6S7
ISSN NUMBER: 1202-7405