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October 15, 2007

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Acting Policy Manager  
Joint Forum Project Office  
5160 Yonge St.  
Box 85, 17<sup>th</sup> floor  
North York, ON  
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CANADA

RE: Proposed framework 81-406: Point of sale disclosure for mutual funds  
and segregated funds

Dear Mr. Mohindra:

The Investment Company Institute<sup>1</sup> commends the Joint Forum's initiative to provide mutual fund investors with better fund disclosure. The ICI is a strong advocate for a simplified approach to mutual fund disclosure, primarily because of the importance of providing investors with a high quality, easy-to-read document highlighting key information about funds.<sup>2</sup> We believe that the disclosure model in the Proposed Framework represents a significant step toward a disclosure document that will be more useful for both investors and funds. We are disappointed, however, that the Joint Forum has chosen to combine simplified disclosure with the imposition of new delivery requirements on mutual funds and segregated funds that will not be applicable to other investment products. The ICI and its members with affiliated Canadian operations cannot support a proposal that would change the timing of delivery to require mutual funds and segregated funds, but not other investment products, to provide product disclosure earlier in the sales process.

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<sup>1</sup> The Investment Company Institute is the national association of the U.S. investment company industry. The ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. ICI members include 8,889 open-end investment companies (mutual funds), 675 closed-end investment companies, 471 exchange-traded funds, and 4 sponsors of unit investment trusts. Mutual fund members of the ICI have total assets of approximately \$11.339 trillion (representing 98 percent of all assets of US mutual funds); these funds serve approximately 93.9 million shareholders in more than 53.8 million households.

<sup>2</sup> See, e.g., Securities and Exchange Commission Interactive Data Roundtable, Statement of the Investment Company Institute (June 9, 2006), available at [www.ici.org/statements/tmny/06\\_sec\\_rdttable\\_tmny.html](http://www.ici.org/statements/tmny/06_sec_rdttable_tmny.html).

## **Timing of Delivery**

Requiring disclosure prior to selling mutual funds would create incentives for dealers and other intermediaries to sell products not subject to the same requirement, even when those products do not offer the same level of regulatory protection and other benefits for investors. Regulators in multiple jurisdictions have expressed concerns about this issue. For example, in discussing point of sale disclosure initiatives last year, former NASD Chairman Robert Glauber stressed the need to consider this consequence, explaining that “[a]n investor should be sold a security because it’s right for him or her, not because it’s easier to sell than something else.”<sup>3</sup> More recently, Commissioner Charlie McCreevy of the European Commission expressed concern that EU regulations that impose different selling rules and different levels of product and fee disclosure on different types of investment products may be distorting competition among those products and resulting in a disservice to retail investors.<sup>4</sup> If the Joint Forum considers it beneficial for investors to receive certain information earlier in the sales process, it should do so for all retail investment products.

## **Simplified Disclosure**

Although we disagree with the proposal to change the timing of delivery of mutual fund disclosure, other aspects of the proposal hold great promise. Simplified mutual fund disclosure such as that contemplated in the proposed framework could create significant benefits for fund shareholders. ICI research, consistent with the findings of the Joint Forum, suggests that investors would be far more likely to read a streamlined disclosure document than the prospectuses that are typical today.<sup>5</sup> A reduction in the volume of paper that funds are required to send out may also reduce costs borne by funds and their shareholders. We urge the Joint Forum to move forward with simplified disclosure for mutual funds without imposing disparate delivery requirements on mutual funds, but instead with the same delivery requirements that are currently imposed with respect to the simplified prospectus.

## **Conclusion**

New disclosure regimes for mutual funds are being considered by regulators around the world. These have the potential to result in better-informed investors who know more about and demand more from their investments and the companies that provide those services. The imposition of a more burdensome sales process that applies solely to a the limited class of investment products represented by

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<sup>3</sup> See Remarks by Robert Glauber, Chairman, NASD, at the Investment Company Institute’s 2006 General Membership Meeting (May 18, 2006), available at [www.finra.org/PressRoom/SpeechesTestimony/RobertR.Glauber/p016642](http://www.finra.org/PressRoom/SpeechesTestimony/RobertR.Glauber/p016642).

<sup>4</sup> Commissioner McCreevy also expressed concern that investment products may be structured or sold under certain wrappers to avoid inconvenient regulatory requirements on product disclosure or distributor compensation. The European Commission plans to publish a call for evidence in October 2007 to examine product disclosure. See Remarks by Charlie McCreevy, European Commissioner for Internal Market and Services, at the Public Commission Hearing on Retail Financial Services (Sept. 19, 2007), available at [europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/07/548&format=HTML&aged=0&language=EN](http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/07/548&format=HTML&aged=0&language=EN).

<sup>5</sup> See Investment Company Institute, Understanding Investor Preferences for Mutual Fund Information (Aug. 2006), available at [www.ici.org/stats/res/1rpt\\_06\\_inv\\_prefs\\_full.pdf](http://www.ici.org/stats/res/1rpt_06_inv_prefs_full.pdf).

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mutual funds and segregated funds may reduce those benefits by making it easier and faster for intermediaries to sell other products, even if those products are less regulated and do not offer the transparency or other benefits of mutual funds. The ICI and its members cannot support disclosure delivery requirements that unfairly change the sales process for mutual funds.

We thank the Joint Forum for the opportunity to express our views on the Proposed Framework and invite you to contact us directly if you have any questions about our comments at +1 202-326-5813 or [solson@ici.org](mailto:solson@ici.org).

Sincerely,

/s/ Susan M. Olson

Susan M. Olson  
Senior Counsel, International Affairs